George Weston Limited Annual Report 1982

Weston

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

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Annual Meeting of Shareholders
Monday May 2, 1983 at 10:30 a.m., Royal York Hotel, Toronto, Ontario

1982 was the Centenary of the founding of the business that has become George Weston Limited.

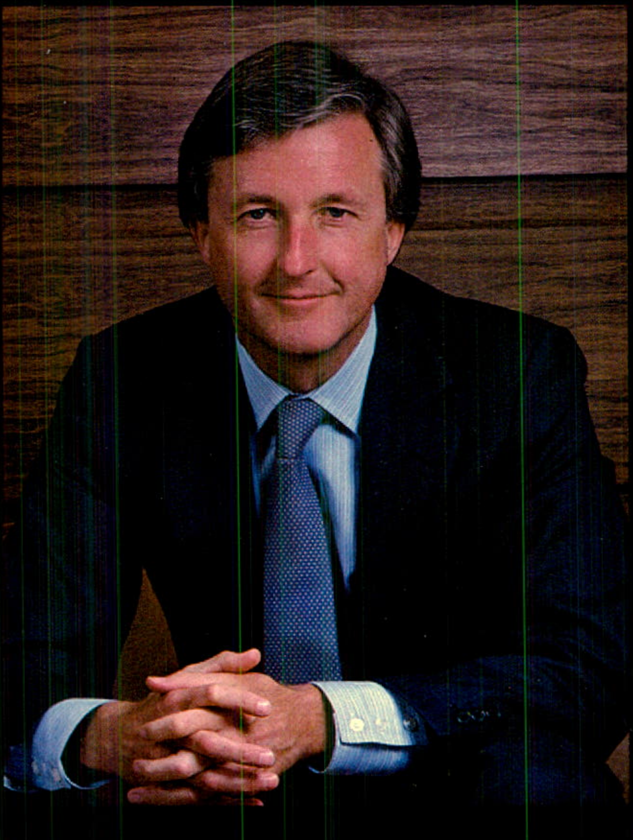
To commemorate this event, we acquired during the year our own distinctive Coat of Arms.

The Motto — "Probabit Gustus" — "let the taste prove" — first used by George Weston, the founder, has been incorporated into the Coat of Arms.

Shown at the right, at the entry of our corporate headquarters, is the sculpture created by Gordon Smith, symbolizing the motto used by W. Garfield Weston for over 50 years.

We are proud of our heritage and achievements and look forward with enthusiasm and confidence to our future.

"Tis the set
of the sails and not
the gales that determines
the way they go."



Chairman's letter

The year 1982 was a successful one for your Company. In view of the difficult economic conditions, a 5% sales increase and 11% decline in earnings before extraordinary items represent satisfactory levels of performance.

North American consumers experienced a significant loss of confidence under the joint pressures of reduced real incomes and loss of job security during the year. At the same time, many of the more significant costs of doing business continued to rise and many companies were caught in a classic cost/price squeeze.

In spite of such an environment Weston's food businesses both produced record sales and earnings. Food Processing improved its return on capital employed to 22.3% with a 6% increase in operating income. Food Distribution had an excellent year in a difficult competitive environment surpassing the $6 billion sales level with operating income of $114.7 million.

Some relief came during the year by way of reduced commodity costs in our core Food Processing business. In our Food Distribution business further cost reduction programs, and the continued culling out of unproductive assets and replacement by more efficient ones, improved our competitive position. In these two businesses our operating sales base is relatively insulated from world market gyrations. In our Resource businesses, however, we were very much subject to international markets and 1982 will be remembered as one of the most difficult years ever for the Canadian fish processing and forest products industries. It should be reassuring to all Weston shareholders to realize that the Company was able to suffer such a downturn in its Resource business and still produce a 15% return on average capital employed.

For several years Weston's policy has been to search out areas of potential productivity improvement and invest heavily in support of them. By far, the largest single project ever undertaken by this Company is the modernization of the E.B. Eddy Espanola pulp mill. Strategically, this project enhances our corporate commitment to be a high quality and low cost producer. I am pleased to report it is on time and below budget.

You will realize as this report unfolds that much good work has been done during the year. Changes continue to take place in response to a tighter and tougher marketplace. Certain assets have proven to be uncompetitive and have been sold. The remainder are positioned to work harder and deliver improved performance.

I am satisfied that our relative strategic position in each of our sectors is sound and I am confident that your management has read the economic reality correctly. During and beyond this difficult time I look forward, therefore, to superior returns for the shareholders of George Weston Limited.

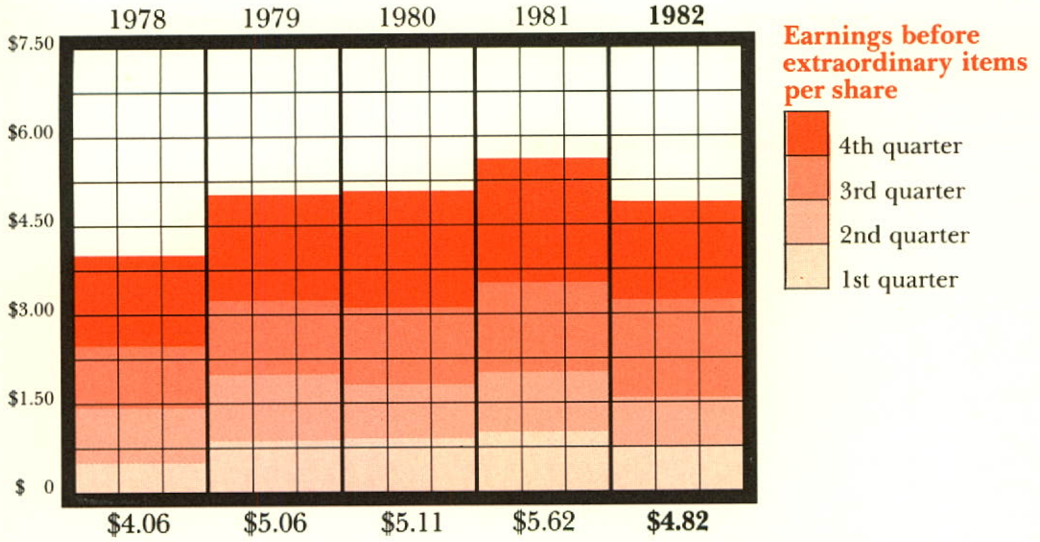
W. Galen Weston

W. Galen Weston
Chairman and President

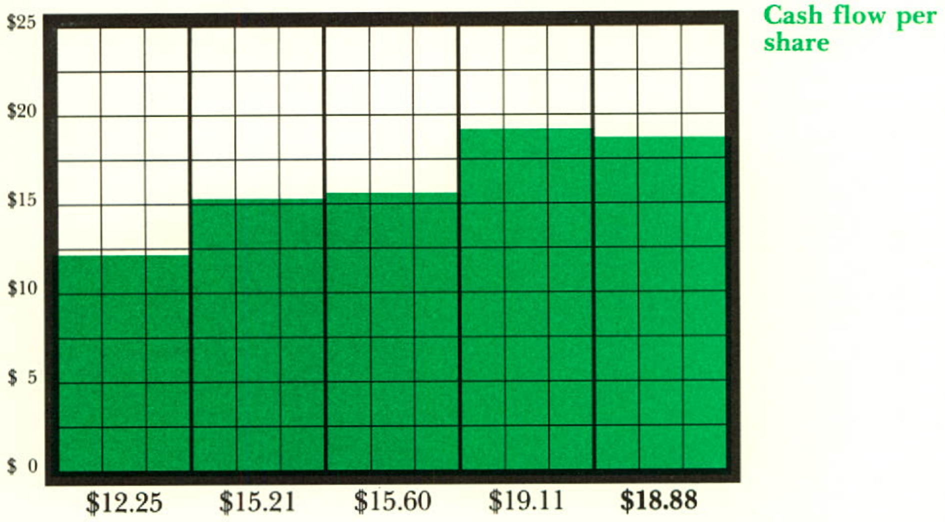
Financial highlights

Financial Highlights

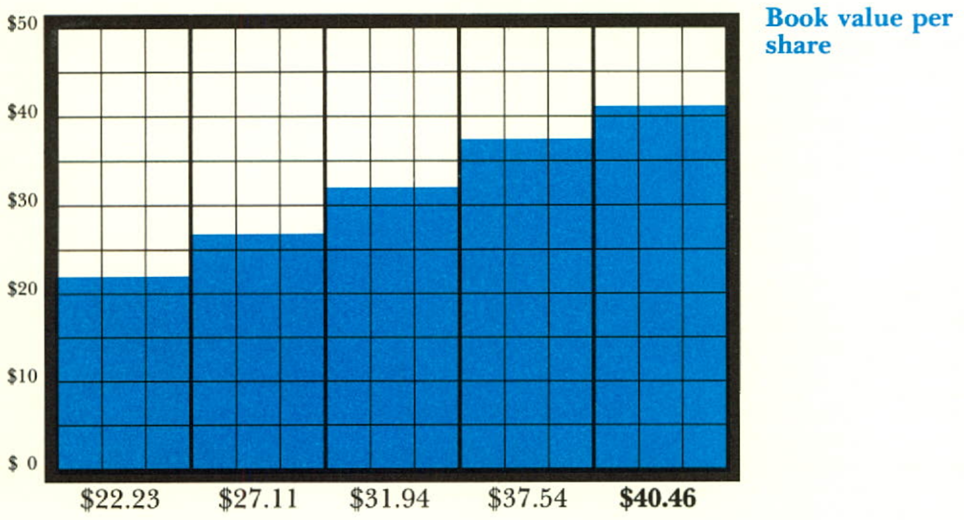
In millions of dollars	1982	1981
Operating results		
Sales	**$7,830.5**	$7,428.6
Operating income		
- First quarter	**38.9**	41.1
- Second quarter	**41.0**	47.7
- Third quarter	**60.1**	68.8
- Fourth quarter	**62.4**	72.3
Total	**202.4**	229.9
Earnings before extraordinary items	**70.4**	79.2
Earnings per share		
- First quarter	**.71**	.93
- Second quarter	**.84**	1.11
- Third quarter	**1.59**	1.59
- Fourth quarter	**1.68**	1.99
Total	**4.82**	5.62
Net earnings	**68.7**	95.3
Financial position		
Long term debt	**345.4**	265.6
Shareholders' equity	**626.8**	591.0
Total assets	**2,072.2**	1,898.1
Cash flow		
Cash flow from operations	**213.4**	214.6
Capital expenditures	**217.5**	205.7
Ratios		
Return on average capital employed	**14.6%**	18.1%
Return on average common equity	**12.3%**	16.2%
Working capital ratio	**1.32 to 1**	1.40 to 1
Debt to equity	**0.76 to 1**	0.60 to 1



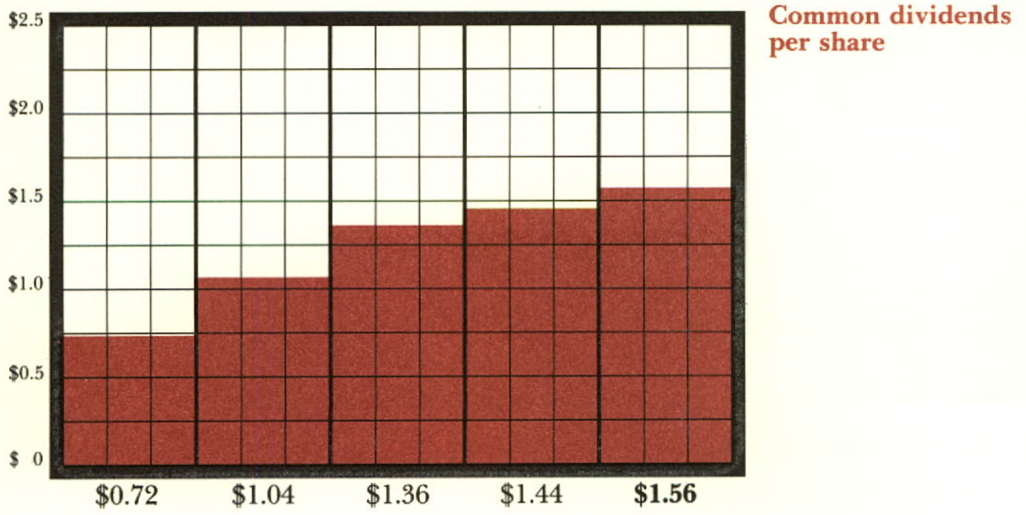
1978
1979
1980
1981
1982
$7.50
$6.00
$4.50
$3.00
$1.50
$ 0
$4.06
$5.06
$5.11
$5.62
$4.82
Earnings before extraordinary items per share
4th quarter
3rd quarter
2nd quarter
1st quarter



$25
$20
$15
$10
$ 5
$ 0
$12.25
$15.21
$15.60
$19.11
$18.88
Cash flow per share



$50
$40
$30
$20
$10
$ 0
$22.23
$27.11
$31.94
$37.54
$40.46
Book value per share



$2.5
$2.0
$1.5
$1.0
$0.5
$ 0
$0.72
$1.04
$1.36
$1.44
$1.56
Common dividends per share

Weston 1982

The 1982 results of operations demonstrated the underlying financial strengths and operating resources of George Weston Limited. Weston's long run objectives continue to be centred on improvement in the return on capital employed within a strategically stable balance of businesses which offer an opportunity for growth.

Operating income for 1982 was $202 million, a decrease of 12% from 1981. The Food Processing and Food Distribution Groups, which represent approximately 70% of Weston's capital employed, contributed increased operating earnings, the fifth successive year of this growth. The recession that has affected severely the forest products and fishing industries held our Resource Group to a reduced operating income. Earnings before extraordinary items decreased 11% to $70 million and earnings per share before extraordinary items of $4.82 decreased from the 1981 record of $5.62 per share.

Long term financial objectives achieved.

The long term financial objectives for the five year period ended in 1982 were again exceeded. Return on average capital employed for 1982 was 15%, down from 1981's level of 18%, and compares favourably with our long term objective of 15%. Average return on capital employed of 17% was achieved over the most recent 5 year period. Return on common shareholders' equity in 1982 at 12% was below our long term goal of 15%; the five year average over the period ending in 1982 was 17%. The primary factor reducing the return on common shareholders' equity in 1982 was the impact of the economic climate on operations, particularly in the Resource Group.

Weston's financial objectives focus on the ability to finance programs in a manner consistent with cash flows, while maintaining an adequate growth rate and return on common shareholders' equity. The debt to equity ratio was well within targeted levels at 0.76:1 at 1982 year end. Cash flow per common share in 1982 was $18.88 per share, down slightly from 1981, and approximated the net amount reinvested in new and upgraded fixed assets.

Slowing rate of sales increase as a result of declining consumer income and price inflation.

For the year 1982 sales of $7.8 billion reflected an increase of 5% over 1981. The declining real level of consumer income and food price inflation resulted in a slowing rate of sales increase and placed additional pressure on gross margins as many operating costs continued to accelerate in line with the general rate of inflation. Control of costs and programs to maximize operating efficiency have been the critical factors in maintaining strong operating results. Notwithstanding stringent cost controls and the benefit of recent capital investments to modernize our Resource Group facilities, the declining market prices of resource products reduced this Group's margins below acceptable levels.

Operating income declines.

Operating income declined 12% from the prior year, but reduced interest costs resulted in only a 7% decline in earnings before income taxes to $151.3 million. Interest expense in 1982 of $51.2 million compared to $67.1 million in 1981 and resulted from declining rates and the application of disposal proceeds as well as tight control over working capital, which reduced the average net level of borrowings in our operating businesses below 1981 levels. Weston's interest expense coverage ratio improved to 3.96 from 3.43 at the end of 1981, a creditable achievement in this period of volatile interest rates, declining earnings and generally eroding corporate liquidity.

Earnings per share at $4.82 has shown a 15% compounded growth rate since 1977's earnings per share of $2.36. While this growth rate meets our long term target, the earnings per share decline in 1982 presents a major challenge to the Company in maintaining this targeted growth in 1983.

Capital expenditure projects continue at recent annual levels.

Weston has increased its investment in physical plant and equipment substantially over the past several years to take advantage of market opportunities available to the efficient producer and supplier of goods.

During 1982, capital expenditures were $217 million. In addition there were expenditures of $23 million for fixed assets with the acquisition of subsidiaries and $42 million for leased warehouses and stores for a total 1982 increase in fixed assets, net of deferred real estate income, of $274 million. Of this, $90 million was for the second year of the three year modernization and expansion program at our pulp mill and lumber operations at Espanola and Nairn Centre, Ontario. Included in the 1982 capital program for additional facilities and the improvement of productivity in our present facilities were the addition and upgrading of Food Distribution stores and warehouses, the Halton Hills dairy plant project and the substantial completion of the Prince Rupert plant modernization.

Weston's capital investment program reflects our determination to increase productivity. While overall productivity of Canadian industry has been slowing since the 1960's, Weston has achieved continued improvements. Our corporate strategy directs investment to areas of the business offering the most satisfactory long term returns and potential. As part of the same process, areas of the business not offering satisfactory potential are reviewed for alternative strategies. During 1982, these reviews resulted in the disposal of selected segments of the Food Distribution Group releasing funds for investment in other areas offering greater long term returns.

E.B. Eddy Espanola project on time and below budget.

In late 1983, the E.B. Eddy pulp and lumber mill expansion and modernization will be completed with a further expenditure of $87 million. The completion of this $232 million program, the largest capital program in the history of the Company, will dramatically improve productivity, quality and pulp capacity.

Total capital expenditures in 1983 will exceed $200 million with emphasis on improving productivity at present facilities.

The Weston policy of controlling capital employed and targeting rates of return on capital employed proved to be critical in attaining satisfactory results for 1982. A sales increase of 5% was achieved with only a 4% increased investment in receivables and inventories. This is reflected by the fact that since 1978, Weston sales have increased 49% while our investment in receivables and inventories has increased only 33%. Since the beginning of 1978 working capital has increased $61 million; 1982 working capital of $237 million declined from 1981 reflecting the investment in fixed assets of long term funds raised in prior years.

Cash flow of $213 million approximates capital expenditures.

Debt including capital leases as a percentage of Weston's total capital employed at the end of 1982 was 40%, which compares to 35% at the end of 1981. This increase principally reflects the financing requirements of Weston's capital expenditure program in 1982. It is anticipated that this ratio will modestly increase in 1983 as the major expansion program at Espanola and Nairn Centre concludes and subsequently improve as Weston's capital expenditures return to more normal levels in 1984.

Weston will continue to carefully control its debt to equity ratio and reduce its percentage of floating rate debt through the issue of additional fixed rate financing when market conditions are favourable. At the end of 1982 57% of total debt was fixed as compared to 55% at the end of 1981 and 30% at the end of 1977. By reducing interest rate exposure within its capital structure and achieving a high contribution from capital expenditures, Weston will continue to maintain strong financial ratios.

Strong asset base provides opportunity for growth.

Weston's common share dividend policy reflects a target payout of the prior year's earnings giving consideration to cash flow, capital requirements and financial markets. Quarterly dividends were increased 11% at the beginning of 1982 to an annual rate of $1.56. A further increase in dividends is not contemplated in the current business environment. While recognizing the need for cash returns to shareholders, Weston is also aware of the requirement for a strong asset base which provides the opportunity for capital appreciation to shareholders.

The effect of inflation on the financial statements and the reporting of results from operations has become an increasingly significant problem for business. While the previously experienced high levels of inflation are declining, the cumulative impact on the balance sheet remains. The inflationary impact on inventories which affects both earnings and the balance sheet, in Weston's case, is lessened somewhat by their rapid turnover. Fixed asset costs, while relatively current in the Food Distribution Group, have been acquired in the Food Processing and Resource Groups over a number of years. Any adjustment to reflect current cost would result in a significant increase in the net values of property, plant and equipment and a corresponding increase in the depreciation charge for the year.

Keeping pace with competition means increasing productivity and lowering costs while maintaining or improving product quality. The technical back-up needed to achieve these objectives is supported through the services provided by the Weston Research Centre, a strong and strategically guided research and development facility.

Research and development assists in improving product quality standards.

The Weston Research Centre assists in monitoring the quality of many corporate brands, generic and bulk products, beginning with exacting specifications against which subsequent quantitative, microbiological, sensory and formulation testing is conducted. However, it is through the development of new products and product improvements, as well as from research, basic and applied, that the Weston organization will gain the greatest rewards from technology.

During recent months, there has been encouraging progress in basic studies of microwave food processing; methods for faster and more accurate analysis of food purity and nutritional content; and a comprehensive examination of food preservation. In a joint venture with Ontario Energy Corporation, Weston Research is developing a process for the production of fuel grade ethanol from wood waste residues.

The Weston Research Centre is committed to creating effective linkages of its scientific capabilities with the technical needs of the operating companies in fulfilling their commitments to our customers.

Weston will continue to concentrate on maintaining or achieving a position of market leadership in areas served by the Company and providing quality products and services equal to or superior in value to those of our competitors. Selective capital expenditures, funded mainly by internal cash flow, will be made in order to maintain and expand the productive efficiencies of our businesses.

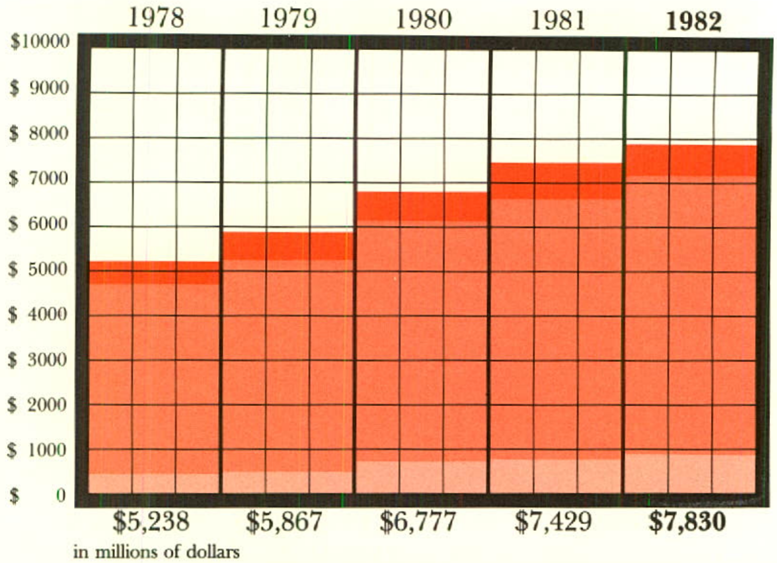
Business strengths offer confidence for continued profit.

Weston is entering 1983 with the fundamental strengths of its business secure and confident in its ability to meet long term objectives. The core businesses of the Food Processing Group, with stable markets and profitability in both Canada and the United States, will provide an offset to the volatility of the Resource Group. This latter Group, because of its diversification and integration, will benefit from a strengthening of the economy. The Food Distribution Group, operating with increased efficiencies in a competitive market, will maintain a strong balance between wholesale and retail operations in Canada and the United States providing a stable base for growth.

Group summary

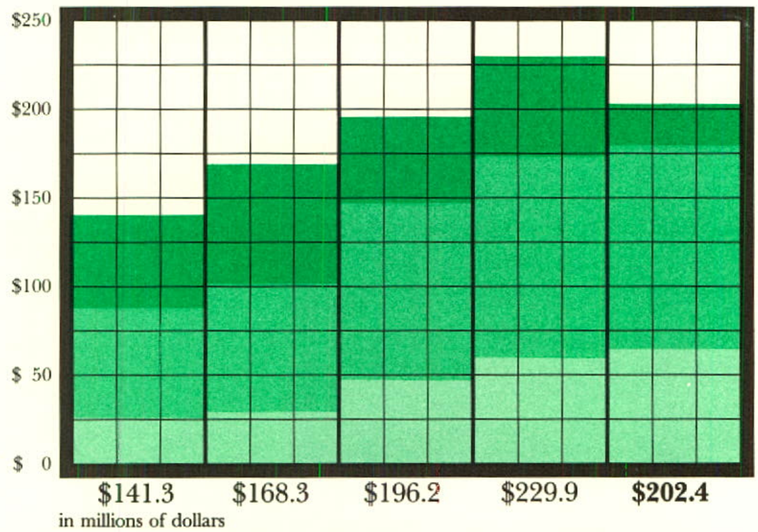
Sales by Group

Resource
Food Distribution
Food Processing



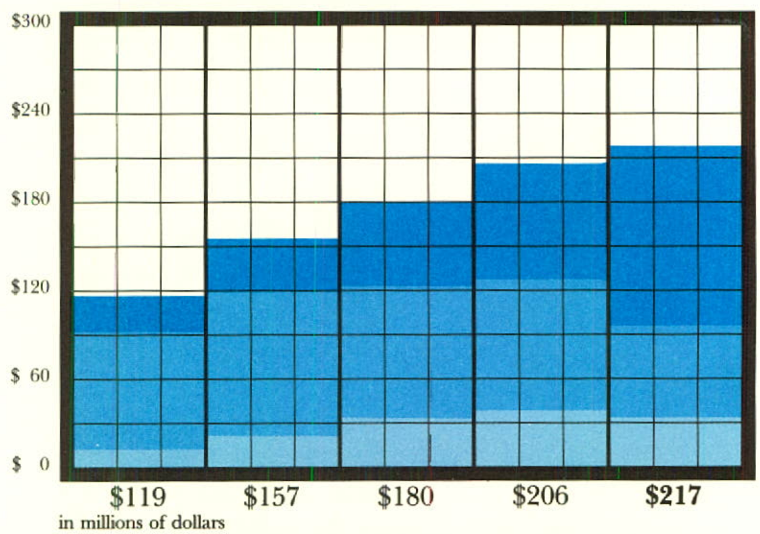
Operating income by Group

Resource
Food Distribution
Food Processing



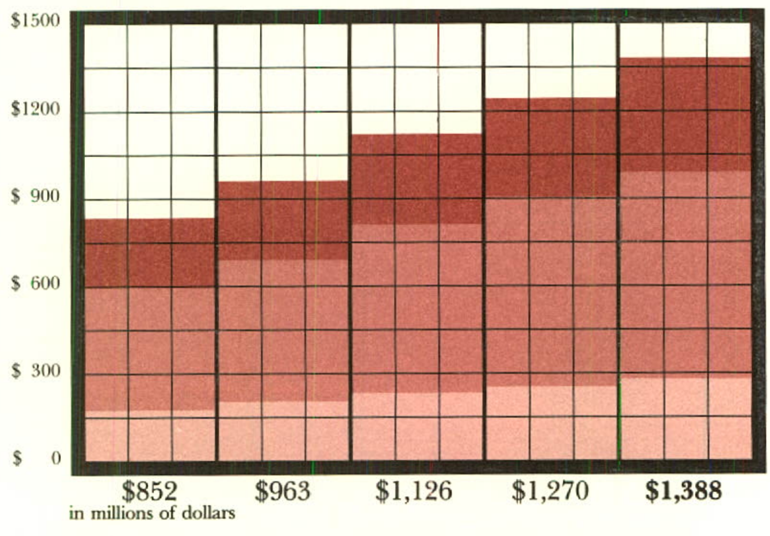
Capital expenditures by Group

Resource
Food Distribution
Food Processing



Average capital employed by Group

Resource
Food Distribution
Food Processing



Group Summary

In millions of dollars	1982	1981	1980	1979	1978
Sales					
Food Processing	**$1,134**	$1,038	$ 905	$ 630	$ 567
Food Distribution	**6,221**	5,795	5,375	4,725	4,247
Resource	**717**	816	712	691	586
Inter-Group	**(242)**	(220)	(215)	(179)	(162)
Total	**7,830**	7,429	6,777	5,867	5,238
Operating income					
Food Processing	**64.6**	61.1	48.9	29.5	28.9
Food Distribution	**114.7**	113.5	99.7	71.8	59.6
Resource	**23.1**	55.3	47.6	67.0	52.8
Total	**202.4**	229.9	196.2	168.3	141.3
Average capital employed					
Food Processing	**290**	284	243	195	185
Food Distribution	**655**	623	576	493	416
Resource	**443**	363	307	275	251
Total	**1,388**	1,270	1,126	963	852
Return on average capital employed					
Food Processing	**22.3%**	21.5%	20.1%	15.1%	15.6%
Food Distribution	**17.5%**	18.2%	17.3%	14.6%	14.3%
Resource	**5.2%**	15.3%	15.5%	24.4%	21.0%
Average	**14.6%**	18.1%	17.4%	17.4%	16.6%
Capital expenditures					
Food Processing	**34**	41	34	22	13
Food Distribution	**65**	88	90	98	80
Resource	**118**	77	56	37	26
Total	**217**	206	180	157	119

George Weston Limited is a broadly based Canadian company conducting food processing, food distribution and resource operations in North America. Weston's sales base approximates 12% food processing, 79% food distribution and 9% resource. Capital employed approximates 20% food processing, 50% food distribution and 30% resource.

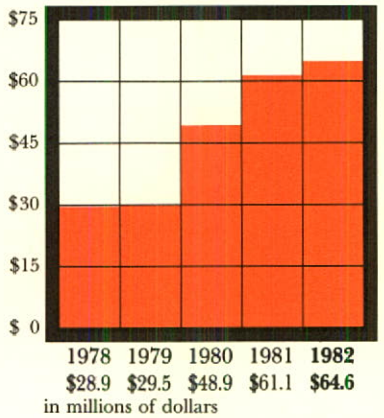
Approximately 63% of Weston's sales are generated in Canada and 37% in the United States, while 73% of its assets are in Canada and 27% in the United States.

Weston's sales rank it among the largest companies in Canada; its food processing operations rank among the major food processors in Canada while the Food Distribution Group is the largest wholesale and retail food distributor in Canada and among the largest in North America. The Resource Group is one of the largest fish processors in Canada and operates forest products operations in Eastern Canada and the North Eastern United States.

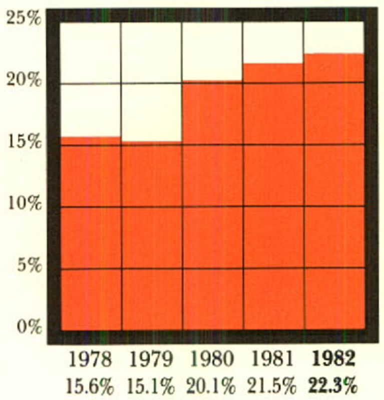
Food processing

Food Processing sales increased 9% in 1982 to $1,134 million. Operating income increased 6% to $65 million while return on average capital employed of $290 million increased to 22.3%, well above the 1981 average for Canadian food processors of 17%.

Operating Income



Return on Average Capital Employed

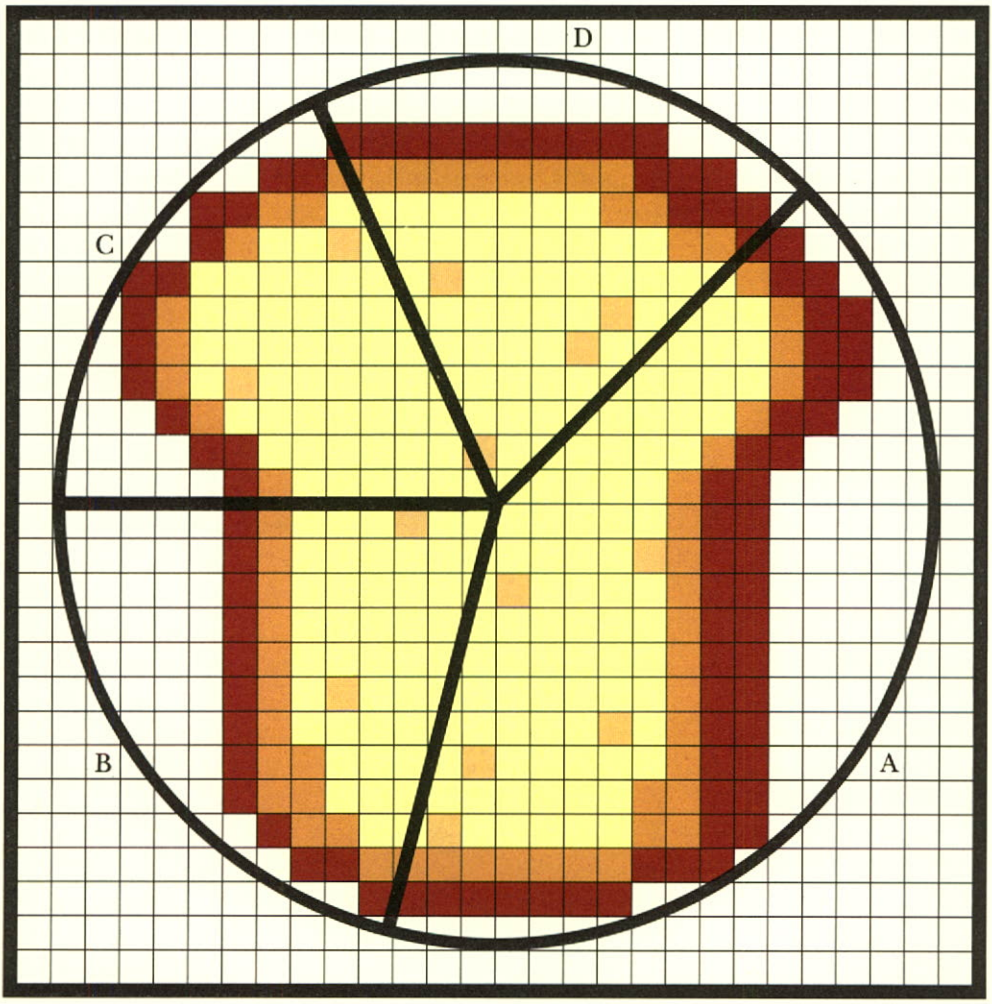


The Food Processing Group is one of the largest food processing businesses in Canada. Two-thirds of its sales and capital employed are in Canada and one-third in the United States, with over 80% of sales to other than affiliated Weston companies. The Group's strengths are its diversification, both geographically and by business segment, its strong core businesses and its well known brands.

In 1982,the North American food processing industry was less affected by unfavourable economic circumstances than most industries. Food company profits, however, were down on average; few food categories experienced real growth, and the competitive environment intensified. As a consequence, in many instances margins were depressed and in others, promotional expenditures increased. The six to seven percent food industry price inflation was about half of what it has been in recent years. This is largely due to favourable commodity costs, declining interest rates and lower labour rate increases in the United States.

Fixed asset additions in 1982 were $34 million. The largest single project is construction of a new dairy plant by Neilson in Halton Hills, Ontario. This modern plant will replace old and inefficient facilities in Toronto and Guelph. During the past five years $144 million has been invested in modernizing and upgrading Food Processing Group facilities.

Increasing productivity in a weak economy has required the highest priority to cost reduction and improving efficiencies as all of our operations seek to remain low cost producers. The new dairy plant will process milk at a 50% faster rate with fewer personnel, and the savings in distribution will also be substantial. Weston Bakeries' new Toronto distribution facility has reduced the per pound cost of shipping by 23%. However, not all such improvements require major capital. Stroehmann Brothers' energy conservation



The above graph represents the approximate sales balance of the divisions within the Food Processing Group.

A. Baking & Milling
B. Biscuit & Confectionery
C. Chocolate & Dairy
D. Food Specialties

program, for example, has reduced energy consumption per loaf of bread produced, by one-third over a ten year period, yielding an annual savings in excess of $1 million. A value analysis program has been in effect in the Group for many years and major cost reductions have been achieved through process and/or product reformulations. In this regard, the extensive resources of the Weston Research Centre are available to all our operations.

As a consequence of the increasingly difficult and uncertain economy, the Group has strengthened its planning and analysis capability. During 1982, senior operating and corporate group executives completed an extensive review of the current business situation and our future opportunities. This appreciation of strengths and weaknesses has significantly increased our strategic thinking and planning capabilities.

Baking and milling increase sales by responding to changing consumer demands.

Sales of our Baking and Milling division, 40% of the Group's sales in 1982, increased by 14% to $456 million. Stroehmann Brothers' sales increase was aided by the sales stemming from the bakeries acquired in 1981. In general the commercial baking industry has experienced little or no growth with a marginal decline in bread sales largely offset by increased sales of rolls and sweet goods. White bread continues to lose favour as consumer preference shifts to whole wheat and other variety breads. A key inhibitor to the growth of commercial bakeries is the increase in retail in-store bakeries and the proliferation of small independent and franchise bakeries in major centres. Our bakeries have sustained their business by responding to changing consumer desires with new variety breads, by being more aggressive in sweet goods production, and by becoming a major supplier of frozen doughs to retail in-store bakeries in Canada. Stroehmann's purchase of several bakery facilities in 1981 allowed significant geographic expansion in 1982. While not all of these additions are yet profitable, Stroehmann's long term outlook is substantially improved as a result of these acquisitions.

For our two flour mills, volume was down slightly in 1982 as decreases in export sales exceeded increases in domestic sales. Mill feed prices were lower as a consequence of an abundant crop of most agricultural products.

Biscuit and confectionery division experiences volume increase.

Sales of our Biscuit and Confectionery division, which accounted for 23% of Group sales in 1982, were $259 million. Both the Canadian and United States operations experienced volume increases. In Canada the increase is attributable to sales of new products such as Granny Snaps, a range of uniquely packaged cookies, and to Snackbread, a light extruded product. A major increase in bulk confectionery products resulted from the introduction of bulk food sections by a number of major retailers. In the United States the volume improvement came from increased sales of Girl Scout cookies and the introduction of several new products under the FFV label.

Dairy results improve.

The sales of the Chocolate and Dairy division increased 5% to $223 million, 20% of Group sales in 1982, as strong dairy products performance offset Neilson's candy bar sales, which were below the previous year. While there was some softness in consumer demand, the primary problem was with retailers and wholesalers who, concerned about high interest rates and working capital, made sharp cuts in their confectionery inventories. In other developments, Toffifay, a unique new boxed chocolate specialty, has been very successful, and Bubbles, a light, chocolate enrobed biscuit bar, was introduced nationally in the fall. With further trade inventory cutbacks unlikely, and with Neilson more competitive in the "thick bar" category, we expect sales improvements in 1983. Neilson sales of fluid milk, cream and yogurt were well ahead of last year and dairy volume increases reflect growth in market share.

Food Specialties sales in 1982 declined by 4% to $196 million, 17% of the Group's sales, as substantially lower prices for sugar and other commodities such as peanuts tended to suppress dollar sales. For Westcane, while revenue was down, volume was about the same as last year, with the refinery continuing to operate at full capacity.

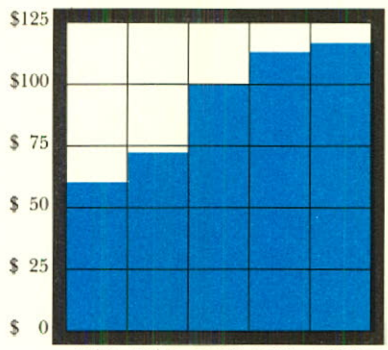
Aggressive product development key to 1983 performance.

Our 1983 business posture is based on the assumption that the environment will continue to be difficult and challenging, and that competitive pressures will intensify. Commodity costs are likely to be favourable in the near term, but this advantage is being eroded by rising costs in most other areas. In these circumstances, reducing costs and improving productivity continues as a priority. We will continue to look for new opportunities but our emphasis will be on improving profitability and strengthening our core businesses. Capital investment in 1983 will closely parallel last year with the largest single project, the new dairy plant, scheduled to be operational by the middle of this year. Each of the companies is implementing aggressive product development and marketing programs keyed to the current environment and we expect 1983 to be another year of progress for the Group.

Food distribution

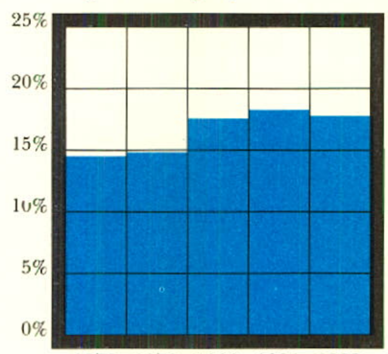
The Food Distribution Group, conducted through Loblaw Companies Limited, had sales of $6.22 billion, 7.4% above 1981, while operating income increased to $114.7 million and earnings before extraordinary to $45.0 million, all records for that Company.

Operating Income



1978 1979 1980 1981 **1982**
$59.6 $71.8 $99.7 $113.5 **$114.7**
in millions of dollars

Return on Average Capital Employed

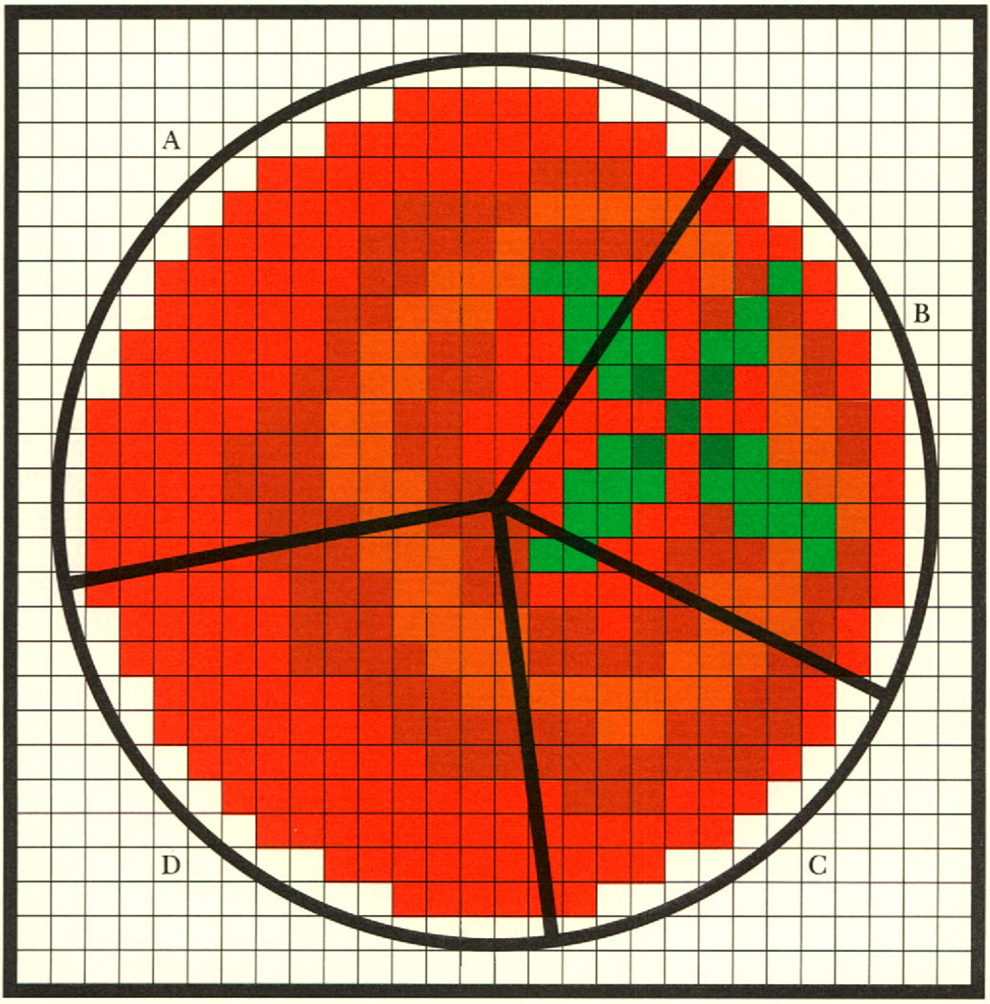


1978 1979 1980 1981 **1982**
14.3% 14.6% 17.3% 18.2% **17.5%**

The Food Distribution Group is one of the leading food distributors in North America in terms of sales, tonnage, profit growth, marketing strategies and controls. The Group operates approximately 506 stores, of which 40 are over 40,000 square feet, 73 distribution centres and serves approximately 1,465 franchise stores.

In recent years many consumers have suffered declining purchasing power and have reacted to this situation by changing their food buying habits. Meanwhile the cost of operations has risen. In response to this squeeze, Loblaw Companies has enlarged its franchise business, built food superstores, opened limited line "no frills" stores and developed generic products and bulk foods.

The wholesale business of the Group supplies food and related products to the consumer through franchise and corporate retail stores, and through independently-owned food and convenience stores and restaurants. This business extends the Company's market position as it supplies thousands of independent regional supermarkets, grocery, variety and convenience stores which are either chains or owner-operated. The Company's wholesale business is also a significant supplier to the food service industry, servicing thousands of restaurants and institutional accounts, thereby extending its operations to the growing "food away from home" market segment.



The above graph represents the approximate sales balance of the divisions within the Food Distribution Group.

A. Canadian Wholesale
B. Canadian Retail
C. United States Wholesale
D. United States Retail

Eastern Operations up despite price war conditions.

Total sales of Eastern Operations in 1982 were $2.4 billion, an increase of 7.2% over the $2.2 billion recorded in 1981. Operating income improved from $53 million in 1981 to $56 million in 1982, despite continuing price war conditions in most Eastern markets for much of the year.

The Western Operations are conducted by Kelly, Douglas, headquartered in Vancouver, British Columbia. Kelly, Douglas has two divisions; Prairie, Westfair Foods of Winnipeg, which operates from the Lakehead region to the Rocky Mountains; and British Columbia, which operates throughout the province and into the Northwest and Yukon Territories. In October, the Western Grocers, Inc. division, headquartered in Denver, Colorado, and also with operations in Albuquerque, New Mexico, was sold. Sale of the division was considered a more prudent use of funds than acquisition or investment.

Development of combination stores continues at modest pace.

Sales in Western Operations increased by 7.3% in 1982 to the level of $1.7 billion, following a 12% increase in 1981. Earnings before extraordinary items increased modestly to $17 million following an increase of 27% in 1981 and 16% in 1980. Western Operations continued to strengthen during the year. The decision to franchise the British Columbia division stores continued to prove its worth in the second year of operation, a year in which the British Columbia economy was at its slowest in many years. The development of combination stores in the Prairie division continued at a modest pace during the year, the thrust of which is to strengthen the wholesale base of our franchised operations.

The United States Operations are conducted through two wholly-owned subsidiaries and represent both the retail and wholesale segments of food distribution. Early in 1982, the retail operations of National Tea were made wholly-owned from their previous 84% owned status. At year end, National Tea consisted of two divisions, one headquartered in New Orleans, Louisiana, the other in St. Louis, Missouri. In July, the Indianapolis division was sold and in December agreement to sell the Minneapolis division was reached. Wholesale operations consist of 100% owned Peter J. Schmitt Co., Inc., headquartered in Buffalo, New York. During the year, Schmitt acquired Golden Dawn Foods, Inc. of Sharon, Pennsylvania, in July, and Star Supermarkets, Inc. of Rochester, New York, in December.

United States Operations now two-thirds wholesale.

As a result of these many changes in 1982, the United States Operations of Loblaw Companies Limited now are two-thirds wholesale in nature, rather than the former status of two-thirds retail. National Tea now operates 102 stores while Peter J. Schmitt has 13 corporate stores with the Bells name, 38 with the Star name and 10 with the Loblaws name in addition to serving many franchised stores.

The realignment of United States Operations in 1982 provides the Company with a solid core of profitable divisions which are favourably positioned to compete in their respective marketplaces.

The food distribution industry faces severe cost pressures as a result of declining food price inflation. Depressed consumer demand and declining real incomes were evident throughout 1982 and the trend is continuing for 1983.

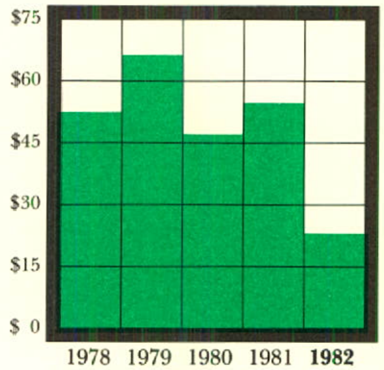
Market position will allow Group to improve results.

In spite of industry pressures and general economic conditions Loblaw Companies Limited has increased profitability despite decreasing gross margins. Capital investments, control of costs and creative marketing continue to be the Group's basic business strategy and key to success. Eastern Operations, both wholesale and retail, represent 38.7% of sales for the Group. Western Operations account for 27.6% of sales while the United States Operations account for 33.7% of sales. Loblaw Companies is well positioned geographically in its retail and wholesale mix and is well positioned competitively to continue to improve its results. A detailed review of these operations appears in the Loblaw Companies Limited Annual Report.

Resource

Resource Group sales of $717 million in 1982 were 12% below the 1981 level of $816 million. Operating income for the Group declined to $23 million. Weston's Resource Group fared better than the Canadian resource sector as a whole, primarily because of its product specialization and integration.

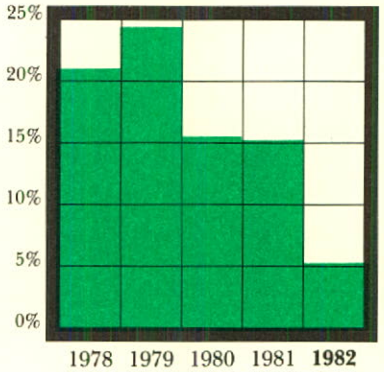
Operating Income



1978	1979	1980	1981	**1982**
$52.8	$67.0	$47.6	$55.3	**$23.1**

in millions of dollars

Return on Average Capital Employed

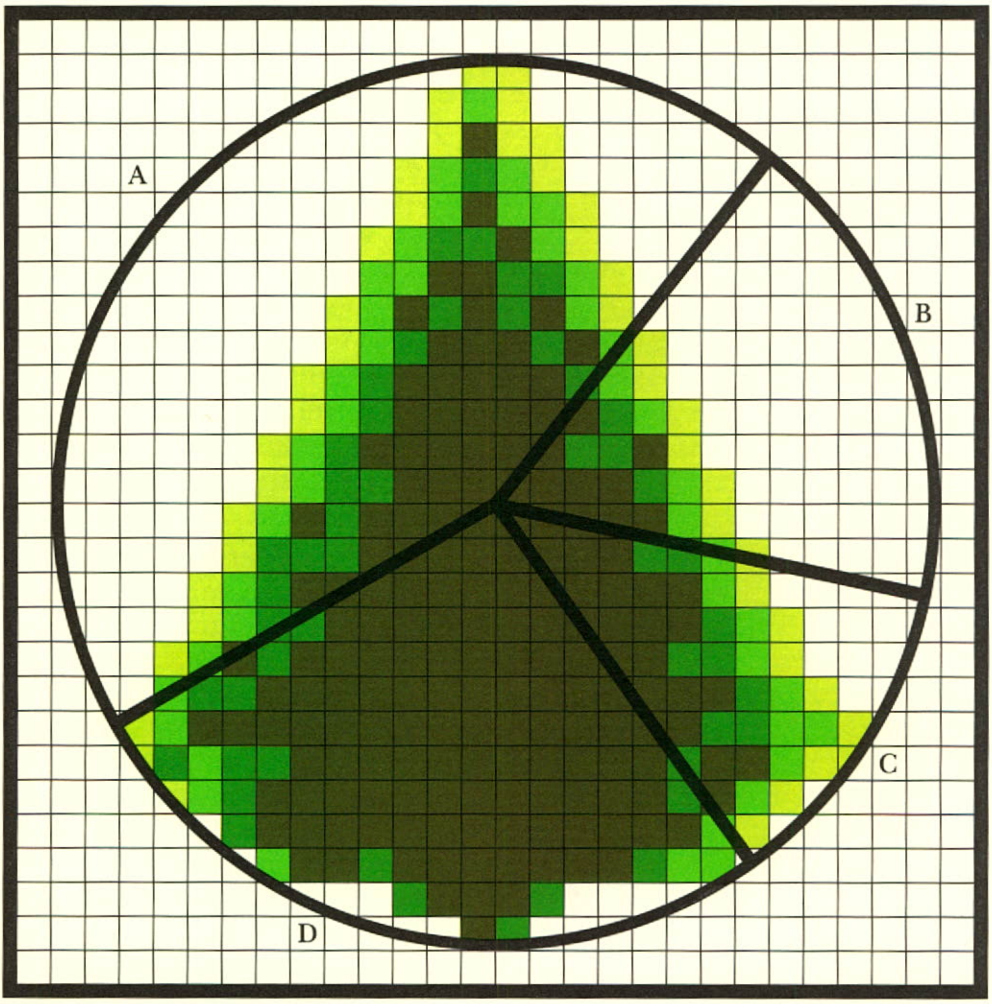


1978	1979	1980	1981	**1982**
21.0%	24.4%	15.5%	15.3%	**5.2%**

The Resource Group combines Weston's participation in renewable natural resource businesses that are capital intensive and cyclically influenced by prices and demand in international markets. These businesses complement Weston's stable base in Food Processing and Food Distribution and offer opportunity for above average returns on capital employed in the long term. Operations are directed to specific markets in which superior value or product can be offered. The businesses are structured to avoid the worst impact of the cyclical commodity markets but are not immune to major price and demand swings. Return on average capital employed for the year was 5.2% compared to 15.3% in 1981.

The renewable natural resource industry is vitally important to the Canadian economy. The forest products sector for example, produces approximately $20 billion worth of goods and is responsible for approximately one out of every ten jobs in Canada. Net foreign exchange earnings of the forest products sector exceeded those of the next three major industries. The Canadian fishing industry is the fourth largest industry contributor to foreign exchange earnings for Canada and is a major employer on the east and west coasts.

While two successive recessions have caused the North American paper industry to stagnate since 1979, capacity has continued to grow over that period at approximately 2.5% per year. The result has been a sharp decline in industry operating rates in 1982. Over capacity combined with pressure in overseas markets caused widespread price discounting which severely squeezed profit margins. Operating rates in the lumber industry, at 65% to 70% of capacity, were no better than in 1981 due to the low level of housing starts in the U.S. caused by high interest rates.



The above graph represents the approximate sales balance of the divisions within the Resource Group.

A. Fish Processing
B. Consumer Products
C. Market Pulp & Lumber
D. Fine & Specialty Papers

The basic strengths, however, of the Canadian pulp and paper industry will provide increased growth for Canada as existing industry capital expenditure programs are successfully completed and the economy strengthens.

E.B. Eddy's 1982 sales declined 11% to $378 million as pulp, paper and lumber operations were reduced due to lower demand for these products. The overall balance of product lines and careful control of costs enabled these operations to maintain a small profit contribution.

Eddy results depressed but positioned for recovery.

E.B. Eddy's operating income of $13 million, a decline of 60% from $33 million in 1981, indicates the impact of the lower operating rates and declining commodity prices. Although the short term outlook is for a continuing difficult operating environment, this division's cost and marketing position will enable it to take advantage of market recoveries which are now anticipated in late 1983.

At E.B. Eddy, a major program to modernize and expand the Espanola bleached kraft pulp mill and the nearby Nairn Centre sawmill operations which was commenced in 1980 is scheduled for completion in late 1983. The total capital expenditure program is expected to cost $232 million and is being financed from internal cash flow and new external funds.

The expansion and modernization of the Espanola pulp mill will increase annual capacity from 246,000 tons to 318,000 tons, reduce unit production costs, improve product quality and upgrade production facilities. The Nairn Centre sawmill expansion will increase annual lumber production capacity 30% with the increase in byproduct wood chips to supply a major part of the increased fibre requirements of the pulp mill.

Fish operations severely affected on west coast by international market factors.

The Fisheries division recorded sales and operating income of $339 million and $10 million respectively, down from 1981 sales of $395 million and operating income of $22 million. The outlook for the Canadian fishing industry is uncertain. The Resource Group operates one of the largest fish processing operations in Canada and continues to structure its fishing endeavours in those processing and marketing sectors which offer the potential for a favourable return on investment.

Weston's west coast fish processing operation had operating income of $4.5 million on sales of $242 million for 1982 but the high cost of financing the seasonal inventory levels, contributed to a net loss of $9 million. The salmon catch wholesale value was down significantly from 1981 largely due to the decrease in world prices. The industry remains weak partly because there is too much capital and labour in the fishing sector resulting in prices which cannot be maintained. Canadian companies, while incurring the highest labour costs, represent only 13% of the world supply of Pacific salmon and therefore must be price competitive. To minimize the impact of uncontrollable factors management is reducing its involvement in the primary fishing sector and concentrating on processing and marketing.

The Prince Rupert plant modernization brought together production previously handled at several northern plants. The efficiencies available from this modern facility will improve its productivity.

East coast fish operations satisfactory as concentration on new markets continues.

On the east coast, Weston's fish operations had a satisfactory year on the strength of fresh and frozen sales which partially offset a decline in sales of its canned products. Connors continues to concentrate on the development of high quality products for market segments less sensitive to high primary fishing costs and foreign competition. The Aberdeen, Scotland facility, opened early in 1982, made a positive contribution.

The Canadian fishing industry is at an economic crossroad. Without co-operation by all sectors of the industry to improve productivity, quality and efficiency, the future of the Canadian fishing industry is in jeopardy. Weston will continue to position its operations to provide a satisfactory return in this cyclical business.

Resource outlook positive as economic recovery nears.

The Resource Group objective is to achieve above average returns on capital employed in capital intensive businesses. Capital employed in the Resource Group will increase during 1983 with the completion of the Espanola and Nairn Centre modernization and expansion. International markets are expected to remain soft and depressed selling prices will continue to put severe pressure on gross margins.

The long term prospects are more promising as the Resource Group is structured as a low cost producer in markets that are anticipated to return to normal levels.

Summary of results

Sales in 1982 of $7.8 billion increased 5% over 1981. Sales growth reflected lower rates of food price inflation and weak demand for Resource Group products.

Food Processing and Food Distribution improve operating income levels.

Operating income decreased 12% to $202 million. The Resource Group operating income decline to $23 million reflected lower product demand and margins, particularly in the forest product's pulp division and the west coast salmon operations. The Food Processing Group's operating income improvement to $65 million was impacted by high plant utilization and favourable sugar, flour and other commodity costs while the Food Distribution Group had an improvement in operating income over the 1981 level primarily as a result of tight control of costs and effective marketing programs.

Interest expense in 1982 was $51 million, down 24% from $67 million in 1981. The decline in interest rates in 1982 contributed $6 million of this improvement and careful control of working capital and bank loans throughout the operations accounted for a $10 million interest cost reduction. The significant capital expenditures on the Espanola pulp mill and Halton Hills dairy resulted in $16 million of interest costs being capitalized during the year. Operating income and interest expense will increase as these projects become operational.

Earnings per common share $4.82.

Earnings before extraordinary items in 1982 totalled $70 million, a decline of 11% from 1981. This represented $4.82 per common share compared to $5.62 in 1981, after providing for $16 million of preferred dividends in both years. Net earnings for 1982 were $69 million ($4.67 per common share). Extraordinary items in 1982 amounted to a net loss of $1.7 million and included $3.7 million income tax reductions realized on the application of prior years' losses. The Company's effective interest in potential income tax reductions available for future years now amounts to $16 million. An extraordinary loss of $5.4 million arose out of the disposal of the Indianapolis retail division and the Western Grocers wholesale operation, and the agreement to sell the Minneapolis retail division.

Inventory levels rose from 1981 but declined in relation to sales. Inventory turns, based on average year end levels, have increased from 8.7 in 1978, to 9.9 in 1982 reflecting greater sales for each dollar invested in inventory.

Working capital at the end of 1982 of $237 million was $37 million lower than last year. Major elements increasing working capital during the year were cash flow from operations of $213 million, new long term debt of $130 million and proceeds from the sale of fixed assets of $35 million. Working capital was used to purchase owned fixed assets of $217 million, reduce long term debt by $85 million, acquire new subsidiaries for $44 million net of their $9 million working capital, and pay common dividends to shareholders of $18 million.

The Company's practice is that capital expenditures be kept in line with internally generated cash flow. During the last five years cumulative cash flow of $905 million exceeded capital spending of $879 million. Our fixed asset renewal rate during that period has resulted in substantial modernization, expansion and productivity investments in the Company's asset base. Cash flow of $213 million was 98% of 1982 capital expenditures, down slightly from an average of 103% over the last five years.

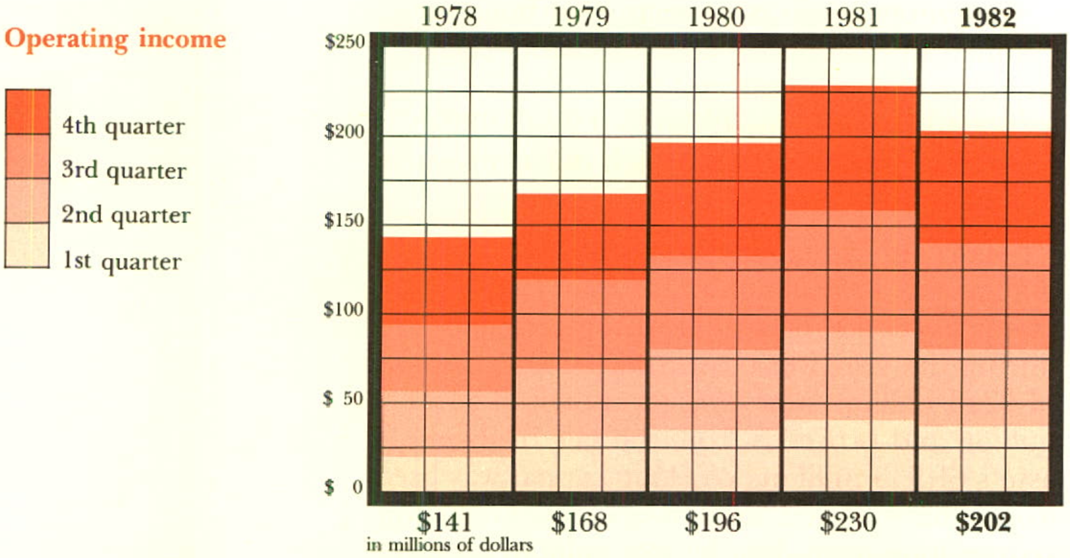
During 1982, Weston's total debt increased by $124 million to $476 million. In the same period, shareholders' equity increased to $627 million giving a debt to equity ratio of .76:1 at the end of 1982 compared to .60:1 at the end of 1981. During the year, Weston's long term debt increased by a net of $79 million to $345 million. Major long term debt issues were $25 million fifteen year debentures at 14 1/8%, $9 million term loans in Swiss Francs at 7.86% averaging 7 years to maturity, $21 million term loan maturing in 1991 at a rate of 13.7% and a $20 million revolving term loan. On the acquisition of new subsidiaries $23 million of long term debt at an average rate of 10.5% was assumed.

Corporate liquidity remains high.

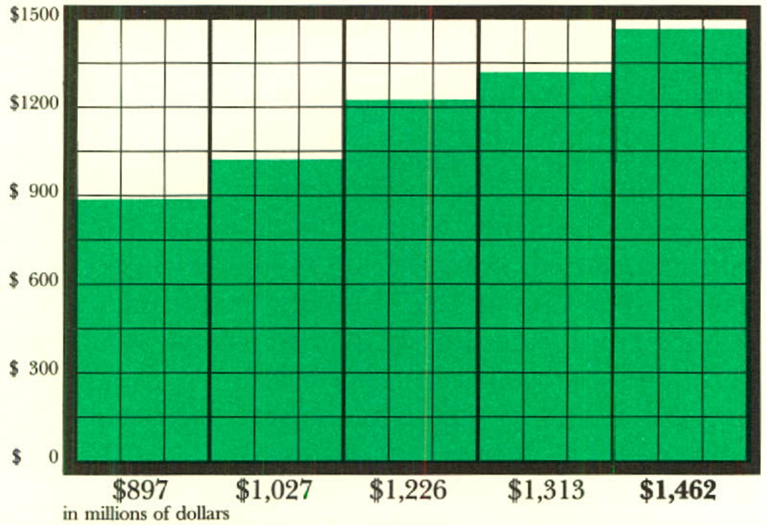
Corporate liquidity stayed high in 1982 as borrowing requirements were provided primarily by an increase in long term debt. Interest coverage rose in spite of lower operating income reflecting the general decline in interest rates and control over borrowing levels as a result of effective asset management and the application of disposal proceeds.

Five year summary

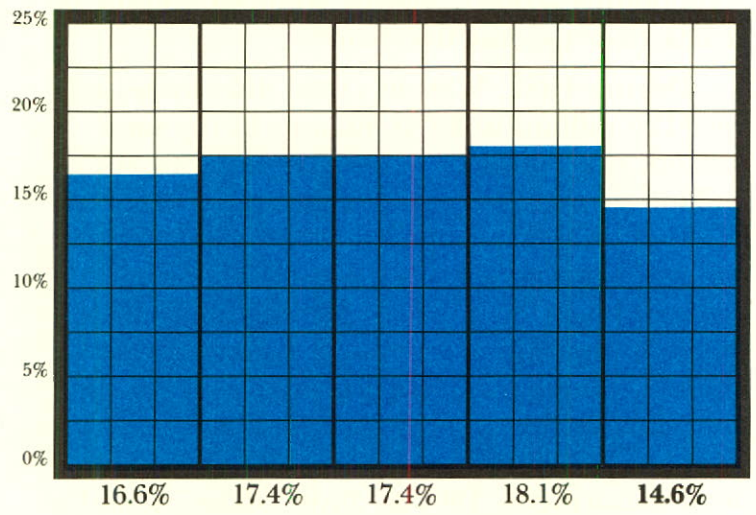
Operating income



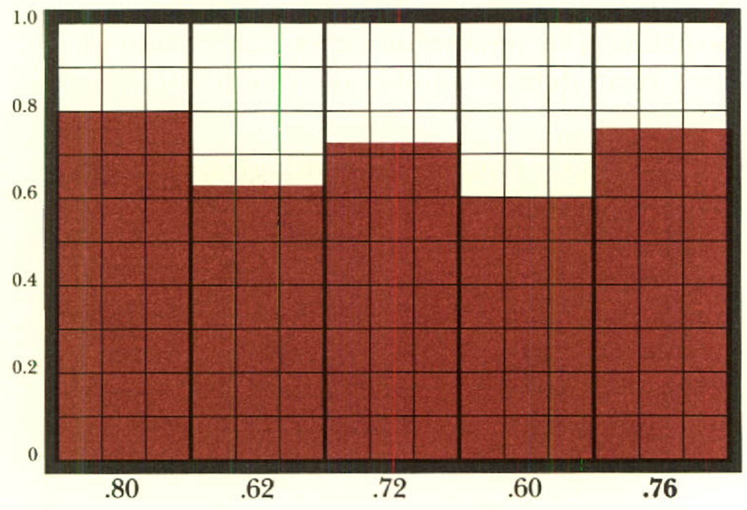
Capital employed



Return on average capital employed



Debt/equity ratio



Five Year Summary

In millions of dollars	**1982**	1981	1980	1979	1978
Sales and earnings					
Sales	**$7,830**	$7,429	$6,777	$5,867	$5,238
Operating income	**202**	230	196	168	141
Interest expense	**51**	67	57	39	32
Earnings before extraordinary items	**70**	79	71	66	51
Net earnings	**69**	95	84	76	57
Financial position					
Current assets	**986**	952	932	827	732
Current liabilities	**749**	678	667	603	530
Working capital	**237**	274	265	224	202
Fixed assets	**890**	758	659	560	480
Long term debt	**345**	266	249	174	174
Shareholders' equity	**627**	591	526	471	391
Total assets	**2,072**	1,898	1,758	1,507	1,282
Cash flow					
Cash flow from operations	**213**	215	174	168	135
Capital expenditures	**217**	206	180	157	119
Dividends - common	**18**	16	15	11	8
- preferred	**16**	16	14	10	6
Per common share					
In dollars					
Earnings before extraordinary items	**4.82**	5.62	5.11	5.06	4.06
Net earnings	**4.67**	7.06	6.28	6.01	4.66
Dividends	**1.56**	1.44	1.36	1.04	.72
Cash flow from operations	**18.88**	19.11	15.60	15.21	12.25
Capital expenditures	**19.20**	18.35	16.11	14.20	10.80
Book value	**40.46**	37.54	31.94	27.11	22.23
Market value - high	**42.50**	38.38	31.25	28.00	23.38
- low	**27.00**	30.25	22.00	21.00	13.13
Ratios					
Return on capital employed	**14.6%**	18.1%	17.4%	17.4%	16.6%
Return on common equity	**12.3%**	16.2%	17.3%	20.5%	20.1%
Return on sales	**0.9%**	1.3%	1.2%	1.3%	1.1%
Earnings per share growth rate	**(14.2)%**	10.0%	1.0%	24.6%	72.0%
Debt to equity	**0.76:1**	0.60:1	0.72:1	0.62:1	0.80:1

Financial Statements

George Weston Limited Consolidated Statement of Earnings

Year ended December 31, 1982

(in thousands of dollars)	1982	1981
Sales and other income		
Sales	**$7,830,462**	$7,428,609
Investment income	**9,304**	14,241
	7,839,766	7,442,850
Operating expenses		
Cost of sales, selling and administrative expenses before the following items	**7,470,579**	7,055,669
Net long term lease expense	**62,401**	61,650
Depreciation of owned fixed assets	**93,523**	86,396
Depreciation of property under capital leases	**10,832**	9,264
	7,637,335	7,212,979
Operating income	**202,431**	229,871
Interest on long term debt	**34,399**	31,480
Interest on obligations under capital leases	**12,525**	11,816
Other interest expense	**4,227**	23,774
	51,151	67,070
Earnings before income taxes	**151,280**	162,801
Income taxes (note 1)	**68,290**	69,945
Earnings before minority interest	**82,990**	92,856
Minority interest	**12,551**	13,684
Earnings before extraordinary items	**70,439**	79,172
Extraordinary items (note 2)	**(1,712)**	16,133
Net earnings for the year	**$ 68,727**	$ 95,305
Per common share		
Earnings before extraordinary items	**$ 4.82**	$ 5.62
Extraordinary items	**$ (.15)**	$ 1.44
Net earnings for the year	**$ 4.67**	$ 7.06

Consolidated Statement of Retained Earnings

Year ended December 31, 1982

(in thousands of dollars)	1982	1981
Retained earnings at beginning of year	**$ 397,348**	$ 333,744
Net earnings for the year	**68,727**	95,305
	466,075	429,049
Dividends declared		
Preferred shares	**16,307**	15,534
Common shares	**17,633**	16,167
	33,940	31,701
Retained earnings at end of year	**$ 432,135**	$ 397,348

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1982

(in thousands of dollars)	1982	1981
Sources of Working Capital		
Operations		
Earnings before minority interest	**$ 82,990**	$ 92,856
Depreciation	**104,355**	95,660
Income taxes not requiring cash	**35,919**	31,544
Gain on sale of fixed assets	**(9,167)**	(3,526)
Other	**(690)**	(1,976)
Cash flow from operations	**213,407**	214,558
Financing		
Increase in long term debt	**130,161**	48,964
Incurrence of obligations under capital leases	**5,457**	16,548
Proceeds from issue of share capital	**2,389**	2,197
Proceeds from issue of subsidiary's share capital	**2,285**	27,770
	140,292	95,479
Other items		
Proceeds from sale of fixed assets	**35,417**	23,303
Proceeds from sale of subsidiaries (net of working capital sold)	**21,090**	
Proceeds from sale of investments		3,993
	56,507	27,296
Total sources of working capital	**410,206**	337,333
Uses of Working Capital		
Reinvestment		
Purchase of owned fixed assets	**217,482**	205,742
Acquisition of subsidiary companies (net of working capital acquired)	**44,116**	
Acquisition of property under capital leases	**5,457**	17,120
Net increase in investments and sundry items	**38,948**	27,441
	306,003	250,303
Financing		
Reduction in long term debt and obligations under capital leases	**85,002**	39,867
Purchase of minority interest	**17,295**	1,938
	102,297	41,805
Dividends		
To shareholders	**33,940**	31,701
To minority shareholders in subsidiary companies	**4,868**	4,238
	38,808	35,939
Total uses of working capital	**447,108**	328,047
Increase (decrease) in working capital	**(36,902)**	9,286
Working capital at beginning of year	**274,306**	265,020
Working capital at end of year	**$237,404**	$274,306

Balance sheet

George Weston Limited Consolidated Balance Sheet
As at December 31, 1982

(in thousands of dollars)	**1982**	1981
Assets		
Current assets		
Cash and short term investments	**$ 34,813**	$ 24,920
Accounts receivable	**268,336**	257,513
Properties held for sale, at the lower of cost and net realizable value	**15,327**	22,260
Inventories (note 3)	**647,094**	623,518
Prepaid expenses	**20,537**	24,269
	986,107	952,480
Investments (note 4)	**97,828**	77,559
Fixed assets		
Land	**68,283**	54,944
Buildings	**299,061**	238,510
Equipment and fixtures	**1,027,873**	924,058
Leasehold improvements	**130,873**	140,999
	1,526,090	1,358,511
Accumulated depreciation	**636,537**	600,065
	889,553	758,446
Property under capital leases, less accumulated depreciation (note 5)	**90,466**	95,157
	980,019	853,603
Goodwill	**5,783**	12,222
Deferred charges	**2,451**	2,226
	$2,072,188	$1,898,090

Approved by the Board

W. Galen Weston, Director

Robert H. Kidd, Director

George Weston Limited
(Incorporated under the laws of Canada)

(in thousands of dollars)	1982	1981
Liabilities		
Current liabilities		
Bank advances and notes payable	**$ 108,377**	$ 68,988
Accounts payable and accrued liabilities	**562,582**	540,737
Taxes payable	**43,496**	39,575
Dividends payable	**4,432**	4,385
Long term debt payable within one year	**21,763**	17,739
Current portion of obligations under capital leases	**8,053**	6,750
	748,703	678,174
Long term debt (note 6)	**345,394**	265,557
Obligations under capital leases (note 5)	**95,212**	97,758
Other liabilities (note 7)	**18,300**	14,212
Deferred income taxes	**93,038**	82,400
Deferred real estate income	**3,093**	15,152
Minority interest in subsidiaries	**141,673**	153,799
Shareholders' Equity		
Share capital (note 9)	**194,640**	193,690
Retained earnings	**432,135**	397,348
	626,775	591,038
	$2,072,188	$1,898,090

Auditors' report

To the Shareholders of George Weston Limited

We have examined the consolidated balance sheet of George Weston Limited as at December 31, 1982 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, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell

Chartered Accountants
Toronto, Canada
March 14, 1983

George Weston Limited
Report on Financial Statement Responsibility and Accounting Policies
December 31, 1982

Report on Responsibility for Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements and the preparation and presentation of all information in the Annual Report. This responsibility includes the selection of appropriate accounting principles in addition to judgments and estimates in accordance with generally accepted accounting principles appropriate in the circumstances. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

To assure the integrity and objectivity of the financial statements management has established systems of internal control which provide reliable accounting records and properly safeguard Company assets.

The Company's audit committee is appointed by the Board of Directors annually and is composed of two outside directors and one management director. The committee meets regularly with financial management and with the independent auditors to satisfy itself on the adequacy of internal controls and to review the financial statements and the independent auditors' report. The audit committee reports its findings to the Board of Directors for its consideration in approving the financial statements for issuance to the shareholders.

Accounting Policies

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 is as follows at December 31, 1982: British Columbia Packers Limited 85%; Loblaw Companies Limited 78% and Kelly, Douglas & Company, Limited 67%.

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 1982 is $457,000 (1981 - $790,000) and is included in "Cost of sales, selling and administrative expenses". In 1982, goodwill of $2,887,000 written off on the sale of a subsidiary operation is included in extraordinary items.

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.

Notes

George Weston Limited
Financial Statement Responsibility and Accounting Policies
December 31, 1982

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 increase net earnings for 1982 by $246,000 or 2¢ per share (1981 was a reduction of $489,000 or 4¢ per share), and assets and obligations would increase by $109,585,000 (1981 - $128,554,000) and $146,599,000 (1981 - $172,671,000) respectively.

Translation of Foreign Currencies

All foreign currency balances have been translated at a rate approximating the current rate at each year end. The net deferrals on the translation of the Company's equity in U.S. subsidiaries and long term debt payable in foreign funds are included in "Fixed assets" on the balance sheet as a decrease in 1982 of $11,073,000 (1981 - $4,858,000). The net deferrals at the end of each year, less amounts realized, are amortized to earnings on a straight line basis over varying periods not exceeding ten years.

Fixed Assets

Fixed assets are stated at cost including interest cost arising during the year of $15,639,000 (1981 - $3,228,000) associated with construction. Depreciation is recorded principally on a straight line basis to amortize the cost of these assets over their estimated useful lives, up to a maximum of forty years for buildings, of twenty years for equipment and fixtures and of seven years for automotive equipment. Leasehold improvements are depreciated over the lesser of useful life and term of lease.

George Weston Limited
Notes to Consolidated Financial Statements
December 31, 1982

1. Income Taxes

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 $31,901,000 (1981 - $23,696,000).

At December 31, 1982, however, certain subsidiaries have accounting losses from prior years aggregating $44,300,000 available to be carried forward by those subsidiaries, for which potential income tax benefits have not been recorded in the accounts. Included are losses carried forward of $13,900,000 which are available to reduce future taxable income, expiring substantially from 1987 to 1996. Also included are expenses which have been recorded in the accounts but have not yet been claimed for tax purposes amounting to $30,400,000. The Company's effective interest in the accounting losses is $34,800,000.

2. Extraordinary Items

	1982	1981
	(in thousands of dollars)	
Income tax reductions realized on application of prior years' losses	**$ 3,686**	$ 7,436
Closing costs on the sale of subsidiary operations including the write off of goodwill (net of income tax recovery of $5,212,000)	**(5,398)**	
Gain on issue of a subsidiary's share capital		6,187
Gain on sale of investments (less income taxes of $1,007,000)		2,510
	$(1,712)	$16,133

3. Inventories, by Group

	1982			1981
	(in thousands of dollars)			
	Raw materials and supplies	Finished goods	Total	Total
Food Processing	**$46,153**	**$ 52,797**	**$ 98,950**	$ 96,619
Food Distribution	**4,460**	**379,811**	**384,271**	367,067
Resource - Fisheries	**15,088**	**93,034**	**108,122**	103,405
- Forest Products	**19,561**	**36,190**	**55,751**	56,427
	$85,262	**$561,832**	**$647,094**	$623,518

4. Investments

	1982	1981
	(in thousands of dollars)	
Properties held for development or sale, at cost	**$43,044**	$33,227
Secured loans and advances	**22,380**	18,823
Non-current receivables	**11,392**	6,835
Sundry investments	**21,012**	18,674
	$97,828	$77,559

Secured loans and advances include $2,838,000 (1981 - $3,507,000) 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.

Notes

5. Leases

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

	1982	1981
	(in thousands of dollars)	
Buildings	**$ 52,859**	$ 50,213
Equipment and fixtures	**66,723**	62,530
	119,582	112,743
Accumulated depreciation	**29,116**	17,586
	$ 90,466	$ 95,157

Minimum lease commitments together with the present value of the obligations under capital leases entered into after December 31, 1978 are:

		Other leases		
	Capital leases entered into after December 31, 1978	Gross liability	Expected sublease income	Expected net liability
	(in thousands of dollars)			
For the year				
1983	$ 20,654	$ 74,548	$ 23,387	$ 51,161
1984	20,652	70,077	21,421	48,656
1985	20,330	62,244	18,038	44,206
1986	19,354	56,704	14,647	42,057
1987	17,541	52,412	12,100	40,312
Thereafter to 2054	114,192	382,956	68,095	314,861
Total minimum lease payments	212,723	$698,941	$157,688	$541,253
Less interest at a weighted average rate of 11.9%	109,458			
Balance of obligations	103,265			
Less current portion	8,053			
Long term obligations	**$ 95,212**			

6. Long Term Debt

	1982	1981
	(in thousands of dollars)	
George Weston Limited		
Sinking Fund Debentures		
5 1/2% Series D maturing 1983	**$ 4,200**	$ 4,224
6 3/4% Series E maturing 1986	**1,961**	2,311
6 3/4% Series F maturing 1987	**12,224**	13,394
12.75% Series 1 maturing 2000	**23,750**	25,000
14 1/8% Series 2 maturing 1997	**25,000**	
13 1/2% Notes maturing 1987 (U.S. $24,750,000)	**30,182**	31,764
Term loans at a weighted average interest rate of:		
8.26% maturing 1986 to 1992 (Swiss Francs 50,500,000)	**32,825**	24,050
14.84% rate renegotiable in 1984 and 1986 maturing 1990 (U.S. $10,000,000)	**12,195**	11,765
13.73% rate renegotiable in 1983 to 1988 maturing 1991 (including U.S. $5,000,000)	**21,198**	
Loblaw Companies Limited and subsidiaries		
Sinking Fund Debentures		
6 3/8% Series G maturing 1991	**2,018**	3,258
6 3/4% Series H maturing 1991	**1,790**	3,748
8 3/8% 1973 Series maturing 1993	**9,883**	10,205
Term loans		
At bank's prime rate maturing 1984	**20,000**	
At lower of London Interbank offered rate plus 3/4% or 107 1/2% of U.S. bank's prime rate maturing 1984 (U.S. $9,375,000)	**11,433**	13,676
At 117% of the average 7 year U.S. Treasury note rate maturing 1991 (U.S. $15,000,000)	**18,292**	17,647
12 1/2% maturing 1985 (U.S. $12,000,000)	**14,634**	14,117
London Interbank offered rate plus 3/8% to 3/4% maturing 1992 (U.S. $13,000,000)	**15,854**	
Repaid in 1982		11,765
Mortgages at a weighted average interest rate of 10.4% maturing 1983 to 2004 (including U.S. $6,817,000)	**21,181**	6,920
Other long term debt		
Term loans of British Columbia Packers Limited		
At bank's prime rate maturing 1988	**15,000**	15,000
At a weighted average interest rate of 14.72%, rate renegotiable in 1984 to 1986 maturing 1990 (including U.S. $10,000,000)	**14,721**	15,000
Individually not exceeding $7,500,000 at a weighted average rate of 10.5% (including U.S. $24,739,000)	**58,816**	59,452
	367,157	283,296
Less payable within one year	**21,763**	17,739
Long term debt	**$345,394**	$265,557

Principal payable in the next five years is as follows:
1983 - $21,763,000; 1984 - $45,998,000; 1985 - $29,859,000; 1986 - $23,178,000; 1987 - $46,720,000.

7. Other liabilities

	1982	1981
	(in thousands of dollars)	
Deferred employee compensation	**$10,563**	$ 8,780
Provision for future net obligations on closed operations	**4,238**	2,814
Provision for self-insured claims and other	**3,499**	2,618
	$18,300	$14,212

8. Acquisitions

The Food Distribution Group purchased for cash and the assumption of debt Wittington Leaseholds Limited, a real estate subsidiary of Wittington Investments, Limited in December; Golden Dawn Foods, Inc., a wholesale operation in July and Star Supermarkets, Inc., a chain of retail supermarkets in December. The purchase method has been used to account for these acquisitions and accordingly results of operations are included since the date of acquisition. Allocation of the purchase price is:

	Wittington Leaseholds Limited	Star Supermarkets, Inc. Golden Dawn Foods, Inc.	Total
	(in thousands of dollars)		
Working capital (deficiency)	$ (921)	$ 9,997	$ 9,076
Fixed assets	42,132	23,157	65,289
Investments and other assets		4,349	4,349
	41,211	37,503	78,714
Long term liabilities	13,307	12,215	25,522
Net assets acquired	$27,904	$25,288	$53,192
Cash consideration for:			
Settlement of debt	$22,104		$22,104
Common shares and assets	5,800	$25,288	31,088
	$27,904	$25,288	$53,192

The purchase of Wittington Leaseholds Limited results in the acquisition of property previously sold and leased back. Accordingly, the applicable deferred real estate income of $11,283,000, less applicable deferred income taxes of $3,160,000, has been netted against fixed assets.

9. Share Capital

	Number of shares issued		Amount	
	1982	1981	1982	1981
			(in thousands of dollars)	
Senior preferred shares				
First series	**72,210**	75,990	**$ 7,221**	$ 7,599
Second series	**66,024**	69,939	**6,602**	6,994
	138,234	145,929		
Preferred shares				
Series X	**750,000**	750,000	**75,000**	75,000
Series Y	**500,000**	500,000	**50,000**	50,000
Series Z	**250,000**	250,000	**25,000**	25,000
	1,500,000	1,500,000		
Junior preferred shares				
Series A	**16,725**	21,918	**1,673**	2,192
Series B		1,000		100
Series C	**4,900**	5,400	**490**	540
Series D	**14,800**	14,800	**1,480**	1,480
Series E	**10,000**		**1,000**	
	46,425	43,118		
			168,466	168,905
Common shares	**11,327,936**	11,246,278	**26,174**	24,785
			$194,640	$193,690

Share Description:

Senior preferred shares (authorized 192,759)
First series - $4.50 cumulative dividend redeemable at $104.
Second series - $6.00 cumulative dividend redeemable at $105.

Preferred shares - cumulative dividend
Series X - redeemable and retractable on December 1, 1987 at $100, annual dividend rate is one half average bank prime rate plus 1 1/4%.
Series Y - redeemable and retractable on December 1, 1990 at $100, annual dividend rate is one half average bank prime rate plus 3/4% to November 30, 1985 and 7/8% thereafter.
Series Z - redeemable and retractable on December 1, 1991 at $100, annual dividend rate is one half average bank prime rate plus 1 1/4%.

Junior preferred shares
Series A - $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.
Series B - $6.00 cumulative dividend, converted during the year.
Series C - $9.00 cumulative dividend, 4,300 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.
Series D - $10.00 cumulative dividend, 10,800 redeemable after October 2, 1991 at $100, convertible into the number of common shares obtained by dividing the number of preferred shares converted by .3225.
Series E - cumulative dividend with annual rate at two thirds average bank prime plus 3/4%, redeemable after August 27, 1992 at $100, convertible into the number of common shares obtained by dividing the number of preferred shares by .32, issued during 1982, for cash of $1,000,000.

Notes

During the year 7,695 senior preferred shares (1981 - 7,170) were purchased for cancellation at a cost of $393,000 (1981 - $367,000).

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 1982 the Company issued 39,285 (1981 - 17,470) common shares for $673,000 (1981 - $285,000) on conversion of junior preferred shares and issued 42,373 (1981 - 26,587) common shares for cash of $716,000 (1981 - $432,000) on exercise of employee stock options. After giving effect to the foregoing, the Company has reserved 186,382 common shares for potential conversion of the preferred shares. As at December 31, 1982, 76,268 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, 1982.

Number of employees	Number of common shares	Exercise price per share	Option expiry date
9	16,560	$16.125	March 16, 1983
1	5,000	19.875	September 15, 1983
10	17,750	24.00	June 6, 1990
4	8,370	32.25	October 2, 1991

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

10. Related Party Transactions

The Company and its subsidiaries acquired a subsidiary (note 8) and lease capital assets from a subsidiary of its controlling shareholder, Wittington Investments, Limited. Net lease expense on these assets for 1982 amounts to $5,400,000 (1981 - $5,400,000). The Company has also guaranteed a U.S. $3,835,000 (1981 - U.S. $4,070,000) mortgage payable by a subsidiary of Wittington Investments, Limited on property leased to the Company.

11. Commitments and Contingent Liabilities

Endorsements and guarantees amount to $98,700,000.

The present value of the unfunded past service pension liability is estimated to be $97,300,000 at December 31, 1982 and is being amortized over varying periods not exceeding fifteen years.

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.

12. 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 Processing, Food Distribution, and Resource to include Fisheries and Forest Products. This information is also broken down geographically between Canada and the United States.

	Food Processing		Food Distribution		Resource: Fisheries		Resource: Forest Products	
(in millions of dollars)	**1982**	1981	**1982**	1981	**1982**	1981	**1982**	1981
Sales to customers outside the enterprise	**$ 942.8**	$ 869.8	**$6,217.5**	$5,790.6	**$314.8**	$367.4	**$355.4**	$400.8
Inter-segment sales	**191.5**	168.4	**3.5**	3.9	**24.6**	27.4	**22.1**	20.8
Total sales	**$1,134.3**	$1,038.2	**$6,221.0**	$5,794.5	**$339.4**	$394.8	**$377.5**	$421.6
Segment operating income per earnings statement	**$ 64.6**	$ 61.1	**$ 114.7**	$ 113.5	**$ 10.0**	$ 22.4	**$ 13.1**	$ 32.9
Total assets	**$ 370.9**	$ 354.1	**$1,115.2**	$1,036.6	**$242.7**	$242.9	**$343.4**	$264.5
Purchase of fixed assets	**$ 36.5**	$ 49.8	**$ 68.3**	$ 95.8	**$ 18.3**	$ 12.6	**$ 99.8**	$ 64.7
Depreciation of fixed assets	**$ 21.9**	$ 19.6	**$ 59.1**	$ 54.9	**$ 8.2**	$ 7.7	**$ 15.2**	$ 13.5

Canadian sales in 1982 include export sales of $296.3 million (1981 - $311.4 million)
Segment operating income includes an allocation of the excess of corporate service expense over investment and other income of $3.8 million (1981 - net income of $1.2 million).

Eliminations		Consolidated		Canada		United States	
1982	1981	**1982**	1981	**1982**	1981	**1982**	1981
		$7,830.5	$7,428.6				
$(241.7)	$(220.5)						
$(241.7)	$(220.5)	**$7,830.5**	$7,428.6	**$4,963.0**	$4,729.3	**$2,867.5**	$2,699.3
		$ 202.4	$ 229.9	**$ 140.8**	$ 170.4	**$ 61.6**	$ 59.5
		$2,072.2	$1,898.1	**$1,519.9**	$1,328.9	**$ 552.3**	$569.2
		$ 222.9	$ 222.9	**$ 186.5**	$ 164.3	**$ 36.4**	$ 58.6
		$ 104.4	$ 95.7	**$ 71.1**	$ 62.9	**$ 33.3**	$ 32.8

Principal operations

Food Processing

Weston Bakeries, Stroehmann Brothers, Soo Line Mills, McCarthy Milling

Bakeries in Vancouver, Calgary, Edmonton, Regina, Winnipeg, Essex, Kitchener, Kingston, Kirkland Lake, Toronto and Montreal. Fourteen bakeries in the U.S., in Pennsylvania, New York and Connecticut. Flour mills in Streetsville and Winnipeg.

Produces a wide variety of bread, rolls, cakes and other bakery products under national brand and private label for distribution to food stores and catering outlets in Canada and the Eastern United States. Produces several types of flour for internal use and domestic and export markets.

InterBake Foods (Canada), Interbake Foods (U.S.)

Biscuit and confectionery plants in Winnipeg, London and Longueuil in Canada and Richmond, Va., Tacoma, Wash., North Sioux City, South Dakota and Battle Creek, Mich. in the United States. Sales and distribution centres or distributors in principal cities of Canada and the United States.

Manufactures and distributes a broad range of sweet biscuits, crackers, ice cream cones and wafers, confections and candies throughout Canada and the United States.

William Neilson

Chocolate production facilities and ice cream plant in Toronto. Dairy operations in Guelph, Ottawa, Toronto and Halton Hills Ontario.

Produces and distributes throughout Canada a wide range of chocolate bars, chocolate coatings, cocoa and specialty items. Also manufactures bulk and packaged ice cream and frozen novelties, and processes milk and associated dairy products.

Westcane Sugar, Bowes

Manufacturing and processing plants in Toronto and Colborne, Ontario, Montreal and Winnipeg. Warehouses in principal Canadian cities. Sugar refinery and warehouse in Oshawa, Ontario.

Manufactures a variety of ingredients and products for the baking, confection, dairy and fountain industries. Packages and distributes a full line of dried and glace fruits, nuts, cereals, fruits, vegetables and health foods. Produces liquid bulk and granulated bulk and packaged white sugars.

Food Distribution

Loblaw Companies Limited, Kelly, Douglas, Peter J. Schmitt, National Grocers, Atlantic Wholesalers, Loblaws Ontario, Zehrmart, National Tea.

Loblaw and its subsidiaries are leaders in the retail and wholesale food distribution industry in North America. Distribution centres in strategic centres and approximately 292 supermarkets across Canada and 214 supermarkets in the northeastern and south central United States.

Wholesale and retail distribution of food and other products throughout Canada and the northeastern and south central United States.

Resource

British Columbia Packers, Connors Bros.

Canning, freezing and processing facilities on the west coast of Canada and in Alaska. Can manufacturing, çanning and processing fish and fish products on the east coast of Canada and a processing plant in Scotland.

A major supplier of Pacific Coast salmon and a wide variety of fresh, frozen, canned and prepared seafoods, as well as fishmeal and oil. Canada's leading packer of sardines and a processor of Atlantic Ocean seafoods and fish products.

Eddy Paper Company, E.B. Eddy Forest Products, Eastern Fine Paper, (U.S.)

Harvests extensive timber limits in northern Ontario and Quebec; facilities include sawmills in Davidson, Quebec and Nairn Centre and Timmins, Ontario, a pulp mill in Espanola, Ontario and paper mills in Espanola and Ottawa, Ontario, Hull, Quebec and Brewer, Maine.

Manufactures and distributes bleached kraft pulp; a wide variety of fine and specialty papers for printing, writing and packaging; spruce and pine lumber and White Swan household and industrial sanitary paper products.

Corporate directory

Directors

W. Galen Weston
Chairman and President
George Weston Limited,
Chairman of the Board
Loblaw Companies Limited

Richard J. Currie
President
Food Distribution Group
George Weston Limited,
President
Loblaw Companies Limited
and Loblaws Limited

Don McCarthy
President
Food Processing Group
George Weston Limited

Robert H. Kidd*
Senior Vice President and
Chief Financial Officer
George Weston Limited

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

Mark Hoffman
Managing Director
Guinness Peat Group plc

Hugo Mann
Managing Director
Deutscher Supermarkt

Honourable Doctor
Pauline McGibbon
Chairman
The National Arts Centre

Richard I. Nelson
Chairman
British Columbia Packers
Limited,
Connors Bros., Limited

S. Simon Reisman*
Chairman
Reisman & Grandy Ltd.

John C. Scarth
President
E.B. Eddy Forest Products Ltd.

John D. Stevenson, Q.C.*
Partner
Smith, Lyons, Torrance,
Stevenson & Mayer

Garry H. Weston
Chairman
Associated British Foods plc

Honorary Director

George C. Metcalf

Corporate Officers

Robert H. Kidd
Senior Vice President and
Chief Financial Officer

William A. Sloan
Vice President Finance

Ralph S. Barnes
Treasurer

Ivan R. Franklin
Tax Officer

Stewart E. Green
Secretary

Terrence H. Wardrop
Controller

Dr. G. Ross Lawford
General Manager
Weston Research Centre

Douglas E. Perrin
Vice President Finance
Food Processing Group

Food Processing Group

Don McCarthy
President
Food Processing Group

Victor Ursaki
Chairman
Weston Bakeries,
Stroehmann Brothers
Company

Douglas J. McMullen
Chairman
InterBake Foods (Canada),
President
Interbake Foods Inc. (U.S.)

Bremner B. Green
Chairman
Bowes Co.

Sol Kanee
Chairman
Soo Line Mills,
McCarthy Milling

Stanley O. Johnson
President
Weston Bakeries

J. Peter Wygant
President
Stroehmann Brothers
Company

Angus W. Young
President
InterBake Foods (Canada)

Thomas R. Lamont
President
William Neilson

Harry Joy
President
Westcane Sugar

Food Distribution Group

Richard J. Currie
President
Loblaw Companies Limited

Raymond J. Addington
President
Kelly, Douglas

Charles B. Barcelona
President
Peter J. Schmitt

Sheldon V. Durtsche
President
National Tea

Douglas J. Hamm
President
Atlantic Wholesalers

David A. Nichol
President
Loblaws

John K. Shipton
President
National Grocers

Carl M. Zinkan
President
Zehrmart

Resource Group

Richard I. Nelson
Chairman
British Columbia Packers,
Connors Bros.

J. Bruce Buchanan
President
British Columbia Packers

Donald A. McLean
President
Connors Bros.

John C. Scarth
President
E.B. Eddy Forest Products

George A. Neil
Executive Vice President
E.B. Eddy Forest Products

Edward F. Boswell
Senior Vice President
Pulp, Forestry and Wood Products
E.B. Eddy Forest Products

Earl R. Pearce
Senior Vice President
Finance and Consumer Products
E.B. Eddy Forest Products

* Audit Committee

Head Office
22 St. Clair Avenue East
Toronto, Ontario

Stock Listings
Toronto, Montreal and
Vancouver Stock Exchanges

Registrar and Transfer Agent
National Trust Company, Limited
Toronto, Montreal and
Vancouver

General Counsel
Smith, Lyons, Torrance
Stevenson & Mayer

Auditors
Thorne Riddell
Toronto, Ontario

Number of Common Shareholders
3,800

Common Dividend Payment Dates
January 1st
April 1st
July 1st
October 1st

Valuation Day Value of Common Shares
$18.00

Portions of this report are printed on E.B. Eddy Forest Products Ltd.'s Certificate Royale.