# 1980
# LOBLAW COMPANIES LIMITED
# ANNUAL REPORT

# FINANCIAL HIGHLIGHTS

## OPERATING DATA FOR THE FISCAL YEAR

| ($ millions) | 1980 • | 1979 |
|---|---|---|
| Sales | **5375** | 4725 |
| Operating Income | **99** | 72 |
| Earnings Before Extraordinary Items | **34** | 23 |
| Net Earnings | **46** | 35 |
| Cash Flow From Operations | **98** | 75 |
| Purchase of Owned Fixed Assets | **89** | 96 |

## FINANCIAL DATA - FISCAL YEAR END

| ($ millions) | | |
|---|---|---|
| Working Capital | **96** | 93 |
| Total Bank & Long Term Debt | **137** | 149 |
| Shareholders' Equity | **283** | 247 |
| Total Assets | **962** | 868 |

## PER COMMON SHARE (IN DOLLARS)*

| | | |
|---|---|---|
| Earnings Before Extraordinary Items | **0.82** | 0.58 |
| Net Earnings | **1.20** | 0.96 |
| Shareholders' Equity | **5.52** | 4.46 |
| Dividends Paid | **0.135** | 0.115 |
| Cash Flow | **3.08** | 2.35 |
| Price Range High/Low | **$8.00/$3.80** | $5.00/$3.65 |
| Earnings Before Extraordinary Items Representing Return on Average Common Equity | **16.4%** | 14.3% |

*• The 1980 fiscal year consists of 53 weeks*
**Includes Class A participating shares*

# 1980 ANNUAL REPORT

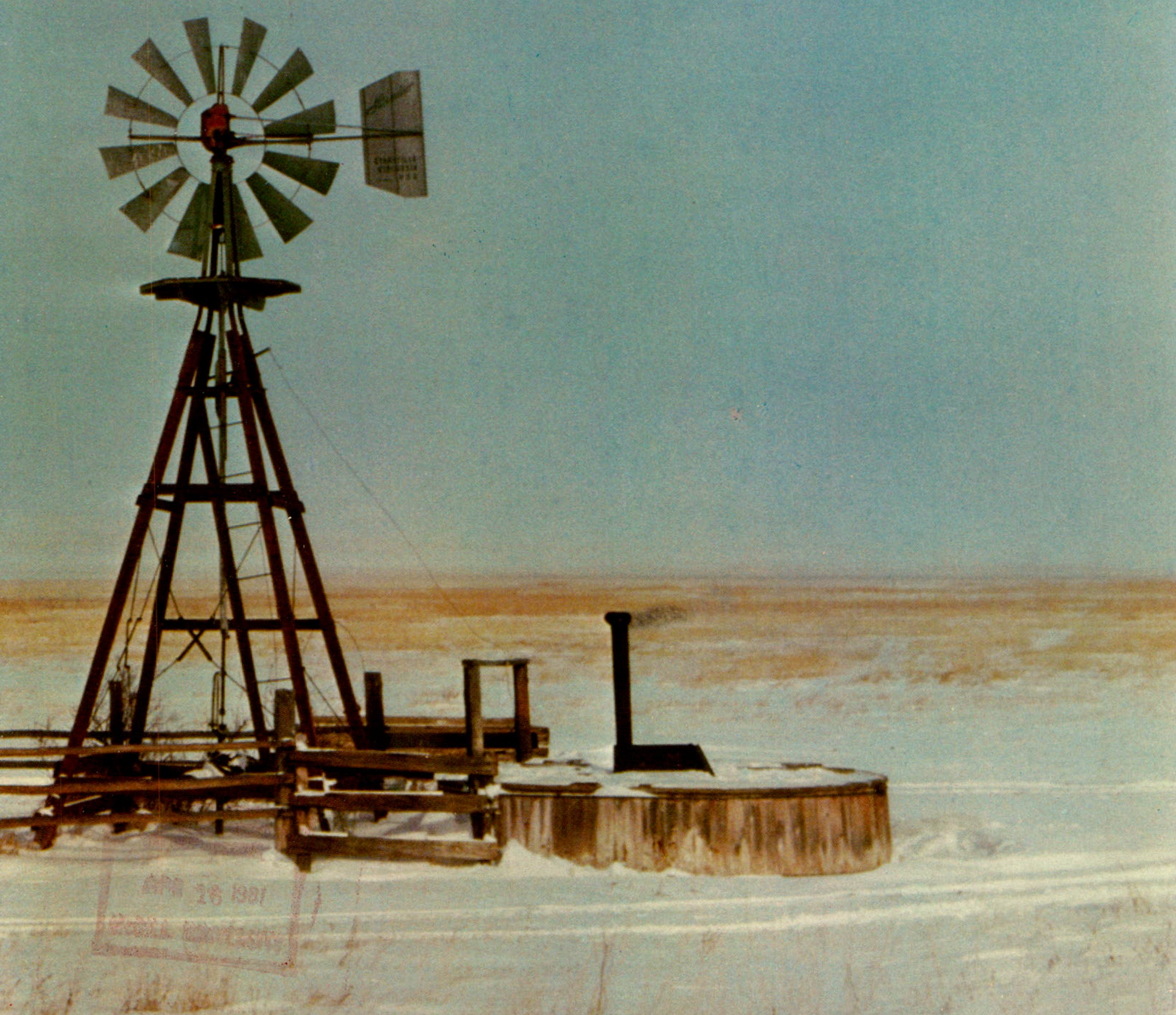
*Loblaw Companies Limited 1980 Annual Report has been designed to demonstrate the solid confidence now evident throughout your Company and which lies below its everyday contact with its customers, its suppliers and its communities at large.*

*The report emphasizes the geographic diversity of your Company — one of its greatest strengths. Your Company's operations extend from Halifax in the east to Victoria in the west and from Pine Point in the Northwest Territories to New Orleans in the south.*

*Finally, the report reflects the beauty of North America, in which we live. We are thankful for those beautiful and bountiful lands and for their people, free to live here with their freedom of choice in the market place.*

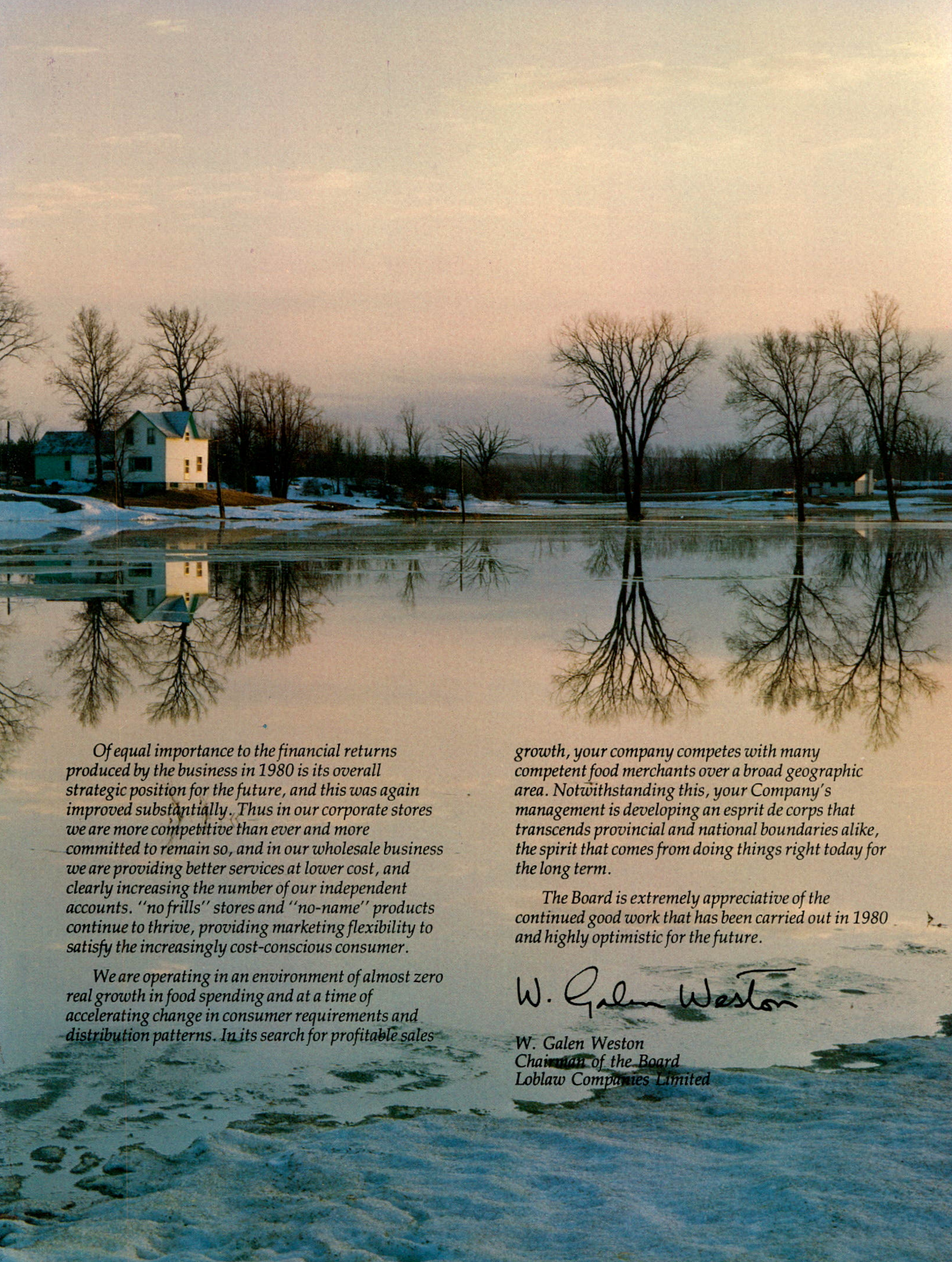
*Our continuing aim is to be worthy of their choice.*

| PAGE | LOCATION |
|---|---|
| Cover | Northern Ontario, Canada |
| Financial Highlights | Northern Prairies, Canada |
| Chairman's Report | Southern Ontario, Canada |
| President's Report | East Coast, Canada<br>Midwest, U.S.A. |
| Eastern Operations | Ontario, Canada |
| Western Operations | British Columbia, Canada |
| United States Operations | Mideast, U.S.A. |
| Business Development Projects | The Rockies |



## *CHAIRMAN'S REPORT TO SHAREHOLDERS*

*It is with a great deal of pride and personal satisfaction that I write the Chairman's letter to you for 1980. Since the early '70s, present management has been embarked on a series of programs to revitalize this great group of companies, but it has taken until now for these efforts to produce really meaningful results for shareholders. Thus, in spite of burdensome increases in interest costs and heavy competitive activity, particularly in the United States, earnings before extraordinary items were up this year by 49% from $23 to $34 million. Sales over the same period were up by 13.7%. This was an exemplary performance, particularly when compared with most major competitors. To me, the most encouraging aspect of this improvement in both sales and earnings in 1980 is the fact that it was achieved within the context of existing cash flows, so that financial ratios did not deteriorate and the stability of the corporation was increased significantly.*



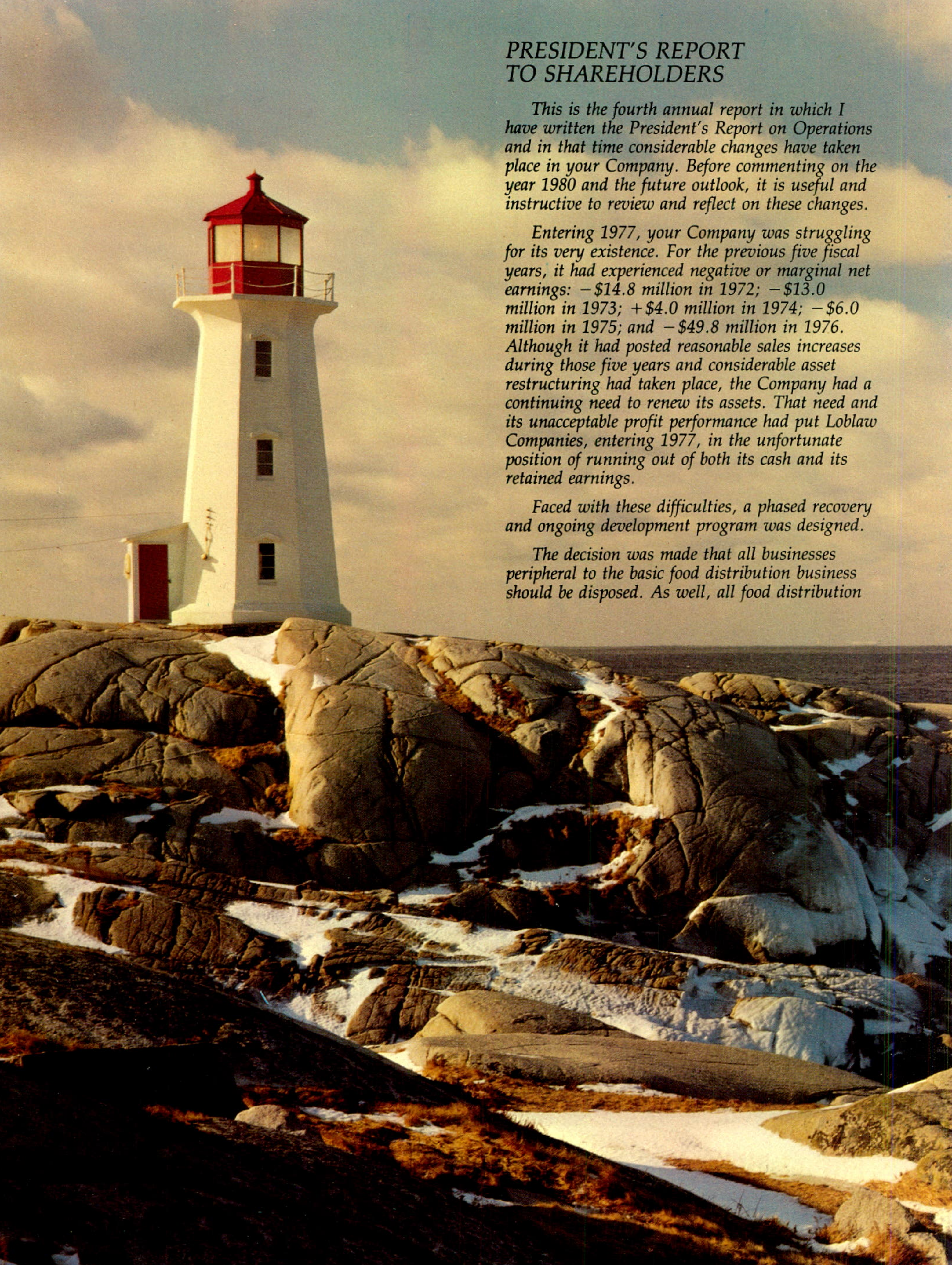
*Of equal importance to the financial returns produced by the business in 1980 is its overall strategic position for the future, and this was again improved substantially. Thus in our corporate stores we are more competitive than ever and more committed to remain so, and in our wholesale business we are providing better services at lower cost, and clearly increasing the number of our independent accounts. "no frills" stores and "no-name" products continue to thrive, providing marketing flexibility to satisfy the increasingly cost-conscious consumer.*

*We are operating in an environment of almost zero real growth in food spending and at a time of accelerating change in consumer requirements and distribution patterns. In its search for profitable sales growth, your company competes with many competent food merchants over a broad geographic area. Notwithstanding this, your Company's management is developing an esprit de corps that transcends provincial and national boundaries alike, the spirit that comes from doing things right today for the long term.*

*The Board is extremely appreciative of the continued good work that has been carried out in 1980 and highly optimistic for the future.*

W. Galen Weston

*W. Galen Weston*
*Chairman of the Board*
*Loblaw Companies Limited*



# PRESIDENT'S REPORT TO SHAREHOLDERS

*This is the fourth annual report in which I have written the President's Report on Operations and in that time considerable changes have taken place in your Company. Before commenting on the year 1980 and the future outlook, it is useful and instructive to review and reflect on these changes.*

*Entering 1977, your Company was struggling for its very existence. For the previous five fiscal years, it had experienced negative or marginal net earnings: −$14.8 million in 1972; −$13.0 million in 1973; +$4.0 million in 1974; −$6.0 million in 1975; and −$49.8 million in 1976. Although it had posted reasonable sales increases during those five years and considerable asset restructuring had taken place, the Company had a continuing need to renew its assets. That need and its unacceptable profit performance had put Loblaw Companies, entering 1977, in the unfortunate position of running out of both its cash and its retained earnings.*

*Faced with these difficulties, a phased recovery and ongoing development program was designed.*

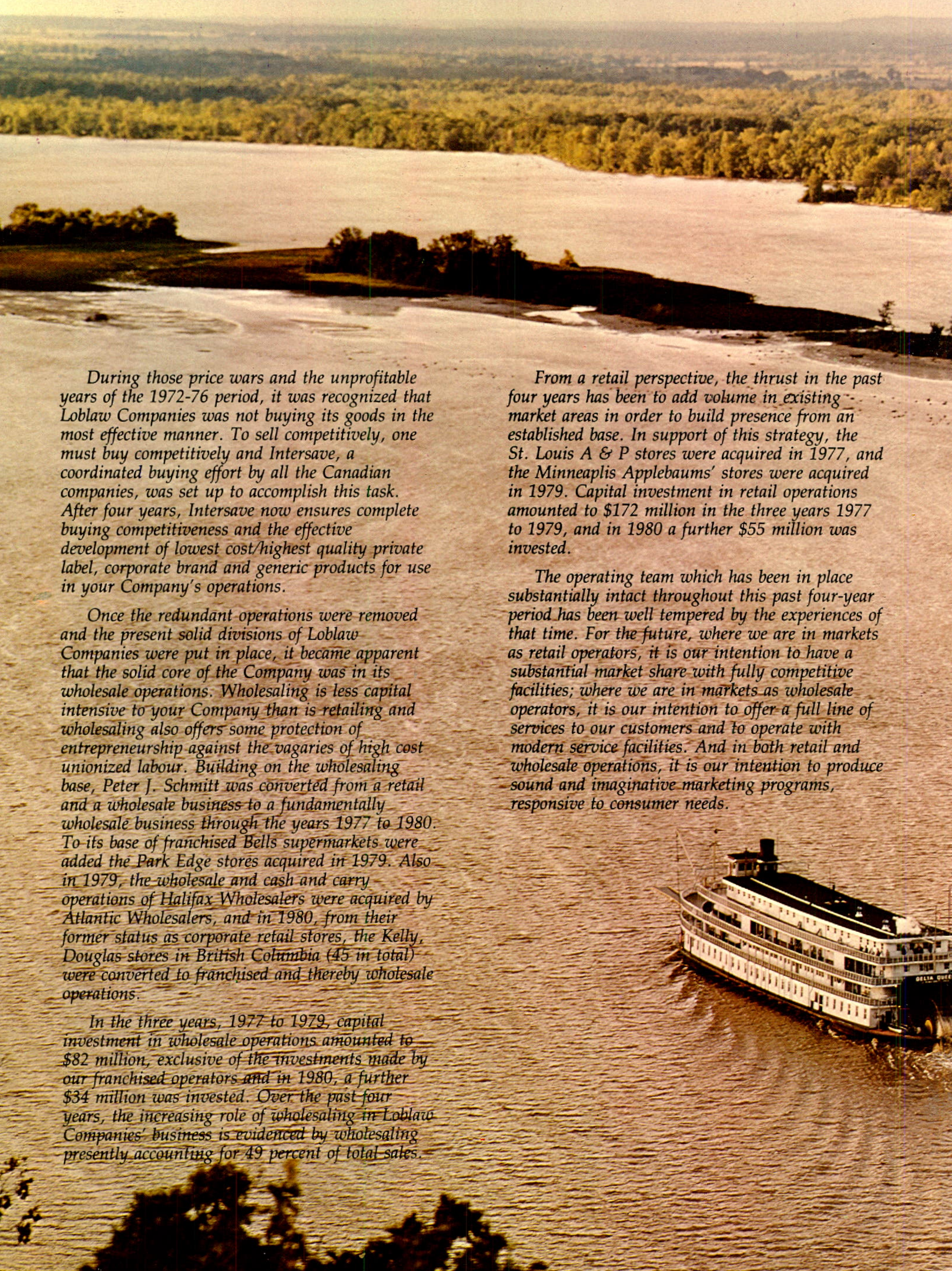
*The decision was made that all businesses peripheral to the basic food distribution business should be disposed. As well, all food distribution* businesses that were marginal or unprofitable and showed little chance of future profitability at reasonable investment levels were to be sold or closed. The effect of these decisions over the past four years has been twofold - first, it raised cash; second, it positioned the business with a profitable core for future development.

Generally, the United States food distribution asset reduction has been categorized and publicized as the "Chicago exit". In reality it was a much broader repositioning. The Chicago market consisted of 140 stores. The markets also exited at that time were Milwaukee (24 stores); Davenport (30 stores); San Francisco and Los Angeles (34 stores); and Syracuse (52 stores) for a further total of 140 stores and 280 stores overall. The shutdown, while incurring substantial one-time costs, stopped continuing losses, stopped cash drains and stopped management time and concentration in hopeless and disheartening situations.

The Canadian asset reduction of your Company was perhaps more quietly accomplished than the United States effort but its effect was equally as dramatic. The sale of Nabob Foods, Calvan Canus Catering, Dickson's Food Services and Tamblyn's West had a cash effect of over $45 million between late 1976 and 1979. Sayvette Limited which in 1976 and 1977 lost over $6 million was disposed in a store-by-store fashion, finishing in 1979; and G. Tamblyn Limited, the Ontario drug store operation which in 1976 and 1977 lost in excess of $2 million was sold in 1977 along with Dionne Limitée, the eleven-store Quebec operation.

In the United States, with the asset reductions completed, a cautious marketing thrust was adopted to utilize tax losses in rebuilding the fixed asset and marketing base. Over the past four years a greater premium has been placed on cash and asset rebuilding than on earnings. With tax recoveries now certain and the asset base firmer, we can begin to adjust our marketing activities accordingly.

In Canada, Atlantic Wholesalers, National Grocers and Zehrmart were made 100 percent subsidiaries in late 1976 and 1977 in order to help fuel the marketing activities of the Loblaws Ontario division which had lost its momentum during the years of its competitors' pricing and marketing leadership. At the same time, Zehrmart moved swiftly into the western Ontario towns left barren by major Ontario competition as they concentrated on the price wars of the early to mid 1970s.



During those price wars and the unprofitable years of the 1972-76 period, it was recognized that Loblaw Companies was not buying its goods in the most effective manner. To sell competitively, one must buy competitively and Intersave, a coordinated buying effort by all the Canadian companies, was set up to accomplish this task. After four years, Intersave now ensures complete buying competitiveness and the effective development of lowest cost/highest quality private label, corporate brand and generic products for use in your Company's operations.

Once the redundant operations were removed and the present solid divisions of Loblaw Companies were put in place, it became apparent that the solid core of the Company was in its wholesale operations. Wholesaling is less capital intensive to your Company than is retailing and wholesaling also offers some protection of entrepreneurship against the vagaries of high cost unionized labour. Building on the wholesaling base, Peter J. Schmitt was converted from a retail and a wholesale business to a fundamentally wholesale business through the years 1977 to 1980. To its base of franchised Bells supermarkets were added the Park Edge stores acquired in 1979. Also in 1979, the wholesale and cash and carry operations of Halifax Wholesalers were acquired by Atlantic Wholesalers, and in 1980, from their former status as corporate retail stores, the Kelly, Douglas stores in British Columbia (45 in total) were converted to franchised and thereby wholesale operations.

In the three years, 1977 to 1979, capital investment in wholesale operations amounted to $82 million, exclusive of the investments made by our franchised operators and in 1980, a further $34 million was invested. Over the past four years, the increasing role of wholesaling in Loblaw Companies' business is evidenced by wholesaling presently accounting for 49 percent of total sales.

From a retail perspective, the thrust in the past four years has been to add volume in existing market areas in order to build presence from an established base. In support of this strategy, the St. Louis A & P stores were acquired in 1977, and the Minneaplis Applebaums' stores were acquired in 1979. Capital investment in retail operations amounted to $172 million in the three years 1977 to 1979, and in 1980 a further $55 million was invested.

The operating team which has been in place substantially intact throughout this past four-year period has been well tempered by the experiences of that time. For the future, where we are in markets as retail operators, it is our intention to have a substantial market share with fully competitive facilities; where we are in markets as wholesale operators, it is our intention to offer a full line of services to our customers and to operate with modern service facilities. And in both retail and wholesale operations, it is our intention to produce sound and imaginative marketing programs, responsive to consumer needs.

In each of our marketing areas, we will continue to build our presence by adhering to basic criteria:

- by offering value to the customer
- by being meaningfully differentiated in merchandising thrust
- by lowering the cost of operations
- by using our marketing/product development skills to broaden our business base.

The four years of phased recovery and development programs have now begun to show benefits. In 1980, for the fourth consecutive year, Loblaw Companies performed at record levels of sales, operating income, earnings from operations and net earnings. Sales of $5.375 billion improved 13.7 percent over the year 1979. Sales in the four wholesale businesses (Atlantic Wholesalers; Kelly, Douglas; National Grocers; Peter J. Schmitt) improved 12.6 percent and in the three retail businesses (Loblaws Ontario; National Tea; Zehrmart) by 14.9 percent to $2.636 billion and $2.739 billion respectively, in the past year. Operating income (income before interest, taxes and minority interest) was $99.1 million in 1980, improving 37.7 percent from the $72.0 million of 1979. Earnings from operations (after taxes and minority interest but before extraordinary items) improved to $34.1 million ($0.82 per common share) from last year's $22.9 million ($0.58 per common share). Net earnings (after extraordinary items) improved to $46.2 million ($1.20 per common share) from the 1979 level of $35.0 million ($0.96 per common share).

The financial strength of the Company continued to improve during the year and all the cash needs of the business were handled through the $98 million in cash generated from operations. It is expected that such will be the case again in 1981.

As has been the practice for some years now, in 1980 part of the cash flow from operations was directed to the purchase of land, buildings, stores and warehouses. At year-end 1980, the estimated market value of these unencumbered properties in the Loblaw Companies portfolio was in excess of $125 million compared to a book value of $98 million. Such unencumbered holdings offer your Company effective insurance against changes in marketing concepts and also enable your Company to readily raise funds if they are needed for acquisition or any general purpose.

Your Company, Loblaw Companies Limited, has undergone a metamorphosis in the past few years. Many people, by their actions or support, have made this accomplishment possible and my debt to them is profound. The way is now open to make Loblaw Companies a top performer in the food distribution industry.

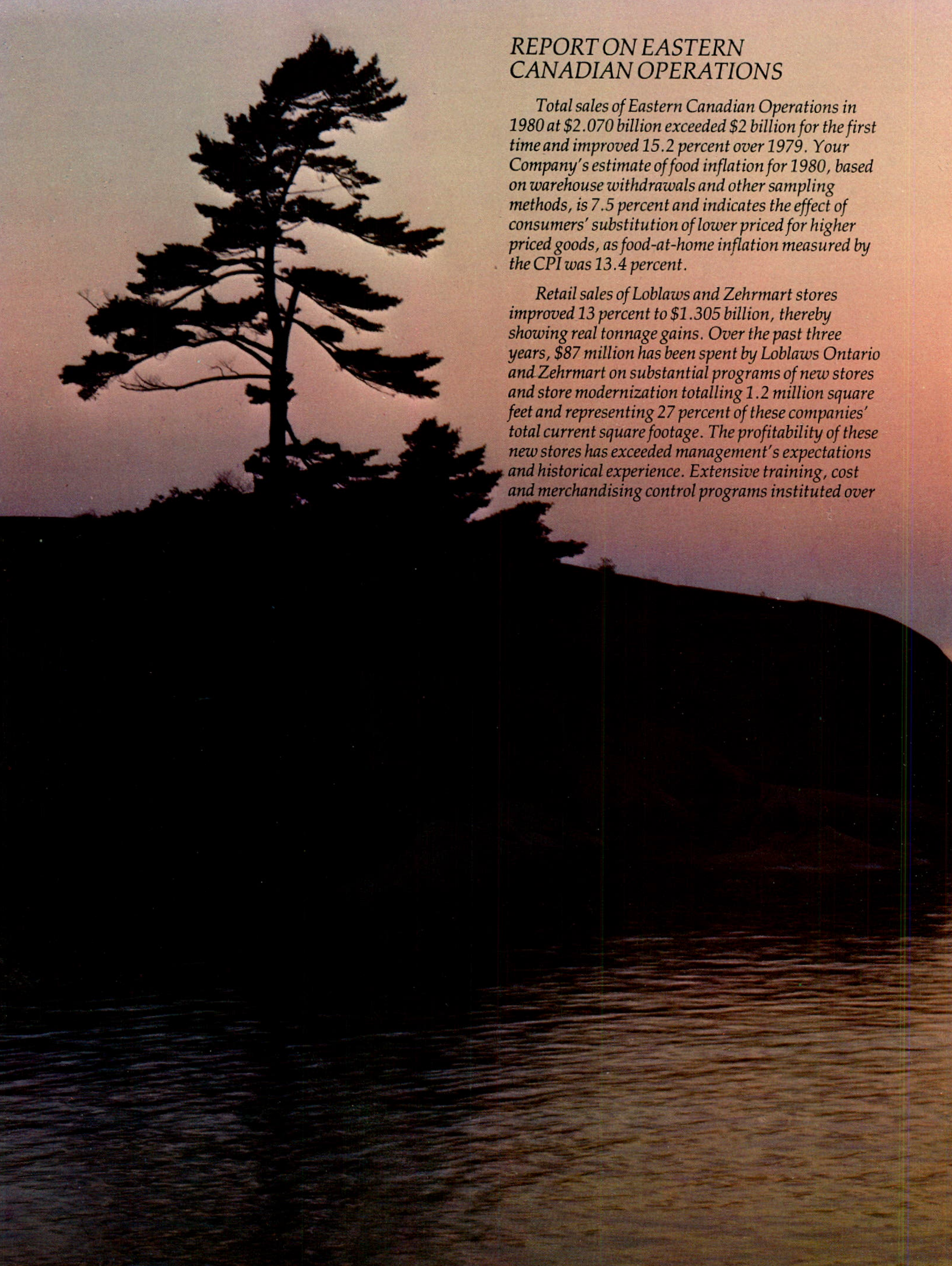
Richard J. Currie

Richard J. Currie
President
Loblaw Companies Limited

## *REPORT ON EASTERN CANADIAN OPERATIONS*

*Total sales of Eastern Canadian Operations in 1980 at $2.070 billion exceeded $2 billion for the first time and improved 15.2 percent over 1979. Your Company's estimate of food inflation for 1980, based on warehouse withdrawals and other sampling methods, is 7.5 percent and indicates the effect of consumers' substitution of lower priced for higher priced goods, as food-at-home inflation measured by the CPI was 13.4 percent.*

*Retail sales of Loblaws and Zehrmart stores improved 13 percent to $1.305 billion, thereby showing real tonnage gains. Over the past three years, $87 million has been spent by Loblaws Ontario and Zehrmart on substantial programs of new stores and store modernization totalling 1.2 million square feet and representing 27 percent of these companies' total current square footage. The profitability of these new stores has exceeded management's expectations and historical experience. Extensive training, cost and merchandising control programs instituted over*



*the same time span have contributed substantially to the current operating results.*

*Loblaws Ontario's retail food sales rank second in market share in both the province of Ontario and the Metropolitan Toronto markets. Its successful profit performance has been due in part to consumer perceptions that the products sold have high quality combined with low prices. The development of generic products under the "no-name" label and the introduction of "no frills" stores have enhanced this image. Loblaws Ontario promotes its products through an aggressive and unique advertising program utilizing the television and print media, along with in-store television and point-of-sale promotion materials.*

*Zehrmart operates 57 retail supermarkets under the Zehrs and Gordons names in southwestern and northcentral Ontario. The Zehrs and Gordons stores are operated as regional chains which emphasize competitive prices, friendly service and traditional community identity. Of all the Loblaw Companies, Zehrmart has the largest market share in the areas in which it operates. In the Kitchener-Waterloo, Cambridge and Guelph area which is the fourth largest market in Ontario, Zehrmart is the largest food retailer. From this base, Zehrmart has been steadily expanding its operations throughout the remaining smaller urban and rural areas of southwestern and northcentral Ontario.*

*The wholesale sales of National Grocers and Atlantic Wholesalers improved by 19 percent to $765 million which also indicates a real tonnage increase for the year. These sales do not include deliveries to Loblaws and Zehrmart stores from National Grocers which were further extended in 1980 to take advantage of savings in transporation costs which are available from our distribution network.*

*National Grocers, through a central buying system instituted in 1980, succeeded in improving its operating profit at a rate in excess of its sales increase. Atlantic Wholesalers' profit improved considerably through its successful operation of 19 corporate and 44 Save Easy franchise stores, the development of "no frills" stores and the institution of a franchised Quick Mart group of convenience stores.*

*Eastern Canadian Operations are now fully price competitive with excellent retail and wholesale facilities operating in an efficient manner. Operating profits as a percentage of sales compare favourably with our major competition, both wholesale and retail.*

# REPORT ON WESTERN OPERATIONS

*The Western Operations of Loblaw Companies Limited are conducted by Kelly, Douglas & Company, Limited, headquartered in Vancouver, in which your Company holds an 84 percent interest. Kelly, Douglas is further divided into British Columbia, Prairie and United States divisions.*

*Sales in Western Operations, after the effect of franchising 45 British Columbia corporate stores in January 1980, increased by 7.5 percent to $1.424 billion in 1980 compared to $1.324 billion for 1979. Comparative sales increased by 13.0 percent. Western Operations sales represented 26.5 percent of the sales of your Company in 1980, compared to 28.0 percent in 1979.*

*Earnings before extraordinary items amount to $13.1 million, compared to $11.3 million in 1979, an improvement of 15.9 percent. There were no extraordinary earnings during 1980, compared to the $4.9 million in the previous year which related to the sale of Dickson's Food Services. The business continued to strengthen, with major advances being made in franchising in British Columbia and the development of combination stores in the Prairies.*

For the past few years Kelly, Douglas has consistently produced net earnings of nine-tenths of one percent on sales, a rate better than the average for the Canadian food wholesaling industry.

## British Columbia Division

The franchising of the corporate stores in British Columbia completed the rationalization program started some years ago, and has produced perhaps the largest and finest independent retail food franchise chain in Canada. The Super Valu and Shop Easy franchise chains continue to be expanded and developed at every opportunity by encouraging and supporting independent owner operators. Five new or replacement stores were added to Super Valu and Shop Easy during the year. A further 25 new stores were developed by wholesale customers during the year. Six customers either remodelled or expanded their stores.

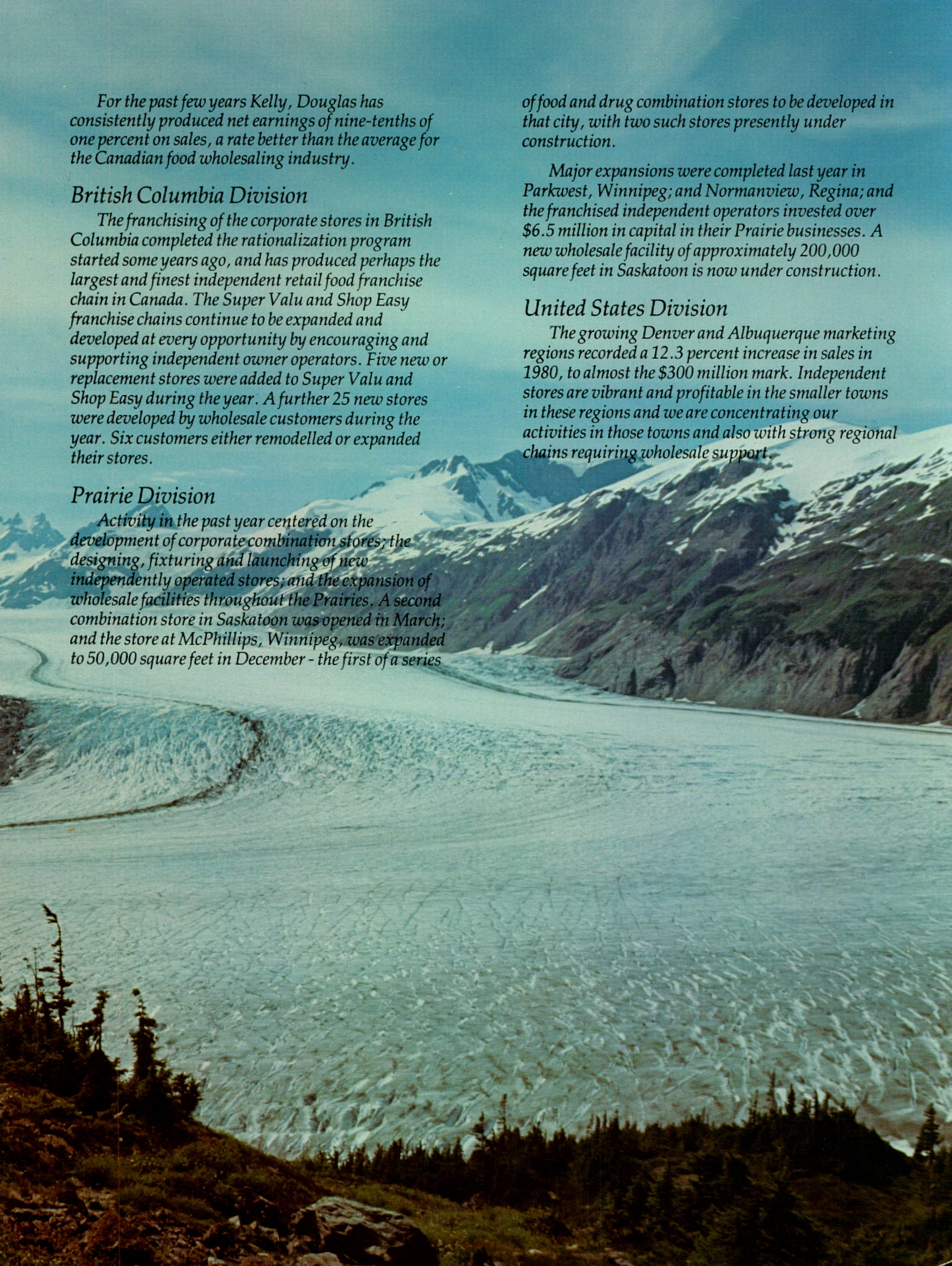
## Prairie Division

Activity in the past year centered on the development of corporate combination stores; the designing, fixturing and launching of new independently operated stores; and the expansion of wholesale facilities throughout the Prairies. A second combination store in Saskatoon was opened in March; and the store at McPhillips, Winnipeg, was expanded to 50,000 square feet in December - the first of a series of food and drug combination stores to be developed in that city, with two such stores presently under construction.

Major expansions were completed last year in Parkwest, Winnipeg; and Normanview, Regina; and the franchised independent operators invested over $6.5 million in capital in their Prairie businesses. A new wholesale facility of approximately 200,000 square feet in Saskatoon is now under construction.

## United States Division

The growing Denver and Albuquerque marketing regions recorded a 12.3 percent increase in sales in 1980, to almost the $300 million mark. Independent stores are vibrant and profitable in the smaller towns in these regions and we are concentrating our activities in those towns and also with strong regional chains requiring wholesale support.



## *REPORT ON UNITED STATES OPERATIONS (In U.S. dollars)*

*The United States Operations of Loblaw Companies Limited are conducted through the 84 percent owned retail business, National Tea Co., headquartered in Chicago, with divisions headquartered in New Orleans, Louisiana; Indianapolis, Indiana; Minneapolis, Minnesota; and St. Louis, Missouri; and through the 100 percent owned wholesale operations, Peter J. Schmitt Co., Inc., headquartered in Buffalo, New York.*

*National Tea completed the most successful business year in its recent history, and its results reflect the management programs it has been following for the past four years. Sales, including a full year of Applebaums' operations, increased 16.4 percent to $1.219 billion, compared with 1979's volume of $1.046 billion. Net earnings for 1980 improved 7.9 percent to $14.2 million, compared to earnings of $13.1 million for 1979. Earnings include extraordinary income resulting from utilization of prior years' tax loss carryforwards of $5.5 million for 1980, and $5.1 million for 1979. Earnings from operations for 1980 improved 8.3 percent to $8.7 million, compared to $8.0 million for 1979.*

*In 1980, National opened 13 new, relocated, or enlarged stores constituting approximately one-half million square feet of space. Its commitment to electronic scanning will reach $10 million by the end of 1981. At that time, all its stores will have electronic registers and half will have scanning systems. These systems speed up the checkout process, provide better customer service, and yield management information necessary for greater operating efficiency.*

*One of the keys to its building sales volume and increasing profitability each year is the impact National "Superstores" are having on their marketplaces. These are full-line stores incorporating traditional food departments, plus extensive general*

merchandise lines, in-store pharmacies, floral departments, large delicatessens, bakeries and fish departments, designed to attract the customer to shop in a merchandising environment that is both inviting and contemporary.

Its 221 stores in nine states now have a total of 4.9 million square feet of space and National has been modernizing and renewing its store space at the rate of about 10 percent a year for the past four years. Since 1977, National has invested almost $124 million including leased assets in new stores and renovations of existing stores and by the end of 1981, it will have modernized over half of its stores and will have significantly upgraded its support facilities. Benefits from this commitment to modernization are now being felt more strongly in its operating results. Good gains have been made, but, in many respects, the best returns are yet to come.

Peter J. Schmitt sales in 1980 improved by 19.8 percent over 1979 to $378.0 million. In 1980, three new corporate stores were opened in the Loblaw Erie retail division which by year-end had increased its share of that market to almost 50 percent. The Bells Market division with 15 corporate stores and 47 franchisees, including the recently acquired Park Edge supermarkets, made a material contribution to operating results. The repositioning of this business as a wholesale operation over the past four years, its increased number of stores and customers over the past two years and its creative marketing programs of the past year have placed it in an excellent position for future returns.

## *BUSINESS DEVELOPMENT PROJECTS*

*Interaction with the marketplace and the consumer can provide food distributors with marketing insights which are unique. Loblaw Companies has been and will continue to use these insights in order to broaden its traditional business base.*

*Expenditures on business development projects in 1980 exceeded $3.0 million. These projects include a new processed meat operation in the United States, the development of "Weight Watchers" products, additional "no-name" generic products, and the start of a specialized restaurant joint venture.*

*In 1974, Loblaw Companies began a joint venture relationship (66.67% owned) with Franz Wiltmann GmbH, a West German processed meat manufacturer, to produce and market high quality specialty meats under the "Ziggy" and other labels.*

*Based on the market acceptance of the products and the strength of the relationship, your Company entered a second joint venture with Wiltmann and purchased the assets of A. Szelagowski & Son, Inc. of Buffalo, New York, in late 1979. Throughout 1980, the business in the United States was gradually established on a firm basis, and indications are that the United States venture will be a long-term benefit to the organization.*

*Your Company is now recognized as a leader in the food industry for its development of "no-name" generic products. Quality assurance and exceptional consumer value continue to be the main criteria in the selection and development of new products. The success of our current range of products continues to*

surpass our volume expectations as customers readily recognize the excellent value offered.

After three years of laboratory research and development, your Company in 1980 launched a marketing program throughout Canada in "Weight Watchers" products. Studies have shown that there is an increasing consumer awareness of nutritionally balanced, calorie-controlled foods. Loblaw Companies has prepared itself for this shift in consumer buying habits as the rights to market "Weight Watchers" products in Canada have been made exclusive to us under license from Weight Watchers International, Inc. As a result of the success of this program to date in Canada, your Company has been granted additional exclusive rights under license to market "Weight Watchers" processed meat products in the United States.

Late in the year, Loblaw Companies and Foodcorp Limited formed a joint venture company to open "Swiss Chalet" restaurants and take-out meal counters managed by Foodcorp Limited adjacent to your Company's corporate and franchised stores throughout Canada. One such "Swiss Chalet" take-out restaurant has been opened in Toronto. Its immediate success is encouraging and this new venture will be more fully developed in the future, with several locations scheduled to be opened in 1981.

Loblaw Companies intends to take full advantage of its varied management skills to develop new ventures associated with food distribution and retailing. Such ventures add a new dimension to your Company's growth potential and will have a substantial positive effect on earnings from 1981 onwards.

# FIVE YEAR SUMMARY

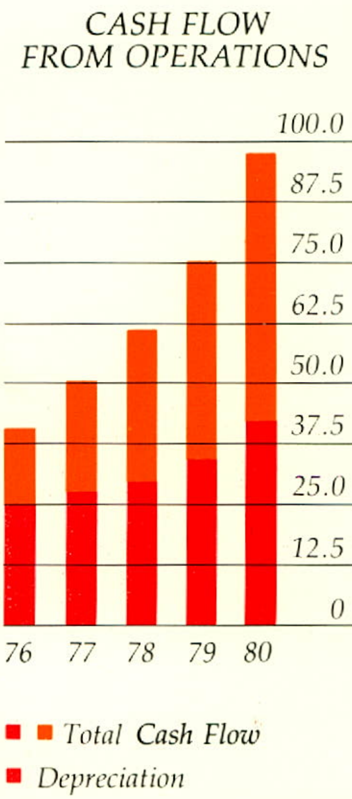
| OPERATING DATA FOR THE FISCAL YEAR | **1980 •** | 1979 | 1978 | 1977 | 1976 |
|---|---|---|---|---|---|
| **EARNINGS STATEMENT** ($ millions) | | | | | |
| Sales - Canada | **3198** | 2857 | 2645 | 2412 | 2319 |
| United States | **2177** | 1868 | 1602 | 1323 | 1206 |
| Total | **5375** | 4725 | 4247 | 3735 | 3525 |
| Operating Income | **99** | 72 | 60 | 49 | 43 |
| Depreciation of Owned Fixed Assets | **42** | 35 | 31 | 28 | 25 |
| Depreciation of Property under Capital Leases | **6** | 1 | | | |
| Interest on Debt | **18** | 20 | 16 | 18 | 22 |
| Interest on Obligations under Capital Leases | **8** | 2 | | | |
| Income Taxes | **34** | 21 | 20 | 13 | 10 |
| Minority Interest | **5** | 6 | 5 | 4 | 5 |
| Earnings Before Extraordinary Items | **34** | 23 | 19 | 13 | (22) |
| Extraordinary Items | **12** | 12 | 7 | 5 | (28) |
| Net Earnings (Loss) | **46** | 35 | 26 | 18 | (50) |
| Cash Flow From Operations | **98** | 75 | 61 | 50 | 40 |
| Capital Expenditures on Owned Fixed Assets | **89** | 96 | 78 | 63 | 55 |
| **RETURN ON SALES (%)** | | | | | |
| Operating Income | **1.8** | 1.5 | 1.4 | 1.3 | 1.2 |
| Earnings Before Extraordinary Items and Minority Interest | **0.7** | 0.6 | 0.6 | 0.5 | 0.3 |
| Earnings Before Extraordinary Items | **0.6** | 0.5 | 0.4 | 0.4 | (0.6) |
| Net Earnings (Loss) | **0.9** | 0.7 | 0.6 | 0.5 | (1.4) |
| **PER COMMON SHARE (IN DOLLARS)*** | | | | | |
| Net Earnings (Loss) | **1.20** | 0.96 | 0.72 | 0.54 | (1.97) |
| Cash Flow From Operations | **3.08** | 2.35 | 1.92 | 1.57 | 1.25 |
| Earnings Before Extraordinary Items Representing Return on Average Common Equity | **16.4%** | 14.3% | 15.4% | 14.0% | (24.8)% |

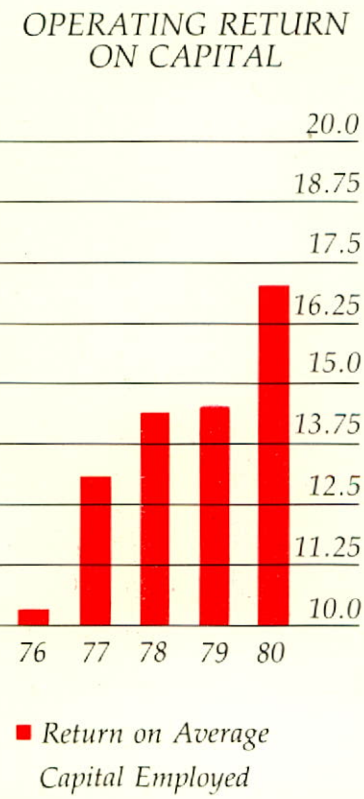
• The 1980 fiscal year consists of 53 weeks.

*Includes Class A participating shares.

| *FINANCIAL DATA — FISCAL YEAR END* | ***1980*** | *1979* | *1978* | *1977* | *1976* |
|---|---|---|---|---|---|
| ***BALANCE SHEET*** *($ millions)* | | | | | |
| *Current Assets* | ***491*** | *465* | *414* | *381* | *408* |
| *Inventories* | ***358*** | *346* | *294* | *274* | *287* |
| *Current Liabilities* | ***395*** | *372* | *330* | *298* | *330* |
| *Working Capital* | ***96*** | *93* | *84* | *83* | *78* |
| *Bank Advances & Notes Payable* | ***39*** | *39* | *49* | *52* | *58* |
| *Long Term Debt* | ***99*** | *110* | *102* | *106* | *135* |
| *Total Bank and Long Term Debt* | ***138*** | *149* | *151* | *158* | *193* |
| *Obligations under Capital Leases* | ***93*** | *46* | | | |
| *Owned Fixed Assets (Net)* | ***315*** | *293* | *241* | *210* | *203* |
| *Property under Capital Leases (Net)* | ***87*** | *44* | | | |
| *Total Assets* | ***962*** | *868* | *713* | *631* | *645* |
| *Minority Interest in Subsidiaries* | ***67*** | *64* | *58* | *54* | *54* |
| *Capital Stock* | ***182*** | *180* | *155* | *125* | *97* |
| *Retained Earnings* | ***101*** | *67* | *40* | *19* | *4* |
| *Shareholders' Equity* | ***283*** | *247* | *195* | *144* | *101* |
| ***FINANCIAL RATIOS*** | | | | | |
| *Working Capital* | ***1.24:1*** | *1.25:1* | *1.26:1* | *1.28:1* | *1.23:1* |
| *Total Debt* to Equity* | ***0.49:1*** | *0.60:1* | *0.78:1* | *1.10:1* | *1.91:1* |
| *Cash Flow to Long Term Debt* | ***1.00:1*** | *0.68:1* | *0.60:1* | *0.47:1* | *0.30:1* |
| *Interest Coverage on Total Debt** | ***5.50:1*** | *3.65:1* | *3.72:1* | *2.72:1* | *0.27:1* |

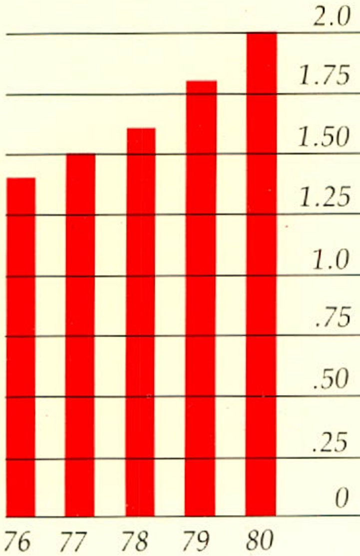
**Total Debt includes total bank and long term debt and excludes obligations under capital leases.*



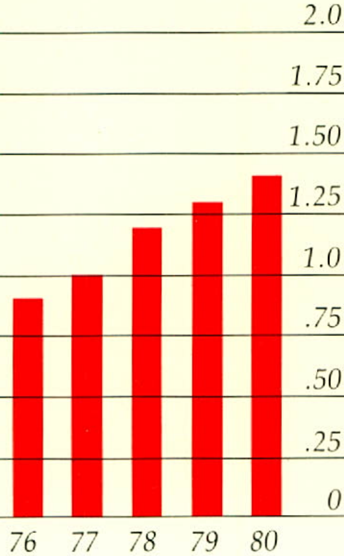



## *NET SALES - IN BILLIONS OF $*

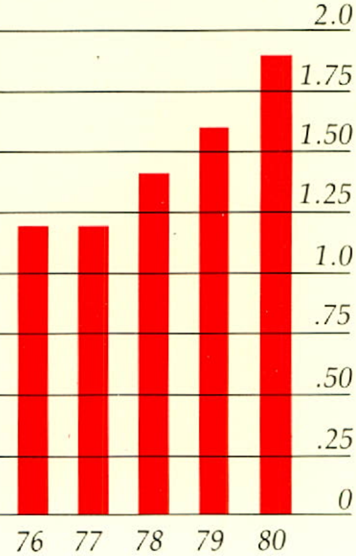
*EASTERN CANADIAN OPERATIONS*




*WESTERN OPERATIONS*

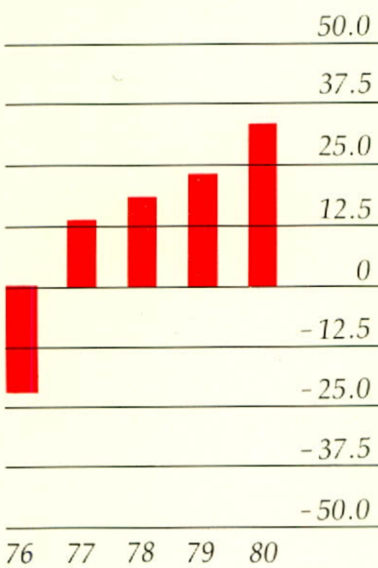



*U.S. OPERATIONS*

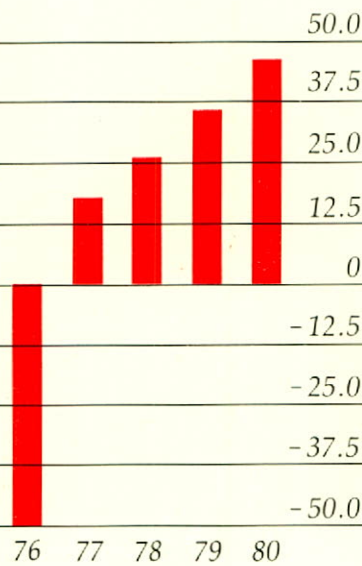



## *EARNINGS - IN MILLIONS OF $*

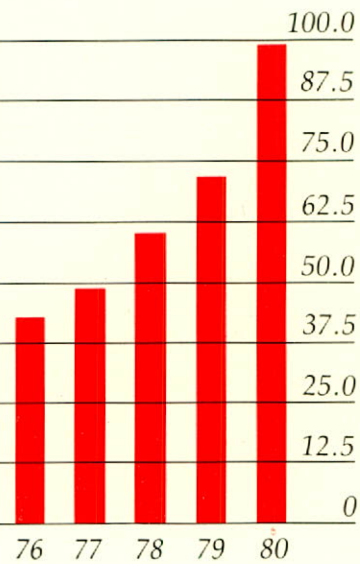
*EARNINGS BEFORE EXTRAORDINARY ITEMS*




*NET EARNINGS*




*OPERATING INCOME*



# FINANCIAL STATEMENTS



# AUDITORS' REPORT

*To the Shareholders of Loblaw Companies Limited*

*We have examined the consolidated balance sheet of Loblaw Companies Limited as at January 3, 1981 and the consolidated statements of earnings, retained earnings and changes in financial position for the 53 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.*

*In our opinion, these consolidated financial statements present fairly the financial position of the company as at January 3, 1981 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.*

Thorne Riddell

*Chartered Accountants*

*Toronto, Canada*
*March 16, 1981*

# CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

LOBLAW COMPANIES LIMITED
53 Weeks Ended January 3, 1981 and
52 Weeks Ended December 29, 1979
(in thousands of dollars)

## CONSOLIDATED STATEMENT OF EARNINGS

| | 1980 | 1979 |
|---|---|---|
| **SALES AND OTHER INCOME** | | |
| Sales - Canada | $3,197,895 | $2,856,908 |
| United States | 2,176,901 | 1,868,355 |
| | 5,374,796 | 4,725,263 |
| Investment income | 3,160 | 2,859 |
| | 5,377,956 | 4,728,122 |
| **OPERATING EXPENSES** | | |
| Cost of sales, selling and administrative expenses before the following items | 5,168,669 | 4,560,792 |
| Net long term lease expense | 62,201 | 58,954 |
| Depreciation of owned fixed assets | 42,187 | 34,951 |
| Depreciation of property under capital leases | 5,760 | 1,461 |
| | 5,278,817 | 4,656,158 |
| **OPERATING INCOME** | 99,139 | 71,964 |
| Interest on long term debt | 11,346 | 11,309 |
| Interest on short term debt | 6,674 | 8,412 |
| Interest on obligations under capital leases | 7,833 | 2,356 |
| | 25,853 | 22,077 |
| Earnings before income taxes | 73,286 | 49,887 |
| Income taxes (note 2) | 34,091 | 21,006 |
| Earnings before minority interest | 39,195 | 28,881 |
| Minority interest | 5,114 | 6,015 |
| **EARNINGS BEFORE EXTRAORDINARY ITEMS** | 34,081 | 22,866 |
| Extraordinary items (note 3) | 12,112 | 12,089 |
| **NET EARNINGS FOR THE PERIOD** | $ 46,193 | $ 34,955 |
| **PER COMMON SHARE** | | |
| Earnings before extraordinary items | $0.82 | $0.58 |
| Extraordinary items | $0.38 | $0.38 |
| Net earnings | $1.20 | $0.96 |

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

| | 1980 | 1979 |
|---|---|---|
| **RETAINED EARNINGS AT BEGINNING OF PERIOD** | $ 66,880 | $ 39,705 |
| Net earnings for the period | 46,193 | 34,955 |
| | 113,073 | 74,660 |
| Dividends declared | | |
| Preferred shares | 7,993 | 4,111 |
| Common shares (13.5 c per share, 1979 - 11.5c per share) | 4,306 | 3,669 |
| | 12,299 | 7,780 |
| **RETAINED EARNINGS AT END OF PERIOD** | $ 100,774 | $ 66,880 |

# *CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION*

*LOBLAW COMPANIES LIMITED*
*53 Weeks Ended January 3, 1981 and*
*52 Weeks Ended December 29, 1979*
*(in thousands of dollars)*

| | 1980 | 1979 |
|---|---|---|
| ***SOURCE OF WORKING CAPITAL*** | | |
| *Operations* | | |
| *Earnings before minority interest* | **$ 39,195** | $ 28,881 |
| *Depreciation of owned fixed assets* | **42,187** | 34,951 |
| *Depreciation of property under capital leases* | **5,760** | 1,461 |
| *Income taxes not requiring cash* | **13,799** | 10,919 |
| *Other* | **(2,680)** | (1,315) |
| *Cash flow from operations* | **98,261** | 74,897 |
| *Financing* | | |
| *Net additions to obligations under capital leases* | **43,498** | 40,086 |
| *Proceeds from shares issued* | **1,900** | 25,000 |
| *Increase in long term debt* | **15,806** | 28,641 |
| *Other* | | 588 |
| | **61,204** | 94,315 |
| *Other items* | | |
| *Proceeds from sale of fixed assets* | **26,440** | 27,060 |
| *Proceeds from sale of subsidiaries (net of working capital)* | | 6,309 |
| | **26,440** | 33,369 |
| *Total sources of working capital* | **185,905** | 202,581 |
| ***USE OF WORKING CAPITAL*** | | |
| *Reinvestment* | | |
| *Purchase of owned fixed assets* | **89,466** | 95,837 |
| *Net additions to property under capital leases* | **48,779** | 40,812 |
| *Net increase in investments and sundry items* | **4,217** | 8,118 |
| *Acquisition of subsidiary company (net of working capital)* | | 16,825 |
| | **142,462** | 161,592 |
| *Financing* | | |
| *Reduction in long term debt* | **25,168** | 21,573 |
| *Purchase of minority interest* | **1,316** | 555 |
| | **26,484** | 22,128 |
| *Dividends* | | |
| *To shareholders* | **12,299** | 7,780 |
| *To minority shareholders in subsidiary companies* | **1,572** | 2,569 |
| | **13,871** | 10,349 |
| *Total uses of working capital* | **182,817** | 194,069 |
| ***INCREASE IN WORKING CAPITAL*** | **3,088** | 8,512 |
| *Working capital at beginning of period* | **92,986** | 84,474 |
| ***WORKING CAPITAL AT END OF PERIOD*** | **$ 96,074** | $ 92,986 |

# CONSOLIDATED BALANCE SHEET

*LOBLAW COMPANIES LIMITED (Incorporated under the laws of Canada)*
*As at January 3, 1981 and December 29, 1979*

*(in thousands of dollars)*

| | 1980 | 1979 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and short term investments | **$ 8,084** | $ 6,954 |
| Accounts receivable | **85,832** | 79,571 |
| Properties held for sale | **18,702** | 20,444 |
| Inventories | **357,604** | 346,219 |
| Prepaid expenses | **20,356** | 12,289 |
| | **490,578** | 465,477 |
| **INVESTMENTS, at cost** | | |
| Secured loans and advances | **9,151** | 8,067 |
| Sundry investments | **5,776** | 3,561 |
| Non-current receivables | **12,316** | 14,498 |
| Properties held for development or sale | **26,076** | 23,645 |
| | **53,319** | 49,771 |
| **FIXED ASSETS, at cost** | | |
| Land | **34,113** | 22,621 |
| Buildings | **70,939** | 66,849 |
| Equipment and fixtures | **309,726** | 294,045 |
| Leasehold improvements | **124,696** | 115,839 |
| | **539,474** | 499,354 |
| Accumulated depreciation | **224,382** | 206,798 |
| | **315,092** | 292,556 |
| Property under capital leases, less accumulated depreciation (note 6) | **86,641** | 43,622 |
| | **401,733** | 336,178 |
| **OTHER ASSETS** | | |
| Goodwill | **15,556** | 15,702 |
| Deferred charges | **677** | 745 |
| | **16,233** | 16,447 |
| | **$961,863** | $867,873 |

*Approved by the Board:*

W. Galen Weston

*W. Galen Weston, Director*

Richard J. Currie

*Richard J. Currie, Director*

| | 1980 | 1979 |
|---|---|---|
| **LIABILITIES** | | |
| **CURRENT LIABILITIES** | | |
| Bank advances and notes payable | **$ 38,642** | $ 39,128 |
| Accounts payable and accrued liabilities | **311,615** | 301,039 |
| Taxes payable | **33,969** | 21,780 |
| Long term debt payable within one year | **5,809** | 7,828 |
| Current portion of obligations under capital leases | **4,469** | 1,759 |
| Dividends payable | | 957 |
| | **394,504** | 372,491 |
| **LONG TERM DEBT** (note 5) | **92,801** | 102,163 |
| **OBLIGATIONS UNDER CAPITAL LEASES** (note 6) | **88,050** | 44,552 |
| | **180,851** | 146,715 |
| **OTHER LIABILITIES** (note 7) | **17,125** | 17,794 |
| **DEFERRED INCOME TAXES** | **3,077** | 2,457 |
| **DEFERRED REAL ESTATE INCOME** | **16,782** | 17,851 |
| **MINORITY INTEREST IN SUBSIDIARIES** | **66,937** | 63,772 |
| **SHAREHOLDERS' EQUITY** | | |
| **CAPITAL STOCK** (note 4) | | |
| 439,652 First Preferred Shares, First Series | **21,982** | 21,982 |
| 550,000 First Preferred Shares, Second Series | **27,500** | 27,500 |
| 300,000 Second Preferred Shares, First Series | **30,000** | 30,000 |
| 250,000 Second Preferred Shares, Second Series | **25,000** | 25,000 |
| 19,000 Junior Preferred Shares, First Series | **1,900** | |
| 31,900,000 Common Shares | **75,431** | 75,431 |
| | **181,813** | 179,913 |
| **RETAINED EARNINGS** | **100,774** | 66,880 |
| | **282,587** | 246,793 |
| | **$961,863** | $867,873 |

## *1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

*(a) Basis of consolidation*
*The consolidated financial statements include the accounts of the Company and all subsidiaries. The effective interest of Loblaw Companies Limited in the equity share capital of principal subsidiaries is 100%, excepting Kelly, Douglas & Company, Limited and National Tea Co. which are 84% owned.*

*(b) Amortization of goodwill arising on consolidation of subsidiaries*
*The Company amortizes over periods not exceeding twenty years, the excess of the cost of investments in subsidiaries acquired after 1973 over the estimated fair value of their net assets at the dates of acquisition.*

*With respect to certain subsidiaries acquired prior to 1974, the excess of the cost of investments over values attributed to their net tangible assets has been written off and charged to retained earnings. The excess cost, representing goodwill in other subsidiaries, primarily National Tea Co., is recorded as an asset and is not being amortized.*

*(c) Inventories*
*Retail store inventories are stated at the lower of cost and net realizable value less normal profit margin. All other inventories are stated at the lower of cost and net realizable value.*

*(d) Properties held for sale*
*Properties expected to be sold within one year are stated at the lower of cost and net realizable value and are included in current assets. Other properties held for development or sale are stated at cost.*

*(e) Translation of foreign currencies*
*All U.S. balances have been translated at a rate approximating the current rate at each year end. The net difference on the translation of the Company's equity in U.S. subsidiaries and long term debt payable in U.S. funds is included in Fixed Assets on the balance sheet as a decrease of $6,450,000 in 1980 and a decrease of $5,184,000 in 1979. The net difference at the end of 1979 and any subsequent net difference due to a change in year end rate is amortized to earnings on a straight line basis over ten years.*

*(f) Fixed assets*
*The cost of fixed assets, including interest costs associated with major construction, is depreciated principally on a straight line basis to amortize the cost of fixed assets over their estimated useful lives, which are substantially as follows:*

| | |
|---|---|
| *Buildings* | *40 years* |
| *Equipment and fixtures* | *9 years* |
| *Leasehold improvements and property under capital leases* | *Lesser of useful life and term of lease* |

*When fixed assets are sold or scrapped, resulting gains or losses on disposal are included in income, except that National Tea Co. uses the composite method for depreciation and only abnormal gains or losses are included in current income.*

*(g) Deferred real estate income*
*Profits realized on the sale and leaseback of properties have been deferred and are being amortized over various periods, mainly twenty-five years, according to the term of the respective leases.*

*(h) Leases*

*Leases entered into after December 30, 1978 which transfer substantially all of the benefits and risks incident to ownership of property are recorded as the acquisition of an asset and the incurrence of an obligation. Under this method of accounting for leases, the asset is amortized on a straight line basis and the obligation, including interest thereon, is liquidated over the life of the lease. Rents on non-capital leases and on all leases entered into before December 31, 1978 are expensed as incurred.*

## 2. INCOME TAXES

*The Company provides for income taxes on financial statement earnings. Where items are reported in the statement of earnings in different years than when reported on the tax returns of the Company and its subsidiaries, the tax effect of these differences is referred to on the balance sheet as Deferred Income Taxes. However, the potential income tax benefits associated with losses of certain subsidiaries in prior years have not been recorded in the accounts. These accounting losses, relating principally to U.S. subsidiaries, are available to reduce taxable income in future years as follows:*

| | Latest year available for deduction | Amount (in thousands of dollars) |
|---|---|---|
| Losses which may be carried forward on a tax filing basis: | 1982 | $ 1,632 |
| | 1983 | 15,238 |
| | 1984 | 844 |
| | 1985 | 13,192 |
| | 1986 | 551 |
| | 1987 | 4,639 |
| | | 36,096 |
| Expenses recorded for book purposes not yet claimed for tax purposes | | 20,341 |
| Accounting losses, the tax effects of which have not been recognized in the financial statements | | $56,437 |
| The Company's effective interest therein | | $50,242 |

## 3. EXTRAORDINARY ITEMS

| | **1980** | 1979 |
|---|---|---|
| | (in thousands of dollars) | |
| Income tax reductions realized on application of prior years' losses | **$12,112** | $ 7,984 |
| Profit on sale of subsidary | | 4,105 |
| | **$12,112** | $12,089 |

## 4. CAPITAL STOCK

*(a) The Company continued under the Canada Business Corporations Act on May 7, 1980. The authorized share capital prior to continuance consisted of 1,000,000 Preferred shares having a par value of $50.00 each, issuable in series; 1,500,000 Second Preferred shares having a par value of $100.00 each, issuable in series; 25,000,000 Class A shares without par value; and 27,000,000 Class B shares without par value. The authorized share capital now consists of 1,000,000 First Preferred shares, and an unlimited number of: Second Preferred shares, Junior Preferred shares, and common shares. All classes of shares are now without nominal or par value and all preferred shares are issuable in series. The Articles of Continuance reclassified the outstanding Class A (1979 - 15,000,000) and Class B (1979 - 16,900,000) shares as 31,900,000 common shares of a single class.*

*(b) The 439,652 First Preferred Shares, First Series (1979 - 439,652 $2.40 Cumulative Redeemable Preferred Shares) have a cumulative dividend of $2.40 per share and are redeemable at $50.00 per share.*

*(c) The 550,000 First Preferred Shares, Second Series (1979 - 550,000 Preferred Shares Second Series), issued to George Weston Limited in 1977 at $50.00 each, rank equally with the 439,652 First Preferred Shares, First Series, are redeemable at $50.00 per share and have a cumulative floating dividend rate equal to one-half of bank prime rate plus 1 1/4%. These shares are retractable at the option of George Weston Limited at the cumulative annual rate of $5,000,000 or on a proportionate basis with any redemption by George Weston Limited of its Preferred Shares, Series X.*

*(d) The 300,000 Second Preferred Shares, First Series (1979 - 300,000 Second Preferred Shares First Series) are redeemable at $100.00 per share and have a cumulative floating dividend rate equal to one-half of bank prime rate plus 1/2 to 7/8 of 1%. These shares were issued in 1979 to George Weston Limited for consideration of 300,000 redeemable retractable preferred shares of Loblaws Limited which were issued in October 1978 to George Weston Limited for cash of $30,000,000. These shares are retractable at the option of George Weston Limited at amounts of $2,500,000 on or after December 31, 1982, $7,500,000 on or after December 31, 1983, $10,000,000 on or after December 31, 1984, $10,000,000 on or after December 31, 1985, or on a proportionate basis with any redemption by George Weston Limited of its Preferred Shares, Series Y.*

*(e) The 250,000 Second Preferred Shares, Second Series (1979 - 250,000 Second Preferred Shares Second Series), issued to George Weston Limited in 1979 for cash of $25,000,000, are redeemable at $100.00 per share and have a cumulative floating dividend rate equal to one-half of bank prime rate plus 1 1/4%. These shares are retractable at the option of George Weston Limited on December 1, 1991.*

*(f) In June 1980 the Company issued 19,000 Junior Preferred Shares, First Series with a cumulative dividend of $9.00 per share for $1,900,000. These shares were issued pursuant to an executive share purchase plan to certain key employees and are convertible after certain vesting periods into common shares of the Company. The Company has reserved 400,000 common shares for potential conversion of these preferred shares. The shares are redeemable after June 6, 1990 at $100.00 per share. Amounts receivable from the participants under the terms of this plan were $1,900,000 at year end.*

*An employee stock option plan was also established in June 1980 under which 225,000 common shares have been reserved for issuance upon the exercise of options under the terms of the plan. Options have been granted to 14 employees for 189,000 shares exercisable after certain vesting periods at $4.75 per share expiring not later than June 6, 1990.*

*The exercise of the conversion privileges and the stock options would not materially dilute earnings per share.*

*(g) An option has been granted on 100,000 common shares at $5.50 per share expiring on December 17, 1981. The exercise of this option would not materially dilute earnings per share.*

## 5. LONG TERM DEBT

| | 1980 | 1979 |
|---|---|---|
| | (in thousands of dollars) | |
| *Loblaw Companies Limited* | | |
| Bank loan maturing 1984 at London Interbank offered rate plus 3/4% or at 107 1/2% of a U.S. bank's prime rate, repayable in U.S. dollars | **$14,559** | $ 15,441 |
| Bank loan maturing 1985 at 12 1/2%, repayable in U.S. dollars | **14,117** | |
| Bank loan maturing 1983 at London Interbank offered rate plus 3/4% or at 107 1/2% of a U.S. bank's prime rate, repayable in U.S. dollars | | 15,000 |
| | **28,676** | 30,441 |
| *Loblaws Limited* | | |
| Sinking Fund Debentures | | |
| 5 3/4% Series F maturing 1981 | **2,400** | 2,510 |
| 6 3/8% Series G maturing 1991 | **3,938** | 4,438 |
| 6 3/4% Series H maturing 1991 | **4,278** | 4,453 |
| Mortgages maturing 1985 - 2004 at a weighted average interest rate of 9.6% | **3,281** | 2,840 |
| | **13,897** | 14,241 |
| *Kelly, Douglas & Company, Limited and subsidiaries* | | |
| 8 3/8% Sinking Fund Debentures 1973 Series maturing 1993 | **10,335** | 10,393 |
| Other long term debt maturing 1982 - 1997, at a weighted average interest rate of 8.8% (including U.S. $2,531,000) | **3,034** | 3,768 |
| | **13,369** | 14,161 |
| *National Tea Co. and subsidiaries* | | |
| Bank loan maturing 1991 at 117% of 7 year U.S. Treasury note rate, repayable in U.S. dollars | **17,647** | |
| Bank loan maturing 1988 at London Interbank offered rate plus 3/4% or at a U.S. bank's prime rate plus 1/2%, declining to prime rate in 1985, repayable in U.S. dollars | **17,647** | |
| Bank loans maturing 1987 at 107 1/2% of a U.S. bank's prime rate and at a U.S. bank's prime rate, repayable in U.S. dollars | | 35,294 |
| 3 1/2% Subordinated Debentures maturing 1980, repayable in U.S. dollars | | 2,721 |
| Other long term debt maturing 1996, repayable in U.S. dollars | | 565 |
| | **35,294** | 38,580 |
| *Peter J. Schmitt Co., Inc.* | | |
| Bank loan maturing 1984 at 12%, repayable in U.S. dollars | **2,824** | 3,530 |
| Mortgages maturing 2004 - 2008 at a weighted average interest rate of 9.7%, repayable in U.S. dollars | | 3,015 |
| Other long term debt maturing 1981 - 2001, repayable in U.S. dollars | **1,228** | 2,470 |
| | **4,052** | 9,015 |

| | | |
|---|---|---|
| *Other long term debt maturing 1983 - 1995 at a weighted average interest rate of 12.2% (including U.S. $1,159,000)* | ***3,322*** | *3,553* |
| | ***98,610*** | *109,991* |
| *Less payable within one year* | ***5,809*** | *7,828* |
| | ***$92,801*** | *$102,163* |

*Sinking fund requirements and debt maturities during the next five years are as follows: 1981-$5,809,000; 1982-$5,033,000; 1983-$9,304,000; 1984-$6,590,000; 1985-$19,001,000.*

## *6. LEASES AND COMMITMENTS*

*The Company and its subsidiaries have obligations under long term leases for retail outlets, warehousing facilities, equipment and store fixtures. Assets under capital leases entered into after December 30, 1978 and recorded as assets are:*

| | ***1980*** | *1979* |
|---|---|---|
| | *(in thousands of dollars)* | |
| *Buildings* | ***$39,747*** | *$32,705* |
| *Equipment and fixtures* | ***55,847*** | *12,378* |
| | ***95,594*** | *45,083* |
| *Accumulated depreciation* | ***8,953*** | *1,461* |
| | ***$86,641*** | *$43,622* |

*Retroactive application of capitalization of leases entered into before December 31, 1978 would have reduced net earnings in 1980 by $704,000 (1979 - $3,107,000), and assets and obligations would have increased in the balance sheet by $144,585,000 (1979 - $163,731,000) and $174,725,000 (1979 - $208,700,000) respectively.*

*The following table represents minimum lease commitments together with the present value of the obligations under capital leases entered into after December 30, 1978.*

| | | *Other Leases* | | |
|---|---|---|---|---|
| | *Capital Leases Entered into after December 30, 1978* | *Gross* | *Expected Sub-lease Income* | *Expected Net Liability* |
| | | *(in thousands of dollars)* | | |
| *For the year* | | | | |
| *1981* | *$ 15,526* | *$ 75,222* | *$ 16,614* | *$ 58,608* |
| *1982* | *15,449* | *72,199* | *15,470* | *56,729* |
| *1983* | *15,451* | *65,877* | *13,780* | *52,097* |
| *1984* | *15,461* | *59,155* | *12,314* | *46,841* |
| *1985* | *15,378* | *52,992* | *9,960* | *43,032* |
| *Thereafter to 2054* | *125,156* | *587,432* | *57,393* | *530,039* |
| *Total minimum lease payments* | *202,421* | *$912,877* | *$125,531* | *$787,346* |
| *Less amounts representing executory costs* | *264* | | | |
| *Less amounts representing interest at 11.3%* | *109,638* | | | |
| *Balance of obligation* | *92,519* | | | |
| *Less current portion* | *4,469* | | | |
| | *$ 88,050* | | | |

*In addition, a subsidiary of the Company is contingently liable under assigned leases, the gross rentals of which amount to approximately $30,000,000.*

## *7. OTHER LIABILITIES*

| | ***1980*** | *1979* |
|---|---|---|
| | *(in thousands of dollars)* | |
| *Deferred employee compensation* | ***$ 7,731*** | *$ 8,190* |
| *Provision for future net obligations on closed operations* | ***6,505*** | *6,748* |
| *Provision for self insurance* | ***2,889*** | *2,856* |
| | ***$17,125*** | *$17,794* |

## *8. CONTINGENT LIABILITIES*

*(a) Endorsements and guarantees amount to $29,052,000.*

*(b) The present value of the unfunded past service pension liability, which increased during 1980 as a result of revisions to pension plans, is estimated to be $46,000,000 at January 3, 1981 and is being substantially amortized over varying periods not exceeding fifteen years.*

## *9. RELATED PARTY TRANSACTIONS*

*The Company's majority shareholder is George Weston Limited. The majority shareholder of George Weston Limited is Wittington Investments, Limited. These companies and their subsidiaries are related parties. The following summarizes transactions as recorded in the 1980 financial statements of the Company with the related parties.*

| | *($ millions)* |
|---|---|
| *Purchases included in Cost of Sales* | *217* |
| *Sales* | *3* |
| *Net Long Term Lease Expense* | *7* |
| *Management Fees and Interest Expense* | *1* |
| *Dividends Declared - Common* | *3* |
| *Preferred* | *7* |
| *Accounts Receivable* | *3* |
| *Acccounts Payable* | *18* |

## *10. LITIGATION*

*In addition to various claims and lawsuits arising in the normal course of business, there are certain actions pending against the Company's U.S. subsidiary National Tea Co.. Several plaintiffs in these actions allege that most large retail food chains in the United States, including National Tea Co. and certain other parties were in violation of U.S. anti-trust laws in the purchase and sale of meat. Filing of the original suit took place in 1975 with substantial damages being claimed. In 1977 this and seven subsequent suits were dismissed with prejudice in the U.S. District Court, Dallas, Texas. However, on August 17, 1979 the plaintiffs obtained a reversal of the dismissal of seven of these actions from the Fifth Circuit Court of Appeal. Petitions for certiorari to the United States Supreme Court were denied on October 14, 1980, and the cases have been remanded to the District Court for further proceedings. The District Judge has ordered the parties to proceed with discovery. All suits now pending are still in preliminary states of discovery and consequently the outcome cannot be determined. Management is not aware of any facts which would substantiate the allegations of the various plaintiffs.*

## *11. OTHER INFORMATION*

*(a) Segmented Information*
*The Company's only significant activity is food distribution. In Canada, operating income and total assets were $70,996,000 and $561,687,000, and in the United States $28,143,000 and $400,176,000 respectively.*

*(b) The Company intends in 1981, to retroactively adopt the policy of accruing for vacation pay based on employee past service on a consistent basis in all operations. The approximate impact on retained earnings in 1981 will be a reduction of $6,000,000. Had the Company adopted this policy in 1980, earnings before extraordinary items would have been reduced by approximately $350,000 in 1980.*

*(c) Subsequent to year end, a subsidiary of the Company sold its holding of shares in Sobeys Stores Limited. This transaction produced a before tax gain of $3,890,000.*

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

# *CORPORATE DIRECTORY*

## *DIRECTORS*

*W. Galen Weston*
*Chairman and President*
*George Weston Limited*

*George C. Metcalf*
*Vice President*
*George Weston Limited*

*Richard J. Currie*
*President, Loblaw Companies Limited*
*and Loblaws Limited*

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

*Roger A. Lindsay*
*Secretary-Treasurer of*
*Wittington Investments, Limited*

*Richard G. Meech, Q.C.**
*Barrister and Solicitor*

*David A. Nichol*
*President, Loblaws Ontario Division,*
*Loblaws Limited*

*W. Struan Robertson, Q.C.**
*Partner, Borden & Elliot*
*Barristers and Solicitors*

**member - Audit Committee*

## *SENIOR OFFICERS*

*W. Galen Weston*
*Chairman of the Board*

*George C. Metcalf*
*Vice Chairman of the Board*

*Richard J. Currie*
*President*

*Charles M. Humphrys*
*Senior Vice President,*
*Chief Financial Officer*
*and Secretary*

*Harold A. Seitz*
*Senior Vice President*
*Real Estate Development*

*Brian Y. Davidson*
*Senior Vice President*
*Business Development and*
*Chairman, Intersave Division*

*David A. Nichol*
*Executive Vice President*
*President, Loblaws Ontario Division,*
*Loblaws Limited*

*Douglas N. Lunau*
*Vice President*
*Procurement Services*
*President, Intersave Division*

*Sheldon Douglass*
*Vice President, Controller*

*Wayne E. East*
*Vice President, Information Systems*

*James H. Farrell*
*Vice President, General Counsel*
*and Assistant Secretary*

*John N. McCullough*
*Vice President, Real Property*
*Counsel*

*Ian M. Young*
*Vice President, Finance*
*and Treasurer*

*Mark Hoffman*
*Vice President*

# *CORPORATE DIRECTORY*

## *PRESIDENTS OF OPERATING BUSINESSES*

### *EASTERN OPERATIONS*

*Atlantic Wholesalers Division*
*Douglas J. Hamm*
*Sackville, New Brunswick*

*Loblaws Ontario Division*
*David A. Nichol*
*Toronto, Ontario*

*National Grocers Division*
*Peter S. Lennie*
*Toronto, Ontario*

*Zehrmart Limited*
*Carl M. Zinkan*
*Cambridge, Ontario*

### *WESTERN OPERATIONS*

*Kelly, Douglas & Company, Limited*
*Raymond J. Addington*
*Vancouver, British Columbia*

### *UNITED STATES OPERATIONS*

*National Tea Co.*
*Valdyn W. Schulz*
*Rosemont, Illinois*

*Peter J. Schmitt Co., Inc.*
*Charles B. Barcelona*
*Buffalo, New York*

## *OTHER CORPORATE OFFICERS*

*Ian F. Bell*
*Assistant Controller*

*Sheldon V. Durtsche*
*Assistant Treasurer (U.S. Companies)*

*Stewart E. Green*
*Assistant Secretary*

*Dorothy M. Leamen*
*Assistant Controller*

*John W. Thompson*
*Tax Officer and Assistant Treasurer*

## *TRANSFER AGENT AND REGISTRAR*

*National Trust Company Limited*
*Toronto, Montreal,*
*Vancouver, Winnipeg, Calgary,*
*Regina, Halifax*

## *STOCK LISTINGS*

*Toronto, Montreal and*
*Vancouver Stock Exchanges*

## *EXECUTIVE OFFICES*

*22 St. Clair Avenue East*
*Toronto, Ontario*

## *ANNUAL GENERAL MEETING*

*April 21, 1981, 10:00 a.m.*
*Toronto Hilton*
*Harbour Castle Hotel,*
*Frontenac Ballroom*
*Toronto, Ontario*