

# Weston

George Weston Limited  
Annual Report 1994



2000

TOWARDS



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## CORPORATE PROFILE

George Weston Limited, a broadly based Canadian company founded in 1882, conducts food processing, food distribution, and resource operations in North America. 1994 sales were \$13 billion, an increase of 9%.

George Weston Limited operates these diverse businesses through Weston Foods, a bakery, dairy and confectionery food processor; Loblaw Companies, the largest food distributor in Canada; and Weston Resources, a value added forest products and fish processing company. Capital investment of \$552 million in 1994 included 9 cookie and frozen dough baking lines, 2 million square feet of food retail space and the rebuild of a fine paper machine.

In 1994, George Weston Limited's earnings improved substantially to \$117 million. Earnings per share increased to \$2.48 and the balance sheet strengthened with shareholders' equity up \$115 million to \$1.4 billion.





## CHAIRMAN'S LETTER

Dear Shareholder,

1994 has been an important year of improvement for George Weston Limited. While the country's perilous financial situation overshadowed much major business decision making and the collapse of the Canadian dollar made Canadians significantly less well-off, the Company's financial results recovered strongly. Our earnings per share more than doubled in 1994 to \$2.48 compared to \$1.21 in 1993 and operating income increased by 57% from \$241 million in 1993 to \$378 million in 1994.

Sales of \$13 billion were up 9% from 1993 largely as a result of volume growth. Weston Foods' sales were up 10%, Loblaw Companies' sales were up 7% and Weston Resources' sales were up 28%, largely as a result of its Island Paper Mills acquisition. The Company continues to move forward strongly and all divisions have been supported by one of the largest capital expenditure programs in the Company's history.

While the economic realities continue to demand lower costs and higher levels of productivity, the Company and its employees were fortunate in 1994 not to be hurt, as we all were in 1993, by major work stoppages. A great deal of effort is being applied to effect simpler and less costly organizational structures, better understanding of our goals and more individualized operator empowerment. It is rewarding, in every sense, to see important improvements emerging as a result.

While we are gratified by the direction taken in the most recent federal budget and believe that the worst of the economic news from the prolonged recession is behind us, we are still painfully aware that much is yet to be done, both at the political level and within Canadian business. Our group is no exception. In 1995 new winners and losers will emerge, divisions will be restructured and more business opportunities will once again be identified. In the body of this report you can see a timeline setting out our recent acquisitions and divestments. Where we have anticipated events and taken the correct business decisions we have moved ahead of our industry peers, however in a number of other areas we must do better.

Within the division results you will see that Weston Foods had another disappointing year, largely reflecting fresh bread problems in the Northeastern United States. A great deal of good work has been carried out in recent months by a new management team and we feel further significant losses will not recur.

In Mexico, a most successful Neilson candy launch recently suffered a setback as a result of the violent devaluation of the peso. We remain optimistic about the long term prospects in Mexico and, at home, sales and market shares continue to grow. The Canadian public will soon see a most exciting program involving Shaquille O'Neal marketing our chocolate bar products from coast to coast.

In our E.B. Eddy group of companies, good long term strategies, the extensive upgrading of facilities, and the recent acquisition of the Island Paper



Mills division have positioned us currently for what we expect will be a strong and profitable paper cycle. The decreasing value of the Canadian dollar has helped this industry and we are now well placed to compete with the most sophisticated value added producers.

Our fish business, while experiencing slow growth over the past several years and stymied by the structural imbalance of too many boats chasing too few salmon off the West Coast, has benefited from the devalued dollar, the move into salmon aquaculture, and a much improved East Coast sardine fishery. This division has consistently generated cash for George Weston and is an important and improving asset within the Company.

Once again our Loblaw retail/wholesale group performed strongly. In 1994 Loblaw Companies added two million square feet of retail space across Canada and increased its market share in every province in which it operates. While final numbers are not yet available, the sale of its National Tea divisions will prove a very good deal for the Company and will enable Loblaw to look elsewhere for more exciting growth opportunities. In the meantime, the creativity and sophistication of Canada's pre-eminent food merchandising company enables us to maintain a strong pace of growth with new store and merchandise formats, and the ever growing private label and President's Choice programs.

We have made some changes in the senior executive and I would like to recognize and thank our Chief Financial Officer, Robert H. Kidd, for his contributions over the past 14 years. In the interest of closer contact between the operating executives and your Board, I have asked Earl R. Pearce to assume the title of C.F.O. of George Weston. Prior to joining George Weston in 1983, Earl spent 15 years with E.B. Eddy, where he achieved the position of Senior Vice President, Finance. I have asked both Edward F. Boswell, President of E.B. Eddy for seven years, and Donald A. McLean, President of British Columbia Packers since 1983 also to assume the title of Senior Vice President of George Weston Limited.

While it is still early in the year and great challenges lie in front of us, I am extremely hopeful that 1995 may be the best year ever for your Company. I would like to thank, both personally and on behalf of the Board, our retiring Director, the Honourable Pauline McGibbon for her dedication and most welcome counsel. Also, once again, I would like to thank all of our customers, suppliers and employees for their continued support and confidence.



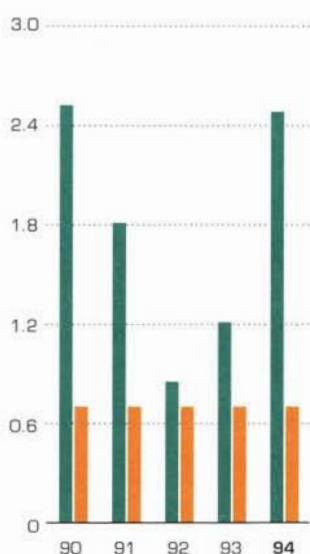
Galen Weston  
Chairman and President

## FINANCIAL HIGHLIGHTS

<i>In millions of dollars</i>	1994	1993	1992	1994-93 % Change	1993-92 % Change
<b>SALES AND EARNINGS</b>					
Sales	\$ 13,002	\$ 11,931	\$ 11,599	9.0%	2.9%
Operating income	378	241	207	56.8	16.4
Interest expense	104	86	87	20.9	(1.1)
Net earnings	117	57	48	105.3	18.8
<b>CASH FLOW</b>					
Cash flow from operations	553	403	362	37.2	11.3
Capital expenditures	552	418	272	32.1	53.7
Increase (decrease) in cash position	80	(24)	(136)		
<b>FINANCIAL POSITION</b>					
Long term debt	1,008	861	730	17.1	17.9
Shareholders' equity	1,404	1,289	1,266	8.9	1.8
Total assets	4,744	4,459	3,965	6.4	12.5
<b>RATIOS</b>					
Return on capital employed	12.1%	8.3%	7.6%		
Return on common equity	8.7%	4.5%	3.2%		
<b>PER COMMON SHARE</b> <i>In dollars</i>					
Net earnings	2.48	1.21	.85	105.0	42.4
Dividend rate (year end)	.70	.70	.70		
Cash flow from operations	11.78	8.62	7.77	36.3	10.9
Capital expenditures	11.76	8.94	5.84	31.2	53.1
Book value	29.75	27.42	27.08	8.4	1.3
Market value (year end)	42.25	39.00	36.75	8.3	6.1

### EARNINGS PER SHARE AND DIVIDEND RATE

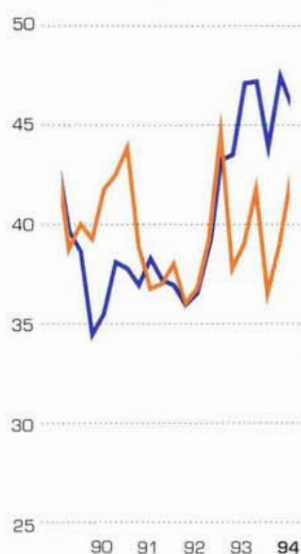
dollars



■ Earnings per Share  
■ Dividend Rate (year end)

### MARKET VALUE PER SHARE

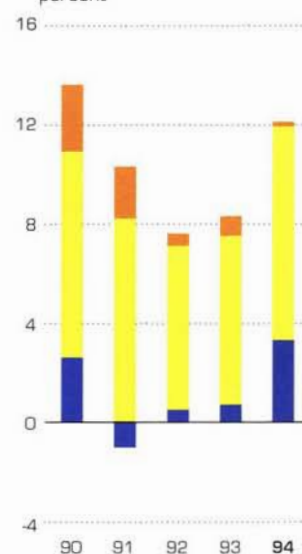
dollars



■ Weston  
■ TSE 300 Index

### RETURN ON CAPITAL EMPLOYED

Group Contribution percent



■ Weston Foods  
■ Loblaw Companies  
■ Weston Resources



# REVIEW OF OPERATIONS



# OPERATIONS AND GEOGRAPHIC PROFILE



**OPERATING COMPANIES      PRINCIPAL FACILITIES**

OPERATING COMPANIES	PRINCIPAL FACILITIES	Count
<b>WESTON FOODS</b>	<b>BAKING</b>	
Weston Bakeries	Bakeries—Canada	11
Ready Bake	—U.S.A.	7
Stroehmann Bakeries	Frozen Bakery Goods	
Interbake	Plants	8
Neilson/Cadbury	Biscuit Plants	4
Neilson Dairy		
Chocolate Products	<b>CHOCOLATE, DAIRY AND SPECIALTIES</b>	
	Chocolate	1
	Dairy	2
	Specialty Plants	1

**OPERATING COMPANIES      PRINCIPAL FACILITIES**

OPERATING COMPANIES	PRINCIPAL FACILITIES	Count
<b>LOBLAW COMPANIES</b>	<b>EASTERN CANADA</b>	
Loblaws Supermarkets	Corporate	245
Zehrmart	Franchised	228
Atlantic Wholesalers	Independent	1,898
National Grocers		
Fortino's Supermarket	<b>WESTERN CANADA</b>	
Kelly Douglas	Corporate	85
Westfair Foods	Franchised	445
National Tea	Independent	5,172
	<b>UNITED STATES</b>	
	Corporate	85

**OPERATING COMPANIES      PRINCIPAL FACILITIES**

OPERATING COMPANIES	PRINCIPAL FACILITIES	Count
<b>WESTON RESOURCES</b>	<b>FOREST PRODUCTS</b>	
E.B. Eddy Forest Products	E.B. Eddy Forest Products	
	Sawmills	2
	Paper Mills	5
	Pulp Mill	1
	<b>FISH PROCESSING</b>	
	British Columbia Packers	
	Salmon Plants	4
	Salmon Farms	7
	Salmon Hatcheries	2
	Solomon Islands	1
	Connors Bros.	
	Sardine Plants	4
	Salmon Farms	4
	Salmon Hatcheries	3
	Scotland	1

**OPERATING COMPANIES      PRINCIPAL FACILITIES**

OPERATING COMPANIES	PRINCIPAL FACILITIES	Count
<b>DIVERSIFIED RESEARCH LABORATORIES</b>		1



**WESTON FOODS'** sales growth was strong in 1994 at 10%. Operating income declined however, to \$6 million from \$22 million in 1993 and \$12 million in 1992. In the Baking division, the loss was attributable to Stroehmann, the United States fresh bread business. The balance of the companies in the baking division grew sales and operating income. The Chocolate, Dairy and Specialties division operating income approximated that of 1993.

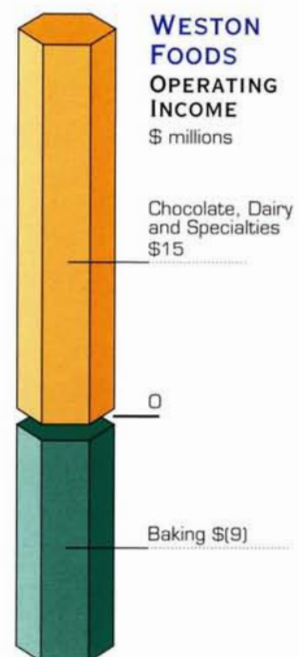
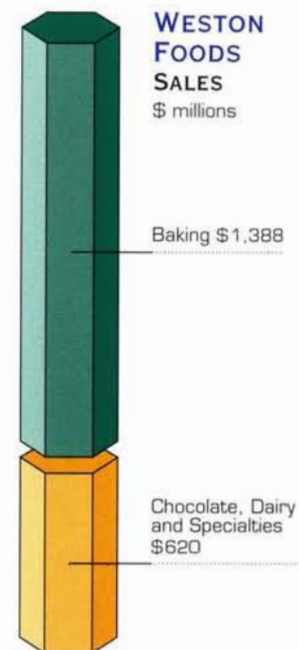
For the second successive year the North American fresh bread industry reported poor financial results. Margins continue to be squeezed by consumer resistance to price increases that normally pass through rising commodity costs. At the same time, operating expenses are fixed by labour contracts and benefit costs continue to rise. These industry problems are fundamental and not cyclical. Accordingly, all efforts in the fresh bread businesses are directed at positioning them to earn acceptable returns given these difficult industry conditions.

In 1994 substantial structural changes were made in Stroehmann to position the company to return to profitability. Under new leadership progress was made. The Connecticut market has been exited; a plant was closed in Altoona, Pennsylvania;



management layers have been reduced; the product line has been rationalized; and routes, distribution facilities and administrative activities have been consolidated. Although sales volumes are now running below year ago levels, the profit potential of the business has improved.

In Canada, Weston Bakeries has successfully built on the solid cost base established by last year's productivity programs. Branded market share has been growing with the highly successful launch of the *D'Italiano* brand. In Ontario, Weston Bakeries entered the fresh tortilla business with the launch under the *Casa Mendosa* trade mark. At the same time, the Canadian operations continue their aggressive focus on cost reduction with the goal of continually delivering better consumer value.



Interbake Foods, the United States biscuit operation, increased its sales and operating income significantly in 1994. This increase was driven primarily by the major investments in the North Sioux City production facility which enabled Interbake to expand its capacity as a co-packer of low fat and fat free cookies to some of the United States' leading consumer packaged goods companies.

Low fat and fat free cookies and crackers have grown in the United States from a small market segment three years ago to almost \$1 billion in retail sales in 1994. Interbake Foods was an early participant in this exciting consumer trend and has capitalized on it in all of its business segments. In 1994, approximately 25% of Interbake's total sales were in low fat and fat free products.

Interbake will continue to focus its product development resources on the growing consumer demand for health oriented snacks.

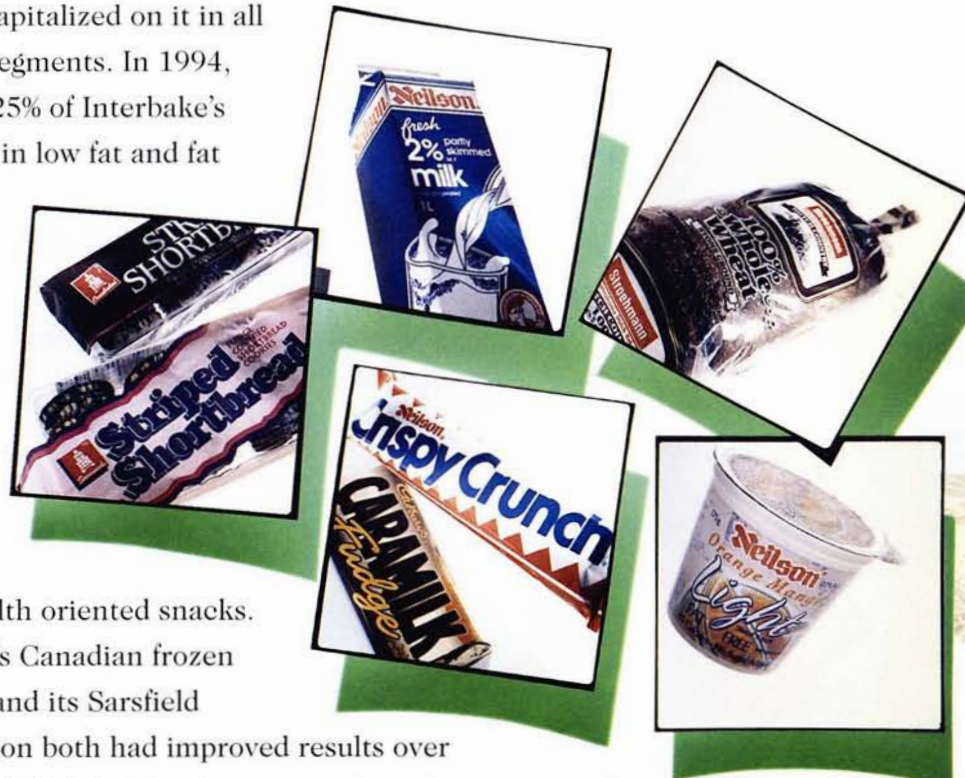
Ready Bake's Canadian frozen dough division and its Sarsfield frozen pie division both had improved results over 1993, continuing their impressive record of yearly profit growth.

Ready Bake's Maplehurst Canada cake operation operated at a loss in 1994. This business, including a cake production facility acquired in late 1993, is the result of a merger of the former separate cake operations of Ready Bake and Weston Bakeries. Production inefficiencies are being addressed and improved results are expected in 1995.

In the United States, the Maplehurst division opened a modern new plant in Indianapolis mid year replacing an old plant and consolidating three other nearby facilities. The Carrollton, Georgia facility was substantially upgraded.

Neilson/Cadbury had another strong year with sales growth in excess of 15%. In Canada, its leading market share of chocolate bars increased to 31%. In addition, Neilson's top five chocolate bars, *Crispy Crunch*, *Mr. Big*, *Wunderbar*, *Caramilk* and *Crunchie*, retained their Top 15 positions in Canada.

Internationally, export sales of Neilson products to Mexico increased significantly as the joint venture with Sabritas, a subsidiary of PepsiCo/FritoLay,





entered its first full year. While the devaluation of the peso in late December will adversely impact 1995 sales, Neilson continues to aggressively pursue other joint ventures in developing markets.

Neilson Dairy had record sales and operating income in 1994. For several years the company has been focusing on becoming the lowest cost processor of fluid milk and cream in Ontario, while providing dependable customer service. The company moved to specialized warehousing systems for slow and fast moving products in 1994, which, when complemented by a system of independent owner operators and distributors, provides a highly effective distribution and marketing system.

#### **OUTLOOK**

Weston Foods expects improved earnings in 1995. The United States fresh bread business is now positioned to deliver improved results in 1995 following the actions taken and the programs put in place in 1994. The remaining Weston Foods businesses will continue to contribute solid returns.

**With sales of over \$2 billion in 1994 and with renewed emphasis on productivity, we are confident 1995 will deliver improved returns for Weston Foods.**

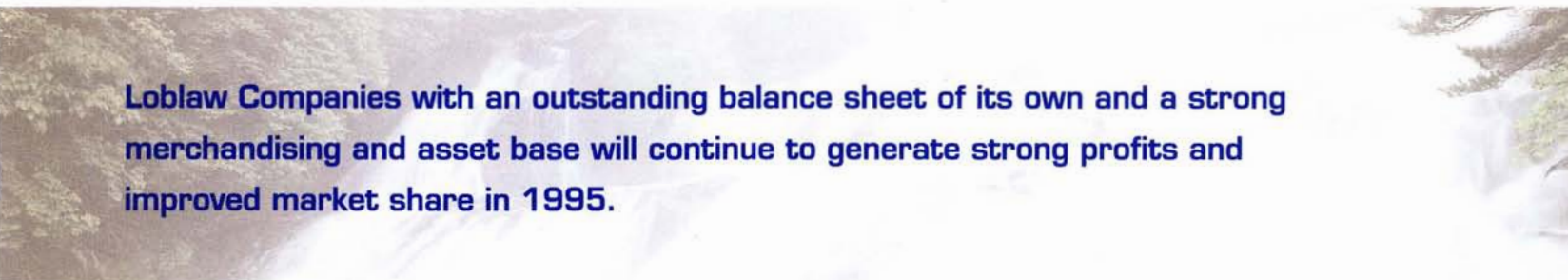
**LOBLAW COMPANIES LIMITED'S** net earnings for the year were \$127 million compared to \$93 million in 1993. This represented an increase of 36% in net earnings. Sales increased by 7% to \$10 billion from \$9 billion in 1993.

Loblaw Companies' Eastern Canadian operations, representing 56% of its total sales (up slightly from 1993), realized a shift in growth pattern as retail sales in 1994 grew at almost twice the rate as wholesale (11% versus 6%). Record sales and operating income were achieved in Eastern Canada in 1994. The Ontario business has never been stronger and Atlantic Canada, while not yet at acceptable sales or profitability levels, is steadily improving. Twenty-seven new stores including the acquisition of 8 *Village* stores acquired in New Brunswick, were added to the Eastern retail business in the last year.

The Eastern Canada business continues to refine its structure to provide low cost service to its distinctive banners. The increasing sales of these differentiated formats provide further leverage in both cost and expertise back to the support functions which are essentially common to all formats.

Loblaw Companies' Western Canadian business continues to achieve record earnings. Solid retail sales growth was achieved in 1994, coming primarily from new Superstore and Wholesale Club square footage. This increase was offset by wholesale sales declines from the shedding of uneconomic service to certain non-affiliated wholesale accounts in 1993 and 1994. Profit levels of both retail and wholesale operations and Western operations increased over 1993 levels. *The Real Canadian Superstores* continue to perform well despite unrelenting competitive forces while wholesale operations made material profit improvement last year.

Loblaw Companies' Western Superstores sales have been good and they continue to be the pricing leader in all of their markets. Aggressive pricing programs are being carried forward by Loblaw Companies into 1995 to ensure its market position. Five new Superstores were opened in the Western Operations in 1994: Yorkton, Saskatchewan; Calgary, Alberta; Whitehorse, Yukon Territory; and Langley and Duncan, British Columbia.



**Loblaw Companies with an outstanding balance sheet of its own and a strong merchandising and asset base will continue to generate strong profits and improved market share in 1995.**

New *Real Canadian Wholesale Clubs* were opened during 1994 in Thunder Bay, Calgary, and 2 outlets in Edmonton, almost offsetting the decline in non-affiliated sales and bringing the total of wholesale sales to 29% of the Western business (slightly down from the 31% level in 1993). Retail sales continue to provide the growth in the West, with a 10% increase in 1994 following a 6% growth rate in 1993. The 5 new Superstores opened in 1994 matched the growth of 5 stores in 1993.

1995 will bring a greater focus on the produce segment of the business as the *So Fresh* produce sourcing and brokerage affiliate located in Florida, Texas and California will be more fully integrated into operations from farm gate procurement of U.S. source produce.

In the United States, operating income recovered to more normal levels from the effect of the 1993 strike in New Orleans, increasing \$27 million following a \$28 million decline in 1993. The significant factor affecting earnings in both years was the New Orleans strike in 1993. Reformatting and repositioning of several New Orleans stores took place early in 1994.

Loblaw Companies has entered into an agreement, subject to United States



Federal Trade Commission approval, to sell substantially all the assets of its 85 U.S. supermarkets, National Tea Co. chain to Schnuck Markets, Inc. of St. Louis. This transaction is expected to close in the second quarter of 1995.

Loblaw Companies' capital expenditures of \$326 million reached a new record in 1994 and a similar level of investment is expected for 1995. The investment supports the earnings momentum already being generated in Eastern and Western Canada with a further 5 to 8% increase in store space.

Cost control is of paramount importance and several initiatives have been made to improve the cost effectiveness of Loblaw Companies' overall administrative and support areas, including outsourcing to third parties of certain functions. Advances have been made in the utilization of EDI (electronic data interchange), whereby over 70% of warehouse purchase orders and invoices are now handled electronically.

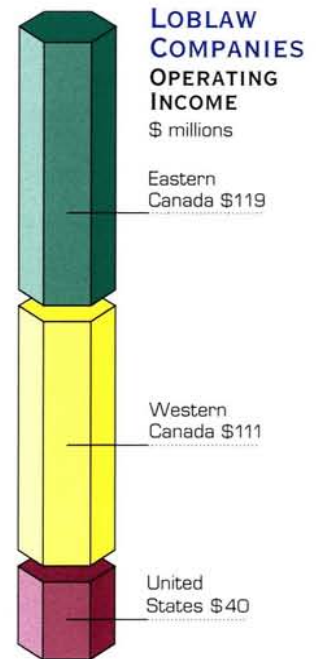
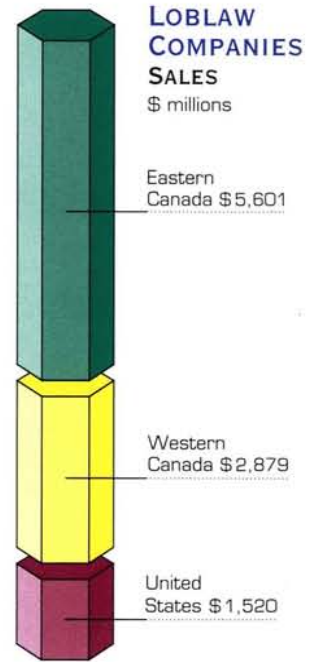
Loblaw Companies has become the leading food distributor in Canada by its continued investment in modern facilities

and selected formats into existing markets. This strategy allows it to obtain critical mass by market and high market share per store relative to competition. There is no shortage of supermarket footage in Canada. In many markets, however, there is a shortage of high calibre modern stores offering a full variety of perishable and non-perishable products. It is this shortage that provides Loblaw Companies with a significant and continuing growth opportunity.



**OUTLOOK**

After many years of asset management, new product development and store formats initiation, the 1994 results are a new operating base for the business. All the strategic elements that were necessary to come to this present state will be necessary in the future. Loblaw Companies main focus now will be towards merchandising, operations and logistics, with less of the strategy and structure emphasis of the past.



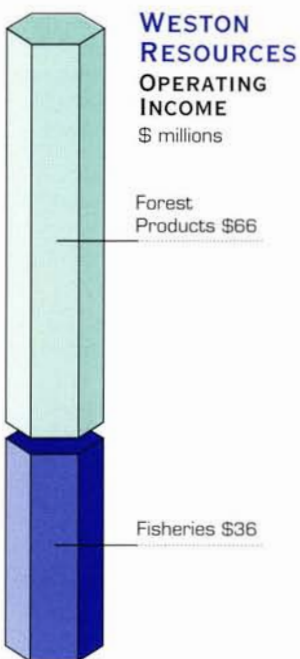
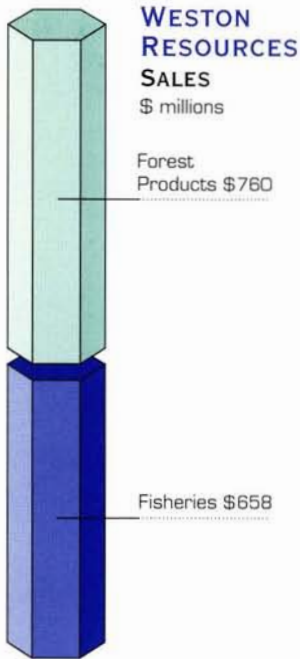


**WESTON RESOURCES'** sales climbed to a record \$1.4 billion, up 28% due in part to a strike free year in contrast to 1993 together with the positive full year contribution made by Island Paper Mills which was acquired in mid 1993. Increased volumes in export markets enabled Fisheries to share in establishing this record. Operating income surged to \$102 million from \$21 million in the prior year. Weston Resources' return on capital employed was 14% which represents an improved base from which to continue building in a more buoyant economy.

Eddy Paper is a vertically integrated business with operations stretching from the forest floor to the mill floor in pursuit of its mission to harvest timber on a sustainable basis from Ontario forests and to manufacture lumber, pulp and paper in Ontario, Quebec, British Columbia and the State of Michigan. Its products are shipped to North American and offshore markets. Eddy's strategy is to be an efficient producer of coated and uncoated freesheet paper products directed to specific niche markets. It has the capacity to produce approximately 300 million board feet of lumber, 340,000 metric tonnes of pulp and 395,000 metric tonnes of paper annually.

Eddy's \$70 million turnaround in operating income was driven largely by increased pricing for pulp and wood products of 41% and 20% respectively. Pulp volumes returned to normal following a 15 week strike in the fall of 1993. Moreover, the benchmark price of northern bleached softwood kraft pulp soared from U.S. \$390 per tonne at the end of 1993 to U.S. \$700 per tonne at the end of 1994, an increase of almost 80%.

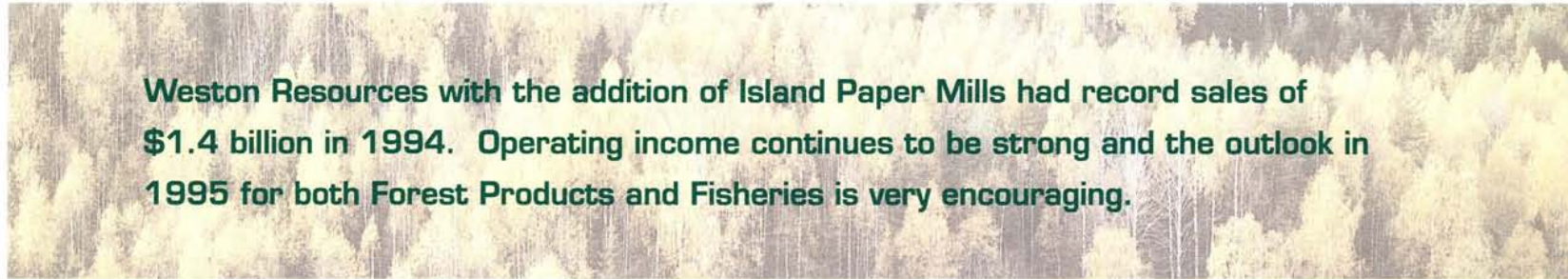
The paper side of the business was simply unable to come close to recovering the pulp price increases and struggled with moderate success throughout the last half of the year. Management continued its relentless pursuit of achieving product mix improvements which, combined with strengthening prices during the last four months of the year, resulted in modest millnet



increases averaging 7% for coated paper and 2% for specialty fine paper products. Mill production improved progressively throughout the year culminating in near capacity production during the final quarter.

Although pulp prices have increased by another \$125 per tonne in 1995, lumber prices remain stable and the expected profit drivers in 1995 will be Eddy's paper machines which will benefit from across the board increases in paper prices. Moreover, the strategy to reinvest profits in the business to upgrade manufacturing assets continues apace with the current major project being the \$40 million upgrade of #14 paper machine in Hull, Quebec. On installation of the coating kitchen in April 1995, Eddy will add coated production from the upgraded machine to its growing list of value added products.

Connors Bros., operating on the East Coast of Canada and the United States, is the leading North American processor of canned sardines and herring products. In recent years, Connors has developed a significant, integrated, farmed Atlantic salmon business competing mainly in the northeastern U.S. market.



**Weston Resources with the addition of Island Paper Mills had record sales of \$1.4 billion in 1994. Operating income continues to be strong and the outlook in 1995 for both Forest Products and Fisheries is very encouraging.**

Connors produced in excess of one million cases of product, a new record, in its flagship plant in Blacks Harbour, New Brunswick. This milestone was achieved after changes were made to production methods in the plant. The resulting cost efficiencies are enabling Connors to sell its product under the *Brunswick* label throughout the world on a competitive basis. Unit sales outside of Canada and the United States increased by 10% in 1994.

Connors' Aquaculture, responding to competitive production factors in Chile and Norway, was able to reduce the unit cost of production while, at the same time, improve its operating results compared to 1993. Selling prices declined by almost 2% in the United States in 1994 providing ample evidence of Connors ability to compete with the best producers worldwide.

The Scottish operation further penetrated U.K. markets with the result that increased sales improved profitability in that operation. The United States sales company also increased sales volumes in its markets.

On the West Coast, B.C. Packers is the largest Canadian processor of salmon in frozen and canned form. Its *Clover Leaf* and *Paramount* brands



command 45% of the Canadian canned salmon market. It is also involved in the herring roe industry and farming of Atlantic salmon on the West Coast. B.C. Packers is a geographically diverse business with efficient salmon canneries in Alaska and British Columbia as well as being a global procurer and manufacturer of quality canned tuna products.

1994 presented B.C. Packers with the challenge of producing a competitively costed canned salmon pack in a year when the salmon runs, particularly pink salmon, were disappointingly weak. While it was able to compete favourably with its Canadian competition, Alaskan competitors, benefiting from strong salmon returns, ended up with record production and lower unit costs. Fortunately, B.C. Packers' presence in Alaska enabled it to manufacture sufficient volumes which will allow it to remain a force in world markets particularly in Europe.



Fisheries' operating income improved by \$11 million to \$36 million as management on both coasts remained successfully focused on making the division a competitive global force which continues to benefit Weston Resources as well as the people and communities in which they operate.

#### **OUTLOOK**

Weston Resources expects continued improvement in 1995 operating results as paper price increases begin to recover the 1994 pulp price increases. Positive factors which should continue beyond 1995 are the lack of new capacity additions in the North American paper industry combined with an improved outlook for Gross Domestic Product growth. Fisheries results are expected to maintain current levels due to reduced inventories available for sale in the first half of 1995.



# FINANCIAL REPORT

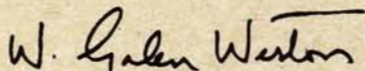


#### MANAGEMENT'S STATEMENT OF RESPONSIBILITY

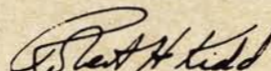
Management is responsible for the preparation and presentation of the consolidated financial statements and all other information in the Annual Report. This responsibility includes the selection of appropriate accounting principles in addition to making informed judgments and estimates in accordance with generally accepted accounting principles. 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 relevant and reliable accounting records and properly safeguard Company assets. The financial statements have been audited by shareholders' independent auditors, KPMG Peat Marwick Thorne, 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 shareholders' independent auditors to satisfy itself on the adequacy of internal controls and to review the financial statements and the shareholders' independent auditors' reports. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements and other information in the Annual Report for issuance to the shareholders.



W. Galen Weston                      Toronto, Canada  
Chairman and President      March 3, 1995



Robert H. Kidd  
Senior Vice President  
and Chief Financial Officer

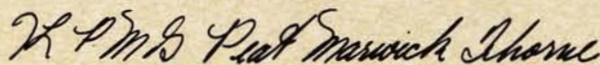
#### AUDITORS' REPORT

To the Shareholders of George Weston Limited:

We have audited the consolidated balance sheets of George Weston Limited as at December 31, 1994 and 1993 and the consolidated statements of earnings, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994 and 1993 and the results of its operations and cash flow for the years then ended in accordance with generally accepted accounting principles.



Chartered Accountants      Toronto, Canada  
March 3, 1995



## CONSOLIDATED STATEMENT OF EARNINGS

Year ended December 31

<i>In millions of dollars</i>	1994	1993	1992
<b>SALES</b>	\$ 13,002	\$ 11,931	\$ 11,599
<b>OPERATING EXPENSES</b>			
Cost of sales, selling and administrative expenses	12,370	11,465	11,177
Depreciation of fixed assets	254	225	215
	12,624	11,690	11,392
<b>OPERATING INCOME</b>	378	241	207
Interest on long term debt	98	78	84
Other interest expense	6	8	3
	104	86	87
Earnings before income taxes	274	155	120
Income taxes	113	63	42
Earnings before minority interest	161	92	78
Minority interest	44	35	30
<b>NET EARNINGS FOR THE YEAR</b>	\$ 117	\$ 57	\$ 48
<b>PER COMMON SHARE</b> <i>In dollars</i>			
Net earnings for the year	\$ 2.48	\$ 1.21	\$ .85

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended December 31

<i>In millions of dollars</i>	1994	1993	1992
<b>RETAINED EARNINGS AT BEGINNING OF YEAR</b>	\$ 1,244	\$ 1,220	\$ 1,217
Net earnings for the year	117	57	48
	1,361	1,277	1,265
<b>DIVIDENDS DECLARED</b>			
Preferred shares			8
Common shares	33	33	33
	33	33	41
Premium on redemption of preferred shares			4
<b>RETAINED EARNINGS AT END OF YEAR</b>	\$ 1,328	\$ 1,244	\$ 1,220

## CONSOLIDATED CASH FLOW STATEMENT

Year ended December 31

<i>In millions of dollars</i>	1994	1993	1992
<b>OPERATIONS AND WORKING CAPITAL</b>			
Earnings before minority interest	\$ 161	\$ 92	\$ 78
Depreciation	254	225	215
Income taxes not requiring cash	(16)	6	(2)
Loss (gain) on sale of fixed assets	6		(2)
Other	34	8	23
	<u>439</u>	<u>331</u>	<u>312</u>
Provided from working capital	114	72	50
<b>CASH FLOW FROM OPERATIONS</b>	<b>553</b>	<b>403</b>	<b>362</b>
<b>INVESTMENT</b>			
Purchase of fixed assets	(552)	(418)	(272)
Acquisition of subsidiary companies		(165)	(68)
Proceeds from sale of fixed assets	60	18	24
Net decrease in investments	5	12	14
Net increase in other	(3)	(72)	(9)
	<u>(490)</u>	<u>(625)</u>	<u>(311)</u>
<b>FINANCING</b>			
Increase in long term debt	258	205	27
Reduction in long term debt	(97)	(44)	(58)
Reduction of minority interest	(111)	(38)	
Increase in minority interest		111	
Net change in share capital	8	7	(104)
Proceeds from issue of subsidiary's share capital	5	5	4
	<u>63</u>	<u>246</u>	<u>(131)</u>
<b>DIVIDENDS</b>			
To shareholders	(33)	(33)	(41)
To minority shareholders in subsidiary companies	(13)	(15)	(15)
	<u>(46)</u>	<u>(48)</u>	<u>(56)</u>
<b>INCREASE (DECREASE) IN CASH POSITION*</b>	<b>\$ 80</b>	<b>\$ (24)</b>	<b>\$ (136)</b>

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



## CONSOLIDATED BALANCE SHEET

As at December 31

George Weston Limited (Incorporated under the laws of Canada)

<i>In millions of dollars</i>	1994	1993	1992
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and short term investments	\$ 251	\$ 296	\$ 211
Accounts receivable	385	326	351
Inventories	1,068	1,027	963
Prepaid expenses and other	50	48	39
	<u>1,754</u>	<u>1,697</u>	<u>1,564</u>
<b>INVESTMENTS</b>	108	113	125
<b>FIXED ASSETS</b>	2,704	2,462	2,129
<b>GOODWILL</b>	84	96	96
<b>OTHER ASSETS</b>	94	91	51
	<u>\$ 4,744</u>	<u>\$ 4,459</u>	<u>\$ 3,965</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank advances and notes payable	\$ 110	\$ 235	\$ 126
Accounts payable and accrued liabilities	1,500	1,349	1,221
Taxes payable	69	9	11
Dividends payable	8	8	8
Long term debt payable within one year	66	52	22
	<u>1,753</u>	<u>1,653</u>	<u>1,388</u>
<b>LONG TERM DEBT</b>	1,008	861	730
<b>OTHER LIABILITIES</b>	28	14	22
<b>DEFERRED INCOME TAXES</b>	128	144	161
<b>MINORITY INTEREST IN SUBSIDIARIES</b>	423	498	398
	<u>3,340</u>	<u>3,170</u>	<u>2,699</u>
<b>SHAREHOLDERS' EQUITY</b>			
<b>SHARE CAPITAL</b>	61	53	46
<b>RETAINED EARNINGS</b>	1,328	1,244	1,220
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENT</b>	15	(8)	
	<u>1,404</u>	<u>1,289</u>	<u>1,266</u>
	<u>\$ 4,744</u>	<u>\$ 4,459</u>	<u>\$ 3,965</u>

Approved by the Board



W. Galen Weston  
Director



Robert H. Kidd  
Director

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1994

Amounts in millions of dollars except Share Capital note

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all subsidiaries. The effective interest of George Weston Limited in the voting equity share capital of principal subsidiaries is 100%, except for Loblaw Companies Limited, which is 69.9% owned.

The Company's diverse businesses are: Food Processing (Weston Foods), Food Distribution (Loblaw Companies) and Resource (Weston Resources) which includes Fisheries and Forest Products.

### CASH OFFSETTING

Cash balances for which the Company has a right of offset are used to reduce reported short term borrowings. In 1994, \$311 (1993 – \$234) of short term investments held by Loblaw Companies' United States subsidiaries is included in cash and short term investments. In 1994, \$95 of this was used to offset short term borrowings in Canada. The \$10 (1993 – \$8) income from these investments is included as a reduction of interest expense.

### INVENTORIES

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

### FIXED ASSETS

Fixed assets are stated at cost including interest capitalized during the year of \$8 (1993 – \$5) 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 40 years for buildings, 20 years for equipment and fixtures and 7 years for automotive equipment. Leasehold improvements are depreciated over the lesser of useful life and term of lease.

### GOODWILL

Goodwill is the excess of the cost of investments in subsidiaries over the fair value of underlying net tangible assets at the dates of acquisition and represents trade names, brands, sales base and other business values in the acquisitions. Goodwill is being amortized on a straight line basis determined for each acquisition over the estimated life of the benefit. The value of goodwill is regularly evaluated by reviewing the returns of the related business, taking into account the risk associated with the investment. Any permanent impairment in the value of goodwill is written off against earnings. The weighted average remaining amortization period is 25 (1993 – 23) years. The amount amortized during the year was \$12 (1993 – \$8).

### 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 is included in a separate category of shareholders' equity. This adjustment will be recognized in earnings in proportion to any cash reduction of the net investment. In 1994, the balance of this category of shareholders' equity was increased by \$23 (1993 – reduced by \$8) as a result of the change in the United States dollar translation rate.



## FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to hedge currency, term, interest rates and commodity prices. These instruments include forward and future agreements, swaps, and options. The income or expense arising from these activities is amortized over the term hedged or offset against the item hedged. Unamortized balances are included on a net basis in the appropriate asset or liability amounts except those hedges against the net investment in U.S. subsidiaries which are included in the foreign currency translation adjustment.

## POST RETIREMENT BENEFITS

Some subsidiaries provide post retirement medical, insurance and other benefits. The costs of these benefits other than pensions are expensed when paid.

2. INVENTORIES <i>Substantially finished products</i>	1994	1993	1992
Weston Foods	\$ 124	\$ 133	\$ 114
Loblaw Companies	696	649	638
Weston Resources – Fisheries	174	173	157
– Forest Products	74	72	54
	<u>\$ 1,068</u>	<u>\$ 1,027</u>	<u>\$ 963</u>

3. INVESTMENTS <i>Substantially with franchisees and customers</i>	1994	1993	1992
Secured loans and advances	\$ 9	\$ 9	\$ 24
Capital lease receivables	29	30	30
Investments in franchisees	27	21	33
Long term receivables	3	4	3
Sundry investments	40	49	35
	<u>\$ 108</u>	<u>\$ 113</u>	<u>\$ 125</u>

4. FIXED ASSETS	1994			1993			1992
	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>	<i>Net Book Value</i>
Properties held for development	\$ 81	\$	\$ 81	\$ 49	\$	\$ 49	\$ 32
Land	404		404	372		372	310
Buildings	1,310	363	947	1,190	339	851	742
Equipment and fixtures	2,593	1,473	1,120	2,427	1,369	1,058	911
Leasehold improvements	231	119	112	195	108	87	84
	<u>4,619</u>	<u>1,955</u>	<u>2,664</u>	<u>4,233</u>	<u>1,816</u>	<u>2,417</u>	<u>2,079</u>
Capital leases – buildings and equipment	93	53	40	94	49	45	50
	<u>\$ 4,712</u>	<u>\$ 2,008</u>	<u>\$ 2,704</u>	<u>\$ 4,327</u>	<u>\$ 1,865</u>	<u>\$ 2,462</u>	<u>\$ 2,129</u>

5. INCOME TAXES	1994	1993	1992
The income tax rate reported in the earnings statement is lower than the combined basic Canadian tax rates due to the following factors:			
Combined basic Canadian federal and provincial rates	44.8%	44.8%	43.5%
Operations in countries with lower tax rates	(.9)	(5.6)	(10.6)
Rate reduction for manufacturing and processing operations	(2.2)	(.3)	
Effect of selling capital assets		(.4)	(.5)
Other (including non-tax benefited provisions)	(.5)	2.1	2.7
Rate reported in the earnings statement	41.2%	40.6%	35.1%
Deferred income taxes in the balance sheet are at rates approximate to the current applicable tax rates.			

6. LONG TERM DEBT	1994	1993	1992
<b>GEORGE WESTON LIMITED</b>			
7.45% Debentures, Series A maturing 2004	\$ 200	\$	\$
12.7% notes maturing 2030	93	99	105
16.76% notes matured in 1994 (Aus. \$80)		43	50
<b>LOBLAW COMPANIES LIMITED AND SUBSIDIARIES</b>			
12.25% Series 2 matured in 1994		31	31
11% Series 4 maturing 1995	40	40	40
10% Series 5 maturing 2006, retractable annually commencing 1996	50	50	50
9.75% Series 6 maturing 2001, retractable annually since 1993	75	75	75
9% Series 7 maturing 2001, retractable in 1996	14	14	14
10% Series 8 maturing 2007	61	61	61
11.4% notes maturing 2031	178	180	200
8.75% notes maturing 2033	200	200	
Mortgages and other long term debt at a weighted average interest rate of 9.9% maturing 1995 – 2009	40	40	33
Capital lease obligations at a weighted average interest rate of 13% due 1995 – 2017	66	70	75
<b>OTHER</b>			
8% Bonds maturing 2012, redeemable annually commencing 1999 (U.S. \$38)	52		
Other long term debt	5	10	18
	1,074	913	752
Less: Payable within 1 year	66	52	22
Long term debt	\$ 1,008	\$ 861	\$ 730

Principal payable in the next 5 years is as follows:

1995 – \$66; 1996 – \$82; 1997 – \$17; 1998 – \$19; 1999 – \$20.



## 7. FINANCIAL INSTRUMENTS OUTSTANDING

The Company enters into derivative financial instruments, particularly interest rate swaps and forward agreements, to lower funding costs, to diversify sources of funding, and to alter interest rate exposures. The Company uses market value and sensitivity analysis similar to that used by the banking industry to assess the market risk of its financial instruments and reduces risk on these products by diversification of counterparty and limitation on maximum amount of exposure per counterparty. In 1994, \$130 (1993 – \$225) of long term debt is floating at year end by way of interest rate agreements (“swaps”) at an average rate of 7.4% with an average remaining term of 8 years (1993 – 8 years). In addition, \$160 (1993 – \$60) of debt is fixed at an average rate of 7.3% by way of swaps with an average remaining term of 2 years (1993 – 3 years). During 1994, the net interest payments on these swaps were neutral (1993 – \$1 received). At year end, market cost to liquidate these contracts was \$12 (1993 – there was \$2 market value). The Company hedges anticipated, but uncommitted foreign currency sales as well as foreign currency and commodity purchases based on economic and industry conditions. At year end 1994, \$324 of the exposure relating to major products was hedged through to 1996 and \$115 of sales proceeds were hedged through to 2003.

In addition, the Company’s subsidiary, Loblaw Companies, has entered into interest rate swaps converting a net notional \$278 of 8.1% fixed rate debt into floating rate debt. The net maturities are as follows: 2000 – \$14; 2001– \$25; 2003 – \$152; 2004 – \$86.

## 8. CROSS CURRENCY SWAPS

The Company’s subsidiary, Loblaw Companies, has entered into cross currency swaps to exchange an amount of \$570 Canadian debt for United States dollar debt. The swaps mature as follows: 2000 – \$44; 2001 – \$85; 2002 – \$63; 2003 – \$33; 2004 – \$344. Currency adjustments receivable or payable arising from the swaps must be settled in cash on maturity. As at December 31, 1994 a currency adjustment of \$11 (1993 – \$7) has been included in other liabilities. Long term interest expense has been decreased by the positive spread between Canadian floating rates, based on bankers acceptances and U.S. floating rates, based on LIBOR, applied to the amount exchanged. An event of default by the counterparties to these swaps does not create a significant risk because the principal amounts on cross currency swaps are netted by agreement.

9. SHARE CAPITAL	1994	1993	1992
<b>NUMBER OF SHARES ISSUED</b>			
Senior Preferred	40,935	41,435	44,535
Junior Preferred			3,000
Common	47,060,650	46,856,114	46,607,603
<b>AMOUNT</b> <i>In millions of dollars</i>			
Senior Preferred	\$ 4	\$ 4	\$ 4
Junior Preferred			
Common	57	49	42
Total Share Capital	\$ 61	\$ 53	\$ 46

**Senior Preferred Shares** (authorized 109,279)

Second series – \$6.00 cumulative dividend redeemable at \$105.

During the year, 500 (1993 – 3,100) senior preferred shares second series were purchased for cancellation at a cost of \$.1 million (1993 – \$.3 million).

**Common Shares**

In 1994 the Company issued 204,536 (1993 – 227,505) common shares for cash of \$8 million (1993 – \$7 million) on exercise of employee stock options. As at December 31, 1994, 1,009,256 (1993 – 1,213,792) common shares have been set aside for issue under terms of an employee stock option plan. As at December 31, 1994 there were outstanding options, which were granted at the market price on the date of grant, to purchase 772,777 (1993 – 1,083,369) common shares at prices averaging \$38.80 (1993 – \$38.18) and ranging from \$38.25 to \$43.00. All options expire on dates ranging from May 10, 1997 to December 17, 2000. The exercise of stock options would not have a material effect on earnings per share.

In 1993, 21,006 common shares were issued on conversion of the junior preferred shares.

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**10. COMMITMENTS AND CONTINGENT LIABILITIES**

Endorsements and guarantees arising in the normal course of business amount to \$60 (1993 – \$69). In addition to this amount, the Company's subsidiary, Loblaw Companies has guaranteed, to the extent of \$13, its one third interest in a bank loan to a real estate joint venture. A default by the joint venture under the loan agreement, resulted in the bank proceeding under a power of sale, to sell the property to Loblaw Companies in 1994. A third party brought an action claiming that its \$10 second mortgage had priority over the bank's claim. The bank has successfully sought an order allowing the sale to Loblaw Companies to proceed. This order is now under appeal. A subsequent court action by the same party is seeking rescission and damages from the parties involved in the original joint venture, including subsidiaries of Loblaw Companies, resulting from financial transactions of the joint venture. A hearing is scheduled for April 1995. While Loblaw Companies is continuing its efforts to ensure successful completion of the mixed use property, the outcome of the court action and the continued development are uncertain.

There are assigned leases of \$32 (1993 – \$32) which relate to the sale of U.S. divisions of Loblaw Companies.

For non capital leases the gross liability of \$972 (1993 – \$1,219) is offset by sublease income of \$111 (1993 – \$244). This expected net liability of \$861 (1993 – \$975) will be reduced by approximately \$109 (1993 – \$86) annually for the next 5 years.



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**11. PENSIONS**

The Company and its subsidiaries maintain defined benefit pension plans and participate in union sponsored multiemployer plans. The Company's portion of the assets and liabilities of the union sponsored multiemployer plans is not determinable.

The most recent estimates for the defined benefit plans based on actuarial valuations indicate total pension fund assets of \$871 (1993 - \$823) and of accrued pension benefits of \$914 (1993 - \$866).

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**12. RELATED PARTY TRANSACTIONS**

The Company's majority shareholder, Wittington Investments, Limited and its subsidiaries are related parties. There are no material related party transactions.

It is the Company's policy to conduct all transactions with wholly or partly owned subsidiaries on normal trade terms.

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**13. ACQUISITION**

In 1993 the Forest Products Division acquired Island Paper Mills Company Limited, a company operating a coated freesheet paper mill in Vancouver, British Columbia, for \$165.

Net assets acquired were working capital of \$16 and fixed assets of \$149. Consideration was cash of \$55, and the vendors retention of preferred shares, redeemed in 1994 at par for \$110.

This acquisition was accounted for using the purchase method with the results of operations included in these financial statements since the date of acquisition.

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**14. SUBSEQUENT EVENT**

The Company's subsidiary, Loblaw Companies, has entered into an agreement, subject to U.S. Federal Trade Commission approval, to sell substantially all of the assets of its United States retail business. The sale is scheduled to close during the second quarter of 1995 and is not expected to result in any significant gain or loss after absorbing normal costs associated with the disposal. Net proceeds are expected to be in excess of \$300 million and will be used to reduce debt in Loblaw Companies.

15. SEGMENTED INFORMATION	1994	1993	1992	1991	1990
<b>SALES AND EARNINGS</b>					
Sales					
Weston Foods	\$ 2,008	\$ 1,830	\$ 1,685	\$ 1,541	\$ 1,633
Loblaw Companies	10,000	9,356	9,262	8,533	8,417
Weston Resources	1,418	1,111	974	975	1,119
Fisheries	658	584	542	547	591
Forest Products	760	527	432	428	528
Inter Group	(424)	(366)	(322)	(279)	(313)
Consolidated	13,002	11,931	11,599	10,770	10,856
Canada	10,147	9,391	9,166	8,579	8,626
United States	2,855	2,540	2,433	2,191	2,230
Operating Income					
Weston Foods	6	22	12	56	68
Loblaw Companies	270	198	181	218	212
Weston Resources	102	21	14	(27)	66
Fisheries	36	25	28	4	36
Forest Products	66	(4)	(14)	(31)	30
Consolidated	378	241	207	247	346
Canada	357	227	153	175	286
United States	21	14	54	72	60
<b>CASH FLOW</b>					
Capital Expenditures					
Weston Foods	110	56	63	61	85
Loblaw Companies	326	315	169	159	176
Weston Resources	116	47	40	38	61
Fisheries	16	16	7	14	10
Forest Products	100	31	33	24	51
Consolidated	552	418	272	258	322
Depreciation					
Weston Foods	48	48	45	38	42
Loblaw Companies	135	122	116	105	106
Weston Resources	71	55	54	58	54
Fisheries	16	12	13	12	10
Forest Products	55	43	41	46	44
Consolidated	254	225	215	201	202
<b>FINANCIAL POSITION</b>					
Total Assets					
Weston Foods	728	794	738	705	698
Loblaw Companies	2,949	2,726	2,477	2,325	2,095
Weston Resources	1,067	939	750	799	914
Fisheries	373	348	343	373	412
Forest Products	694	591	407	426	502
Consolidated	4,744	4,459	3,965	3,829	3,707
Canada	3,433	3,241	2,849	3,049	2,809
United States	1,311	1,218	1,116	780	898

Canadian sales include export sales approximating \$579 (1993 - \$454).  
Inter Group sales include \$387 (1993 - \$334) from Weston Foods.



	1989	1988	1987	1986	1985	1984
	\$ 1,605	\$ 1,468	\$ 1,502	\$ 1,433	\$ 1,316	\$ 1,220
	7,934	8,308	8,631	7,839	6,931	6,419
	1,215	1,361	1,223	1,055	923	895
	581	573	564	471	397	362
	634	788	659	584	526	533
	(295)	(306)	(321)	(301)	(290)	(279)
	10,459	10,831	11,035	10,026	8,880	8,255
	8,275	7,738	7,355	6,592	6,020	5,669
	2,184	3,093	3,680	3,434	2,860	2,586
	75	69	60	52	49	45
	190	137	187	161	152	137
	119	142	110	98	67	59
	32	49	42	42	31	19
	87	93	68	56	36	40
	384	348	357	311	268	241
	342	293	290	237	205	189
	42	55	67	74	63	52
	105	57	49	39	35	24
	154	177	249	289	193	150
	82	91	53	54	34	38
	19	19	16	12	6	3
	63	72	37	42	28	35
	341	325	351	382	262	212
	43	37	35	32	28	28
	100	98	100	86	73	68
	48	47	40	35	35	35
	9	8	7	7	8	8
	39	39	33	28	27	27
	191	182	175	153	136	131
	679	567	537	427	416	370
	2,026	2,001	2,215	1,998	1,540	1,266
	846	908	794	748	660	643
	351	336	261	281	224	199
	495	572	533	467	436	444
	3,551	3,476	3,546	3,173	2,616	2,279
	2,668	2,628	2,481	2,164	1,911	1,708
	883	848	1,065	1,009	705	571

## ELEVEN YEAR SUMMARY

<i>In millions of dollars</i>	1994	1993	1992	1991	1990
<b>SALES AND EARNINGS</b>					
Sales	\$ 13,002	\$ 11,931	\$ 11,599	\$ 10,770	\$ 10,856
Operating income	378	241	207	247	346
As a percentage of sales (%)	2.9	2.0	1.8	2.3	3.2
Interest expense	104	86	87	101	103
Earnings before extraordinary items	117	57	48	92	125
As a percentage of sales (%)	.90	.48	.41	.85	1.2
Net earnings	117	57	48	92	125
<b>CASH FLOW</b>					
Cash flow from operations**	553	403	362	341	393
Disposition of subsidiary companies					
Capital expenditures	552	418	272	258	322
Acquisition of subsidiary companies		165	68		21
Increase (decrease) in cash position	80	(24)	(136)	177	61
<b>FINANCIAL POSITION</b>					
Current assets	1,754	1,697	1,564	1,553	1,437
Current liabilities	1,753	1,653	1,388	1,215	1,193
Working capital	1	44	176	338	244
Fixed assets	2,704	2,462	2,129	1,996	1,968
Long term debt	1,008	861	730	734	724
Shareholders' equity	1,404	1,289	1,266	1,326	1,278
Average capital employed	3,129	2,906	2,717	2,653	2,556
<b>RATIOS</b>					
Return on capital employed (%)	12.1	8.3	7.6	9.3	13.5
Weston Foods (%)	1.2	3.8	2.2	10.1	12.7
Loblaw Companies (%)	14.5	11.6	11.4	15.0	15.7
Weston Resources (%)	14.1	3.4	2.5	(4.1)	10.3
Return on common equity (%)	8.7	4.5	3.2	7.0	10.4
Interest coverage	3.63	2.80	2.38	2.45	3.36
Debt to equity	.84:1	.89:1	.69:1	.63:1	.63:1
Debt to equity (cash offset)*	.66:1	.66:1	.53:1	.42:1	.56:1
<b>PER COMMON SHARE</b> <i>In dollars</i>					
Earnings before extraordinary items	2.48	1.21	.85	1.81	2.52
Increase (decrease) (%)	105	42	(53)	(28)	(16)
Net earnings	2.48	1.21	.85	1.81	2.52
Cash flow from operations**	11.78	8.62	7.77	7.34	8.50
Dividends declared	.70	.70	.70	.70	.70
Capital expenditures	11.76	8.94	5.84	5.55	6.97
Book value	29.75	27.42	27.08	26.31	25.37
Market value (year end)	42.25	39.00	36.75	36.75	41.75
Price earnings ratio (year end)	17.0x	32.2x	43.2x	20.3x	16.6x
Market/book ratio (year end)	1.42:1	1.42:1	1.36:1	1.40:1	1.65:1

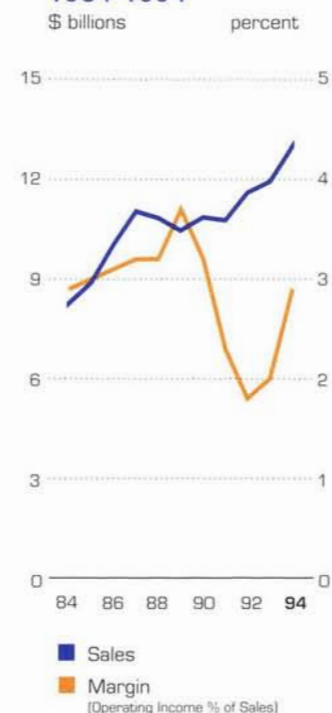
\*Total Debt Less Cash and Short Term Investments/ Total Shareholders' Equity.

\*\*Comparative figures have been restated to conform with current presentation.

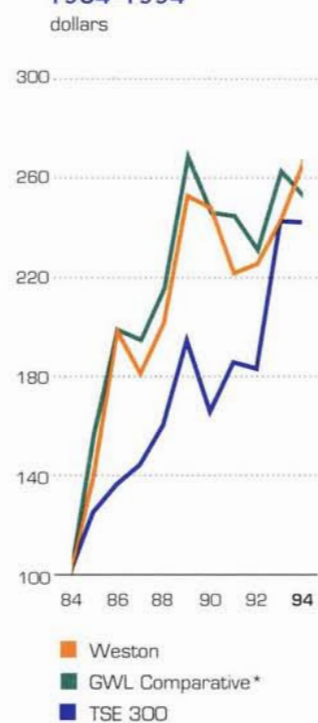


	1989	1988	1987	1986	1985	1984
	\$ 10,459	\$ 10,831	\$ 11,035	\$ 10,026	\$ 8,880	\$ 8,255
	384	348	357	311	268	241
	3.7	3.2	3.2	3.1	3.0	2.9
	114	104	91	75	72	67
	150	137	134	119	101	89
	1.4	1.3	1.2	1.2	1.1	1.1
	187	190	134	119	101	94
	387	341	339	289	233	182
	122	258				
	341	325	351	382	262	212
	74	77	145	82	33	
	66	120	(208)	90	(57)	(4)
	1,356	1,420	1,569	1,492	1,228	1,055
	1,166	1,169	1,309	1,053	930	729
	190	251	260	439	298	326
	1,882	1,804	1,753	1,553	1,286	1,157
	672	663	716	644	536	500
	1,191	1,132	1,023	1,025	830	755
	2,517	2,509	2,369	2,025	1,722	1,584
	15.2	13.9	15.1	15.3	15.6	15.2
	15.2	16.2	16.2	16.5	16.6	15.8
	13.8	9.5	13.2	13.8	16.8	17.8
	18.4	22.4	18.8	17.8	13.0	11.0
	13.6	13.9	14.8	15.0	14.3	14.0
	3.37	3.35	3.92	4.16	3.75	3.60
	.68:1	.77:1	.96:1	.74:1	.80:1	.76:1
	.63:1	.68:1	.92:1	.65:1	.79:1	.73:1
	3.00	2.70	2.58	2.31	1.96	1.69
	11	5	12	18	16	15
	3.81	3.85	2.58	2.31	1.96	1.79
	8.38	7.40	7.36	6.29	5.08	3.98
	.66	.61	.57	.51	.44	.40
	7.40	7.06	7.61	8.30	5.71	4.63
	23.47	20.59	18.23	16.52	14.49	12.84
	43.25	35.00	32.00	35.50	25.50	18.50
	14.4x	13.0x	12.4x	15.4x	13.0x	11.0x
	1.84:1	1.70:1	1.76:1	2.15:1	1.76:1	1.45:1

### SALES AND MARGIN 1984-1994



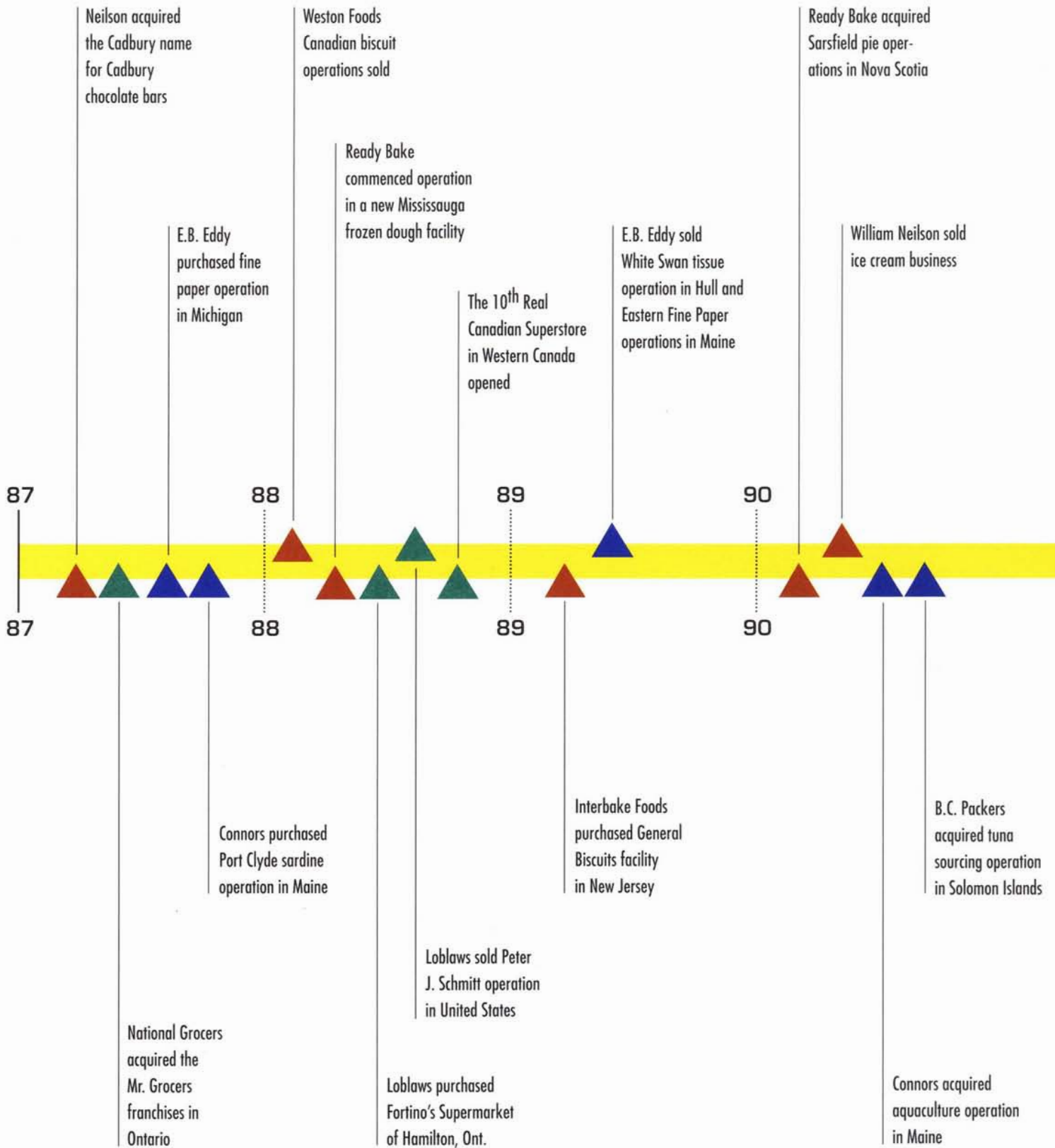
### TOTAL RETURNS 1984-1994



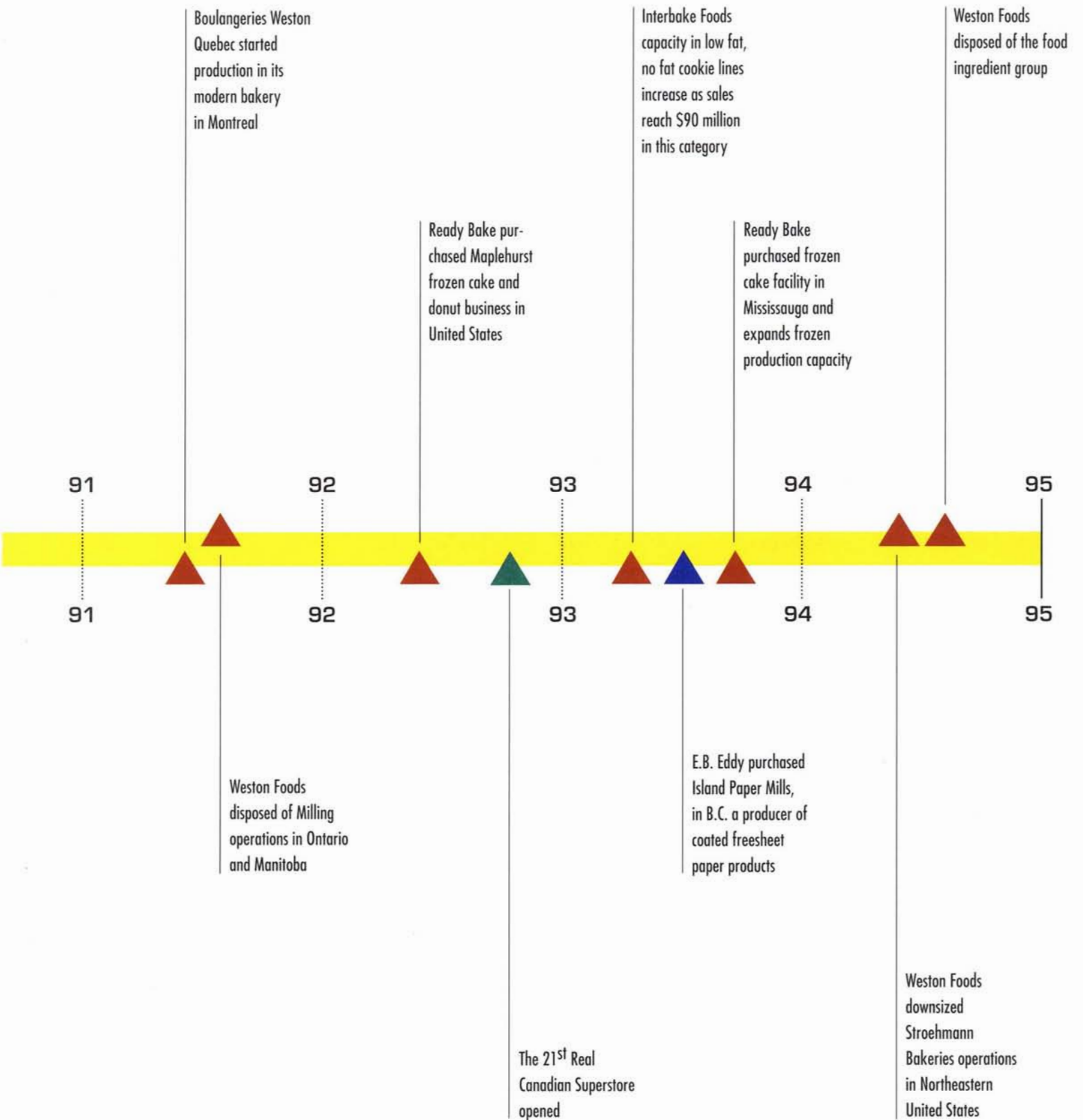
\* Made up of Food Store, Forest Products and Food Processing TSE indexes

# TIMELINE OF EVENTS 1987-1995

- ▲ Food Processing Group
- ▲ Food Distribution Group
- ▲ Resource Group



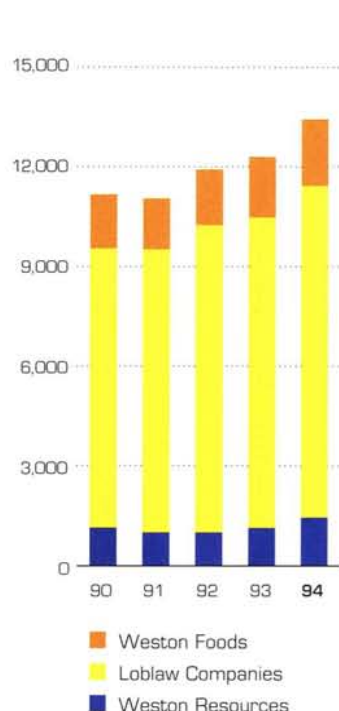




## MANAGEMENT DISCUSSION AND ANALYSIS

**WESTON'S 1994** earnings per share were \$2.48 compared to \$1.21 and \$0.85 in the prior two years. Sales of \$13 billion were up 9%. Operating income was \$378 million in 1994 compared to \$241 million in 1993 and \$207 million in 1992. Capital expenditures at \$552 million set a new record for internal expansion while balance sheet ratios improved. Loblaw Companies has entered into an agreement, subject to U.S. Federal Trade Commission approval, to sell substantially all of the net assets of the U.S. retail business in the second quarter of 1995.

**SALES BY GROUP\***  
\$ millions



\* Includes inter group sales

In millions of dollars	1994	Sales		Operating Income		
		1993	1992	1994	1993	1992
<b>WESTON FOODS</b>						
Baking	\$ 1,388	\$ 1,264	\$ 1,144	\$ (9)	\$ 8	\$ 1
Chocolate, Dairy and Specialties	620	566	541	15	14	11
	2,008	1,830	1,685	6	22	12
Sales Increase/Margin	9.7%	8.6%	9.3%	0.3%	1.2%	0.7%
<b>LOBLAW COMPANIES</b>						
Eastern Canada	5,601	5,136	4,840	119	91	62
Western Canada	2,879	2,863	2,999	111	94	88
United States	1,520	1,357	1,423	40	13	31
	10,000	9,356	9,262	270	198	181
Sales Increase/Margin	6.9%	1.0%	8.5%	2.7%	2.1%	2.0%
<b>WESTON RESOURCES</b>						
Fisheries	658	584	542	36	25	28
Forest Products	760	527	432	66	(4)	(14)
	1,418	1,111	974	102	21	14
Sales Increase/Margin	27.6%	14.1%		7.2%	1.9%	1.4%
<b>INTER GROUP</b>						
	(424)	(366)	(322)			
<b>CONSOLIDATED</b>						
	\$13,002	\$ 11,931	\$ 11,599	\$ 378	\$ 241	\$ 207
Sales Increase/Margin	9.0%	2.9%	7.7%	2.9%	2.0%	1.8%

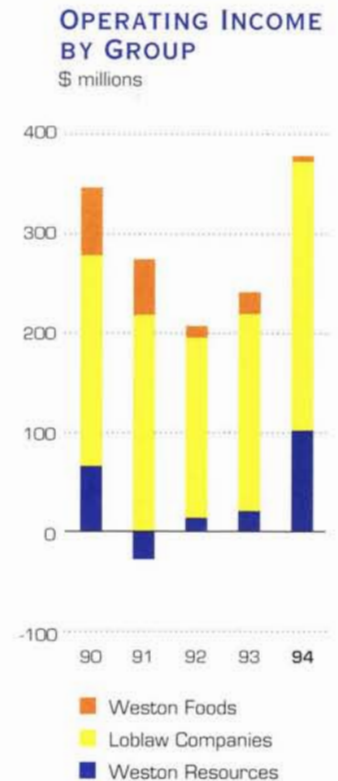
**SALES GROWTH** of 9% was primarily volume driven in an environment of low food price inflation. Food price inflation measured by the monthly "food purchased from stores" index was less than 1% in 1994. A sales increase of 1% resulted from the effect of the decline in value of the Canadian dollar in relation to the U.S. dollar. Weston Foods' sales were up 10% as a result of cookie and frozen dough volume increases supported by recent capital expenditures and volume growth from new and existing customers in chocolate and dairy. Loblaw Companies' sales were up 7% compared to 1993. This was a result of a 14% increase in corporate retail square footage, higher retail sales per square foot, offset by rationalization of Western Canada wholesale accounts. In 1993, Loblaw Companies' United States sales had been depressed by a strike and in 1995 these sales will be reduced by about two thirds as a result of the sale of this operation. Weston Resources' sales increased 28% due, in part, to increased pulp and paper volumes lost to the 1993 strike at Espanola and the inclusion of Island Paper Mills volumes for a full year in 1994.



**OPERATING INCOME** increased \$137 million resulting from sales growth, cost reductions and higher resource prices despite higher U.S. fresh bread losses. Food price inflation has put downward pressure on food processing and retailing margins for the past three years. Consequently, incremental margins must be achieved through cost reduction programs and improved efficiency. Operating income margin increased to 2.9% from 2.0%, one half by price driven margin increases in Weston Resources and the balance by increased sales per square foot and cost containment in Loblaw Companies. Loblaw Companies contributed 71% of operating income down from 82% in the prior year as the group operating income contributions moved closer to the ten year average of Weston Foods 15%, Loblaw Companies 62%, and Weston Resources 23%. 1993 operating income was adversely affected by \$45 million from two major strikes.

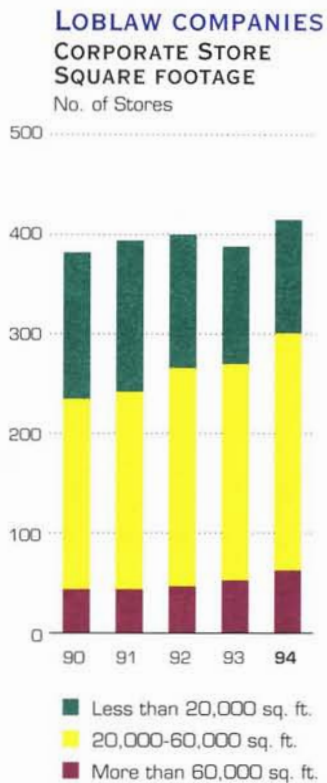
**WESTON FOODS'** \$6 million operating income declined in 1994 as a result of Baking division operating losses of \$9 million. The Chocolate, Dairy and Specialties division operating income was \$15 million while building sales 10%. The Baking division operating loss was from the U.S. fresh bread business. The balance of this division, cookie, frozen dough and Canadian fresh bread continue to expand at satisfactory returns on capital employed. To improve the long term performance of the U.S. fresh bread business, decisions were made to withdraw from certain markets, close high cost production lines and distribution facilities, rationalize product lines and consolidate administrative activities. While these decisions resulted in increased losses in 1994, the process is substantially complete and the business is better positioned in its highly competitive marketplace. Weston Foods participates principally in mature, food processing industry segments that are under margin pressure. Management strategy to reduce this risk is to invest in those segments of the business where strong market positions or low cost producer status can be achieved. (Interbake's successful development of a low fat product line is one example of this strategy). The "Bowes" Food Ingredient group with annual sales of \$100 million and marginal operating (net) income contribution was sold at book value releasing approximately \$40 million of capital employed. Weston Foods' operating income did not increase as expected during 1994 because of increased losses in the U.S. fresh bread business. With major unprofitable elements of the U.S. fresh bread business now closed, Weston Foods expects improved operating income in 1995, subject to the risk of changes in consumer buying patterns.

**LOBLAW COMPANIES'** \$270 million operating income improved as a result of increased sales from existing stores, increased sales from new stores and improved margins as a result of cost reductions. In Eastern Canada, operating income increased 31%. The operating margin improved to 2.1% from 1.8% in 1993 because of significant sales growth combined with cost control. In Western Canada, operating income improved 18% on the strength of the wholesale segment cost efficiencies and improved margins resulting from account rationalization. Their retail operating income growth of 8% was tempered by costs associated with significantly increasing average retail square footage and the carryover effect in early 1994 of a price war that had started in 1993. In the



United States, retail operating income recovered from the effect of the 1993 strike in New Orleans that had cost \$25 million. Royalty income generated through the sale of corporate products to U.S. customers increased to \$11 million from \$5 million in 1993 as the programs further expanded.

Loblaw Companies' earnings increased despite a competitive environment; a price war in Ontario followed the settlement of the labour strike at Miracle Mart, price wars in urban markets of Alberta did not wind down until early 1994 and costs were incurred in rejuvenating the New Orleans business following the December 1993 settlement of the strike. There is typically a time lag in sales dollar growth versus square footage growth as new stores do not initially produce sales as high as their more mature counterparts which impacted 1994 and will impact 1995. In Eastern Canada, 25 new stores were added this year with a net 8% increase on average square footage; 8 *Village* stores were acquired in New Brunswick; in Western Canada, 5 new *Real Canadian Superstores* and 4 *Real Canadian Wholesale Clubs* were opened contributing to an average corporate store square footage increase of 18%. This store expansion in a market of minimal food price inflation can have the effect of stimulating competitive reaction. Management strategy to reduce risks in this highly competitive industry is to operate simultaneously in both retail and wholesale segments of the industry and with geographic diversification of operations which limits exposure to regional economies. Management focuses on competitive market



	1994	1993	1992
<b>LOBLAW COMPANIES SALES AND SQ. FOOTAGE</b>			
<b>RETAIL OPERATIONS</b>			
More than 60,000 sq. ft.	62	52	46
20,000 - 60,000 sq. ft.	239	218	220
Less than 20,000 sq. ft.	114	118	134
<b>Total Stores</b>	<b>415</b>	388	400
Average Size (000's sq. ft.)	37.6	35.3	33.0
Average Sales per sq. ft. (in millions)	\$ 502	\$ 497	\$ 496
Increase in sq. ft. (year end)	13.9%	3.8%	8.2%
Retail Sales (in millions)	\$ 7,374	\$ 6,644	\$ 6,424
Increase	11.0%	3.4%	11.0%
<b>WHOLESALE OPERATIONS</b>			
Franchised Independent Stores	673	805	826
Average Size (000's sq. ft.)	9.5	8.6	8.5
Independent Accounts	7,070	7,662	11,981
Wholesale Sales (in millions)	\$ 2,626	\$ 2,712	\$ 2,838
(Decrease)/Increase	(3.2)%	(4.4)%	3.3%

National Tea included above: 85 retail stores; \$1.5 billion retail sales

position and cost advantage which are fundamental to the company's long term security and growth and will not be sacrificed for short term earnings. Loblaw Companies' ownership of store real estate, development of powerful corporate brands and strong balance sheet are tools in reducing this risk.

Loblaw Companies entered into an agreement, subject to U.S. Federal Trade Commission approval, to sell substantially all of the net assets of the U.S. retail business. The sale is scheduled to close during the second quarter of 1995 and is not expected to generate a significant gain or loss after absorbing normal

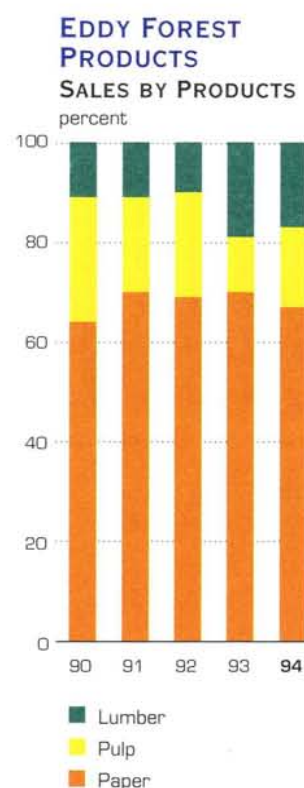


costs associated with the disposal. The company will continue to actively market the line of *President's Choice* into selected U.S. supermarket chains. This sale is expected to reduce U.S. sales in 1995 by about two thirds of the 1994 level and reduce Loblaw Companies' U.S. operating income to that derived from royalty revenues approximating the 1994 level of \$11 million. After the effect of interest and taxes, the 1995 net income impact is not expected to be material.

The 1995 disposal of the U.S. retail business reflects Loblaw Companies' assessment that the costs and risks of generating improved longer term returns on investment were greater than the potential benefits, therefore, strategically it was considered appropriate to redeploy these assets to parts of the business with more acceptable risk/reward prospects.

In 1995, Loblaw Companies expects to increase square footage in both Canadian retail and franchised businesses. The new sales base and maturing of the square footage added in the last two years are expected to otherwise grow Canadian sales and operating income in 1995.

**WESTON RESOURCES'** \$102 million operating income increased substantially as the improving North American economy and world demand for pulp increased the year end northern bleached kraft softwood pulp price to U.S. \$700 per tonne up from U.S. \$390 at the beginning of the year. High manufacturing activity levels and historically high lumber prices averaging 20% above 1993 were also significant contributors to the improved results. Fisheries' contribution improved over 1993 despite an unexpected shortfall in British Columbia wild salmon volumes. The comparative 1993 Forest Products results were depressed by \$20 million as a result of the strike related closure of the Espanola pulp and paper mill for 15 weeks in the last half of that year.



	1994	1993	1992
<b>WESTON RESOURCES OPERATING INDEXES</b>			
<b>PULP AND PAPER</b>			
Weston activity level (%)	99	78	95
North American activity level (%)	93	90	91
Weston paper change in average price (%)	+2	-2	-2
Weston pulp change in average price (%)	+41	-14	+10
Weston lumber change in average price (%)	+20	+24	+19
Weston paper production (000's tonnes)	378	275	224
Weston pulp production (000's tonnes)	335	222	330
Weston net internal pulp usage (%) (1)	78	95	58
U.S. to Cdn. average dollar rate	\$ 0.73	\$ 0.78	\$ 0.83
Impact of 1 cent change (in millions)	\$ 5	\$ 3	\$ 3
<b>SALMON</b>			
World wild catch (000's tonnes)	800	900	810
Weston share (%)	3.8	3.4	3.1
World aquaculture harvest (000's tonnes)	430	360	311
Weston share (%)	.9	1.5	1.5
Weston export canned price change – Cdn. (%)	+26	-29	+43
<b>SARDINES AND HERRING</b>			
Weston canned sales volume (%)	+1	-2	+2

(1) Activity level was low and internal pulp utilization high in 1993 due to effect of a strike at Espanola.

Eddy Paper's 1993 acquisition of Island Paper Mills has proven very successful contributing \$179 million to Forest Products \$760 million sales as well as positive cash flow. Weston Resources expects improved results in 1995 based on current pulp and paper prices, high activity levels and good productivity. The outlook for Weston Resources is at risk to the continuing strength of the North American and world economies which are creating high demand and prices for pulp and paper products. Management strategy to minimize the cyclical risk of these industries is to focus on value added niche markets where pricing is less volatile. This strategy includes moving the net internal pulp utilization to above 80% over time.

**INTEREST EXPENSE** increased 21% to \$104 million. The net debt level increased 10%. The interest rate on total long term debt was 9.7% in 1994 compared to 9.4% in 1993. Interest expense is expected to decline in 1995 from the net effect of reduced borrowing levels from Loblaw Companies application of the estimated net proceeds of over \$300 million from the sale of the assets of National Tea Co. Income taxes as a percentage of earnings before taxes was unchanged at 41% from 1993.

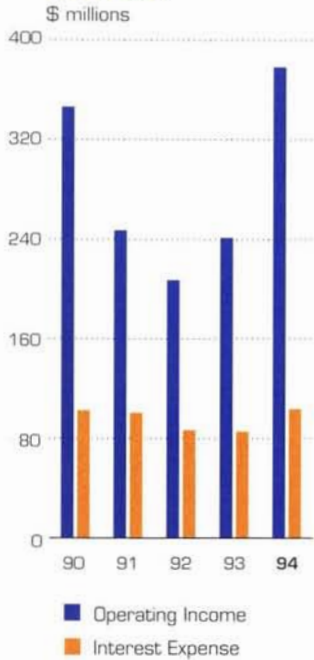
**WESTON'S RISKS** are moderated by the Company's strategies including:

- Business and geographic diversification;
- Development of brand or low cost market positions;
- Customer/supplier diversification;
- Active management of capital resource availability, financial derivatives and liquidity policies and balance sheet strength;
- Attention to environmental concerns; and
- Ownership of key real estate.

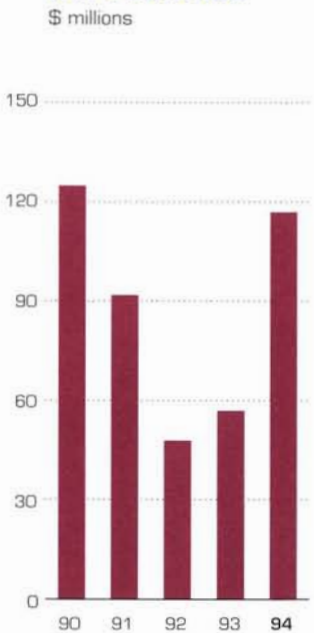
Earnings are at risk to the level of North American economic activity, consumer purchasing power and foreign currency fluctuations. From time to time, excess industry capacity and the resultant price competition will be factors in eroding operating margins. Weston Resources' earnings are most affected by changes in business activity and economic outlook. Moreover, in any given year, the operations of the Company are at risk to labour disruptions. In 1995, there are numerous labour agreements to be negotiated and while it is possible that any of these could lead to some form of labour disruption or material changes in terms, this is not anticipated. The Company's stable cash flow has demonstrated that its liquidity and balance sheet ratios are only modestly affected by economic downturns.

The Company's environmental policy is to maintain standards equal to or better than government requirements. The environmental requirements of the food business do not have, and are not expected to have, a material effect on the capital expenditures, earnings or competitive positions of any of the food businesses. The environmental requirements of the forest products industry are being continually upgraded. Due to a solid history of sound environmental expenditures, future capital expenditures, earnings and competitive position are not expected to be materially influenced by current or proposed environmental

### OPERATING INCOME AND INTEREST EXPENSE



### NET EARNINGS





protection requirements. Research and development, which is managed within the Company's annual financial resources, is not a significant cost to the businesses. As a result, the ongoing cost of new product development is expensed as incurred. New products are important for future growth but represent a small percentage of a year's annual sales.

**QUARTERLY RESULTS** in 1994 showed an improving trend in Loblaw Companies and Weston Resources reflecting increased sales volumes and higher Forest Products margins. The year over year improvement in the third and fourth quarter also reflect the impact of 1993 U.S. food retailing and Espanola pulp mill strikes. Weston Foods' quarterly operating income was below 1993 in the last three quarters of the year because of U.S. fresh bread losses.

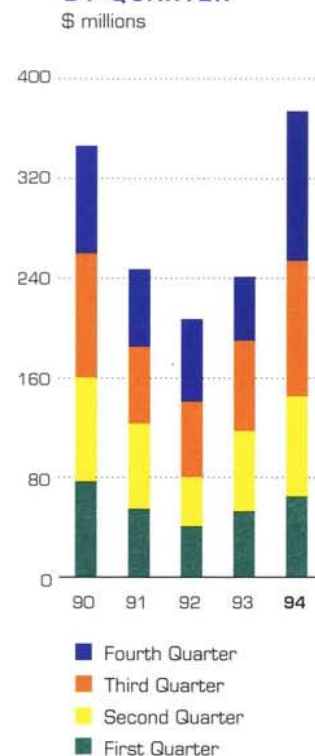
<i>In millions of dollars except per share</i>	1994				1993			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>SALES</b>								
Weston Foods	\$ 502	\$ 493	\$ 503	\$ 510	\$ 457	\$ 430	\$ 450	\$ 493
Loblaw Companies	2,175	2,330	3,091	2,404	2,115	2,161	2,893	2,187
Weston Resources	271	380	369	398	223	284	295	309
Inter Group	(103)	(100)	(108)	(113)	(80)	(83)	(88)	(115)
	2,845	3,103	3,855	3,199	2,715	2,792	3,550	2,874
<b>OPERATING INCOME</b>								
Weston Foods	11	4	4	(13)	10	11	14	(13)
Loblaw Companies	49	61	74	86	39	47	55	57
Weston Resources	4	16	31	51	3	7	4	7
	64	81	109	124	52	65	73	51
Interest expense	24	25	31	24	21	20	24	21
Net earnings	14	23	35	45	11	18	21	7
Per share	\$ .30	\$ .48	\$ .74	\$ .96	\$ .24	\$ .39	\$ .45	\$ .13

**DIVIDEND POLICY** is to pay out 25% to 30% of the prior year's normalized earnings, giving consideration to cash flow requirements and investment opportunities. The 1994 annual dividend rate of \$.70 per share, set in 1990 has been maintained during a period of low earnings on management's expectation the future earnings increases would return the dividend payout to the policy range. The current dividend rate equals 28% of 1994 earnings.

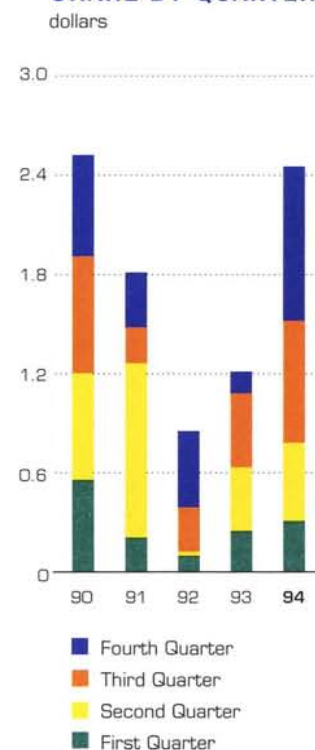
#### FINANCIAL CONDITION

**THE FINANCIAL GOALS** set by the Company in the late 1970's have focused on cash flow, return on capital employed and prudent debt levels. This has been important in maintaining the Company's financial strength and ability to expand during the recent economic recession. The targeted 15% return on capital employed and equity and 15% earnings per share growth were not achieved in the past two years because of low operating income. The return on equity target is considered high in these periods of low inflation and current capital, tax and interest rate levels indicate a 12% return on equity target to be consistent with a 15% return on capital employed. The earnings per share growth target should be achieved coming out of the period of low earnings. The Company will continue to be guided by its cash flow and debt/equity targets.

#### OPERATING INCOME BY QUARTER

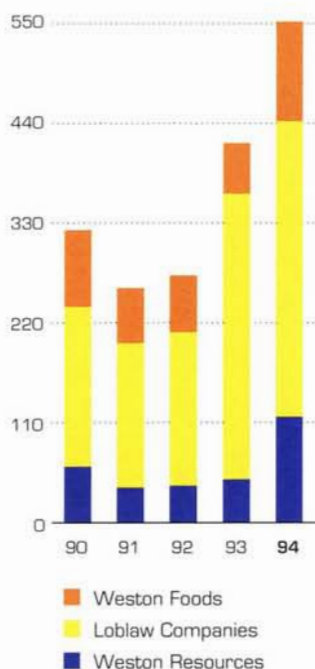


#### EARNINGS PER SHARE BY QUARTER



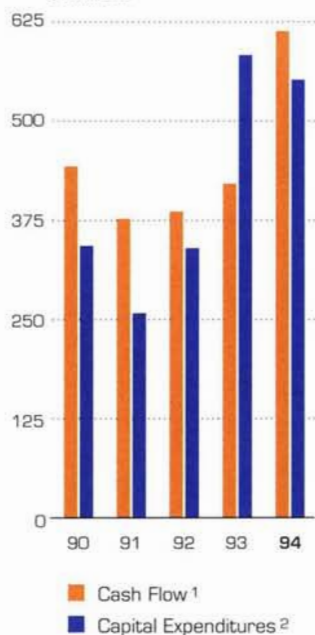
### CAPITAL EXPENDITURE BY GROUP

\$ millions



### CASH FLOW AND CAPITAL EXPENDITURES

\$ millions



<sup>1</sup> Includes proceeds from sale of fixed assets and disposition of subsidiary companies

<sup>2</sup> Includes acquisition of subsidiary companies

**FIXED ASSET INVESTMENT** of \$552 million represents another record level and strong commitment to the business. Capital expenditures increased because more opportunities meeting the Company's minimum return levels were identified. Weston Foods invested \$110 million of which \$70 million was for U.S. capacity expansion in the cookie and frozen dough businesses. Loblaw Companies' record \$326 million of capital expenditures were directed 87% to corporate stores and resulted in a 14% net expansion of corporate retail square footage. Weston Resources' \$116 million in capital expenditures included \$29 million towards the \$40 million rebuild of #14 Paper Machine in Hull expected to be completed in the first quarter of 1995. In addition, \$28 million was invested in the Blue Water Fibre joint venture, a 72,500 tonnes per year paper recycling and deinking facility under construction adjacent to the Port Huron, Michigan paper mill. The level of expenditures in 1995 is expected to match those of 1994 with Loblaw Companies expanding its square footage in Canada at a similar rate and Weston Resources continuing its program of upgrading pulp and paper manufacturing assets and fine tuning its Fisheries' assets.

**CASH POSITION**, net, at year end increased \$80 million as a result of higher earnings. Operating working capital (consisting principally of inventories and accounts receivable offset by accounts payable) was again reduced on a net basis to be close to self financing enabling the business to operate on minimized interest and warehouse costs. Inventory turns in the business have improved to 12 times from 11 times five years ago enabling the Company to operate on minimum investment in working capital. Loblaw Companies' estimated \$300 million net cash proceeds from the sale of the assets of National Tea Co. will be used to reduce debt and fund their announced March 1995 redemption of \$60 million preferred shares.

**LONG TERM DEBT** increased \$147 million primarily due to the acquisition of the Island Paper Mill preferred shares. To extend average maturity, reduce short term borrowings and enhance the Company's liquidity position, \$200 million 7.45% 10 year debentures were issued in February 1994 and Loblaw Companies issued \$200 million 8.75% 40 year notes in September 1993. Weston's \$1,074 million total long term debt had a weighted average term to maturity of 22 years and an average rate of 10%.

### CHANGES IN FINANCIAL POSITION

**CASH FLOW FROM OPERATIONS**, which includes non cash working capital changes, increased from improved operating income. A key ratio for the Company is cash flow from operations and disposals compared to capital expenditures and acquisitions, which over the last five years has been a net cash inflow of \$164 million. The net cash inflow for the year 1994 was \$61 million. Capital expenditures for 1995 are expected to approximate the 1994 spending level. Three quarters of planned spending is uncommitted and no material expenditures are required to meet current environmental regulations. Cash flow from operations and cash on hand should fund 1995 capital expenditures, debt maturities and working capital needs minimizing the need for additional long term debt in 1995. The Company will continue to consider acquisition opportunities which meet its strategy at a realistic price.



## CAPITAL RESOURCES AND LIQUIDITY

**WESTON'S POLICY** is to minimize capital, liquidity and interest rate risks through active management including:

- Maintaining a debt to equity ratio of less than 1:1;
- Maintaining bank operating lines in excess of seasonal requirements;
- Targeting a minimum range of 70% to 80% of fixed rate, long term debt as a percentage of total debt and managing exposure to floating interest rates;
- Maintaining long term debt maturity below 25% in any given year; and
- Maintaining counterparty risk on derivative financial instruments below levels authorized by the Board.

These targets were met in the last three years, except for the level of fixed rate long term debt which has fluctuated between 60% to 90% during the past two years.

The Company uses derivative financial instruments to manage its interest rate and currency exposures. Derivative financial instruments are used within Board approved guidelines for counterparty exposure, limits and hedging practices. Hedging activities are monitored using market value and sensitivity analysis. The Company does not enter into financial derivative contracts except to hedge its operational and financial risks.

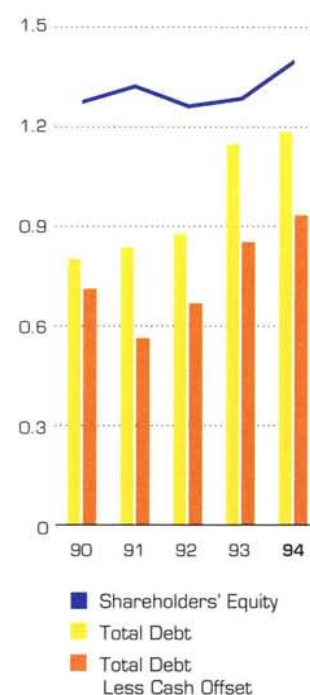
**INTEREST RATE RISK** is managed within approved policy limits and separately from liquidity risk. Weston manages its exposure to interest rates primarily by borrowing long term funds on a fixed rate basis. At year end the Company and its subsidiaries had total debt of \$1,184 million of which 70% was fixed rate, having an average interest rate of 10% and a weighted average term to maturity of 22 years. Weston also utilizes financial derivative instruments; namely, swap contracts, forward rate agreements and swaptions to manage its exposure to fluctuations in interest costs.

The Company enters into derivative financial instruments, particularly interest rate swaps and forward agreements, to lower funding costs, to diversify sources of funding, and to alter interest rate exposures. The Company uses market value and sensitivity analysis similar to that used by the banking industry to assess the market risk of its financial instruments and reduces risk on these products by diversification of counterparty and limitation on maximum amount of exposure per counterparty. In 1994, \$130 million of long term debt was floating at year end by way of interest rate agreements ("swaps") at an average rate of 7.4% with an average remaining term of 8 years. In addition, \$160 million of debt was fixed at an average rate of 7.3% by way of swaps with an average remaining term of 2 years. During 1994, the net interest payments on these swaps were neutral. At year end, market cost to liquidate these contracts was \$12 million.

In addition, the Company's subsidiary, Loblaw Companies, has entered into interest rate swaps converting a net notional \$278 million of 8.1% fixed rate debt into floating rate debt.

**FOREIGN EXCHANGE EXPOSURES** affect the Company primarily in four areas: commercial transactions, foreign currency financings, net investments in foreign subsidiaries and economic or competitive exposures. In managing foreign currency of known or probable commercial transactions the sensitivity of operating margins to foreign currency fluctuations is evaluated and where this risk is determined to be excessive by operating management a portion of the

**CAPITAL STRUCTURE**  
\$ billions



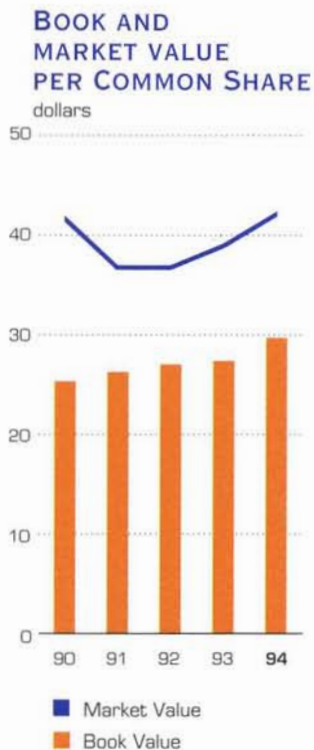
risk exposure will be hedged up to a maximum of 2 years. At year end, the Company had hedged \$324 million of the exposure to major products through to 1996. The Company currently has no exposure to foreign currency borrowings other than U.S. dollars which partially offset its U.S. dollar investment. In respect of economic exposures for asset commitment, a smaller portion of foreign revenue flows may be sold forward as far as 10 years to reduce the exposure. At year end, a total of \$115 million sales proceeds were hedged over a period of 9 years. The Company's net U.S. dollar investment in subsidiaries is also managed by the use of cross currency swaps. Canadian to U.S. cross currency swaps of \$570 million act as a hedge against Loblaw Companies' net investment in United States operations, reducing further exposure to fluctuations in this asset resulting from currency changes.

**CAPITAL RESOURCES** are provided by direct access to capital markets. Access is maintained by disciplined financial policies. Weston considers the debt to equity ratio to be an important credit indicator. This ratio declined to .84:1 from .89:1 in 1993; and if cash and short term investments are offset against total debt, the debt to equity ratio was .66:1 unchanged from 1993 and well within the Company's maximum 1:1 target. This ratio improved in 1994 despite the \$552 million fixed asset investment program as this growth was financed primarily out of cash flow from operations. Interest coverage at 3.6 times is better than the 2.8 times in 1993 because of improved operating income and is above the Company's minimum 3 times target. Weston's consistent maintenance of its financial policies contributes to its A+AA bond ratings which provide ready access to domestic and international capital markets. During the last three recessionary years, Weston's return on equity decline contributed to one credit rating agency reducing Weston's long term rating from A(high) to A in 1993. Since this downgrade the Company's financial ratios, including profitability, have improved. Current investment plans and dividend payments can be financed largely out of cash flow from operations.

**LIQUIDITY** is provided and indicated by internally generated cash flow, access to the commercial paper market and bank lines of credit. This access includes a \$500 million commercial paper program rated A-1/R-1(low) to meet its short term liquidity requirements. Available but uncommitted bank credit lines are in excess of \$1 billion. These sources continue to be more than adequate to finance seasonal working capital requirements of the Company. The relatively stable nature of the Company's broad business base and its cash flow permit the Company to operate with low working capital. Loblaw Companies, a public company 70% owned by Weston, maintains direct access to both capital and money markets.

## OUTLOOK

After three difficult years of recessionary markets, major labour challenges and bitter competitive struggles, Weston is now positioned to move forward strongly. Weston Foods should deliver improved earnings following the actions taken and programs put in place in 1994. Loblaw Companies looks set to deliver strong sales and profit growth as a result of its new store and product programs reinforced by a continued attention to cost control. Weston Resources expects significant improvements in earnings as paper pricing begins to recover the 1994 pulp price increases.





## CONTRIBUTING TO THE COMMUNITY

George Weston Limited is committed to improving quality of life in the communities it serves, and believes that business should participate with its employees in supporting our community organizations.

Contributions to community organizations are made by local operating divisions, by George Weston Limited, and by The W. Garfield Weston Foundation, a private Canadian foundation associated with the Weston group of companies.

Our contributions are shared across Canada and are directed mainly toward medical research, education, conservation, and community projects.

The following organizations were some of the recipients of contributions in 1994:

### MEMORIAL UNIVERSITY OF NEWFOUNDLAND

*St. John's, Newfoundland*

Endowment of Weston scholarships and bursaries.

### FREDERICTON YM/YWCA

*Fredericton, New Brunswick*

Funding for renovation and expansion of child care facilities.

### FONDATION RÉUSSITE JEUNESSE

*Longueuil, Quebec*

Weston's Quebec bakery is one of three partners who launched this "Stay in School" project. It involves senior citizens who volunteer as mentors to Quebec students attempting to complete high school.

### HERITAGE SEED PROGRAM

*Uxbridge, Ontario*

Ongoing assistance for this innovative project, the aim of which is to identify and preserve heirloom and endangered varieties of fruits, vegetables, herbs and grains, and thus reduce the loss of genetic diversity in Canada's food crops.

### CANADIAN FOUNDATION FOR DIETETIC RESEARCH

*Toronto, Ontario*

Funding to enable Canadian dietitians to conduct applied research.

### EYE RESEARCH INSTITUTE OF CANADA

*Toronto, Ontario*

Commitment to help establish Canada's first basic eye research institute. Researchers at this institute are investigating new techniques in DNA sequencing, and the causes of glaucoma, retinoblastoma, and other diseases of the eye.

### AGRICULTURAL LEADERSHIP TRUST

*Guelph, Ontario*

Endowment in support of the Advanced Agricultural Leadership Program, which focuses on leadership development in the agri-food industry.

### UNIVERSITY OF WATERLOO

*Waterloo, Ontario*

Funding for construction of the new Environmental Sciences and Engineering Building.

### UNIVERSITY HOSPITALS FOUNDATION

*Edmonton, Alberta*

Grant for research into treatment of stroke and other related brain injuries.

### SASKATOON FOOD BANK

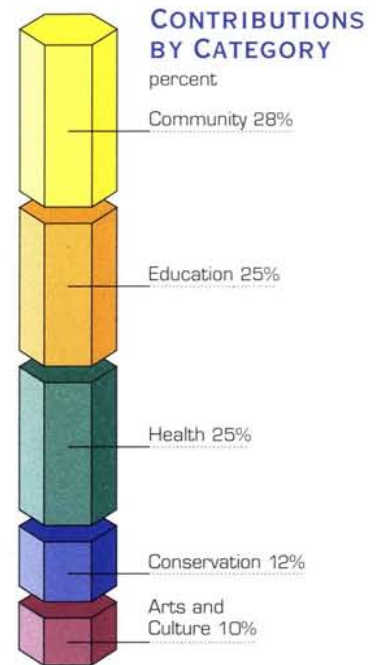
*Saskatoon, Saskatchewan*

Financial support to help distribute donated food to agencies assisting people in need.

### VANCOUVER PUBLIC LIBRARY

*Vancouver, British Columbia*

Funds directed to the child care facilities within the new library located in downtown Vancouver.



### EXAMPLES OF COMMUNITY INVOLVEMENT BY OUR LOCAL OPERATING DIVISIONS:

#### CONNORS BROS., LIMITED

*Blacks Harbour, New Brunswick*

Sponsorship of summer concerts for the community.

#### E.B. EDDY FOREST PRODUCTS LTD.

*Espanola, Ontario*

Fundraising for Ronald McDonald House and Ducks Unlimited.

#### NEILSON DAIRY

*Ottawa, Ontario*

Donation of products to Ottawa Food Bank.

#### LOBLAWS SUPERMARKETS LIMITED

*Toronto, Ontario*

Work experience program for individuals with intellectual disabilities.

#### BRITISH COLUMBIA PACKERS LIMITED

*Richmond, British Columbia*

Support for Christmas adopt-a-family program, providing food, clothing and gifts to families in need.

## DIRECTORS

### W. Galen Weston, OC<sup>1</sup>

*Chairman and President, George Weston Limited; Chairman, Wittington Investments, Limited, Holt Renfrew & Co. Limited; Officer, Order of Canada; LLD (Hon.) University of Western Ontario; BA University of Western Ontario; Director, Associated British Foods plc, Canadian Imperial Bank of Commerce, United World Colleges, Chairman, Lester B. Pearson College of the Pacific*

### Lincoln M. Alexander, P.C., C.C., O.Ont., Q.C., The Honourable<sup>3,5</sup> *Chancellor, University of Guelph;*

*Former Lieutenant-Governor of Ontario (1985-1991); Former Federal Minister of Labour; Former Chairman, Ontario Workers Compensation Board; Companion, Order of Canada; Member, Order of Ontario; BA McMaster University; LLB York University/Osgoode Hall; Director/Governor, Upper Canada College, Massey Hall/Roy Thomson Hall, Doctors Hospital, Shaw Festival, The Hamilton Philharmonic Society, The Royal Agricultural Winter Fair, Royal LePage Limited*

### Richard J. Currie

*President, Loblaw Companies Limited; Past Chairman, Food Marketing Institute, Washington, D.C.; Past Chairman Advisory Board, School of Business Administration, University of Western Ontario; Member, Visiting Committee, Harvard Business School;*

*LLD (Hon.) University of New Brunswick; MBA Harvard; B.ENG. (Chemical) Technical University of Nova Scotia; Director, Imperial Oil Limited*

### Robert J. Dart, FCA<sup>2,3</sup>

*President, Wittington Investments, Limited;*  
*B.Comm. University of Toronto; Director, Holt Renfrew & Co. Limited; Brown Thomas Group Limited*

### R. Donald Fullerton<sup>2,3</sup>

*Chairman, Executive Committee, CIBC*  
*Former Chairman and Chief Executive Officer of CIBC; BA University of Toronto; Director, Amoco Canada Petroleum Co. Ltd, Coca-Cola Beverages Ltd., Hollinger Inc., Honeywell Inc., IBM Canada Ltd., Wellesley Hospital Research Foundation, CIBC, Westcoast Energy Inc.*

### Mark Hoffman

*Chairman, Cambridge Capital Group Limited, Hamilton Lunn Holdings Limited; Chairman, International Board, United World Colleges, Harvard Club of London; MBA, BA Harvard University; MA Cambridge University; Director, Millipore Corporation, Advent International Corporation, Guinness Flight Global Asset Management Limited*

### Robert H. Kidd<sup>1</sup>

*Senior Vice President and Chief Financial Officer, George Weston Limited; Chairman, Appleby College Foundation FCA, MBA York University; Chartered Accountant; B.Comm. University of Toronto; Director, Credit Suisse Canada; Member, CICA Emerging Issues Committee, Toronto Stock Exchange Advisory Committee*

### Hugo Mann<sup>2</sup>

*International Retail Consultant*  
*Former Managing Director Deutscher Supermarkt; Member, Order of Germany; Goldener Zuckerhut Award 1982 (German Food Industry Business Man of the Year)*

### Gerald B. Mitchell<sup>4,5</sup>

*Former Chairman and Chief Executive Officer, Dana Corporation; LLD (Hon.) Bowling Green State, Tri-State and Brock Universities; BA University of Western Ontario; Director, Michigan National, Worthington Industries, Eastman Chemical, Westpoint-Stevens*

### Pauline M. McGibbon, C.C., The Honourable

*Former Lieutenant-Governor of Ontario (1974-1980); Companion, Order of Canada; Member, Order of Ontario; LLD (Hon.) from 13 Universities; BA University of Toronto; Director, du Maurier Arts Ltd.*

### Dr. Robert I. Mitchell<sup>2,4,5</sup>

*Medical Consultant*  
*Formerly Associate Professor University of Toronto; Chairman of The Eye Research Institute of Canada; Fellow, The Royal Colleges of Surgeons of Canada, Australasia and England; MD University of Sydney; Director, The Wellesley Hospital, Toronto*

### R. Gordon McGovern

*Former President and Chief Executive Officer of Campbell Soup Company (U.S.); AB Brown University; MBA Harvard University; Director, North American Life Assurance Co. of Canada, Merrow Machine Company; Trustee, The Wooster School in Connecticut*

### Earl R. Pearce

*President, Weston Resources Limited; Chairman, Diversified Research Laboratories Limited, British Columbia Packers Limited;*  
*Chartered Accountant; Member of the Advisory Board, Allendale Mutual Insurance Canadian Operations*

### M.D. Wendy Rebanks<sup>4,5</sup>

*Treasurer of The W. Garfield Weston Foundation*  
*BA McGill University; Post Graduate certificates in Education and Retailing; Director, Fortnum & Mason plc, Royal Ontario Museum Foundation*

### John D. Stevenson, QC<sup>1,3</sup>

*Partner, Smith, Lyons, Torrance, Stevenson & Mayer, BA, LLB, University of Toronto; Director, Dana Corporation Hayes Dana; Holt Renfrew & Co. Limited, Canada Trust; Honorary Counsel, Canadian Educational Standards Institute*

### Garry H. Weston

*Chairman and Chief Executive, Associated British Foods plc; Chairman, George Weston Foods Ltd. (Australia), Fortnum & Mason plc, British Sugar plc;*  
*BA Harvard; Litt.D. (Hon) University of Reading; Trustee of the Royal Academy of Arts and of Westminster Abbey*

<sup>1</sup> Executive Committee

<sup>2</sup> Audit Committee

<sup>3</sup> Human Resources & Compensation Committee

<sup>4</sup> Pension Committee

<sup>5</sup> Environmental, Health & Safety Policy Committee



## OPERATING GROUPS

### WESTON FOODS LTD.

George Weston  
North American Bakeries  
J.D. Fisher  
*President*

Weston Bakeries Ontario  
R.A. Robinson  
*President*

Boulangeries Weston  
Quebec  
P. Brodeur  
*President*

Weston Bakeries West  
R.A. van Patter  
*President*

Stroehmann Bakeries  
G.J. Prince  
*President*

Ready Bake  
E.F. Riswick  
*President*

Interbake  
R.A. Baxter  
*President*

Neilson Dairy  
R.A. Robinson  
*President*

Neilson/Cadbury  
A.R. Soler  
*President*

Chocolate Products  
J.S. Gertner  
*President*

### LOBLAW COMPANIES LIMITED

R.J. Currie  
*President*

D.K. Bragg  
*Executive Vice President*

S.K. Darkazanli  
*Executive Vice President*

H.A. Seitz  
*Executive Vice President*

J.W. Thompson  
*Executive Vice President*

D.M. Williams  
*Executive Vice President*

D.G. Reid  
*Senior Vice President,  
Finance*

S.A. Smith  
*Senior Vice President,  
Controller*

R.R. Conliffe  
*Vice President,  
Labour Relations*

### WESTON RESOURCES LIMITED

E.R. Pearce  
*President*

M.J. Mugan  
*Vice President, Finance*

British Columbia Packers  
D.A. McLean  
*President*

Connors Bros.  
T. McDonnell  
*Vice Chairman and CEO*

E.L.D. McLean  
*President*

E.B. Eddy Forest Products  
E.F. Boswell  
*President*

### CORPORATE OFFICERS

R.H. Kidd  
*Senior Vice President and  
Chief Financial Officer*

B.L. Del Bel  
*Vice President,  
Financial Reporting*

I.R. Franklin  
*Vice President, Taxation*

S.E. Green  
*Vice President, Secretary  
and General Counsel*

J.V. Laurie  
*Vice President, Treasurer*

T.H. Wardrop  
*Vice President,  
Financial Control and  
Administration*

M.E. Kyle  
*Controller, Weston Foods*

Dr. P.B. Tepperman  
*Corporate Medical Officer*

### BOARD OF DIRECTORS' COMMITTEES

The Audit Committee is composed of four Directors. The members are R. Donald Fullerton (Chairman), Robert J. Dart, Hugo Mann and Dr. Robert I. Mitchell. The Committee meets at least twice annually in addition to holding quarterly meetings prior to the release of quarterly financial statements. The mandate of the Committee is to review with management and the external auditors all public financial reports. The Audit Committee held six meetings in 1994.

The Environmental, Health and Safety Policy Committee is composed of four Directors. The members are Gerald B. Mitchell (Chairman), Lincoln M. Alexander, Dr. Robert I. Mitchell and M.D. Wendy Rebanks. The mandate of the Committee is to ensure the corporation and its subsidiaries have proper systems for implementing the Corporation's policy with respect to environmental, health and safety matters; to ensure employees are aware of the Corporation's policy and are encouraged to deal with environmental, health and safety problems expeditiously; to receive periodic reports from management and to report to the Board of Directors in accordance with the Policy. The Environmental Health and Safety Policy Committee held three meetings in 1994.

The Human Resources and Compensation Committee is composed of four Directors. The members are R. Donald Fullerton (Chairman), Lincoln M. Alexander, Robert J. Dart and John D. Stevenson. The Committee is required to meet at least twice annually and report to the Board of Directors at least once annually. The mandate of the Committee is to develop and review the compensation and benefits accorded to senior executive officers; to review processes and policies for establishing compensation and benefit levels and to review granting of and policy setting relating to stock options. The Committee will also review other compensation matters at the request of the Chairman of the Board of Directors. The Human Resources and Compensation Committee held four meetings in 1994.

The Pension Committee is composed of three Directors. The members are Dr. Robert I. Mitchell (Chairman), Gerald B. Mitchell and M.D. Wendy Rebanks. The mandate of the Committee is to oversee the investment of the Pooled Pension Fund and monitor the performance of the investments. The Committee is also responsible for overseeing the administration of the George Weston Limited Pension Plans. The Pension Committee held four meetings in 1994.

## SHAREHOLDER INFORMATION

### HEAD OFFICE

22 St. Clair Avenue East  
Toronto, Ontario  
M4T 2S7  
Tel. (416) 922-2500  
Fax (416) 922-4395

### STOCK LISTINGS

Toronto, Montreal and Vancouver Stock Exchanges

### SHARE SYMBOL – “WN”

### REGISTRAR AND TRANSFER AGENT

The R-M Trust Company  
393 University Avenue  
Toronto, Ontario  
M5G 1E6

### COMMON SHARES OUTSTANDING – 47,060,650

### AVERAGE DAILY TRADING VOLUME

#### TORONTO STOCK EXCHANGE – TSE

17,000

### NUMBER OF SHAREHOLDERS – 4,000

### VALUATION DAY PRICE

For capital gains purposes, the Valuation Day (December 22, 1971) cost base for the Corporation, adjusted for the stock split effective May 27, 1986 (4 for 1) is \$4.50 per share. The value on February 22, 1994 was \$39.50.

### DIVIDEND DATES

	Record Date	Payment Date
Common Shares:	Dec. 15	Jan. 1
	Mar. 15	Apr. 1
	Jun. 15	Jul. 1
	Sep. 15	Oct. 1
Senior Preferred Shares:	Feb. 15	Mar. 1
	May 15	Jun. 1
	Aug. 15	Sep. 1
	Nov. 15	Dec. 1

### YEAR END – December 31

### ANNUAL MEETING OF SHAREHOLDERS

Wednesday, May 10, 1995 at 11:00 a.m. Metro  
Toronto Convention Centre, Constitution Hall,  
Toronto, Ontario, Canada.

### TRADE MARKS

George Weston Limited and its subsidiaries own a number of trade marks. Several subsidiaries are licensees of additional trade marks. These trade marks are the exclusive property of George Weston Limited or the licensor and where used in this report are in italics.

### INVESTOR RELATIONS

Shareholders, Security Analysts and Investment Professionals should direct their inquiries or requests for copies of the Company's Annual Information Form to Mr. John Laurie, Vice President, Treasurer at the Company's head office (Internet: [GWLJVL@WESTON.CA](mailto:GWLJVL@WESTON.CA)).

This Annual Report includes selected information on Loblaw Companies Limited, a 70% owned public reporting company with shares trading on the Toronto, Montreal and Vancouver Stock Exchanges. Loblaw Companies Limited's Annual Report and Annual Information Form can be obtained from Loblaw Companies upon request to Mr. Donald Reid, Senior Vice President, Finance.



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