C

Weston

George Weston Limited

Annual Report 1985

George Weston Limited, a broadly based Canadian company, conducts Food Processing, Food Distribution and Resource operations in North America. Approximately 70% of sales are generated in Canada and 30% in the United States. Weston is committed to providing the best quality, service and values to its customers. Many of our strong brand name products and products manufactured or distributed by us are featured throughout this report.

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Financial Highlights

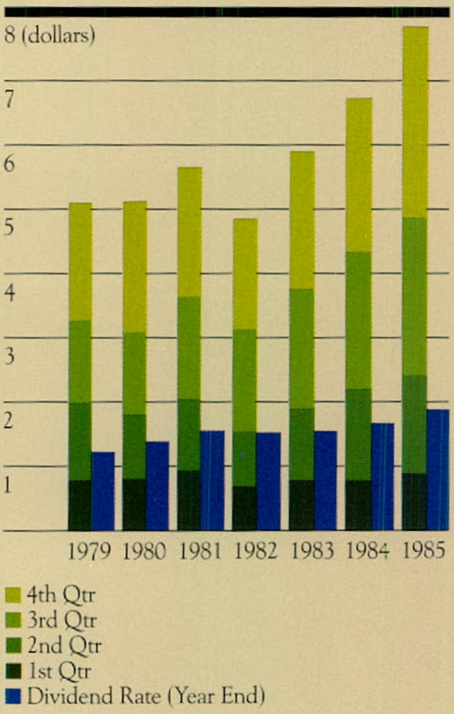
George Weston Limited

(in millions of dollars, except per share data)

	1985	1984	1983
Sales and earnings			
Sales	$8,879.8	$8,254.7	$7,799.6
Operating income			
First quarter	42.8	39.7	36.6
Second quarter	58.6	54.6	47.1
Third quarter	79.0	75.8	63.1
Fourth quarter	87.8	70.4	66.0
Total	268.2	240.5	212.8
Interest expense	71.5	66.8	48.7
Earnings before extraordinary items	100.9	88.8	78.6
Earnings per share			
First quarter	.89	.81	.81
Second quarter	1.53	1.39	1.11
Third quarter	2.45	2.18	1.81
Fourth quarter	2.96	2.38	2.15
Total	7.83	6.76	5.88
Net earnings	100.9	93.5	79.2
Cash flow			
Cash flow from operations	261.6	251.4	213.6
Capital expenditures	247.0	206.4	244.5
Common dividends	20.2	18.3	17.7
Net long term debt issued	33.9	36.1	40.7
Increase (decrease) in cash position	(56.5)	(3.8)	48.2
Financial position			
Long term debt	463.3	425.3	382.9
Shareholders' equity	830.0	754.5	686.3
Total assets	2,616.4	2,279.0	2,167.6
Ratios			
Return on average capital employed	15.6%	15.2%	14.2%
Return on average common equity	14.3%	14.0%	13.6%
Current ratio	1.32 to 1	1.45 to 1	1.35 to 1
Debt to equity ratio	.80 to 1	.76 to 1	.84 to 1

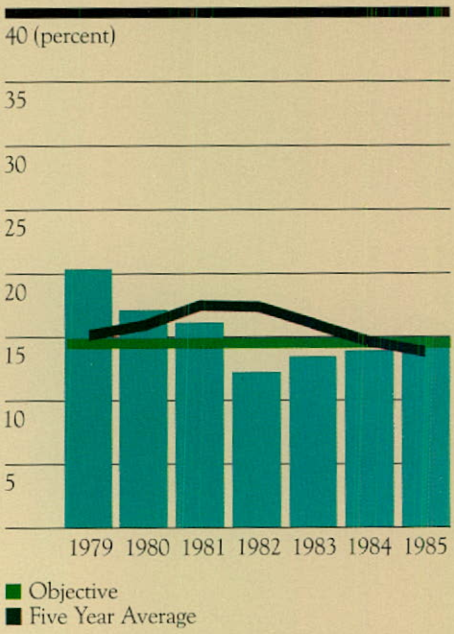
Graphic Review

Earnings per Share and Dividend Rate



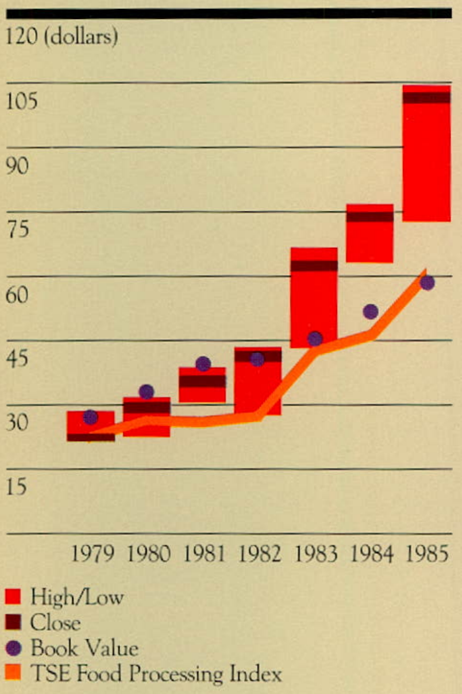
Weston's earnings per share rose 16% in 1985, the third year of solid growth. Dividend payments during 1985 have increased 9%. Weston's dividend policy reflects a target payout of 25% to 30% of prior year's earnings. During 1985 Weston's dividend was $1.72 per share representing 25% of 1984 earnings and was increased in January, 1986 to a rate of $1.88 per annum. This reflects a current payout of 24% on 1985 earnings of $7.83 per share.

Return on Average Common Equity



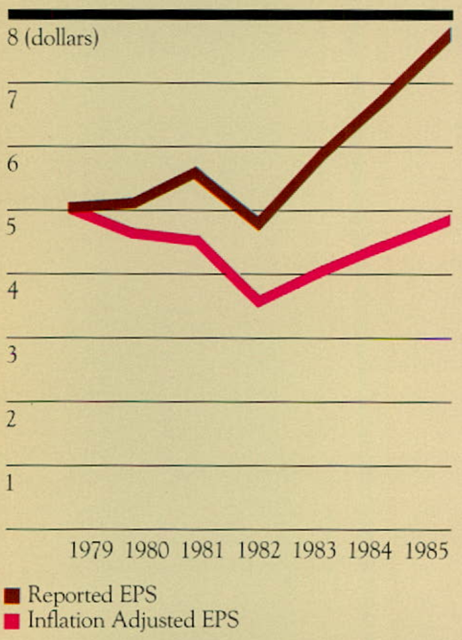
Return on common equity relates earnings before extraordinary items net of preferred dividends to average common shareholders' equity. It is a measure of management's ability to generate a real return and use the leverage of debt and preferred shares for the benefit of common shareholders.

Market Value per Share



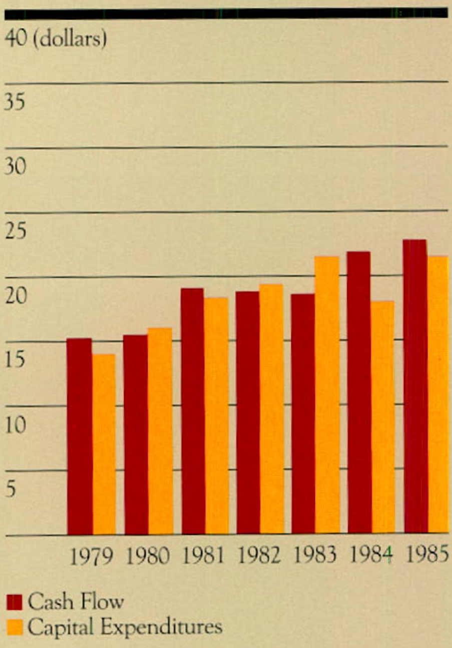
Total return to shareholders includes not only an appropriate level of dividends in any given year but also capital appreciation evidenced by an increasing market value of shares. During 1985 Weston's common share market value rose 37% providing a total return to shareholders of 39%. As indicated in the chart both increases in book value and capital appreciation over the seven year period have been significant, reflecting consistently high total returns to shareholders.

Real Earnings per Share



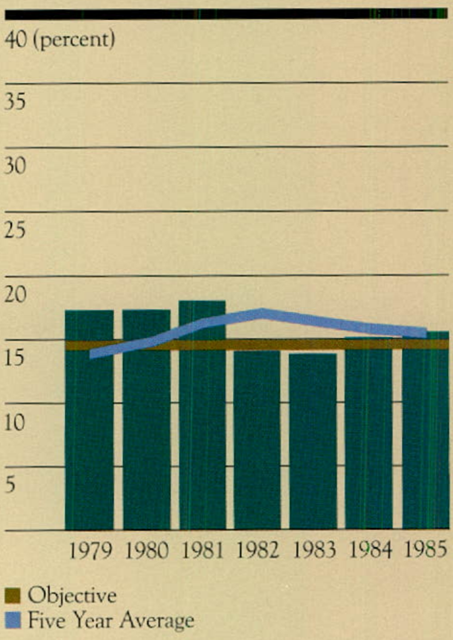
Real earnings per share (earnings adjusted for inflation) in addition to reported earnings per share are important to investors. Over any reasonable period of time consistent achievement of real earnings per share is necessary to fund growth in the Company. While real earnings growth is difficult in inflationary times, long term strategy must be set anticipating economic cycles in order to achieve profitable growth.

Cash Flow and Capital Expenditures per Share



Weston's goal of keeping capital expenditures in line with cash flow from operations is achieved without compromise to its asset renewal program. The Company's assets must be maintained and modernized to ensure that growth is achieved without eroding the Company's solid financial position. Capital expenditures are an investment for the future and accordingly five year capital programs are set strategically for each of our operations consistent with anticipated cash flows.

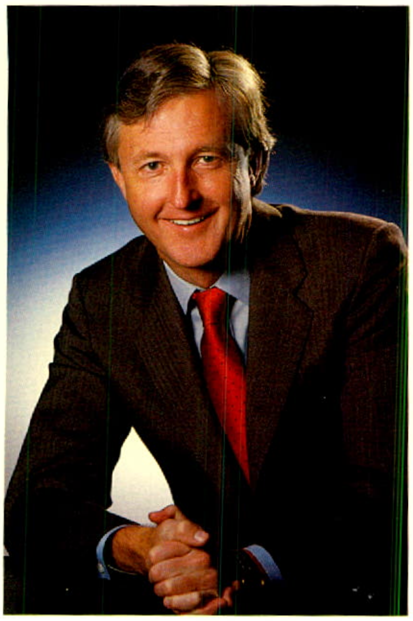
Return on Average Capital Employed



Return on capital is the ratio of operating income to average capital employed. This ratio measures the total earning power of the Company's asset base regardless of the source of financing. When combined with the return on equity it provides a measure of the leverage being employed.


Neilson
2% b.f.
partly skimmed milk
Neilson
2% b.f.
partly skimmed milk
Neilson
2% b.f.
2% m.g.
partly skimmed milk
lait partiellement écrémé
Tofutti
Chocolate Supreme
Suprême au chocolat
500 mL
DÉLICIEUX ET ONCTUEUX
Tofutti
UN PRODUIT À BASE D'HUILE COMESTIBLE
Suprême au ch
NE CONTIENT PAS
PRESIDENT'S
sauce barb
gourm
1 litre
afé gourmet
élange du
résident
Weston
fibre
goodness
CLOVER LEAF
Solid White Tuna
ALBACORE
LOBLAW SUPERMARKET
NN COTTON PF 3.29
PC BBQ SAUCE 2.99
CL WHITE TUN 2.59
FRENCH DRESS 2.09
NN THPST REG 1.59
FIBRE GOODN 1.33
PARMESAN CHS 3.49
OLIVES 1.49
SPAGHETTI SCE 1.55
APPLESAUCE 1.45
MARA CHERRYS 1.99
RASPBERRY JAM 1.99
NN THPST GEL 1.59
OLD CHEESE 4.39
TAX DUE
TOTAL
CASH TENDER
CHANGE DUE

Chairman's Letter



W. Galen Weston

In 1985 earnings exceeded $100 million for the first time. This represents the third year in a row that Weston has achieved an increase in earnings per share of 15% or more. Sales increased 8% to $8.9 billion and the future earnings capabilities of our Canadian and U.S. businesses appear excellent.

Operating Highlights

All three operating groups showed improvement in 1985 results. Food Processing's operating income improved by 8%, to reach $49 million with best ever results at Neilson and an improvement in both Baking and Biscuit operations.

Loblaw Companies Limited continued its positive growth with an 11% increase in operating income to reach $152 million, in spite of a number of difficult and unstable market areas. Particularly gratifying has been strong customer response to our new format Superstores both in Canada and the United States.

The most improved results came from our Resource Group where operating income was up a gratifying 16% to $68 million. While E.B. Eddy finished a difficult year achieving almost the same return as the previous year, our fish companies on both coasts had much improved results. On the West Coast the salmon run was healthy, the market held up well and production efficiencies improved. Similarly on the East Coast the resource for Connors' products was strong and Canadian fish products sold well.

Capital Expenditures

For the fifth year in a row capital expenditures exceeded $200 million. The major thrust of 1985's spending was in Loblaw as its store development in central and eastern Canada accelerated. In Food Processing the acquisition of the Ontario bread and roll plants of General Bakeries expanded and complemented the existing facilities. Resource expenditures were mainly in the area of maintenance and quality control aimed at developing our specialized position in value added products. Continued expansions in line with accelerating cash flows will be a central part of our programs.

Dividends were increased during the year in keeping with stated policy.

Financial Review

Once again in this annual report we have presented an extensive graphic analysis of the more significant and important performance and financial measurements of interest to shareholders. Our financial strength in terms of debt ratios and liquidity continues to be excellent in spite of the largest capital expenditure program in our history. We are firmly committed to the maintenance of a strong A credit rating and determined to at least hold the growth targets established five years ago, particularly a 15% growth in earnings per share. It should be appreciated that this target is increasingly more challenging as inflation rates subside even though useful cost reductions will materialize as a result of lower interest costs.

In keeping with the stated dividend policy and 1985 earnings increases and bearing in mind the current commitment to spend money heavily today for future growth, common share dividends have been increased by 9% since this time last year and now stand at $1.88 per share.

The recently announced share subdivision recognizes the significant increase in the market value of our shares over the past decade. The split does not alter the value of an individual's holdings or the dividend rate, but will make it more attractive for small holders to own a meaningful number of shares.

Market Thrust

In the discussions which follow in this report you will be reminded that Weston operates in several clearly defined and different areas, each with its own highly professional management team focussing on their own priorities.

The broad strategic direction, however, is the same: the development of clearly superior goods and services at reasonable prices; and differentiated products and store types clearly focused on today's customers needs and preferences. The operating style is also similar: a highly decentralized operating structure encouraging entrepreneurial managers to anticipate change and respond quickly.

During the year we were fortunate to have David Beatty join us as President of our Food Processing Group. David brings to our organization a strong background in strategic planning and development and I am confident this Group will benefit from his leadership.

Significant number of successful new products launched.

It is both reassuring and exciting that out of this highly decentralized organizational structure have come in the last several years a significant number of most successful new product launches. These have occurred in the nutritional breads, luxury ice creams and reformulated chocolate bar areas, as well as the private brand programs at Loblaw Companies, and the fine and consumer products division of Eddy Paper. A number of these products which should be readily recognized by consumers are featured in this annual report on successive pages.

The format for the Weston group of companies has been successful in the past and is now largely established. It is our intention therefore for the future to follow with even more dynamic new product development programs in conjunction with a retail store configuration more focused on consumer need and local market requirements.

Confident in superior long term performance.

Outlook

The goods and services provided by a Company as large and diversified as Weston in North America are constantly being challenged by a tough and very active free market system. However, as a result of a great deal of effort by many genuine and committed people, our Company grew strongly again in 1985, achieving productivity improvements throughout the business while repositioning to better serve the needs of our customers.

Since 1980 your Company's earnings per share have increased by 53% and the share price has increased fourfold. This means that our price earnings multiple is now more than 15X, an exceptionally high level by industry standards and clearly the highest in our history. While 1986 will not be an easy year in which to attain our financial objectives, I have every confidence that the balance and diversity of our business, coupled with the commitment and resourcefulness of our people, will continue to deliver superior long term performance.

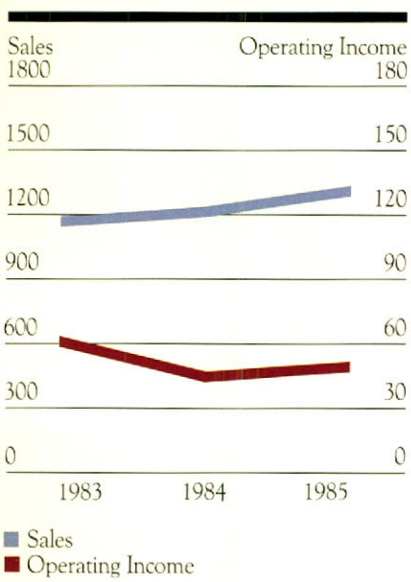
1985 was an eventful and exciting year for this Company and once again as your Chairman it gives me great pleasure to thank our many employees and customers and all those with whom we do business for their continued support.

W. Galen Weston

W. Galen Weston
Chairman and President

Review of Operations

Sales and Operating Income
($ millions)



Neilson's new *Fruit'n Juice* bars produced and distributed under license, successfully introduced

Food Processing

New product introductions, a continuing focus on customer needs and improved manufacturing practices, highlighted the performance of the Food Processing Group in 1985. Operating income was $49 million up 8% over 1984 on sales of $1.3 billion, an 8% increase over 1984.

The operating income of the Neilson division was an all-time record. The earnings resulted from repositioned chocolate bar products such as "Malted Milk", new frozen introductions such as the "Dole" bars and improved operating efficiencies at the Halton Hills dairy operations.

In 1985, average capital employed in the Group increased 3% to $294 million. Capital expenditures, including acquisitions of $12 million, reached $46 million in 1985 compared to $23 million last year. The Baking and Milling division made major acquisitions; in Canada, Weston Bakeries acquired some of the assets of General Bakeries and in the United States, Stroehmann acquired new routes in upstate New York.

Return on capital employed, the most significant indicator of the Group's financial performance, increased to 16.6% from 15.8% in 1984.

The Group's operations consist of four divisions:

- The Baking and Milling division, with sales of $602 million, represents 46% of total Group sales;
- The Biscuit division, with sales of $266 million, accounts for 20%;
- The Neilson division (confectionery and dairy), with sales of $275 million, accounts for 21%, and
- The Food Specialties division, with sales of $173 million, accounts for the remaining 13%.

Baking and Milling Division

In the Baking and Milling division, operating results improved in strong competitive markets. Total sales in 1985 were up 14%, including acquisitions, over 1984, and are now divided evenly between Canada and the United States.

In Canada, Weston Bakeries acquired the Ontario assets of General Bakeries in July. This acquisition greatly expanded productive capacity and added to the stock of highly automated equipment. This new business will have a positive impact in 1986 and beyond.


CARAMELLE
BISCUITS
COCO
Neilson
maltee
candy
friandise 54 g


GIVRE AUX FRUITS
AUX FRAMBOISES
Häagen-Dazs
RASPBERRY
FRUIT ICE
500 ml
Häagen-Dazs

Weston Bakeries continues to face heavy competition for its products in Western Canada as a result of imported products from Washington State and increased competitive pricing activities. Improved efficiencies in our Vancouver operation and increased volume in the Prairie operation will favourably affect 1986 results.

In the United States, Stroehmann's bakery operations showed significant improvement in operating income over 1984 in a market characterized by stiff competitive pricing. Stroehmann achieved these gains largely through improved operating efficiencies and increased emphasis on variety bread sales. During the year Stroehmann purchased the upstate New York Millbrook sales and distribution operations and certain other assets. In addition, Stroehmann was granted exclusive distribution rights to the Dolly Madison cake line in this market. Stroehmann will continue to rationalize its operation and with the successful integration of the new routes further improvement in 1986 is expected.

Biscuit Division

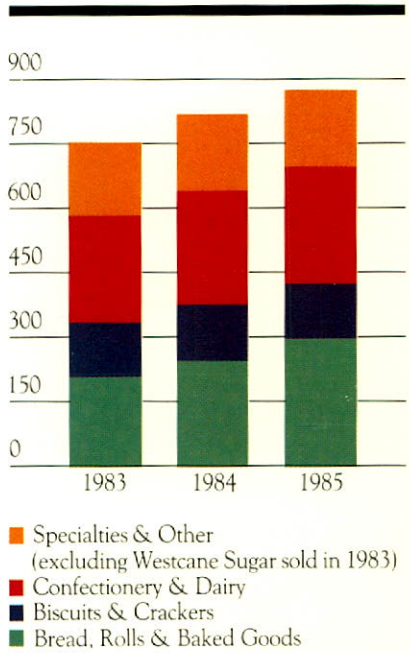
The Biscuit and Confectionery division had a successful year in 1985. Sales increased by 7% while physical volume grew by 4%.

In Canada, InterBake results reflect considerable success with "Stoned Wheat Thins", improved manufacturing efficiencies and product reformulations in the "Country Harvest" and "Wagon Wheel" lines. In addition new products were added including three varieties in the premium "Caramelle" line. Marketing activity and new product development will accelerate in 1986. InterBake has initiated a capital expenditure program to modernize and improve its manufacturing and distribution operations across Canada.

In the United States, Interbake's results improved over 1984 as a result of significant volume gains. The company's strengths continue to be in the Girl Scout cookie market, the co-packing business and the "FFV Famous Foods of Virginia" branded lines of cookies and crackers.

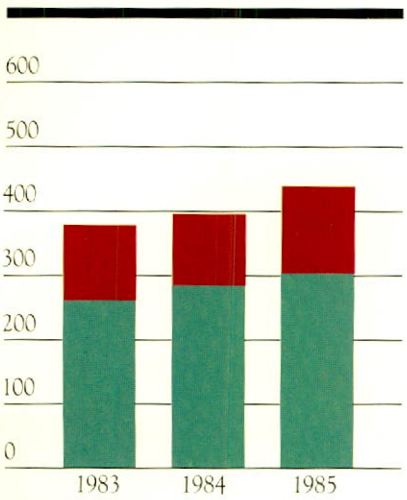
The Girl Scout cookie program is an important part of the yearly fund raising activities of the Girl Scouts in the United States. This organization is the largest women's organization in the free world with more than 2.2 million girls participating and 624,000 adult volunteers managing the activities and programs in the 336 local councils across the U.S. Interbake has been proud to serve this organization for

Canadian Sales by Segment
($ millions)



Interbake, strong brand name crackers and a new line of *FFV* crackers and wafers

U.S. Sales by Segment
($ millions)



Amigo a successful new line of Mexican products

the past half century.

In the branded "FFV" lines, Interbake continues to face a difficult competitive environment created by overcapacity resulting from the introduction of the soft cookie in late 1983. The soft cookie market wars are over and should have no further negative impact on operations in 1986. Expanded volumes will generate further improvements to 1986 results.

Neilson Division

The Neilson division's confectionery and dairy operations achieved record operating results in 1985 for the second consecutive year. While sales grew by 2%, operating income increased by 14% and return on capital employed improved significantly. The return on capital results are particularly impressive given the large investments that have been made in both the dairy and confectionery operations in recent years.

In the dairy operations, Neilson maintained a market share of about 20% in both the Ontario ice cream and fluid milk markets. The improvement in dairy results was substantially helped by the cooler expansion at the Halton Hills plant. The computerized process control systems are now performing efficiently, helping to make this plant the lowest cost producer in the Ontario industry. The Ottawa dairy successfully expanded its volume once again.

Ice cream volume increased by 9% over 1984 in a market that increased by only 5%. Three unique new product entries and continuing success with "Häagen-Dazs" all contributed to the gain. Work began on an ice cream plant expansion program that will provide capacity for future growth.

In the confectionery operations, Neilson has completed a program of value improvement on its major bar lines including "Crispy Crunch", "Mr. Big", "Sweet Marie" and "Malted Milk".

Product sizes have been increased, formulations improved and packaging upgraded to improve consumer appeal and product freshness. The value improvement program yielded important volume gains and has set the stage for a major marketing thrust behind these brands in 1986. In addition, several new product concepts are nearing the final stages of testing and the confectionery sector expects to have at least one major new introduction during 1986. Selected confectionery items were introduced successfully into the U.S. market on a trial basis and further gains

CABERNET-SAUVIGNON
1984
SPARKLING
APPLE AND PEAR JUI
FROM CONCENTRATE
JUS DE POMME ET
DE POIRE PÉTILLANT
FAIT DE CONCENTRÉ
1 LITRE
UNSWEETENED
IMPORTED FROM ITALY
EXTR
RAISI
RAISIN BRAN CE
president's
blend
gourmet coffee
filter fine grind
multiple
vitamins
and
minerals
200 tablets

are anticipated in 1986.

In 1985, Neilson focused its attention on consolidating the profitability of its core businesses and optimizing efficiencies in its production facilities. For 1986, a stable capital investment program and increased marketing investment will ensure continued long term growth with attractive returns.

Food Specialties Division and Outlook
The Food Specialties division with sales of $173 million in 1985 accounts for approximately 13% of Group sales. Although the division experienced declining volumes in some of its product lines, favourable cost relationships and productivity gains contributed to overall stable 1985 performance.

It is anticipated that in the short term, commodity prices will remain relatively stable and the Group's various operations will be able to generate improved returns and contributions. Emphasis on new product development and high levels of customer service will continue to be the focus of management in 1986 in order to further strengthen the Group's operations. Strategic planning aimed at exploiting market niches coupled with a commitment to efficiency will ensure the returns required to achieve and exceed Weston's targets.

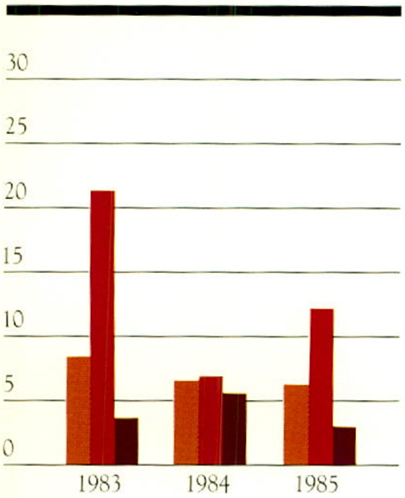
Food Distribution

In 1985 the Food Distribution Group conducted by Loblaw Companies Limited had record sales and operating income of $6.9 billion and $152 million respectively. Results were achieved by improved tonnage and productivity while at the same time Loblaw made record capital investments. U.S. food price inflation of 1.4% and Canadian at 2.5% remain low resulting in continuing pressure on operating margins.

Merchandising programs including *President's Choice*, continue to excel

Operating Results
Eastern Canadian operations, 40% of total sales, had sales of $2.8 billion and operating income of $72 million, increases of 3% and 2%. Western operations, which now represent 28% of total sales had an 11% increase in sales to $1.9 billion and

Canadian Sales and Operating Income
(Percent change over previous year)



no name line of products broadened

operating income of $48 million up 27% over 1984. United States operations, 32% of total sales, showed sales and operating income of $2.3 billion and $35 million respectively.

The Group's return on average capital employed for the year of 16.8% was down from the previous year as a result largely of the capital expenditures of $179 million. The Group now represents approximately 54% of total Weston capital employed.

Loblaw's investment program is concentrated on large, high volume, retail combination food and general merchandise stores, while at the same time supporting its base of wholesale service and franchise operations and high quality corporate supermarkets.

The reorganization of the Ontario businesses into a services element and a merchandising and operations element, began in the last half of 1984, and improved in all aspects as the year 1985 progressed. The reorganization anticipated the new low-cost marketplace which was emerging in the industry.

With the repositioning and reorganization of Ontario and the costs associated with those activities largely completed, and the organization, staffing and startup of Combined Merchandisers finished in 1985, the upcoming year will be one in which the focus of Eastern operations, the Group's largest business, will be towards merchandising and operations.

Western Canadian operations, a wholesale and franchised based operation, continued to develop in 1985 its strategic investment in larger combination retail outlets operated as the Real Canadian Superstores. In United States operations the continued investment in productive units and wholesaling opportunities occurred in 1985 with the opening of three new retail facilities and the acquisition of two wholesale food distribution companies.

The Group's position relative to others in the industry continues to be good despite the intense competitive activity and rapid industry changes. The warehousing, distribution and electronic data systems of the Group are among the best in the industry and position it to meet these challenges.

Over 90% of corporate retail store volume now runs through optical scanners. The labour scheduling computer systems and the buying information and control systems in Loblaw are at the leading edge in technical performance. The future of food distribution companies will continue to depend on the development of store formats which are positioned appropriate to their particular markets. In addition to formats the


Loblaws
LOBLAWS SUPERMARKETS LIMITED
TORONTO, CANADA
KEEP REFRIGERATED/GARDER AU FROID
SIRLOIN STEAK
BIFTECK DE SURLONGE
NET kg
0.570
PRICE/PRIX/kg
16
$10.79
185 86 JA 29
Loblaws
PORK LOIN CENTRE CHOPS
MILIEU DE LONGE DE PORC
NET kg
0.500
PRICE/PRIX/kg
16
$6.99
185 86
TOTAL


tampons géants d'ouate à
100% cotton
jumbo puffs
100 1.14 g
sanitary puffs
for cosmetic, baby, medical uses
in a reusable plastic container
savon liquide
500ml
multiple
vitamin e
400 i.u. USP
time release
vitamin C
1000 mg
G.P. 642711
dentifrice en gelée au fluorure
efficace pour la prévention de la carie dentaire
INGRÉDIENT ACTIF: MONOFLUOROPHOSPHATE DE SODIUM 0.85%
MANUFACTURED BY/FABRIQUÉ PAR H.J. SUTTON INDUSTRIES LTD WESTON, ONTARIO M9L 1V8

development and utilization of information technology which is vital to effective buying and labour cost control and the differentiation of merchandising thrust from others in the marketplace will be important determinants of successful future operations.

Capital Expenditures and Merchandising

The Group's capital expenditure program is centered on the philosophy of providing the best store format of facility for each particular region, while differentiating from competitors. During 1985 the continued emphasis on large high volume combination food and general merchandise stores appropriate for the particular locality resulted in the opening of such large stores in Pickering, Ontario and Lafayette, Louisiana. Similar stores will open in Edmonton, Regina, Winnipeg, Burlington, Sarnia, Moncton and New Orleans in 1986. The development costs and the real estate investment required for these stores have been significant. These stores will average over 80,000 square feet each and will contain a mix of food and non-food merchandise.

The Group's merchandising program along with buying and product development systems continue to reduce cost per ton sold. The expansion of "President's Choice" and "no name" products, the continued use of computerization and in-store videos have all contributed to unique merchandising concepts.

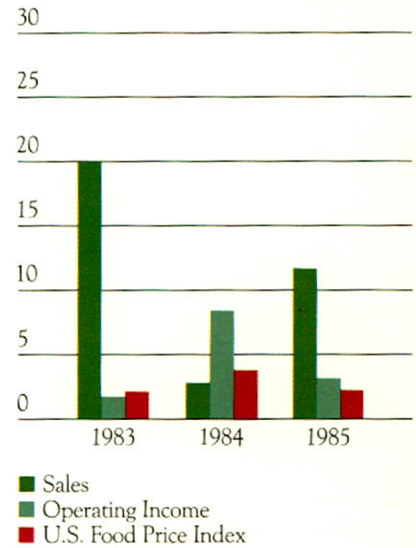
In 1986, square footage will increase for the first time in recent years and each of the Group's divisions has a balanced mix of operations best suited to its particular operating region.

Currently the Group's retail operations operate 366 stores occupying 9.2 million square feet and averaging $432 sales per gross square foot. The wholesale operations have 65 Cash and Carry units and service 1,284 franchise and 14,474 unaffiliated accounts, representing in excess of $2.9 billion of Group sales.

Outlook

Even though 1985 was the second consecutive one of record capital investments and impacted by organizational changes, results for the year continued to improve. The outlook for 1986 is for heightened competitive activity in a year in which the Group's net corporate retail store space increases significantly for the first time since 1977 and wholesale volume continues its growth rate of the past few years. As the largest food distribution company in Canada, Loblaw is confident that the impact of its major investments will be positive.

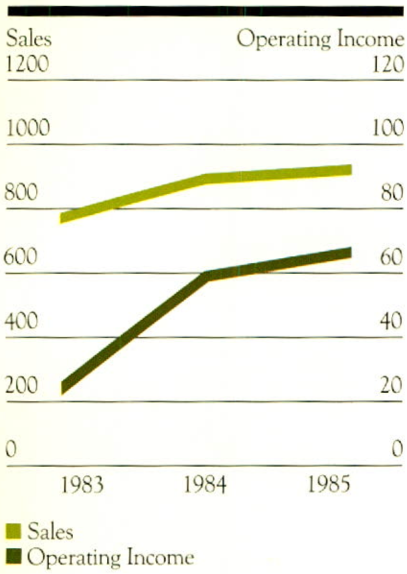
U.S. Sales and Operating Income
(Percent change over previous year, current operations)



Insider's Report distribution expanded successfully during the year

Resource

Sales and Operating Income
($ millions)



In 1985, the Resource Group posted its best results in seven years. Sales of $923 million were 3% over 1984 mainly on the strength of improved salmon landings at B.C. Packers. Operating income for the Group was up 16% to $68 million while return on capital employed improved to 13% from 11% in 1984.

The Fisheries division benefited from its ongoing program of reviewing and improving operating methods as well as strong west coast salmon and east coast herring runs. Operating income of $31 million was up 63% for this division and the outlook for 1986 continues to be positive.

A significant factor in the Fisheries division's improved results is the ongoing marketing program designed to increase the consumer awareness of our high quality products. The division has also embarked on a long term product development program to expand traditional product lines.

Connors Bros. continues to provide superior results relative to capital employed in a weak east coast fisheries environment and, as the country's only sardine canner, has a low exposure to groundfish commodity products. It had sales of $137 million in 1985.

B.C. Packers' *Rupert* line of prepared fish dishes introduced

Fisheries Division

In addition to its major processing facilities in Black's Harbour, New Brunswick, Connors Bros. operates several smaller processing, canning and freezing plants in New Brunswick, Nova Scotia, Newfoundland, Massachusetts and Scotland. Connors Bros.' operations include the processing of sardines, herring, herring roe, frozen and canned crabmeat, several forms of groundfish, fishmeal and oil.

During 1985, Connors operations in Scotland moved to larger facilities north of Aberdeen and results and production capacity improved over 1984. Lightly breaded, flash fried haddock fillets and "boil in the bag" herring fillets are examples of this operation's products which are shipped primarily to markets in the U.K. and North America.

B.C. Packers with 1985 sales of $260 million has recorded good results due to record volumes of production and overall market recovery. It is the largest fish processor in British Columbia and accounts for approximately 40% of Canadian salmon landings and 30% of herring roe production. It also markets imported seafood items together with its own


CLOVER
LEAF

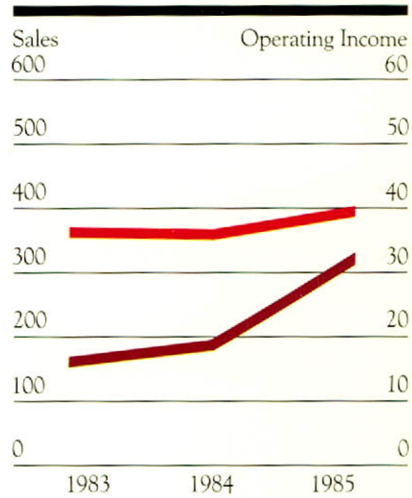

white
swan
bathroom tissue/papier hygiénique
douceur
400

products under the "Clover Leaf", "Paramount" and "Rupert" labels. This operation has major processing, packing and freezing plants in Richmond and Prince Rupert, British Columbia and in Naknek and Petersburg, Alaska. Its major production includes canned, fresh and frozen salmon, groundfish, herring roe, fishmeal and oil.

One of the strengths of the Fisheries division is the goodwill associated with the reputation for quality and wholesomeness which has been built into the "Clover Leaf" and "Brunswick" product lines. Stringent quality assurance programs which are designed to exceed government standards ensure the success of these premium labels. We believe our strong positions in the marketplace and in the minds of our customers are confirmation of this attention to quality.

Approximately $197 million in fishery production was exported in 1985 to foreign markets including the United Kingdom, Europe, Japan, Australia and the United States. These markets are important for the Fisheries division each year but more so in years such as 1985 when bumper fish harvests take place. Our reputation for quality and reliability has provided a sound trading base in those countries with which we deal and in 1985 represented 50% of our sales.

Fish Processing Sales and Operating Income
($ millions)



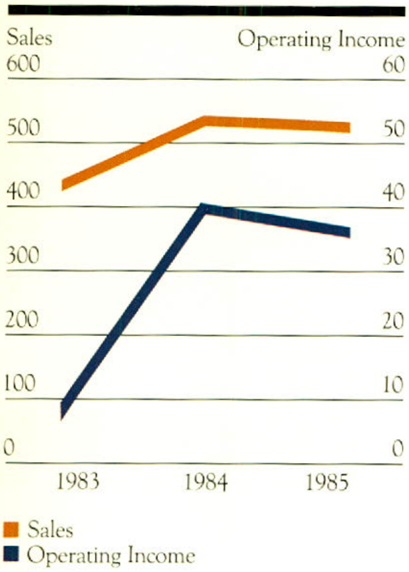
Forest Products Division

The Forest Products operations conducted by E.B. Eddy were, given the adverse economic climate in the industry, satisfactory in 1985. The strategy of developing products to fill market niches and to improve operating efficiencies continues to allow Eddy to generate superior results. Operating income declined to $36 million as a result in part of weaker pulp prices which dropped, on average, by almost U.S. $80 per tonne from 1984. For example, the list price of bleached kraft softwood pulp declined to U.S. $425 per tonne, a level last seen in 1979 and which compares to an average of U.S. $500 per tonne in 1982. On balance, Eddy requires internally an equivalent of 90% of its annual productive capacity of 327,000 tons of pulp with approximately 10% destined for world markets.

In fine papers and lumber, sales volumes were up modestly while pulp and consumer products volumes dropped slightly. Increased manufacturing efficiencies, particularly in the Hull/Ottawa fine paper and the Espanola pulp operation, are tangible evidence of the benefits to be derived from the continuing capital program to improve the production assets.

B.C. Packers' and Connors' premium quality products enjoy wide acceptance by consumers

Forest Products
Sales and Operating Income
($ millions)



Eddy's *White Swan* consumer products had another successful year

E.B. Eddy is also a supplier of lightweight opaque printing paper in Canada and the United States. Production includes a wide variety of business papers, lightweight publishing grades, food and surgical packaging and other miscellaneous converting papers.

A number of specialized products are produced including coated silicone release papers, dry gummed stock, parchment and cotton content papers. Total productive capacity for fine and specialty paper including its U.S. affiliate, Eastern Fine Paper, is approximately 265,000 tons. Tissue papers include a wide range of packaged sanitary products (serviettes, towels, facial and bathroom tissue) for both household and institutional use. Present annual capacity in these grades is in the range of 77,000 tons. "White Swan", "Eddy" and "Appleford" are well established trade marks used in the marketing of these products.

The lumber operations, geared primarily to the production of white pine, spruce and jackpine lumber, have total capacity of 295 million board feet per annum. Lumber is sold in both the Canadian and United States markets.

Capital Expenditures and Outlook

In 1985, capital spending amounted to $34 million which is significantly lower than the last few years which saw the pulp mill modernization at Espanola completed. 1986 spending will likely exceed that of 1985 with emphasis on paper machine upgrades and rebuilds for our specialized products and new pulp equipment aimed at improving efficiencies and productivity in existing lines. The Resource Group now represents 29% of Weston's total capital employed.

The Group will continue to focus on appropriate market niches within its area of expertise where its high value added products offer quality and value to consumers. Among these are Eddy's array of fine and specialty packaging paper products, its "White Swan" consumer products, and in Fisheries "Brunswick" and "Connaisseur" sardines and "Clover Leaf" salmon.

The Group has taken steps to insulate itself from wide variations in commodity prices but, as it faces international markets and commodity prices, it will be subject to worldwide economic conditions, and will continue to be subject to some cyclicality. The Group is strategically positioned to be competitive and produce improving returns.

Financial Report

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Financial Discussion

1985 continued the positive growth and earnings record for Weston. The achievement of over $100 million net earnings is a milestone for the Company and confirmation of the strategic direction set in the late 1970's.

Operating Results

In 1985 sales of $8.9 billion increased 8% while operating income increased 12% over 1984. In 1985's low inflationary economy less than half of this year's sales increase was attributable to higher prices while real volume gains contributed the larger share of our sales and earnings growth.

The 1985 operating income increase benefited from the $13 million year over year improvement in the Fisheries operations while the Food Distribution and Food Processing businesses were strong contributing a combined $18 million increase. The Resource Group's Forest Products operations results declined $4 million. Overall the 1985 results showed that continued improvements in efficiency and productivity have been achieved as the ratio of operating income to sales improved from 2.9% in 1984 to 3.0%.

Food Processing's operating income of $49 million was achieved from both an improved tonnage and product mix, while some segments continue to face heavy competitive pressure. Food Distribution on an 8% sales increase delivered operating income up 11% to $152 million a record for Loblaw Companies Limited. Resource operating income was up 16% largely due to the total $31 million Fisheries contribution. Forest Products operating income of $36 million was a considerable achievement given 1985 average pulp list prices of $425 US per tonne down from $505 US in 1984.

Objectives

The 1985 results reflect a continued improvement towards the achievement of our financial targets.

Weston sets long term financial targets to ensure continuing growth, maintain a sound financial position and provide its shareholders with above average real long term returns. These financial objectives focus on the ability to finance programs in a manner consistent with cash flows, while maintaining an acceptable growth rate and return on common equity.

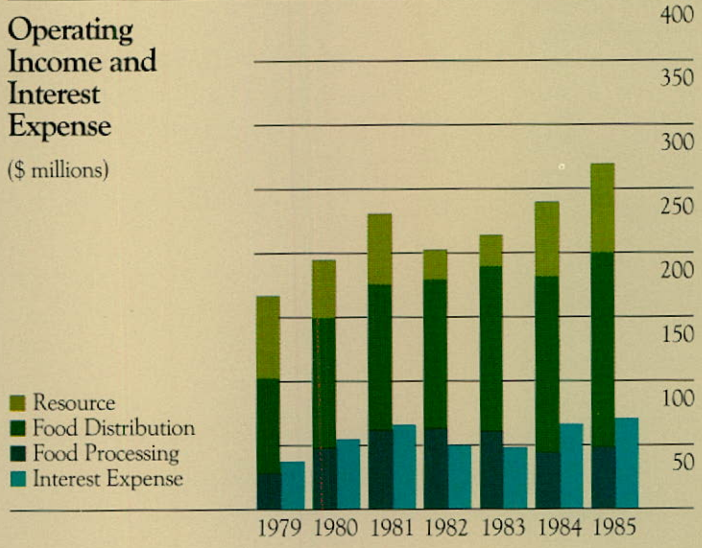
For the year 1985 the targeted 15% growth in earnings per share, return on average capital employed and the 1:1 debt to equity target were achieved, however the return on average common equity target of 15% was not attained. The 16% growth in earnings per share was achieved by an improvement in return on average capital employed for the Company as a whole to 15.6%. The individual groups had returns on capital employed of: Food Processing 16.6%; Food Distribution 16.8% and Resource 13.0%. The earnings growth was achieved within a .80:1 debt to equity ratio.

Return on equity at 14.3% was below target. To achieve our return on equity and earnings growth targets in the current environment, Weston must raise return on capital employed in the Resource Group above 15% while investing to maintain the historically strong returns in Food Processing and Food Distribution.

For the five years ended in 1985, the Company achieved its long term financial objective for return on average capital employed and debt to equity, but fell slightly short of achieving its objectives for return on average common equity and earnings growth. Growth in earnings per share was 16% in 1985 but this was not sufficient to produce a 15% compound growth rate given the base earnings per share five years ago. Although these financial objectives may be difficult to achieve in a given year, as a result principally of the deferred payback on major capital expenditures and the cyclical economic environment, Weston believes that over the longer term they can be consistently met or exceeded.

Operating Income and Interest Expense

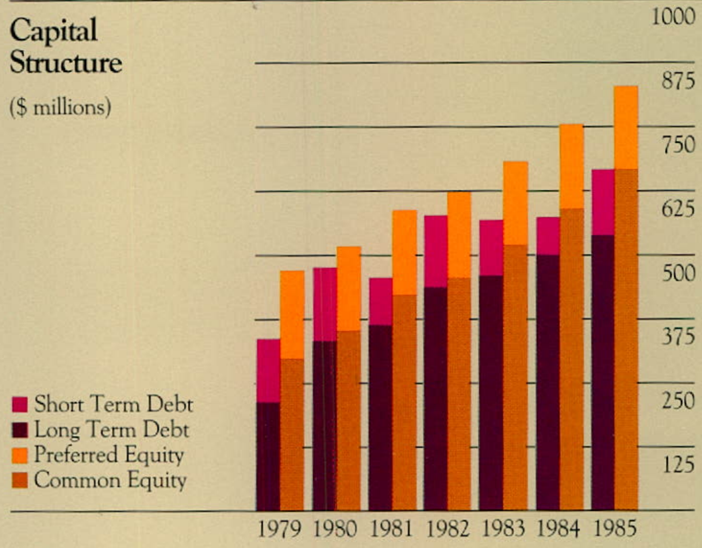
($ millions)



An important measure of financial strength is operating income relative to interest expense (interest coverage). Weston has maintained its interest coverage ratio of at least 3.4 times in each of the last seven years. Management believes this is an appropriate level consistent with the nature of our businesses. The heavy capital expenditure program planned for the future will be funded through a combination of retained earnings and debt while maintaining satisfactory interest coverage.

Capital Structure

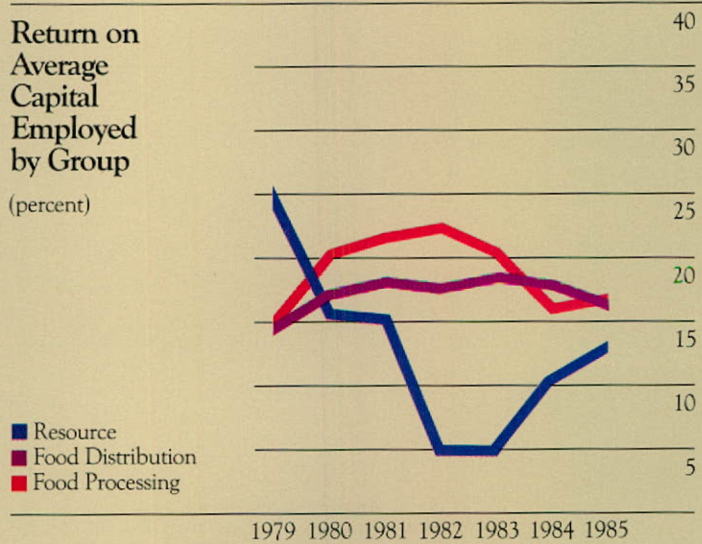
($ millions)



The debt to equity ratio is a measure of the financial leverage associated with a corporation; the higher the ratio, the larger the potential volatility of earnings. However, an appropriate amount of debt is advisable to provide shareholders with a reasonable return on their investment through financial leverage. Weston has determined that over the long term a debt level of between 75% and 100% of its equity is optimal for its shareholders.

Return on Average Capital Employed by Group

(percent)



The fluctuation in each Group's return on capital employed over time is affected by economic and capital expenditure cycles. Each Group has financial targets consistent with its growth objectives and while individual returns on capital within the Groups will vary from time to time, the Company's long term total return is relatively constant.

Financial Position

Weston's balance sheet is characterized by strength, flexibility and a strong asset commitment to our businesses. Inventories and accounts receivable are the principal working capital requirements of our business and represent a significant controllable asset of $1 billion. Accounts receivable have historically grown in relation to sales but increased by a larger percent in 1985 as a result of acquisitions in the bread and food wholesaling segments. Inventories are a principal investment particularly for the food distribution business and performance is measured and controlled by each principal operating company in terms of days sales invested. At the end of 1985 inventories increased as a result of our accelerating rate of sales increases and the large $122 million inventory in the Fisheries division resulting from the record salmon harvest in 1985. A significant percentage of inventories are financed by trade payables which fluctuate with the inventory changes.

During the year the Company's cash position declined by $56.5 million, as projected, to help finance the heavy investment in real estate and inventories.

The Company's fixed asset base has been significantly renewed in the last five years as illustrated by the $1.1 billion five year capital expenditures in relation to the current net fixed asset investment base of $1.3 billion. The current strategy has seen a significant increase in real estate investment as the recent expansion of 18 additional new retail stores has been made principally on Company owned property. Weston's investment in land and buildings now exceeds $600 million. This investment reduces the current return on equity because real estate investment provides a lower immediate return on capital employed.

Government policy to encourage capital investments in new plant and equipment through the various income tax acts provide for accelerated expensing of capital costs and tax credits. Weston's major capital expenditure programs have resulted in $120 million deferred income taxes on the balance sheet. Given the continuation of existing income tax regulations and Weston's capital expenditure plans this deferred tax balance should continue to grow during the next few years.

Weston's shareholders' equity is principally represented by earnings retained in the business. In 1985 retained earnings were increased by $70 million. The Company's debt to equity targets focused on the amount of net new debt assumed by the Company in relation to the long term increase in shareholders' equity. Included in shareholders' equity are $150 million of preferred shares which mature 1987 through 1991. The maturity of these preferred shares will be funded either through increases in retained earnings or new preferred capital depending on the Company's future requirements for capital expenditures.

Financial Resources

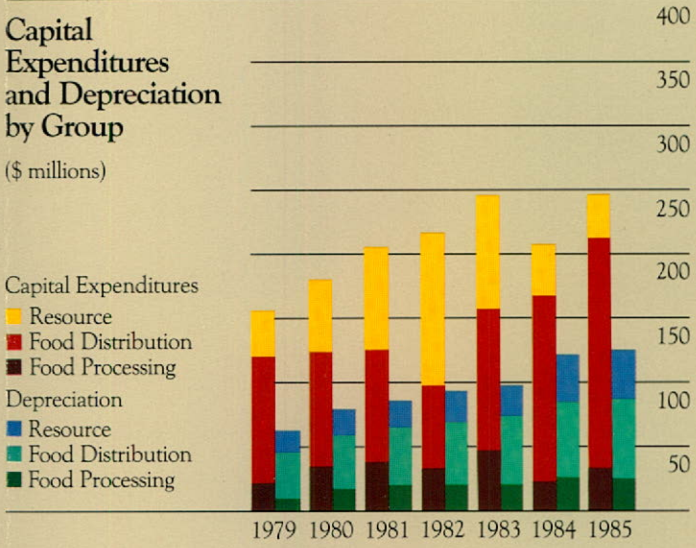
The Company continues to have a strong balance sheet and very acceptable financial ratios. Its debt to equity ratio is .80 to 1 and interest coverage ratio 3.8 compared to a .76:1 ratio and 3.6 coverage in 1984.

The cornerstone of Weston's financial strategy is the maintenance of adequate financial flexibility to take advantage of capital investment opportunities. This is achieved by having strong cash flow, extensive available short term lines now in excess of $400 million and a strong "A" credit rating. Additional debt will be issued in the next two years as a result of a substantial ongoing capital expenditure program and while the debt to equity position will become more levered the guidelines of the "A" credit rating and a lower than 1:1 debt to equity ratio will be maintained.

Average short and long term debt outstanding during 1985 approximated $580 million. This compares to an average of $516 million for the year 1984 or an increase of 12%. Weston's average cost on its short and long term debt in 1985 approximated 11.2%, compared to 11.7% in 1984. This decrease is principally attributable to lower short term rates on bank borrowings, increased utilization of commercial paper and lower rates on long term debt outstanding.

Capital Expenditures and Depreciation by Group

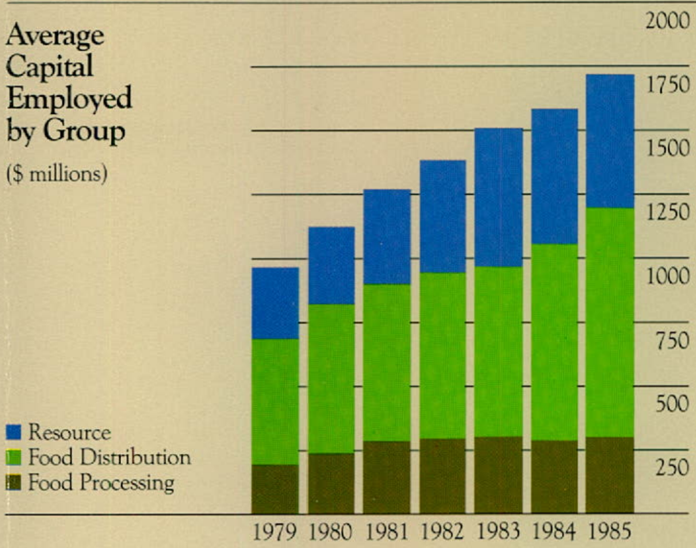
($ millions)



Large capital expenditures have been made in each Group during the last five years to renew the Company's asset base to ensure efficient and productive facilities. Our fixed asset replacement ratio is 5:1, meaning that our asset base has been renewed on average every 5 years. This constitutes a significant investment for the future and has, and continues to be, carried on without adversely affecting current performance and financial stability.

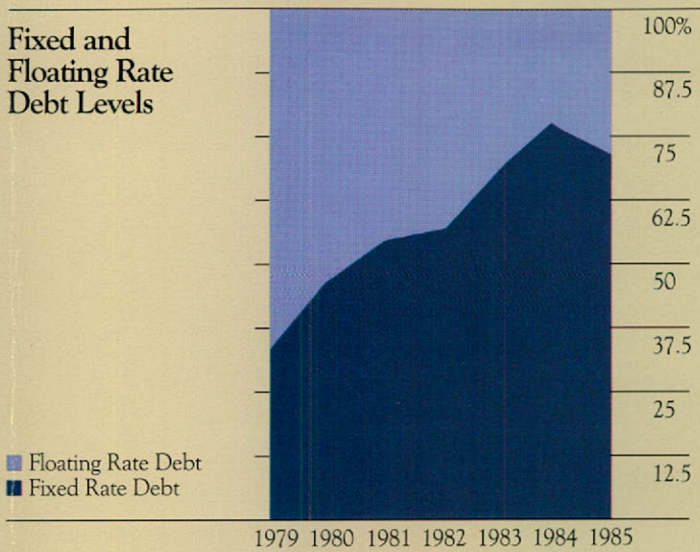
Average Capital Employed by Group

($ millions)



Weston's capital employed has increased as a result of capital investments in productive efficiency and fixed asset expansions. Management believes a significant part of the success of the Operating Groups in generating long term real returns on capital employed has been the result of upgrading and expanding the asset base. During the period from 1981 to 1983 the focus of capital spending for Weston had been the Resource Group while 1984 and 1985 saw large increases in the Food Distribution sector.

Fixed and Floating Rate Debt Levels



The volatility of a corporation's earnings is also dependent on its interest rate sensitivity. The higher the proportion of fixed rate funds the less the volatility. Offset against reduced volatility is the possible higher cost of debt in future periods. Weston has determined that a favourable mix is between 65% and 75% of its total debt at fixed rates. This provides Weston and its shareholders with a measure of safety against earnings volatility at a reasonable cost.

Long term debt of $123 million was placed in 1985 at an average term of 8 years and interest rate of 10.7%. Total long term debt net of $89 million retirements in the year was increased to $463 million. The average increase in net long term debt in the prior three years was also $45 million. Fixed rate debt declined to 72% of total debt from 78% in 1984 and Weston's exposure to floating rates continued at approximately 2% of current earnings for each annual percentage point change in interest rates.

Capital Expenditures

Capital expenditures during the year were $247 million with the major increases in capital expenditures occurring in Food Distribution, at $179 million primarily for real estate and super store development and Food Processing at $34 million for ongoing production improvements.

1985 acquisitions totalled $33 million for Weston Bakeries' purchase of the General Bakeries bread and roll plants in Ontario, the Peter J. Schmitt purchase of Santisi and Betsy Ross and the Stroehmann acquisition of the Millbrook brands and associated distribution operations in upstate New York. These acquisitions will be molded into existing operations to structure Weston's operating units in a better competitive position.

Capital employed is currently distributed 54% Food Distribution, 17% Food Processing and 29% Resource. The Company anticipates that over the next two year period its overall increasing capital expenditures will raise slightly the percentage of capital employed in the Food Distribution area.

Dividend Policy

Weston follows a common share dividend policy which reflects a target payout of 25% to 30% of the prior year's earnings giving consideration to cash flows, capital requirements and financial markets. Dividends were increased 10% in January 1985 to an annual rate of $1.72 per share equal to a payout of 25.4% of 1984 earnings per share of $6.76. The common dividend rate was increased again in January 1986 a further 9% to $1.88 per share, a payout of 24.0% of 1985 earnings per share.

Quarterly Performance

Weston's 1985 fourth quarter was particularly strong in comparison to previous years as it benefited from unusually strong fish processing results. The third quarter and first half followed the historic seasonal pattern of earnings. Sales growth accelerated throughout the year reflecting real volume increases from both new facilities in existing businesses and selected acquisition in the Food Processing and Food Distribution Groups. Operating income growth each quarter lagged behind the sales increases from these acquisitions and expansions. The pace of sales growth is expected to continue with a good but lagged improvement in operating income.

The fourth quarter results indicate the impact of the Resource Group results which were significantly improved as a result of a record fish catch, efficient processing and good operating capacity utilization in the fine paper and lumber operations. This level of performance is achievable on a continuing annual basis but the 1985 fourth quarter peak results must be considered unusual.

($ millions)	Food Processing 1985	Food Processing 1984	Food Distribution 1985	Food Distribution 1984	Resource 1985	Resource 1984
Sales						
1st Quarter	312	298	1,508	1,374	198	206
2nd Quarter	322	299	1,581	1,468	220	234
3rd Quarter	331	309	2,139	1,995	232	227
4th Quarter	351	314	1,703	1,582	273	228
Total	1,316	1,220	6,931	6,419	923	895
Operating Income						
1st Quarter	8	9	28	24	7	7
2nd Quarter	13	12	38	31	8	12
3rd Quarter	16	13	47	44	17	19
4th Quarter	12	11	39	38	36	21
Total	49	45	152	137	68	59

Outlook

Weston anticipates continued improvement in earnings in 1986 as it pursues growth within its stated financial objectives and strategies. The significant ongoing capital expenditure program is expected to have a continuing positive effect on operating incomes as the major projects mature. Weston's commitment of maintaining a strong and efficient asset base and investing in those areas of the business which are most productive will result in a long term growth and real returns for shareholders.

Management's Statement of Responsibility

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 financial statements have been audited by our independent auditors, Thorne Riddell, whose report outlines the scope of their examination and their opinion on the financial statements.

The Company's audit committee, which is comprised solely of directors who are not employees of the Company, is appointed by the Board of Directors annually. 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.

W. Galen Weston

W. Galen Weston
Chairman and President

Robert H. Kidd

Robert H. Kidd
Senior Vice President and
Chief Financial Officer

Auditors' Report

To the Shareholders of George Weston Limited

We have examined the consolidated balance sheet of George Weston Limited as at December 31, 1985 and the consolidated statements of earnings, retained earnings and cash flow 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, 1985 and the results of its operations and cash flow 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 4, 1986

Consolidated Statement of Earnings

Year ended December 31, 1985

(in millions of dollars)	1985	1984	1983
Sales and other income			
Sales	$8,879.8	$8,254.7	$7,799.6
Investment income	6.4	8.0	8.6
	8,886.2	8,262.7	7,808.2
Operating expenses			
Cost of sales, selling and administrative expenses before the following items	8,482.5	7,891.0	7,486.1
Depreciation of owned fixed assets	123.6	120.8	98.4
Depreciation of property under capital leases	11.9	10.4	10.9
	8,618.0	8,022.2	7,595.4
Operating income	268.2	240.5	212.8
Interest on long term debt	52.0	47.1	33.8
Interest on obligations under capital leases	11.1	11.4	12.5
Other interest expense	8.4	8.3	2.4
	71.5	66.8	48.7
Earnings before income taxes	196.7	173.7	164.1
Income taxes	75.6	66.4	69.5
Earnings before minority interest	121.1	107.3	94.6
Minority interest	20.2	18.5	16.0
Earnings before extraordinary items	100.9	88.8	78.6
Extraordinary items		4.7	.6
Net earnings for the year	$ 100.9	$ 93.5	$ 79.2
Per common share			
Earnings before extraordinary items	$ 7.83	$ 6.76	$ 5.88
Extraordinary items		$ .40	$ .05
Net earnings for the year	$ 7.83	$ 7.16	$ 5.93

Consolidated Cash Flow Statement

Year ended December 31, 1985

(in millions of dollars)	1985	1984	1983
Operations and Working Capital			
Earnings before minority interest	$ 121.1	$ 107.3	$ 94.6
Depreciation	135.5	131.2	109.3
Income taxes not requiring cash	16.2	17.2	21.5
Gain on sale of fixed assets	(12.1)	(3.8)	(10.5)
Other	.9	(.5)	(1.3)
Cash flow from operations	261.6	251.4	213.6
Provided from (used for) working capital	(28.9)	(69.0)	(6.8)
	232.7	182.4	206.8
Investment			
Purchase of owned fixed assets	(247.0)	(206.4)	(244.5)
Net decrease (increase) in properties held for development	(9.9)	1.3	19.2
Proceeds from sale of fixed assets	40.8	30.6	41.5
Acquisition of subsidiary companies	(33.2)		
Proceeds from the sale of subsidiaries			61.2
Acquisition of property under capital leases	(1.7)	(2.8)	(6.6)
Net decrease (increase) in other investments and sundry	(25.5)	4.2	(34.5)
	(276.5)	(173.1)	(163.7)
Financing			
Increase in long term debt	122.6	84.5	108.9
Reduction in long term debt	(88.7)	(48.4)	(68.2)
Increase in obligations under capital leases	1.7	2.8	6.6
Reduction in obligations under capital leases	(11.2)	(9.1)	(9.7)
Purchase of minority interest	(1.5)	(8.1)	(2.1)
Proceeds from issue of share capital	.8	.3	3.1
Proceeds from issue of subsidiary's share capital	.8	.2	1.4
	24.5	22.2	40.0
Dividends			
To shareholders	(30.9)	(29.2)	(29.6)
To minority shareholders in subsidiary companies	(6.3)	(6.1)	(5.3)
	(37.2)	(35.3)	(34.9)
Increase (decrease) in cash position*	$ (56.5)	$ (3.8)	$ 48.2

**Cash position is defined as cash and short term investments net of bank advances and notes payable.*

Consolidated Statement of Retained Earnings

Year ended December 31, 1985

(in millions of dollars)	1985	1984	1983
Retained earnings at beginning of year	$ 545.4	$ 481.6	$ 432.1
Net earnings for the year	100.9	93.5	79.2
	646.3	575.1	511.3
Dividends declared			
Preferred shares	11.2	11.4	12.0
Common shares	20.2	18.3	17.7
	31.4	29.7	29.7
Retained earnings at end of year	$ 614.9	$ 545.4	$ 481.6

Consolidated Balance Sheet
As at December 31, 1985

George Weston Limited
(Incorporated under
the laws of Canada)

(in millions of dollars)	1985	1984	1983
Assets			
Current assets			
Cash and short term investments	$ 7.3	$ 23.5	$ 58.4
Accounts receivable	382.0	311.6	297.4
Inventories	804.7	687.7	609.8
Properties held for sale	7.7	8.2	5.5
Prepaid expenses	26.6	23.8	23.0
	1,228.3	1,054.8	994.1
Investments	117.2	81.6	90.0
Fixed assets	1,253.3	1,134.0	1,074.5
Other assets	17.6	8.6	9.0
	$2,616.4	$2,279.0	$2,167.6
Liabilities			
Current liabilities			
Bank advances and notes payable	$ 92.9	$ 52.7	$ 83.8
Accounts payable and accrued liabilities	762.6	622.3	572.8
Taxes payable	31.0	25.6	48.5
Dividends payable	5.4	4.9	4.5
Long term debt payable within one year	28.4	14.4	19.0
Current portion of obligations under capital leases	9.4	9.0	7.9
	929.7	728.9	736.5
Long term debt	463.3	425.3	382.9
Obligations under capital leases	72.4	74.7	80.4
Other liabilities	31.6	38.2	29.9
Deferred income taxes	119.9	100.4	100.0
Minority interest in subsidiaries	169.5	157.0	151.6
	1,786.4	1,524.5	1,481.3
Shareholders' Equity			
Share capital	194.4	194.9	195.5
Retained earnings	614.9	545.4	481.6
Foreign currency translation adjustment	20.7	14.2	9.2
	830.0	754.5	686.3
	$2,616.4	$2,279.0	$2,167.6

Approved by the Board

W. Galen Weston

W. Galen Weston, *Director*

Robert H. Kidd

Robert H. Kidd, *Director*

Summary of Accounting Policies

December 31, 1985

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 at December 31, 1985 are: Loblaw Companies Limited 78% and Kelly, Douglas & Company, Limited 67%.

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.

Inventories and properties held for sale

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

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 assets by $60.4 million (1984 – $67.9 million, 1983 – $85.8 million), and obligations by $90.7 million (1984 – $97.8 million, 1983 – $119.5 million).

Translation of foreign currencies

Foreign currency balances are translated at a rate approximating the current rate or hedged rate at each year end. The foreign currency translation adjustment resulting from the translation of the financial statements of United States subsidiaries and the debt which acts as a hedge against these investments is included in shareholders' equity to be recognized in earnings in proportion to any reduction of the net investment. The deferral resulting from the translation of other foreign currency balances is included in other assets or liabilities as appropriate and amortized over the life of the item.

Fixed assets

Fixed assets are stated at cost including interest capitalized during the year of $3.0 million (1984 – $3.0 million, 1983 – $18.8 million) associated with construction. Depreciation is recorded principally on a straight line basis and units of production 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.

(Narrative and Tabular amounts in millions of dollars except Share Capital note)

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 $16.2 (1984 – $14.9, 1983 – $21.7).

The income tax rate reported in the financial statements is lower than the combined basic Canadian tax rates due to the following factors:

	1985	1984	1983
Combined basic Canadian federal and provincial rates	50.7%	49.9%	50.0%
Allowance to reduce the impact of inflation on inventory	(3.9)	(3.7)	(4.2)
Effect of selling capital assets	(2.1)	(1.9)	(2.1)
Operations in countries with lower tax rates	(2.7)	(3.7)	(2.3)
Losses and provisions which have not been deducted for tax purposes		.5	1.5
Rate reduction for manufacturing and processing operations	(1.8)	(2.0)	(1.3)
Other	(1.8)	(.9)	.7
Rate reported in financial statements	38.4%	38.2%	42.3%

2. Extraordinary Items

Extraordinary items in prior years consisted of tax reductions realized on the application of prior years' losses (1984 – $7.3, 1983 – $3.1) less closing costs of subsidiary operations, net of income tax recoveries (1984 – $2.6, 1983 – $2.5).

3. Inventories, By Group

	1985			1984	1983
	Raw materials and supplies	Finished goods	Total	Total	Total
Food Processing	$33.5	$ 65.1	$ 98.6	$ 90.0	$ 83.9
Food Distribution	6.3	514.2	520.5	441.3	377.8
Resource					
Fisheries	15.0	106.9	121.9	88.4	93.9
Forest Products	22.1	41.6	63.7	68.0	54.2
	$76.9	$727.8	$804.7	$687.7	$609.8

4. Investments

	1985	1984	1983
Properties held for development or sale, at cost	$ 32.4	$22.5	$23.8
Secured loans and advances	30.7	22.6	20.8
Long term receivables	17.5	17.5	24.1
Sundry investments	36.6	19.0	21.3
	$117.2	$81.6	$90.0

Secured loans and advances include $1.4 (1984 – $1.6) 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.

5. Fixed Assets

	1985	1984	1983
Land	$ 141.9	$ 118.3	$ 91.5
Buildings	463.4	375.9	335.0
Equipment and fixtures	1,313.6	1,212.6	1,131.3
Leasehold improvements	124.5	126.9	120.5
	2,043.4	1,833.7	1,678.3
Accumulated depreciation	853.9	766.3	676.8
	1,189.5	1,067.4	1,001.5
Property under capital leases, less accumulated depreciation	63.8	66.6	73.0
	$1,253.3	$1,134.0	$1,074.5

6. Long Term Debt	1985	1984	1983
George Weston Limited			
Sinking Fund Debentures			
6¾% Series E and F maturing 1986 and 1987	$ 9.9	$ 11.3	$ 13.6
12.75% Series 1 maturing 2000	20.0	21.3	22.5
14⅛% Series 2 maturing 1997	22.5	23.7	25.0
Term loans at a weighted average interest rate of:			
8.3% maturing 1986 to 1992 (Swiss Francs 50.5)	34.5	29.8	29.8
14.7% rate renegotiable in 1986 and 1987 maturing 1990 (U.S. $10.0)	13.3	12.8	12.2
13.6% rate renegotiable in 1986 to 1989 maturing 1993 (includes U.K. £8.3)	42.3	43.0	45.0
12% maturing in 1988	25.0	25.0	25.0
Repaid in 1985		31.7	30.2
Loblaw Companies Limited and subsidiaries			
8⅜ Sinking Fund Debentures maturing 1993	7.4	7.4	12.8
Debentures			
12½% Series 1 maturing 1990	35.0	35.0	35.0
12¼% Series 2 maturing 1994	35.0	35.0	
11⅝% Series 3 maturing 1992	50.0		
11% Series 4 maturing 1995	40.0		
Term loans			
At bank's prime rate maturing 1987	15.0	15.0	15.0
London Interbank offered rate plus ⅜% to ¾% maturing 1992 (U.S. $13.0)	17.3	16.7	15.9
Repaid in 1985 and 1984		15.4	19.2
Mortgages at a weighted average interest rate of 10.0% maturing 1986 to 2004 (including U.S. $5.8)	28.5	22.2	18.5
Other long term debt			
Term loans			
At a weighted average interest rate of 13.3%, rate renegotiable in 1986 to 1988, maturing 1986 to 1990 (including U.S. $10.0)	24.9	27.3	28.2
At bank prime rate to a maximum of 12.95%, rate renegotiable in 1987 maturing 1990	15.0	15.0	
Individually not exceeding $6.9 at a weighted average rate of 8.5% (including U.S. $30.0)	56.1	52.1	54.0
	491.7	439.7	401.9
Less payable within one year	28.4	14.4	19.0
Long term debt	$463.3	$425.3	$382.9

Principal payable in the next five years is as follows:
1986 – $28.4; 1987 – $42.1; 1988 – $47.4;
1989 – $17.6; 1990 – $95.1.

7. Share Capital

	Number of shares issued			Amount (in millions of dollars)		
	1985	1984	1983	**1985**	1984	1983
Senior preferred shares						
First series	**56,565**	61,190	67,290	**$ 5.6**	$ 6.1	$ 6.7
Second series	**57,014**	60,704	62,159	**5.7**	6.1	6.2
	113,579	121,894	129,449			
Preferred shares						
Series X	**750,000**	750,000	750,000	**75.0**	75.0	75.0
Series Y	**500,000**	500,000	500,000	**50.0**	50.0	50.0
Series Z	**250,000**	250,000	250,000	**25.0**	25.0	25.0
	1,500,000	1,500,000	1,500,000			
Junior preferred shares						
Series A	**2,375**	2,375	3,375	**.2**	.2	.3
Series C	**2,600**	3,700	4,500	**.3**	.4	.5
Series D	**14,160**	14,800	14,800	**1.4**	1.5	1.5
Series E	**20,050**	22,250	22,250	**2.0**	2.2	2.2
	39,185	43,125	44,925			
				165.2	166.5	167.4
Common shares	**11,474,679**	11,453,167	11,438,851	**29.2**	28.4	28.1
				$194.4	$194.9	$195.5

Share Information (in dollars):

Senior preferred shares (authorized 168,104)
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 1¼%.
Series Y – redeemable and retractable on December 1, 1990 at $100, annual dividend rate is one half average bank prime rate plus ⅞%.
Series Z – redeemable and retractable on December 1, 1991 at $100, annual dividend rate is one half average bank prime rate 1¼%.

Junior preferred shares
Series A – $8.00 cumulative dividend, redeemable after March 16, 1988 at $100, convertible into 14,729 common shares.
Series C – $9.00 cumulative dividend, redeemable after June 6, 1990 at $100, 2,000 convertible into 8,333 common shares.
Series D – $10.00 cumulative dividend, redeemable after October 2, 1991 at $100, 10,000 convertible into 31,008 common shares.
Series E – cumulative dividend with annual rate at two thirds average bank prime plus ¾%, 9,000 redeemable after August 27, 1992 and 11,050 after May 16, 1993, at $100, 18,250 convertible into 44,318 common shares.

During the year 8,315 senior preferred shares (1984 – 7,555) were purchased for cancellation at a cost of $532,000 (1984 – $425,000).

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 an adverse change in the tax status of the dividends received. In the event of early retraction of Series X and Y shares, the original holder will loan the Company funds sufficient to complete the retraction.

In 1985 the Company issued 11,791 (1984 – 9,533) common shares for $394,000 (1984 – $180,000) on conversion of junior preferred shares and issued 9,721 (1984 – 4,783) common shares for cash of $373,000 (1984 – $175,000) on exercise of employee stock options. After giving effect to the foregoing, the Company has reserved 102,047 common shares for potential conversion of the preferred shares. As at December 31, 1985, 114,335 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, 1985.

Number of employees	Number of common shares	Exercise price per share	Option expiry date
7	5,092	$24.00	June 6, 1990
3	6,250	32.25	October 2, 1991
19	23,275	57.125	May 16, 1993
57	38,475	84.75	June 12, 1992
1	23,000	87.25	September 17, 1992

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

8. Leases

The Company and its subsidiaries have obligations under long term leases for retail outlets, warehouse facilities and equipment. Net long term lease expense for 1985 was $53.5 (1984 — $50.4). Property under capital leases entered into after December 31, 1978 is:

	1985	1984	1983
Buildings	**$ 66.6**	$ 60.5	$ 58.8
Equipment	**49.8**	52.5	50.7
	116.4	113.0	109.5
Accumulated depreciation	**52.6**	46.4	36.5
	$ 63.8	$ 66.6	$ 73.0

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

		Other leases		
For the year	Capital leases entered into after December 31, 1978	Gross liability	Expected sublease income	Expected net liability
1986	$ 20.9	$ 76.1	$ 23.6	$ 52.5
1987	18.7	66.7	20.9	45.8
1988	13.9	60.7	18.1	42.6
1989	11.1	56.2	14.9	41.3
1990	10.4	49.3	12.8	36.5
Thereafter to 2023	98.8	310.5	67.8	242.7
Total minimum lease payments	173.8	$619.5	$158.1	$461.4
Less interest at a weighted average rate of 13.4%	92.0			
Balance of obligations	81.8			
Less current portion	9.4			
Long term obligations	$ 72.4			

9. Other Liabilities

	1985	1984	1983
Deferred employee compensation	**$13.2**	$15.2	$15.7
Provision for future obligations on closed operations	**8.9**	8.2	3.4
Provision for self insured claims and other	**7.6**	12.4	8.0
Deferred real estate income	**1.9**	2.4	2.8
	$31.6	$38.2	$29.9

10. 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 1985 amounts to $2.3 (1984 – $1.7). The Company has also guaranteed a U.S. $2.9 (1984 – U.S. $3.3) mortgage payable by a subsidiary of Wittington Investments, Limited on property leased to the Company.

11. Commitments and Contingent Liabilities

Endorsements and guarantees arising in the normal course of business amount to $112.6. In addition, there are assigned leases of $106.6 which relate to the sale of U.S. Food Distribution Group subsidiary operations.

The Company and its subsidiaries have pension plans covering a majority of employees. Pension expense in 1985 was $46.0 (1984 – $43.5) and includes the amortization of past service costs over varying periods not exceeding fifteen years. The present value of the unfunded past service pension liability based on current actuarial reports is $97.9 at December 31, 1985.

In addition to various claims arising in the normal course of business, there are certain class action lawsuits, involving substantial amounts, filed by former employees of a U.S. Food Distribution subsidiary operation sold in 1982. Although the outcome of these actions cannot be predicted with certainty, management believes that their outcome will not have a material effect on the Company's financial position.

12. Acquisitions

During 1985 the Company and subsidiaries acquired: 100% of the outstanding common shares of Betsy Ross Foods, Inc. and Santisi Produce Company in August, both U.S. food wholesale operations; the Ontario bread and roll manufacturing plants of General Bakeries in July, and the U.S. bakery and associated distribution operations of Millbrook brands in September. The purchase method has been used to account for these acquisitions and accordingly results of operations are included since the dates of acquisition. Allocation of the combined purchase price is:

Net assets acquired	
Working capital	$ 15.2
Fixed assets	25.2
Other assets	3.9
Long term liabilities	(11.1)
Consideration given (cash and notes payable)	$ 33.2

13. Segmented Information

Canadian sales include export sales approximating $300 in 1985 and 1984.

Inter Group sales relate primarily to Food Processing. 1985 includes $234 (1984 – $226) from this Group.

Segment operating income includes an allocation of the excess of corporate service expense over investment and other income in 1985 of $11 (1984 – $7).

Capital expenditures and depreciation details do not include property under capital leases. Acquisition of property under capital leases of $2 in 1985 (1984 – $3) and depreciation of $12 (1984 – $10) relate primarily to the Food Distribution segment.

Capital employed represents total assets less non-interest bearing current liabilities.

Return on average capital employed represents the percentage that operating income is of the average of the current and immediately preceding year end balance of capital employed.

Debt is comprised of interest bearing liabilities.

Note 13 continued	1985	1984	1983	1982	1981	1980	1979
Sales and earnings							
Sales							
Food Processing	**$1,316**	$1,220	$1,184	$1,134	$1,038	$ 905	$ 630
Food Distribution	**6,931**	6,419	6,091	6,221	5,795	5,375	4,725
Resource — Fisheries	**397**	362	364	339	395	327	337
— Forest Products	**526**	533	430	378	421	385	354
Inter Group	**(290)**	(279)	(269)	(242)	(220)	(215)	(179)
Consolidated	**8,880**	8,255	7,800	7,830	7,429	6,777	5,867
Canada	**6,020**	5,669	5,294	4,963	4,730	4,252	3,814
United States	**2,860**	2,586	2,506	2,867	2,699	2,525	2,053
Operating income							
Food Processing	**49**	45	61	64	61	49	30
Food Distribution	**152**	137	128	115	114	100	71
Resource — Fisheries	**31**	19	16	10	22	6	19
— Forest Products	**36**	40	8	13	33	41	48
Consolidated	**268**	241	213	202	230	196	168
Canada	**205**	189	156	141	170	149	123
United States	**63**	52	57	61	60	47	45
Cash flow							
Capital expenditures							
Food Processing	**34**	23	47	34	41	34	22
Food Distribution	**179**	145	110	65	88	90	98
Resource — Fisheries	**6**	3	5	18	13	35	15
— Forest Products	**28**	35	83	100	64	21	22
Consolidated	**247**	206	245	217	206	180	157
Depreciation							
Food Processing	**26**	27	22	22	20	17	11
Food Distribution	**63**	59	53	49	45	43	35
Resource — Fisheries	**8**	8	8	8	8	7	6
— Forest Products	**27**	27	15	15	13	12	10
Consolidated	**124**	121	98	94	86	79	62
Financial position							
Total assets							
Food Processing	**416**	370	372	371	354	343	249
Food Distribution	**1,540**	1,266	1,155	1,115	1,037	963	868
Resource — Fisheries	**224**	199	217	243	243	235	200
— Forest Products	**436**	444	424	343	264	217	190
Consolidated	**2,616**	2,279	2,168	2,072	1,898	1,758	1,507
Canada	**1,911**	1,708	1,624	1,520	1,329	1,238	1,066
United States	**705**	571	544	552	569	520	441
Ratios							
Return on average capital employed	**15.6%**	15.2%	14.2%	14.6%	18.1%	17.4%	17.4%
Food Processing	**16.6%**	15.8%	20.6%	22.3%	21.5%	20.1%	15.1%
Food Distribution	**16.8%**	17.8%	18.4%	17.5%	18.2%	17.3%	14.6%
Resource	**13.0%**	11.0%	4.7%	5.2%	15.3%	15.5%	24.4%
Return on average common equity	**14.3%**	14.0%	13.6%	12.3%	16.2%	17.3%	20.5%
Interest coverage ratio	**3.75:1**	3.60:1	4.37:1	3.96:1	3.43:1	3.44:1	4.33:1
Debt to equity ratio	**.80:1**	.76:1	.84:1	.92:1	.77:1	.90:1	.73:1

Seven Year Summary

(in millions of dollars)	1985	1984	1983	1982	1981	1980	1979
Sales and earnings							
Sales	$8,880	$8,255	$7,800	$7,830	$7,429	$6,777	$5,867
Operating income							
First quarter	43	40	37	39	41	35	30
Second quarter	59	55	47	41	48	44	40
Third quarter	79	76	63	60	69	53	49
Fourth quarter	87	70	66	62	72	64	49
Total	268	241	213	202	230	196	168
Interest expense	72	67	49	51	67	57	39
Earnings before extraordinary items	101	89	79	70	79	71	66
As a percentage of sales	1.1%	1.1%	1.0%	0.9%	1.1%	1.0%	1.1%
Net earnings	101	94	79	69	95	84	76
Cash flow							
Cash flow from operations	262	251	214	213	215	174	168
Capital expenditures	247	206	245	217	206	180	157
Increase (decrease) in cash position	(57)	(4)	48	(30)	64	(9)	22
Net long term debt issued (retired)	34	36	41	59	25	73	(2)
Financial position							
Current assets	1,228	1,055	994	986	952	932	827
Current liabilities	930	729	736	749	678	667	603
Working capital	298	326	258	237	274	265	224
Fixed assets	1,253	1,134	1,075	980	854	746	605
Long term debt	463	425	383	345	266	249	174
Shareholders' equity	830	755	686	627	591	526	471
Average capital employed	1,722	1,584	1,502	1,388	1,270	1,126	963
Per common share (in dollars)							
Earnings before extraordinary items							
First quarter	.89	.81	.81	.71	.93	.83	.80
Second quarter	1.53	1.39	1.11	.84	1.11	1.01	1.21
Third quarter	2.45	2.18	1.81	1.59	1.59	1.26	1.28
Fourth quarter	2.96	2.38	2.15	1.68	1.99	2.01	1.77
Total	7.83	6.76	5.88	4.82	5.62	5.11	5.06
Net earnings	7.83	7.16	5.93	4.67	7.06	6.28	6.01
Dividends declared	1.76	1.60	1.56	1.56	1.44	1.36	1.04
Cash flow from operations	22.83	21.96	18.81	18.88	19.11	15.60	15.21
Capital expenditures	21.53	18.03	21.53	19.20	18.35	16.11	14.20
Book value	57.94	51.34	45.36	40.46	37.54	31.94	27.11
Market value – high	103.75	76.25	66.00	42.75	38.38	31.25	28.00
– low	72.00	62.75	42.25	27.00	30.25	22.00	21.00
– close	102.00	74.25	62.75	42.25	36.50	30.75	22.50
Price earnings ratio (year end)	13.0x	11.0x	10.7x	8.8x	6.5x	6.0x	4.4x
Market/book ratio (year end)	1.76:1	1.45:1	1.38:1	1.04:1	.97:1	.96:1	.83:1

Supplementary Information
Reporting on the Effects of Changing Prices

December 31, 1985

(in millions of dollars) (Unaudited)

Background

Financial Statements presented in accordance with generally accepted accounting principles are based on historic dollar values. The impact of inflation is reflected in financial statements by increased costs for recent expenditures while assets acquired in earlier years continue to be reflected at their depreciated historical cost, which may be less than current replacement cost. Since management's business plans recognize the effect of inflation, shareholders' evaluation of financial results should also consider the inflationary economic environment. Supplementary information may assist in the shareholders' interpretation of the historical cost financial statements.

Although Weston is providing current cost information to assist shareholders, this supplementary information should be interpreted with caution as it is experimental, based on indices and estimates, and may not represent the costs that would be incurred if the assets were, or were able to be replaced.

Current cost accounting incorporates changing prices by providing for the replacement of inventory and fixed assets. This recognizes that to maintain current operating levels it will be necessary to replace certain assets at higher costs. Current cost accounting requires several adjustments to the historical cost statements. Note that all prior year figures indicated in the commentary below have been restated by the 1985 average increase in the Consumer Price Index (CPI).

Cost of Sales Adjustment

This is the difference between the replacement and historic cost of sales. This adjustment is significantly affected by the rate of inventory turnover. As the food products industry is characterized by rapid inventory turnover, the food related businesses of George Weston Limited do not generate a significant cost of sales adjustment. The minor adjustment reflected in current cost earnings is due entirely to the Resource Group.

Financing Adjustment

Current cost adjustments provide for the replacement of assets based on the assumption that the necessary funds will be generated entirely from earnings. However, if the present debt to current cost equity relationship is maintained, a portion of the funds required for replacement will be provided by debt. Accordingly the financing adjustment reflects the portion of current cost adjustments that do not require provision through earnings.

Asset Valuation

Another aspect of current cost accounting addresses the valuation of fixed assets and inventory as set out in the notes to the attached Statement of Earnings. The increase in the current cost of fixed assets during the year was $69.4 ($11.4 in 1984). For inventory, replacement occurs so frequently that the difference between current cost and historic cost is immaterial. If the fixed assets had been restated using the average increase in the CPI the increase would have been $65.8 ($55.8 in 1984).

Purchasing Power

Inflation affects the monetary assets and liabilities of a company as monetary items are fixed in value while the prices of non-monetary items are changing. By having a net liability position, the company can pay its liabilities using cheaper dollars and therefore have a purchasing power gain. In 1985, the Company had a gain in general purchasing power of $49.1 ($39.5 in 1984) from holding net monetary liabilities during the year.

Interest and Tax

Deferred taxes, income tax expense and interest expense are not adjusted for current costs and remain as shown in the historical cost financial statements.

Consolidated Statement of Earnings Adjusted for the Effects of Changing Prices

Year ended December 31, 1985 (Unaudited)

(in millions of dollars, except per share data)	1985		1984	
	Historic Cost	Current Cost	Historic Cost	Current Cost
Sales and other income	$8,886.2	$8,886.2	$8,262.7	$8,262.7
Operating expenses				
Cost of sales, selling and administrative expenses	8,482.5	8,482.6	7,891.0	7,891.2
Depreciation (Note 1)	135.5	184.5	131.2	164.8
Disposal adjustment (Note 2)		12.1		3.8
	8,618.0	8,679.2	8,022.2	8,059.8
Operating income	268.2	207.0	240.5	202.9
Interest expense	71.5	71.5	66.8	66.8
Income taxes	75.6	75.6	66.4	66.4
Minority interest	20.2	16.9	18.5	16.2
Financing adjustment		(30.9)		(18.6)
Earnings before extraordinary items	100.9	73.9	88.8	72.1
Preferred dividends	11.2	11.2	11.4	11.4
Adjusted earnings before extraordinary items	$ 89.7	$ 62.7	$ 77.4	$ 60.7
Per common share				
Earnings before extraordinary items	$ 7.83	$ 5.48	$ 6.76	$ 5.30
Book value	$ 57.94	$ 86.10	$ 51.34	$ 78.26
Other supplementary information				
Inventory	$ 804.7	$ 804.7	$ 687.7	$ 687.7
Fixed assets	1,253.3	1,601.8	1,134.0	1,474.6
Common shareholders' equity	664.8	988.0	588.0	896.3

Notes:

1) Depreciation on a current cost basis is $49.0 higher than on an historical cost basis ($33.6 in 1984). Depreciation expense has been calculated consistently with the historical cost basis however it has been based on the current replacement costs of fixed assets. Replacement costs are determined by specific indices and appraisals where appropriate.

2) Fixed asset disposals often give rise to a gain or loss on sale. In most instances the disposal proceeds are an objective indication of replacement value for a comparable asset. Therefore, gains and losses on disposal of fixed assets are eliminated for current cost accounting purposes.

3) For comparative purposes, 1984 figures have been shown as they would originally have been presented at December 31, 1984 current costs. The 1984 current cost comparative figures restated using the 1985 average increase in the CPI would be: sales $8,596.4; operating expenses $8,385.3; earnings before extraordinary items and preferred dividends $75.0; shareholders' equity $932.5.

Principal Operations

Food Processing

Sales ($millions)	Operating Companies	Number of Employees
Baking and Milling $602	Weston Bakeries Soo Line Mills McCarthy Milling Stroehmann Bakeries	7,700
Biscuit $266	InterBake (Can.) Interbake (U.S.)	3,050
Confectionery and Dairy $275	William Neilson	1,450
Food Specialties $173	Bowes	900

Food Distribution

Sales ($millions)	Operating Companies	Number of Employees
Eastern Canada $2,780	Loblaws Supermarkets Zehrmart Atlantic Wholesalers National Grocers	16,000
Western Canada $1,888	Kelly, Douglas Westfair	6,500
United States $2,263	National Tea Peter J. Schmitt	11,000

Resource

Sales ($millions)	Operating Companies	Number of Employees
Forest Products $526	E. B. Eddy Forest Eastern Fine Paper	4,850
Fisheries $397	Connors Bros. British Columbia Packers	3,400 2,400

Principal Facilities	Types of Products and Trademarks	Head Office
Canada: Vancouver, Calgary, Edmonton, Regina, Winnipeg, Essex, Kitchener, Aurora, Kirkland Lake, Toronto, Kingston, and Longueuil, with flour mills in Winnipeg and Mississauga United States: Williamsport, Norristown, Altoona, Sayre, Hazelton, Harrisburg, Erie and Beaver in Pennsylvania; Olean, New York and East Hartford, Connecticut	Wide variety of breads, rolls, cakes, flour and other bakery products: *Country Harvest, Fibre Goodness, Wheat 'n Bran*	Toronto, Ont Winnipeg, Man Mississauga, Ont Williamsport, Pa
Canada: Winnipeg, London and Longueuil United States: Richmond, Virginia; Battle Creek, Michigan; Tacoma, Washington; and North Sioux City, South Dakota	Sweet biscuits, crackers, ice cream cones, wafers, confection and candies: *McCormicks, Stoned Wheat Thins, FFV Famous Foods of Virginia, TC Rounds*	Toronto, Ont Richmond, Va
Canada: Toronto, Ottawa and Halton Hills	Chocolate bars, chocolate coatings, cocoa, specialty items, bulk and packaged ice cream, frozen novelties, fluid milk and associated dairy products: *Neilson Jersey Milk, Crispy Crunch, Sweet Marie*	Toronto, Ont
Canada: Toronto, Colborne, Montreal and Winnipeg	Dried and glazed fruits, nuts, cereal, and health foods *Bowes, Dutch Mill, Bakeshop*	Toronto, Ont
Canada: Ontario, New Brunswick, Nova Scotia and Prince Edward Island	Wholesale and retail distribution of food and other products throughout central and eastern Canada	Toronto, Ont Cambridge, Ont Sackville, NB Toronto, Ont
Canada: British Columbia, Alberta, Saskatchewan and Manitoba	Wholesale and retail distribution of food and other products throughout western Canada	Vancouver, BC Winnipeg, Man
United States: New Orleans, Louisiana; St. Louis, Missouri; Buffalo and Rochester, New York; Sharon and Erie, Pennsylvania	Wholesale and retail distribution of food and other products throughout northeastern and southcentral United States	Rosemont, Il Buffalo, NY
Canada: Timber limits, FMA's and sawmills in Nairn Centre and Timmins, Ontario; Pulp and Paper operations in Espanola, and Ottawa, Ontario and Hull, Quebec United States: Paper operations in Brewer, Maine	Spruce and pine lumber, bleached kraft pulp and a wide variety of fine and specialty papers for printing, writing and packaging for household and industrial uses and tissue paper products	Ottawa, Ont Brewer, Me
Canada: Richmond and Prince Rupert, British Columbia; Black's Harbour and Shippegan, New Brunswick; Clark's Harbour, Nova Scotia; and Isle Aux Morts, Newfoundland United States and other: Westwood, Massachusetts; Naknek and Petersburg, Alaska; and Aberdeen, Scotland	Variety of canned fresh, frozen and processed fish including salmon, tuna, groundfish, herring, sardines, clams, oysters, mussels and crab products: *Brunswick, Connoisseur, Clover Leaf, Rupert Flip 'n' Fry*	Black's Harbour, NB Richmond, BC

Corporate Directory

Directors

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

David R. Beatty
President
Food Processing Group
George Weston Limited

Richard J. Currie
President
Loblaw Companies Limited

Mark Hoffman
Chairman
IFM Trading Limited

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

Hugo Mann*
Managing Director
Deutscher Supermarkt

Honourable Doctor Pauline McGibbon
Corporate Director

David A. Nichol
Executive Vice President
Loblaw Companies Limited

Earl R. Pearce
President
Resource Group
George Weston Limited

S. Simon Reisman*
Ambassador,
Trade Negotiations
Government of Canada

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

*Audit Committee

Corporate Officers

Robert H. Kidd
Senior Vice President and
Chief Financial Officer

William A. Sloan
Vice President, Finance

Ivan R. Franklin
Vice President

Stewart E. Green
Vice President
General Counsel

Terrence H. Wardrop
Vice President, Controller

Dr. G. Ross Lawford
General Manager
Weston Research Centre

Operating Structure

Food Processing

D. R. Beatty, President

Weston Bakeries
J. P. Wygant, Chairman
G. S. Hurlow, President

Stroehmann Bakeries
J. P. Wygant, Chairman
F. W. Coffey, President

Soo Line Mills
N. Humby, President

McCarthy Milling
J. H. Wyncoll, President

InterBake Canada
D. J. McMullen, Chairman
T. G. Reynolds, President

Interbake U.S.
D. J. McMullen, Chairman
C. J. Maurer Jr., President

William Neilson
D. H. McMillan, President

Bowes
B. B. Green, Chairman

Food Distribution

R. J. Currie, President

Atlantic Wholesalers
A. F. Rose, President

Central Canada Grocers
D. M. Williams, President

Combined Merchandisers
E. B. Johnston, President

Loblaws Supermarkets
D. T. Stewart, President

National Grocers
N. M. Walker, President

Zehrmart
G. J. Heimpel, President

IPCF Properties
S. Swartzman, President

Loblaw International Merchants
D. A. Nichol, President

Intersave
B. Y. Davidson, Chairman and President

Kelly Douglas
R. J. Addington, President

Westfair Foods
M. D. Booty, President

National Tea
S. V. Durtsche, President

Peter J. Schmitt
C. B. Barcelona, President

Resource

E. R. Pearce, President

British Columbia Packers
D. A. McLean, President
J. B. Buchanan, Vice Chairman

Connors Bros.
D. A. McLean, President
E. L. D. McLean, Executive Vice President

E. B. Eddy Forest Products
J. C. Scarth, President
G. A. Neil, Exec. Vice President
E. P. Boswell, Sr. Vice President

Eastern Fine Paper
B. B. Hamilton, President

Head Office
22 St. Clair Avenue East
Toronto, Ontario M4T 2S7
(416) 922-2500

Annual Meeting of Shareholders
Tuesday, May 13, 1986 at 11:00 a.m.,
Metro Toronto Convention Centre,
Constitution Hall, Toronto, Ontario

Stock Listings
Toronto, Montreal and Vancouver Stock Exchanges

Share Symbol
"WN"

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

Shares Held in Nominee Name
George Weston Limited maintains a direct mailing list to ensure that shareholders whose shares are not held in their name receive all Company reports and releases on a timely basis. If you would like your name added to this list, please send your request to the Company's Head Office,
Attention: The Secretary

General Counsel
Smith, Lyons, Torrance, Stevenson & Mayer

Auditor
Thorne Riddell

Year End
December 31

Common Shares Outstanding
11,474,679

Number of Common Shareholders
3,200

Average Daily Trading Volume TSE
2,700

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

Valuation Day Value of Common Shares
$18.00

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