

The House of Parliament with the Peace Tower & Library



Kingston City Hall

Kitchener City Hall

HOWARD ROSS LIBRARY
OF MANAGEMENT
APR 16 1982
MCGILL UNIVERSITY

The year 1982 represents the one hundredth anniversary of George Weston Limited.

To mark this historic event, Loblaw Companies Limited has commissioned Tom McNeely, one of Canada's leading artists, to illustrate in this annual report some of the many historic locations throughout North America . . . where it operates today . . . and prepares for a vigorous future.

FINANCIAL HIGHLIGHTS

OPERATING DATA FOR THE FISCAL YEAR

| (\$ millions) | 1981 | 1980 • |
|-------------------------------------|-------|--------|
| Sales | 5,795 | 5,375 |
| Operating Income | 113 | 99 |
| Earnings Before Extraordinary Items | 41 | 34 |
| Net Earnings | 53 | 46 |
| Cash Flow From Operations | 111 | 98 |
| Purchase of Owned Fixed Assets | 85 | 89 |

FINANCIAL DATA - FISCAL YEAR END

| (\$ millions) | | |
|-------------------------------|-------|-----|
| Working Capital | 98 | 90 |
| Total Bank and Long Term Debt | 126 | 137 |
| Shareholders' Equity | 317 | 277 |
| Total Assets | 1,034 | 962 |

PER COMMON SHARE

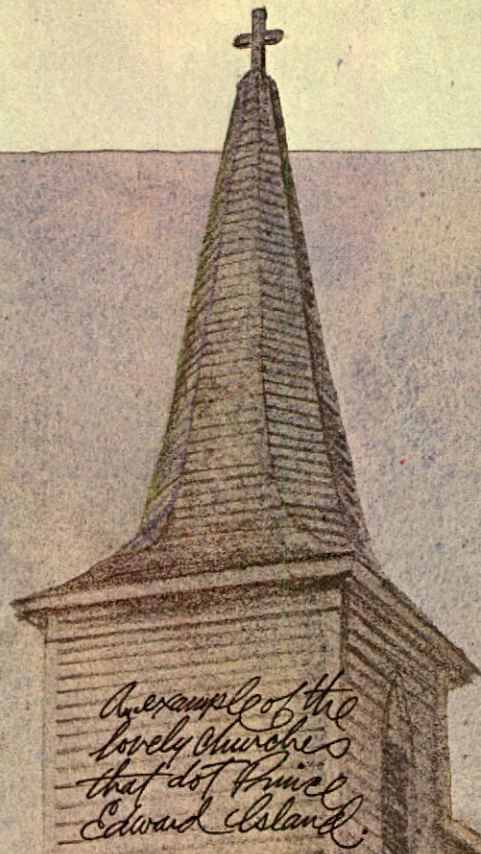
| (in dollars) | | |
|-------------------------------------|---------------|---------------|
| Earnings Before Extraordinary Items | 0.97 | 0.82 |
| Net Earnings | 1.32 | 1.20 |
| Shareholders' Equity | 6.68 | 5.35 |
| Dividends Paid | 0.170 | 0.135 |
| Cash Flow | 3.24 | 3.08 |
| Price Range High/Low | \$9.00/\$5.13 | \$8.00/\$3.80 |

• The 1980 fiscal year consists of 53 weeks

ANNUAL GENERAL MEETING

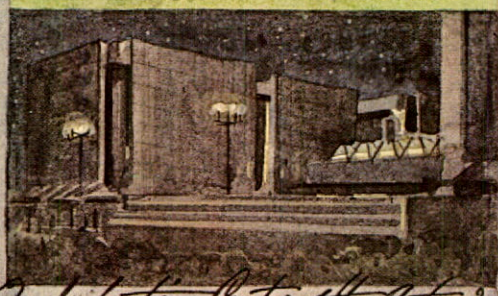
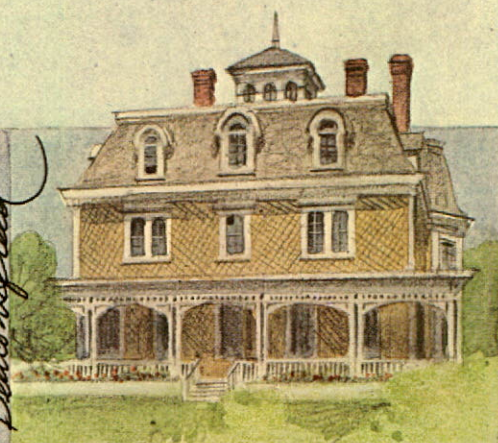
May 4, 1982, 10:00 a.m.
Four Seasons Hotel - Yorkville
Regency Ballroom,
Toronto, Ontario

CHARLOTTETOWN



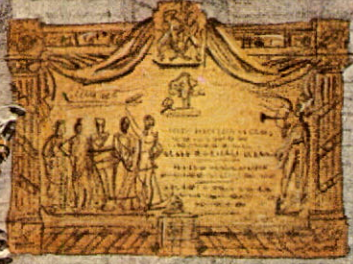
An example of the lovely churches that dot Prince Edward Island.

Beaconsfield



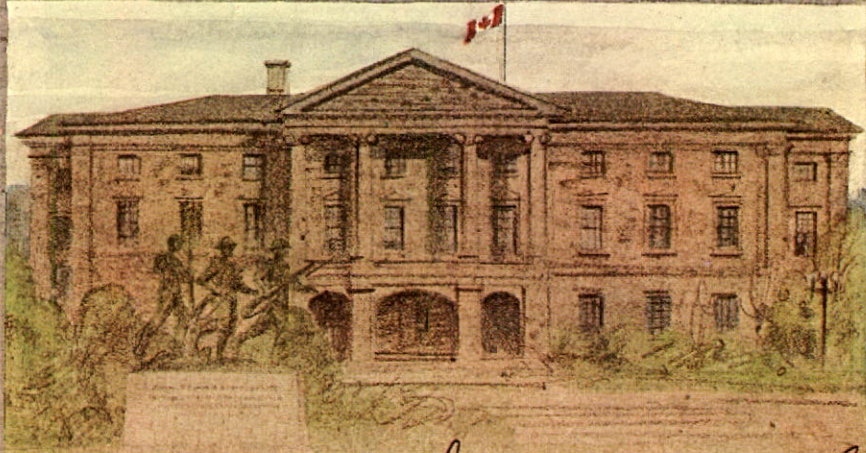
Confederation Centre of the Arts

Tablet in the Confederation Chamber, erected in 1914 to commemorate the fiftieth anniversary of the birth of the Dominion of Canada.

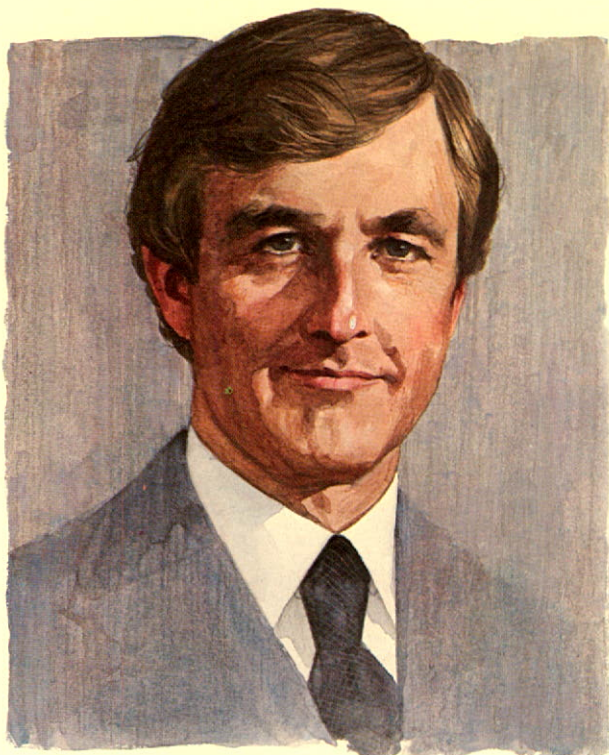


Off by

Sea Cows Lighthouse



Province House National Historic Site the birth place of Canada.



CHAIRMAN'S REPORT TO SHAREHOLDERS

1981 was a year of profound economic change in North America. It will therefore be a watershed year for many food distribution companies. Those who do well will not have done so by chance or good fortune. They will have done well because they had a clearly defined position on the direction of the economy and planned accordingly.

Last year your executive anticipated two things for the months that lay ahead: a severe slow-down in the rate of economic growth and a tough attitude on the part of organized labour, especially in Canada.

Thus - as the health of the economy deteriorated in 1981, so the importance of your Company's correct strategic positioning began to become apparent: already well established buying programs and innovative cost reduction activities caught hold at the same time as "no name" products and "no frill" stores helped generate increased sales. As labour demands exceeded sales increases in corporate stores, squeezing margins, so our sales to non-union independents increased, taking up the slack.

Thus while sales increased by 7.8 percent to \$5.795 billion (in a 52 week year) earnings increased 19.1 percent to \$41 million on an increase in capital employed of only 5.0 percent or \$30 million - a clearly superior performance for shareholders.

From a purely financial perspective, 1981 was also an important year of achievement - we grew in sales and earnings and once again we grew

within our cash flow. In a very well subscribed public issue we sold \$27 million worth of common stock, redeemed \$27 million of considerably more expensive preferreds, and were given an "A" bond rating. Subsequent to the year-end the last remaining minority of the National Tea shares was purchased, giving us 100 percent of our continually improving U.S. operations.

A very great deal has once again been achieved by your executive in the course of the last few months. Under your president R.J. Currie and his team, the complex strategic decisions of the business continue to be consistently proven correct. In the field, the energy and commitment of the operating personnel is unflagging. For the most part we are winning, and the future for your Company I judge to be excellent.

At last year's annual meeting Richard G. Meech and George C. Metcalf did not stand for re-election to the board. In recognition of their immense service to the corporation over many years, Mr. Meech was appointed an Honorary Director and Mr. Metcalf Honorary Chairman of the Company.

We were most fortunate to be able to attract two new outstanding individuals to the Board of Directors. Arthur Mingay - Chairman of the Board of Canada Trust Company and George B. Robertson, Q.C. of Halifax. Their perspective and advice as members of our board is most welcome.

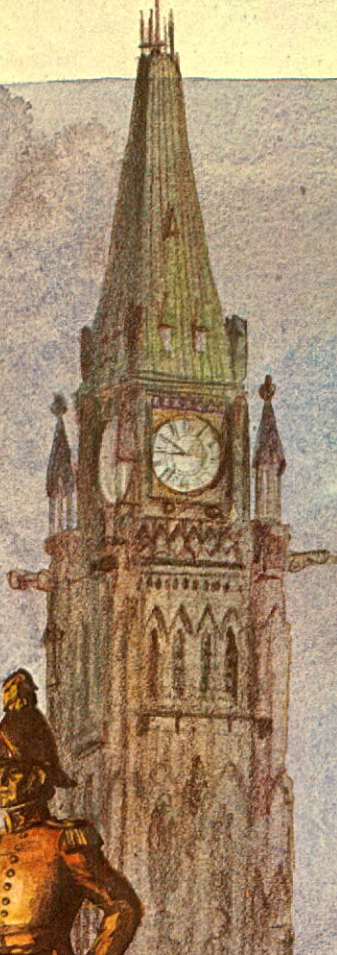
We are saddened to report as we go to print the untimely death on March 11th of W. Struan Robertson, Q.C. - for twenty years a director and our senior legal counsel. His loss to this Company and all its board members will be felt both as a participant in its activities and as a friend.

W. Galen Weston

W. Galen Weston
Chairman of the Board
Loblaw Companies Limited



OTTAWA



*Colonel John By
the founder of Ottawa*

*The Houses of Parliament from
the North. The Peace
Tower (left) and the Library
of Parliament (right)*



*The Governor
General's
Foot
Guards*

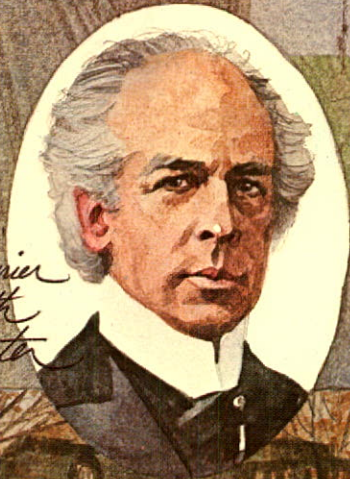


Skaters on the Rideau Canal

National War Memorial



Rideau Hall - Governor's House



*Sir Wilfrid Laurier
Canada's 7th
Prime Minister*



Laurier House 335 Laurier Street East



PRESIDENT'S REPORT TO SHAREHOLDERS

The year 1981 saw Loblaw Companies Limited deliver record levels of sales, operating income, earnings from operations and net earnings for the fifth consecutive year. Moreover, earnings in every quarter in that five-year period have been at higher levels than the comparable quarter in the previous year.

Sales in 1981 of \$5.795 billion improved by 7.8 percent over the year 1980. Sales in the four wholesale businesses (Atlantic Wholesalers; Kelly, Douglas; National Grocers; Peter J. Schmitt) improved by 10.0 percent to \$2.901 billion and in the three retail businesses (Loblaws; National Tea; Zehrmart) by 5.7 percent to \$2.894 billion.

Operating income (income before interest, taxes and minority interest) was \$112.6 million in 1981, improving 13.6 percent from the \$99.1 million of 1980.

Earnings from operations (income after taxes and minority interest but before extraordinary items) improved to \$40.6 million (\$0.97 per common share) from last year's \$34.1 million (\$0.82 per common share).

Net earnings (income after extraordinary items) improved to \$52.6 million (\$1.32 per common share) from the 1980 level of \$46.2 million (\$1.20 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 \$110.6 million in cash generated from operations. It is expected that such will be the case again in 1982. Confirmation of the financial strength of Loblaw Companies was obtained through two significant events which occurred during the year. First, the Dominion Bond Rating Service gave your Company an unqualified "A" bond rating. Secondly, in May, 3.4 million common shares of Loblaw Companies Limited were issued in a very successful public offering, the proceeds of which were used to repay floating rate term preferred shares.

Your Company is one of the leading North American food distributors in terms of sales, profit growth, marketing innovation and control systems. It is the largest food distributor in Canada, the fifth largest in North America, and has the largest United States operations of any Canadian food distribution company. At the end of 1981, Loblaw Companies operated 548 corporate retail food stores; 407 through the retail businesses and 141 through the wholesale businesses, aggregating 12 million square feet. Our wholesale businesses service 1,364 franchise stores and in excess of 15,000 independent grocery, regional chain, variety store and food service accounts. As well, your Company operates 75 distribution centres with approximately 7.5 million square feet and 84 cash and carry outlets. Loblaw Companies Limited employs approximately 36,000 people, of which about 21,000 are employed on a full-time basis.



STOUTS

The Old Courthouse
is shown in the shadow
of the Gateway Arch.

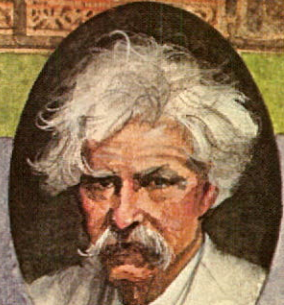
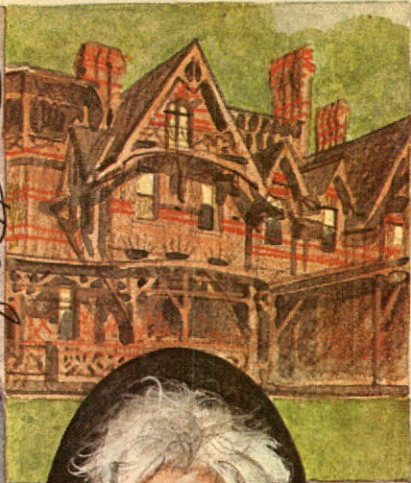


In 1804
Indian Chiefs
were presented
with Jefferson
Peace Medals
by explorers
Lewis and Clark.



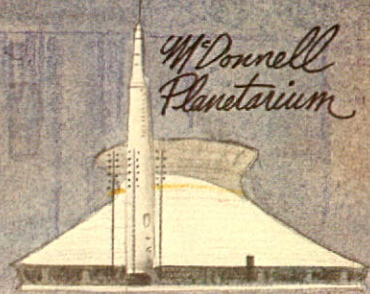
One of Carl Milles' figures from the
fountain in front of the Union Station

Hartford House



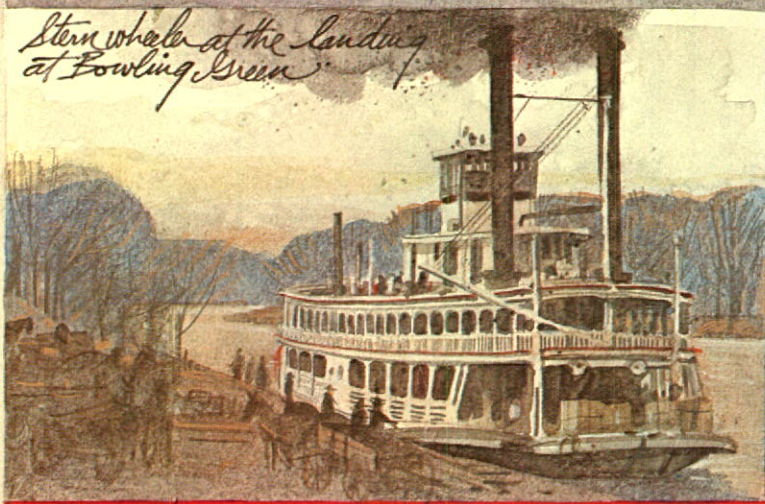
Mark Twain's most memorable
books were produced
during 17 satisfying years
at Hartford House.

McDonnell
Planetarium



cup of life

Stern wheel at the landing
at Bowling Green



Basilica of St. Louis King of France



Loblaw Companies has now been brought to a satisfactory level of operations and control and it has a base for future growth. With a business of such size and scope, stretching as it does from Whitehorse in the north to New Orleans in the south and from Prince Edward Island to Vancouver Island, our growth in the future will largely continue to be in the further development of our existing business base. Where expansion does take place, it will be into businesses that we already know — i.e., food distribution; and into marketing areas with which we are already familiar, or which are analogous to our most successful operating areas.

At the present time, food wholesaling is growing faster than food retailing on the North American scene, fostered by the availability of low-cost real estate from declining retail chains and by the protection of entrepreneurship against the vagaries and short-sighted policies of unionized labour. By seeking more security through rigid work rules in an increasingly insecure environment, labour leaders hurt the very members they seek to help, force the decline of unionized chains and increase the rate of growth of food wholesaling.

With our strong wholesale operations, we are in a good position to take advantage of these trends.

For the five years, 1977-1981 inclusive, your Company has increased its profitability in every year while reducing its gross margins. The profitability increase has been achieved by decreasing total operating expenses at a greater rate than the reduction in gross margins. Loblaw Companies has also increased its return on common shareholders equity and its Return on Investment steadily over that time frame and Return (earnings before interest and taxes) on Investment (total assets less all non-interest bearing debt) now stands at 18.0 percent compared with 12.9 percent in 1977.

For the long term, we believe that the highest and most sustainable Return on Investment (ROI) for your Company will be obtained by providing the opportunities within Loblaw Companies for individuals to maximize their return on themselves or the ROI called Return on Individual. To this aim, a great amount of time has been and continues to be devoted. Long-term business growth will be planned in such a way that both ROIs can be achieved.

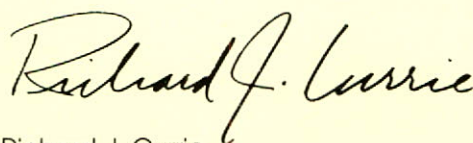
For the short term, the year 1982 has begun with severe cost pressures on the industry, caused by a lower rate of inflation for food than for the economy generally. Compounding these pressures has been a depressed sales demand caused by steadily declining real consumer income. In such an environment, unusual competitive activity is to be expected and has

been taking place.

There appears to be a consensus amongst economic forecasters that conditions will generally improve as the year progresses. While it is to be hoped that this will be the case, the management of your Company is not depending upon such a turn of events for its future success. Careful investment, with each division, store and warehouse standing on its individual business and profit merits will continue to be the cornerstone of our operating plans. And the quest for improved productivity and cost control will be pursued with vigour.

The past year has not been an easy one, with considerable environmental and competitive difficulties. Your Company, however is structurally sound, its geographic diversity making it not dependent on any area for overall profit performance. In addition, its retail and wholesale business mix provides the flexibility to adapt to changing business conditions. Most importantly, perhaps, is that to a remarkable degree such trying times have brought out the true character and resolve of the people in this organization.

Loblaw Companies Limited can be proud of its accomplishments to date against overwhelming odds. Your Company is more cohesive than ever. And now, in spite of an adverse operating environment, it can look forward with confidence to its future.



Richard J. Currie
President
Loblaw Companies Limited



WATERLOO



Waterloo City Hall is a fine example of Isreal Revival Architecture

Woodside



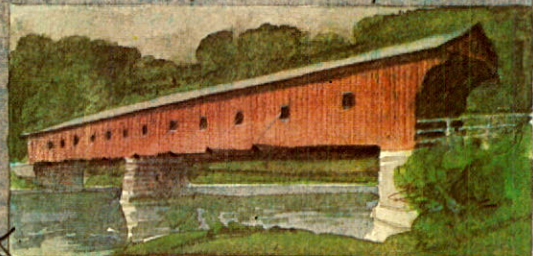
"Woodside" was the boyhood home of Prime Minister William Lyon Mackenzie King

Mononite Birth Certificate

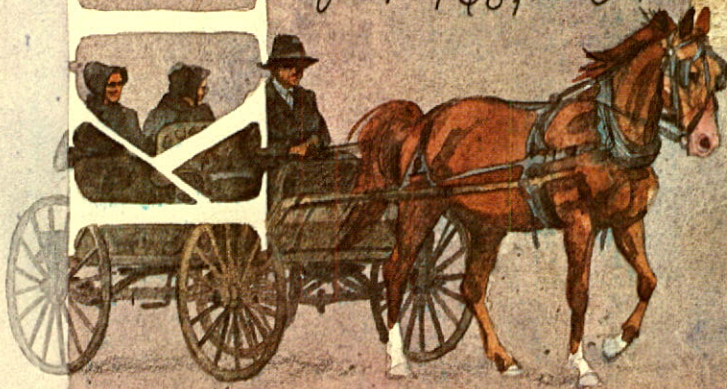


This tower commemorates the beginning of the Mononite Community in Waterloo Township in 1800

Ontario's last covered bridge, the West Montrose Covered Bridge, known locally as the 'fishing bridge'.



a fine example of Pakester Art



Old Order Mennonite Church



Cap & Peck

EASTERN CANADIAN OPERATIONS

Eastern Canadian Operations are represented in both the retail and wholesale segment of food distribution. Retail operations consist of Loblaw's, headquartered in Toronto, Ontario, and Zehrmart, headquartered in Cambridge, Ontario. Wholesale operations consist of Atlantic Wholesalers, headquartered in Sackville, New Brunswick, and National Grocers, headquartered in Toronto, Ontario.

Total sales of Eastern Canadian Operations in 1981 were \$2.245 billion, an improvement of 8.5 percent over the \$2.070 billion recorded in 1980.

Retail sales of the Loblaw's and Zehrmart divisions of Loblaw Companies Limited improved 7.9 percent to \$1.408 billion. In 1981, \$25 million was spent by Loblaw's and Zehrmart on substantial new store and store modernization programs, bringing the total spent in the past three years to \$94 million. At year end, Loblaw's operated 115 stores under its own name, 18 "no frills" limited line stores and 4 Ziggys gourmet shops. Loblaw's retail food sales are second in the province of Ontario and second in metropolitan Toronto, its largest single market. Loblaw's is the market leader in Ottawa, the nation's capital. At year end, Zehrmart operated 55 stores, 40 under the Zehrs name and 15 under the Gordons name. From its Kitchener-Waterloo-Cambridge-Guelph base, where it has market leadership, Zehrmart has steadily expanded its operations throughout southwestern Ontario.

For the year 1981, the Loblaw's and Zehrmart divisions combined are estimated to be the largest food retailing entity in Ontario.

Wholesale sales of National Grocers and Atlantic Wholesalers improved by 9.4 percent to \$837 million in 1981. This performance follows a 19 percent increase in 1980 and does not include sales to Loblaw's, Zehrmart and other distribution economies which were effected in 1981. At year end, Atlantic Wholesalers operated 10 "no frills" stores, concentrating this new activity in the Halifax market. For the year 1981, National Grocers added 28 new franchise stores, its highest single year performance to date.

Eastern Canadian Operations sales represented 38.7 percent of Loblaw Companies sales in 1981, compared to 38.5 percent in 1980 and 38.0 percent in 1979.

The decline in consumer confidence and purchasing power along with changing industry dynamics will make 1982 a year of altered store formats and inordinately competitive individual marketplaces. Emerging and developing wholesale operations and flexible retail operations should allow Eastern Canadian Operations to adapt to the marketplace in a positive manner.



MANITOBA



Manitoba Legislative Building is one of the finest neo-classical buildings in the world



Manitoba's famous Golden Boy

Hudson Bay Company tokens were given in exchange for furs and the tokens used for goods in the Company store.



Riel House

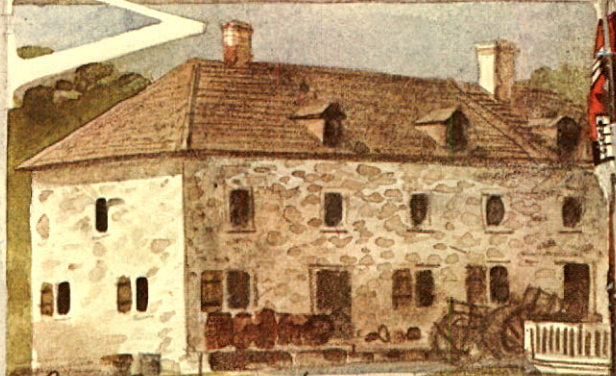


Metis leader Louis Riel dreamed of creating a country where Indian and Metis could preserve their traditional ways.

The symbol of the Legislative Assembly of Manitoba



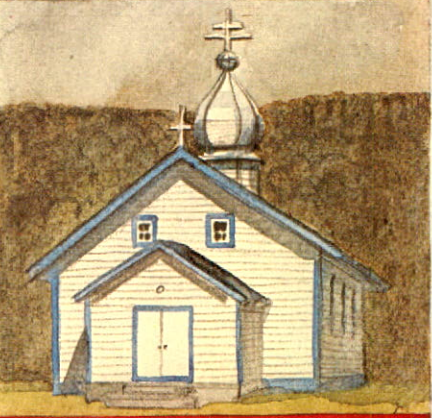
Winnipeg



Former Fort Garry trading store built 1831-2



One of Winnipeg's many Ukrainian Churches



REPORT ON WESTERN OPERATIONS

The Western Operations of Loblaw Companies Limited are conducted by Kelly, Douglas & Company, Limited, headquartered in Vancouver, British Columbia, in which your Company holds an 85 percent interest. Kelly, Douglas has three divisions — British Columbia, Prairie and United States.

Sales in Western Operations increased by 12.3 percent to \$1.598 billion in 1981. Western Operations sales represented 27.6 percent of Loblaw Companies sales in 1981 as compared with 26.5 percent in 1980 and 28.0 percent in 1979.

Earnings before extraordinary items amounted to \$16.7 million in 1981, compared to \$13.1 million in 1980, an increase of 26.9 percent. This performance followed a 15.9 percent increase in 1980. Extraordinary income was \$1.0 million bringing net earnings in 1981 to \$17.7 million. Western Operations continued to strengthen during the year, with the benefits of franchising in British Columbia and the development of combination stores in the Prairies adding to its already well-balanced operations, the thrust of which is to continue strengthening the wholesale business base.

British Columbia Division

Kelly, Douglas was started in 1896 to supply provisions to the pioneers prospecting for gold in the Yukon. In 1981, the pioneers prospecting for oil in the Beaufort Sea were supplied from Vancouver after a northern journey of 2,472 miles (3,955 kilometers) with the last 170 miles on a frozen river to Tuktoyaktuk.

The second year of the franchised Super Valu program confirmed the decision of the previous year. During 1981, two new Super Valu stores were opened and three new stores replaced old ones. Four new independent stores were developed and four new replacements built. Twelve outlets were opened by other customers during the year.

Prairies Division

Independent franchised customers on the Prairies added 10 new stores and expanded or remodelled 23 others during the year. In March a corporate chain of three combination stores trading as Super Valu was launched in Winnipeg to augment the two successful Saskatoon units. Another Winnipeg

store was added in September, with more planned in the future. A full-line warehouse of 186,000 square feet was opened in Saskatoon in November and a 100,000 square-foot addition is under construction in Winnipeg to service our growing Prairie business.

United States Operations

Results improved in 1981 from good sales growth from existing customers and the building of a broader customer base. Our major customer in Denver has elected to build his own facility. While it will take some time to replace the lost volume, the recently acquired Colorado IGA banner and the 31 customers now trading with us under it will ensure that total earnings in Western Operations will not be materially affected in 1982 by this change.



BUFFALO

Buffalo City Hall is a fine example of Art Deco architecture

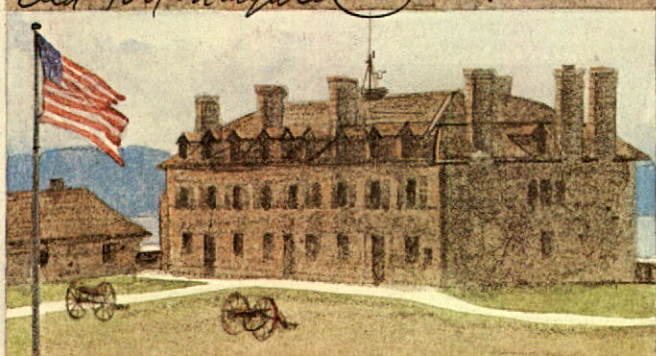


a familiar Buffalo sign since 1927



Buffalo City Hall viewed from Lafayette Square in the heart of the city

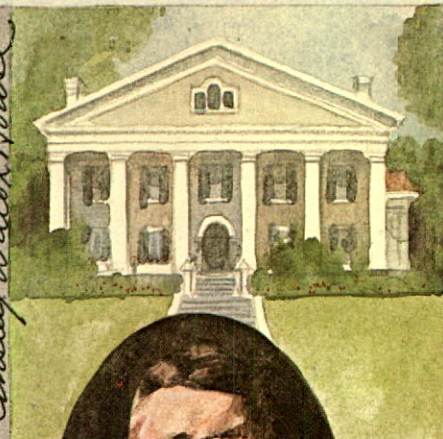
Old Fort Niagara



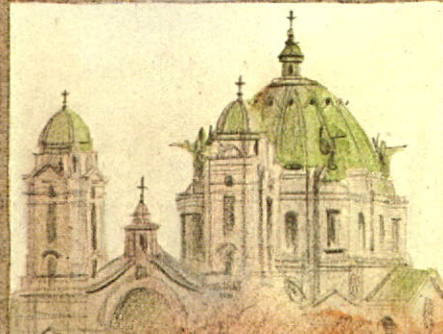
Wright Knox Art Gallery



Ansley Wilcox House



Theodore Roosevelt took the oath of office in the Wilcox home on Sept. 14, 1901 and became the 26th President of the United States.



National Shrine of our Lady of Victory Basilica

McGraw-Hill

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., with divisions in New Orleans, Louisiana; Indianapolis, Indiana; Minneapolis, Minnesota; and St. Louis, Missouri; and through the 100 percent owned wholesale business, Peter J. Schmitt Co., Inc., headquartered in Buffalo, New York.

Many of the markets of National Tea were affected by the economic slowdown in the United States, particularly in the automobile industry. The St. Louis division discontinued the use of trading stamps in January and improved its sales positions and customer image throughout the year. Minneapolis division became a pure retailer, selling its distribution operations in August allowing concentration and improved performance in its primary business of retailing. Indianapolis division performed satisfactorily in a difficult economic period in its automobile-dependent region and New Orleans performed strongly in spite of intensive competition from new units throughout its marketing area.

National Tea sales increased 3.7 percent to \$1.264 billion and net earnings were \$13.6 million compared to \$14.2 million in 1980, largely held down due to the adverse economic conditions. Nevertheless, 1981 was a very successful year as the business was more than ever directly positioned for long-term marketing performance.

In 1981, National Tea opened 7 new, relocated, or enlarged stores. By the end of the year, all stores had electronic cash registers and half of its 214 stores had scanning systems. At year end, the New Orleans division consisted of 59 stores, Indianapolis 50 stores, Minneapolis 55 stores and St. Louis 50 stores; compared with a total of 221 in the company at the end of 1980. Store dynamics continue to improve and the introduction of optical scanning can now be considered complete in one division. The short-term benefits have been realized from this investment and the long-term results, in terms of store merchandising and operating control, are expected to be considerable.

Peter J. Schmitt sales in 1981 improved by 4.5 percent to \$395 million after a 19.8 percent improvement in 1980. Sales

throughout the United States have been sharply reduced due to the annual rate of decline in food price inflation, as reported by the U.S. Department of Labor, from 10.8 percent in February to 3.0 percent in December 1981. This situation reduces wholesale and retail sales dollars, and wholesale profits. In spite of these trends, Peter J. Schmitt had its finest year ever, primarily due to its business planning and control systems instituted over the past few years. At year end, Peter J. Schmitt had 19 corporate Loblaw Erie area stores, 11 corporate Buffalo and Rochester area stores and supplied 55 franchised Bells stores and 235 independent accounts. There is considerable optimism that Peter J. Schmitt can continue to improve its growth and contribution to Loblaw Companies Limited.



KINGSTON

*Kingston City Hall
built in 1843 is a classic
example of early
Ontario architecture*

*The insignia
of the Fort
Henry Guard
features the
old motto of
the British
monarchy:
Civil to him
who evil thinks.*

Royal Military College

Belle Vue House



*Kingston was the birth-
place of Canada's first
Prime Minister - Sir John
A. Macdonald*

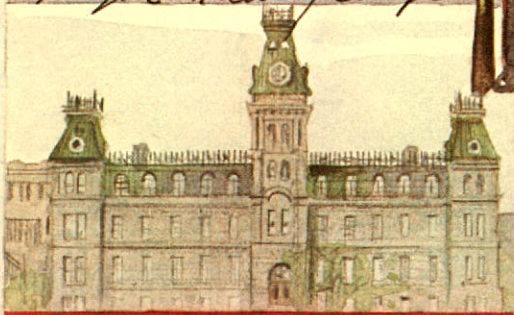
*Murray Tower Museum
one of three martello
towers ringing Kingston
Harbour*



*Fort Henry
Guard*



City of Kingston



LOBLAW COMPANIES LIMITED
FIVE YEAR PERFORMANCE SUMMARY
BY OPERATING REGION

| | 1981 | | 1980 (in millions of dollars) | | 1979 | | 1978 | | 1977 | |
|-------------------------------------|-------|------------|----------------------------------|------------|-------|------------|-------|------------|-------|------------|
| | \$ | % Increase | \$ | % Increase | \$ | % Increase | \$ | % Increase | \$ | % Increase |
| Sales | | | | | | | | | | |
| Eastern Canadian Operations | 2,245 | 8 | 2,070 | 15 | 1,798 | 9 | 1,646 | 9 | 1,509 | 5 |
| Western Operations | 1,598 | 12 | 1,424 | 8 | 1,324 | 13 | 1,171 | 14 | 1,027 | 9 |
| United States Operations | 1,952 | 4 | 1,881 | 17 | 1,603 | 12 | 1,430 | 19 | 1,199 | 4 |
| Total | 5,795 | 8 | 5,375 | 14 | 4,725 | 11 | 4,247 | 14 | 3,735 | 6 |
| Operating Income | | | | | | | | | | |
| Eastern Canadian Operations | 53 | 2 | 52 | 80 | 29 | 22 | 24 | 13 | 21 | 25 |
| Western Operations | 36 | 24 | 29 | 20 | 24 | 2 | 23 | 18 | 20 | 9 |
| United States Operations | 31 | | 31 | 19 | 26 | 58 | 17 | 8 | 15 | 8 |
| Corporate | (7) | | (13) | | (7) | | (4) | | (7) | |
| Total | 113 | 14 | 99 | 37 | 72 | 20 | 60 | 23 | 49 | 13 |
| Earnings Before Extraordinary Items | 41 | | 34 | | 23 | | 19 | | 13 | |
| Net Earnings | 53 | | 46 | | 35 | | 26 | | 18 | |
| Cash Flow From Operations | 111 | | 98 | | 75 | | 61 | | 50 | |



FIVE YEAR SUMMARY

| OPERATING DATA THE FISCAL YEAR | 1981 | 1980 (53 wks) | 1979 | 1978 | 1977 |
|--------------------------------|------|------------------|------|------|------|
|--------------------------------|------|------------------|------|------|------|

EARNINGS STATEMENT (\$ millions)

| | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| Sales - Canada | 3513 | 3198 | 2857 | 2645 | 2412 |
| United States | 2282 | 2177 | 1868 | 1602 | 1323 |
| Total | 5795 | 5375 | 4725 | 4247 | 3735 |
| Operating Income | | | | | |
| (Earnings Before Interest and Taxes) | 113 | 99 | 72 | 60 | 49 |
| Depreciation - Owned Fixed Assets | 45 | 42 | 35 | 31 | 28 |
| Depreciation - Property under Capital Leases | 8 | 6 | 1 | | |
| Interest - Debt | 18 | 18 | 20 | 16 | 18 |
| Interest - Obligations under Capital Leases | 11 | 8 | 2 | | |
| Income Taxes | 37 | 34 | 21 | 20 | 13 |
| Minority Interest | 6 | 5 | 6 | 5 | 4 |
| Earnings Before Extraordinary Items | 41 | 34 | 23 | 19 | 13 |
| Extraordinary Items | 12 | 12 | 12 | 7 | 5 |
| Net Earnings | 53 | 46 | 35 | 26 | 18 |
| CASH FLOW FROM OPERATIONS (\$ millions) | 111 | 98 | 75 | 61 | 50 |
| CAPITAL EXPENDITURES - OWNED FIXED ASSETS (\$ millions) | 85 | 89 | 96 | 78 | 63 |
| PER COMMON SHARE (In Dollars)* | | | | | |
| Earnings Before Extraordinary Items | 0.97 | 0.82 | 0.58 | 0.50 | 0.38 |
| Net Earnings | 1.32 | 1.20 | 0.96 | 0.72 | 0.54 |
| Cash Flow From Operations | 3.24 | 3.08 | 2.35 | 1.92 | 1.57 |
| RETURN ON SALES | | | | | |
| Operating Income | 1.9% | 1.8% | 1.5% | 1.4% | 1.3% |
| Earnings Before Extraordinary Items | 0.7% | 0.6% | 0.5% | 0.4% | 0.4% |
| Net Earnings | 0.9% | 0.9% | 0.7% | 0.6% | 0.5% |
| RETURN₍₁₎ ON AVERAGE COMMON EQUITY₍₂₎ | 16.3% | 16.9% | 15.2% | 16.2% | 14.9% |
| RETURN₍₃₎ ON INVESTMENT₍₄₎ | 18.0% | 17.3% | 14.8% | 14.7% | 12.9% |

(1) Earnings before extraordinary items

(2) Common capital plus retained earnings

(3) Operating income

(4) Total assets less non-interest bearing debt

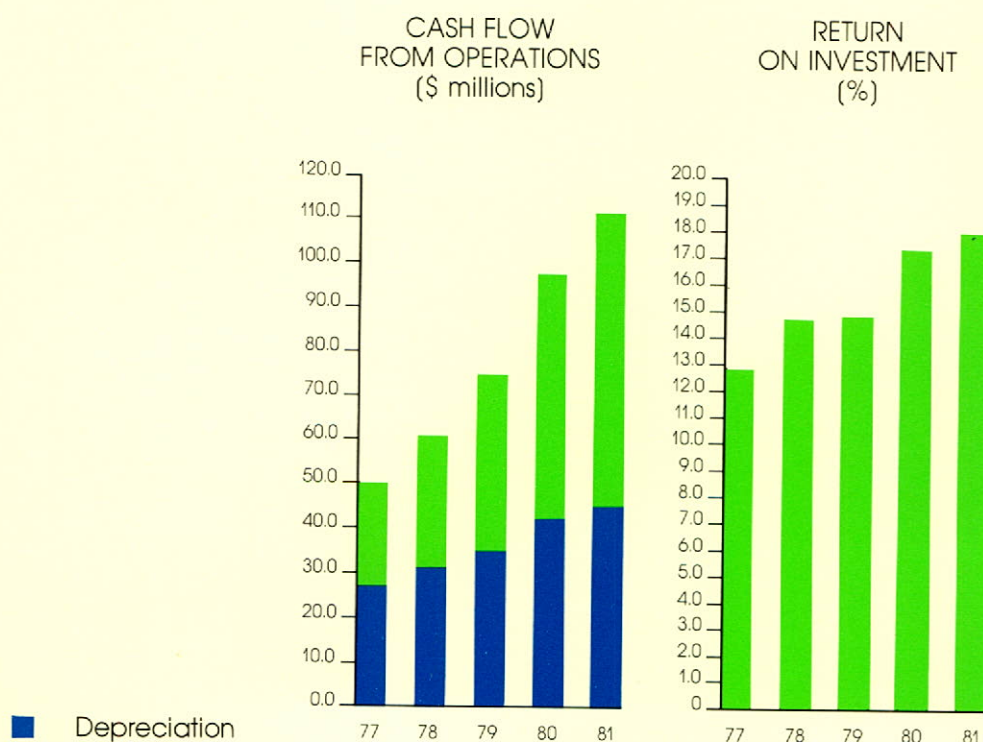
*Includes Class A participating shares for 1979 and prior years

| FINANCIAL DATA FISCAL YEAR END | 1981 | 1980 | 1979 | 1978 | 1977 |
|-------------------------------------|------|------|------|------|------|
| BALANCE SHEET (\$ millions) | | | | | |
| Current Assets | 531 | 491 | 465 | 414 | 381 |
| Inventories | 369 | 358 | 346 | 294 | 274 |
| Current Liabilities | 433 | 401 | 378 | 336 | 304 |
| Working Capital | 98 | 90 | 87 | 78 | 77 |
| Bank Advances and Notes Payable | 27 | 39 | 39 | 49 | 52 |
| Long Term Debt | 98 | 99 | 110 | 102 | 106 |
| Total Bank and Long Term Debt | 125 | 138 | 149 | 151 | 158 |
| Obligations under Capital Leases | 95 | 93 | 46 | | |
| Owned Fixed Assets (Net) | 340 | 315 | 293 | 241 | 210 |
| Property under Capital Leases (Net) | 86 | 87 | 44 | | |
| Total Assets | 1034 | 962 | 868 | 713 | 631 |
| Minority Interest in Subsidiaries | 69 | 66 | 63 | 57 | 53 |
| Capital Stock | 183 | 182 | 180 | 155 | 125 |
| Retained Earnings | 134 | 95 | 62 | 35 | 14 |
| Shareholders' Equity | 317 | 277 | 242 | 190 | 139 |
| Average Common Equity | 204 | 154 | 123 | 99 | 81 |
| Average Investment | 625 | 574 | 486 | 408 | 380 |

FINANCIAL RATIOS

| | | | | | |
|----------------------------------|--------|--------|--------|--------|--------|
| Working Capital | 1.23:1 | 1.22:1 | 1.23:1 | 1.23:1 | 1.25:1 |
| Total Debt** to Equity | 0.39:1 | 0.50:1 | 0.62:1 | 0.79:1 | 1.14:1 |
| Cash Flow to Long Term Debt | 1.13:1 | 1.00:1 | 0.68:1 | 0.60:1 | 0.47:1 |
| Interest Coverage on Total Debt* | 6.19:1 | 5.50:1 | 3.65:1 | 3.72:1 | 2.72:1 |

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



REGINA

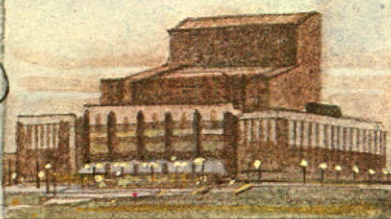
The Provincial Legislative
Building in Regina
Queen City of the prairies.

In the 1870's Indians
and settlers alike were
more secure with
the appearance of
the Mounties.



Regina "Home of the Mounties"

Similar prairie architecture

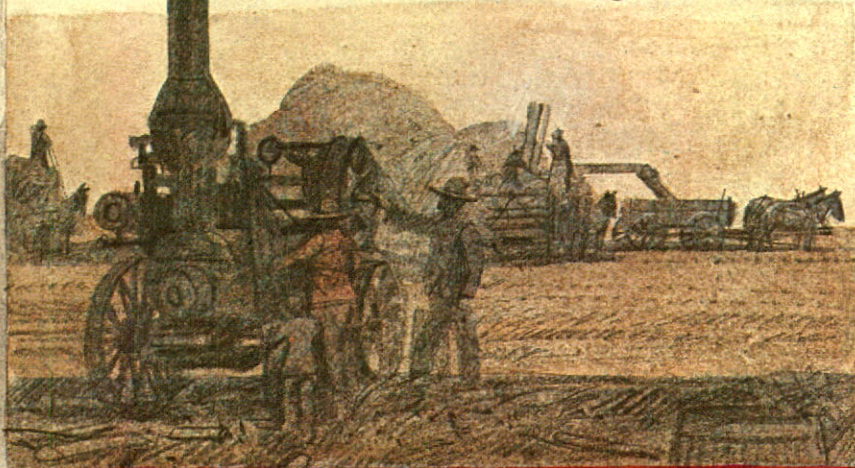


Saskatchewan Centre of the Arts



Commissioner George
Arthur French 1873-76
of the North West
Mounted Police

In early steam powered threshing run



W. H. H. H.

FINANCIAL STATEMENTS

Consolidated Statements of Earnings and Retained Earnings

Consolidated Statement of Changes in Financial Position

Consolidated Balance Sheet

Notes to Consolidated 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 2, 1982 and the consolidated statements of earnings, retained earnings and changes in financial position for the 52 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 2, 1982 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 15, 1982



CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

LOBLAW COMPANIES LIMITED
52 Weeks Ended January 2, 1982 and
53 Weeks Ended January 3, 1981
(in thousands of dollars)

| | 1981 | 1980 |
|--|------------------|------------------|
| CONSOLIDATED STATEMENT OF EARNINGS | | |
| SALES AND OTHER INCOME | | |
| Sales - Canada | \$3,512,603 | \$3,197,895 |
| United States | 2,281,928 | 2,176,901 |
| | <u>5,794,531</u> | <u>5,374,796</u> |
| Investment income | 6,864 | 3,160 |
| | <u>5,801,395</u> | <u>5,377,956</u> |
| OPERATING EXPENSES | | |
| Cost of sales, selling and administrative expenses before the following items | 5,574,647 | 5,168,669 |
| Net long term lease expense | 60,214 | 62,201 |
| Depreciation of owned fixed assets | 45,413 | 42,187 |
| Depreciation of property under capital leases | 8,480 | 5,760 |
| | <u>5,688,754</u> | <u>5,278,817</u> |
| OPERATING INCOME | <u>112,641</u> | <u>99,139</u> |
| Interest on long term debt | 10,787 | 11,346 |
| Interest on short term debt | 7,401 | 6,674 |
| Interest on obligations under capital leases | 11,431 | 7,833 |
| | <u>29,619</u> | <u>25,853</u> |
| Earnings before income taxes | 83,022 | 73,286 |
| Income taxes (note 2) | 36,759 | 34,091 |
| Earnings before minority interest | 46,263 | 39,195 |
| Minority interest | 5,671 | 5,114 |
| EARNINGS BEFORE EXTRAORDINARY ITEMS | <u>40,592</u> | <u>34,081</u> |
| Extraordinary items (note 3) | 12,057 | 12,112 |
| NET EARNINGS FOR THE PERIOD | <u>\$ 52,649</u> | <u>\$ 46,193</u> |
| PER COMMON SHARE | | |
| Earnings before extraordinary items | \$0.97 | \$0.82 |
| Extraordinary items | \$0.35 | \$0.38 |
| Net earnings | \$1.32 | \$1.20 |

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

| | | |
|--|-------------------|------------------|
| RETAINED EARNINGS AT BEGINNING OF PERIOD (note 11) | \$ 95,354 | \$ 61,460 |
| Net earnings for the period | 52,649 | 46,193 |
| | <u>148,003</u> | <u>107,653</u> |
| Dividends declared | | |
| Preferred shares | 7,488 | 7,993 |
| Common shares (17.0c per share, 1980 - 13.5c per share) | 5,887 | 4,306 |
| | <u>13,375</u> | <u>12,299</u> |
| Share issue expense (note 4) | 870 | |
| | <u>14,245</u> | <u>12,299</u> |
| RETAINED EARNINGS AT END OF PERIOD | <u>\$ 133,758</u> | <u>\$ 95,354</u> |

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

LOBLAW COMPANIES LIMITED
52 Weeks Ended January 2, 1982 and
53 Weeks Ended January 3, 1981
(in thousands of dollars)

| | 1981 | 1980 |
|--|------------------|------------------|
| SOURCE OF WORKING CAPITAL | | |
| Operations | | |
| Earnings before minority interest | \$ 46,263 | \$ 39,195 |
| Depreciation of owned fixed assets | 45,413 | 42,187 |
| Depreciation of property under capital leases | 8,480 | 5,760 |
| Income taxes not requiring cash | 11,059 | 13,799 |
| Loss (profit) on sale of fixed assets | 262 | (1,697) |
| Other | (868) | (983) |
| Cash flow from operations | <u>110,609</u> | <u>98,261</u> |
| Financing | | |
| Proceeds from shares issued (note 4) | 27,770 | 1,900 |
| Increase in long term debt | 13,395 | 15,806 |
| Additions to obligations under capital leases net of \$5,828 reductions in 1981 | 1,448 | 43,498 |
| Other | 588 | |
| | <u>43,201</u> | <u>61,204</u> |
| Other items | | |
| Proceeds from sale of fixed assets | 14,904 | 26,440 |
| Proceeds from sale of investment (net of income taxes) | 3,993 | |
| | <u>18,897</u> | <u>26,440</u> |
| Total sources of working capital | <u>172,707</u> | <u>185,905</u> |
| USE OF WORKING CAPITAL | | |
| Reinvestment | | |
| Purchase of owned fixed assets | 85,401 | 89,466 |
| Net additions to property under capital leases | 7,719 | 48,779 |
| Net increase in investments and sundry items | 11,803 | 4,217 |
| | <u>104,923</u> | <u>142,462</u> |
| Financing | | |
| Shares redeemed (note 4) | 27,500 | |
| Reduction in long term debt | 15,025 | 25,168 |
| Purchase of minority interest | 1,818 | 1,316 |
| | <u>44,343</u> | <u>26,484</u> |
| Dividends | | |
| To shareholders | 13,375 | 12,299 |
| To minority shareholders in subsidiary companies | 1,775 | 1,572 |
| | <u>15,150</u> | <u>13,871</u> |
| Total uses of working capital | <u>164,416</u> | <u>182,817</u> |
| INCREASE IN WORKING CAPITAL | <u>8,291</u> | <u>3,088</u> |
| Working capital at beginning of period (note 11) | 89,758 | 86,670 |
| WORKING CAPITAL AT END OF PERIOD | <u>\$ 98,049</u> | <u>\$ 89,758</u> |

CONSOLIDATED BALANCE SHEET

LOBLAW COMPANIES LIMITED (Incorporated under the laws of Canada)
As at January 2, 1982 and January 3, 1981

(in thousands of dollars)

| | 1981 | 1980 |
|--|--------------------|------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and short term investments | \$ 20,100 | \$ 8,084 |
| Accounts receivable | 103,575 | 85,832 |
| Properties held for sale | 22,260 | 18,702 |
| Inventories | 369,352 | 357,604 |
| Prepaid expenses | 15,713 | 20,356 |
| | <u>531,000</u> | <u>490,578</u> |
| INVESTMENTS, at cost | | |
| Secured loans and advances | 9,943 | 9,151 |
| Sundry investments | 8,216 | 5,776 |
| Non-current receivables | 9,824 | 12,316 |
| Properties held for development or sale | 33,123 | 26,076 |
| | <u>61,106</u> | <u>53,319</u> |
| FIXED ASSETS, at cost | | |
| Land | 31,184 | 34,113 |
| Buildings | 88,347 | 70,939 |
| Equipment and fixtures | 335,627 | 309,726 |
| Leasehold improvements | 124,101 | 124,696 |
| | <u>579,259</u> | <u>539,474</u> |
| Accumulated depreciation | 239,345 | 224,382 |
| | <u>339,914</u> | <u>315,092</u> |
| Property under capital leases, less accumulated depreciation (note 6) | 85,880 | 86,641 |
| | <u>425,794</u> | <u>401,733</u> |
| OTHER ASSETS | | |
| Goodwill | 15,110 | 15,556 |
| Deferred charges | 624 | 677 |
| | <u>15,734</u> | <u>16,233</u> |
| | <u>\$1,033,634</u> | <u>\$961,863</u> |

Approved by the Board:

W. Galen Weston

W. Galen Weston, Director

Richard J. Currie

Richard J. Currie, Director

| | 1981 | 1980 |
|---|---------------------------|-------------------------|
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Bank advances and notes payable | \$ 27,487 | \$ 38,642 |
| Accounts payable and accrued liabilities | 366,302 | 318,591 |
| Taxes payable | 26,863 | 33,309 |
| Long term debt payable within one year | 6,910 | 5,809 |
| Current portion of obligations under capital leases | 5,389 | 4,469 |
| | <u>432,951</u> | <u>400,820</u> |
| LONG TERM DEBT (note 5) | 91,171 | 92,801 |
| OBLIGATIONS UNDER CAPITAL LEASES (note 6) | 89,498 | 88,050 |
| | <u>180,669</u> | <u>180,851</u> |
| OTHER LIABILITIES (note 7) | 13,390 | 17,125 |
| DEFERRED INCOME TAXES | 5,320 | 3,077 |
| DEFERRED REAL ESTATE INCOME | 15,152 | 16,782 |
| MINORITY INTEREST IN SUBSIDIARIES | <u>69,441</u> | <u>66,041</u> |
| 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 |
| 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 | 1,900 |
| 13,000 Junior Preferred Shares, Second Series | 1,300 | |
| 35,403,150 Common Shares (1980 - 31,900,000) | <u>102,771</u> | <u>75,431</u> |
| | 182,953 | 181,813 |
| RETAINED EARNINGS (note 11) | 133,758 | 95,354 |
| | <u>316,711</u> | <u>277,167</u> |
| | <u><u>\$1,033,634</u></u> | <u><u>\$961,863</u></u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

LOBLAW COMPANIES LIMITED
January 2, 1982

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 owned 85% and 84% respectively.

(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 \$4,943,000 in 1981 and a decrease of \$6,450,000 in 1980. The net difference at the end of 1979 and subsequent net differences due to changes in year end rates are amortized to earnings on a straight line basis not exceeding 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. Depreciation rates are substantially as follows:

| | |
|--|---|
| Buildings | 2½% to 5% |
| Equipment and fixtures | 9% to 12½% |
| Leasehold improvements and property under capital leases | Lesser of useful life and term of lease |

(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 based 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 by \$31,766,000. The major portion of these accounting losses expire in the years 1991 to 1996. In addition, expenses which have been recorded for book purposes but have not yet been claimed for tax purposes amount to \$11,641,000. The Company's effective interest in the above amounts is \$38,955,000.

3. EXTRAORDINARY ITEMS

| | 1981 | 1980 |
|--|---------------------------|-----------------|
| | (in thousands of dollars) | |
| Income tax reductions realized on application of prior years' losses | \$ 9,175 | \$ 12,112 |
| Profit on sale of investment (net of income taxes of \$1,007,000) | 2,882 | |
| | <u>\$12,057</u> | <u>\$12,112</u> |

4. CAPITAL STOCK

(a) Authorized share capital 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 without nominal or par value and all preferred shares are issuable in series.

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

(c) In May 1981, 550,000 First Preferred Shares, Second Series, issued to George Weston Limited in 1977 at \$50.00 each, were redeemed for cash.

(d) The 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 3/4 to 7/8 of 1%. 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 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 October 1981, the Company issued 13,000 Junior Preferred Shares, Second Series with a cumulative dividend of \$12.00 per share for \$1,300,000. These shares were issued pursuant to the executive share purchase plan to certain key employees and are convertible after certain vesting periods into common shares. The Company has reserved 216,670 common shares for potential conversion of these preferred shares. The shares are redeemable after October 6, 1991 at \$100.00 per share.

In 1980, 19,000 Junior Preferred Shares, First Series with a cumulative dividend of \$9.00 per share were issued pursuant to the executive share purchase plan for \$1,900,000. These 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 all the participants under the terms of the executive share purchase plan were \$3,200,000 at year end (1980 - \$1,900,000).

An employee stock option plan was also established in June 1980 under which 600,000 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 185,850 (1980 - 189,000) shares exercisable after certain vesting periods at \$4.75 per share expiring not later than June 6, 1990 and to two employees for 187,000 shares exercisable after certain vesting periods at \$6.00 per share expiring not later than October 2, 1991. On December 9, 1981 pursuant to the stock option plan 3,150 common shares were issued for cash of \$14,962.

Exercise of the conversion privileges and the stock options would not materially dilute earnings per share.

(g) On May 4, 1981 the Company issued 3,400,000 common shares by way of public offering for cash of \$26,775,000. Expenses relating to this offer net of income taxes of \$935,000 were charged against the retained earnings of the Company.

(h) On December 3, 1981, 100,000 common shares were issued for cash of \$550,000 pursuant to an option granted in 1972.

5. LONG TERM DEBT

| | 1981 | 1980 |
|---|---------------------------|---------------|
| | (in thousands of dollars) | |
| Loblaw Companies Limited | | |
| Term 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 | \$13,676 | \$14,559 |
| Term loan maturing 1985 at 12 1/2%, repayable in U.S. dollars | 14,117 | 14,117 |
| | <u>27,793</u> | <u>28,676</u> |
| Loblaws Limited | | |
| Sinking Fund Debentures | | |
| 6 3/8% Series G maturing 1991 | 3,258 | 3,938 |
| 6 3/4% Series H maturing 1991 | 3,748 | 4,278 |
| 5 3/4% Series F maturing 1981 | | 2,400 |
| Mortgages maturing 1985 - 2004 at a weighted average interest rate of 9.7% | 3,177 | 3,281 |
| | <u>10,183</u> | <u>13,897</u> |
| Kelly, Douglas & Company, Limited and subsidiaries | | |
| 8 3/8% Sinking Fund Debentures 1973 Series maturing 1993 | 10,205 | 10,335 |
| Other long term debt maturing 1982 - 1997, at a weighted average interest rate of 8.8% (including U.S. \$2,377,000) | 2,851 | 3,034 |
| | <u>13,056</u> | <u>13,369</u> |
| National Tea Co. and subsidiaries | | |
| Term loan maturing 1991 at 117% of 7 year U.S. Treasury note rate, repayable in U.S. dollars | 17,647 | 17,647 |
| Term 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 | 11,765 | 17,647 |
| | <u>29,412</u> | <u>35,294</u> |

Peter J. Schmitt Co., Inc.

| | | |
|---|-----------------|-----------------|
| Term loan maturing 1983 at a U.S. bank's prime rate, repayable in U.S. dollars | 7,352 | |
| Term loan maturing 1984 at 12%, repayable in U.S. dollars | 2,118 | 2,824 |
| Mortgages maturing 1985 - 1991 at a weighted average interest rate of 9.2%, repayable in U.S. dollars | 3,743 | |
| Other long term debt maturing 1983 - 2001, repayable in U.S. dollars | 278 | 1,228 |
| | <u>13,491</u> | <u>4,052</u> |
| Other long term debt maturing 1983 - 1995 at a weighted average interest rate of 11.3% (including U.S. \$1,094,000) | 4,146 | 3,322 |
| | <u>98,081</u> | <u>98,610</u> |
| Less payable within one year | <u>6,910</u> | <u>5,809</u> |
| | <u>\$91,171</u> | <u>\$92,801</u> |

Sinking fund requirements and debt maturities during the next five years are as follows:
 1982 - \$6,910,000; 1983 - \$13,973,000; 1984 - \$8,552,000; 1985 - \$16,275,000; 1986 - \$4,945,000.

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:

| | 1981 (in thousands of dollars) | 1980 |
|--------------------------|-----------------------------------|-----------------|
| Buildings | \$ 48,137 | \$39,747 |
| Equipment and fixtures | 54,159 | 55,847 |
| | <u>102,296</u> | <u>95,594</u> |
| Accumulated depreciation | 16,416 | 8,953 |
| | <u>\$ 85,880</u> | <u>\$86,641</u> |

Retroactive application of capitalization of leases entered into before December 31, 1978 would have reduced net earnings in 1981 by \$619,000 (1980 - \$704,000), and assets and obligations would have increased in the balance sheet by \$125,803,000 (1980 - \$144,585,000) and \$169,158,000 (1980 - \$174,725,000) 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.

| | Capital Leases Entered into after December 30, 1978 | Other Leases | | |
|---|---|---------------------------|---------------------------------|------------------------------|
| | | Gross | Expected Sub-lease Income | Expected Net Liability |
| | | (in thousands of dollars) | | |
| For the year | | | | |
| 1982 | \$ 16,758 | \$ 77,699 | \$ 17,573 | \$ 60,126 |
| 1983 | 16,758 | 71,996 | 16,502 | 55,494 |
| 1984 | 16,769 | 64,926 | 14,879 | 50,047 |
| 1985 | 16,684 | 57,113 | 12,537 | 44,576 |
| 1986 | 16,567 | 51,474 | 9,967 | 41,507 |
| Thereafter to 2054 | 117,500 | 546,417 | 66,641 | 479,776 |
| Total minimum lease payments | 201,036 | <u>\$869,625</u> | <u>\$138,099</u> | <u>\$731,526</u> |
| Less amounts representing executory costs, and interest at 12.2% | 106,149 | | | |
| Balance of obligation | 94,887 | | | |
| Less current portion | 5,389 | | | |
| | <u>\$ 89,498</u> | | | |

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

| | 1981 (in thousands of dollars) | 1980 |
|--|-----------------------------------|-----------------|
| Deferred employee compensation | \$ 7,994 | \$ 7,731 |
| Provision for future net obligations on closed operations | 2,778 | 6,505 |
| Provision for self insurance | 2,618 | 2,889 |
| | <u>\$13,390</u> | <u>\$17,125</u> |

8. CONTINGENT LIABILITIES

(a) Endorsements and guarantees amount to \$24,995,000.

(b) The present value of the unfunded past service pension liability is estimated to be \$49,000,000 at January 2, 1982 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 with the related parties as recorded in the financial statements of the Company.

| | 1981 (\$ millions) | 1980 |
|--------------------------------------|-----------------------|------|
| Purchases included in Cost of Sales | 221 | 217 |
| Sales | 4 | 3 |
| Net Long Term Lease Expense | 8 | 7 |
| Management Fees and Interest Expense | 1 | 1 |
| Dividends Declared - Common | 5 | 3 |
| Preferred | 6 | 7 |
| Accounts Receivable | 4 | 3 |
| Accounts Payable | 15 | 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. The actions have been consolidated for pretrial proceedings in the United States District Court of the Northern District of Texas.

In December 1977 the District Judge entered orders dismissing certain of the actions upon grounds that would have applied to all of the 17 actions then pending. Petitions for certiorari to the United States Supreme Court were denied on October 14, 1980, and the cases were remanded to the District Court for further proceedings. The District Judge has ordered the parties to proceed with discovery. In September 1981 several defendants, including the Company, moved for summary judgement. The Court has taken that motion under advisement. In August 1981 the Company was named a defendant in a new action entitled *Lewter, et al. v. Safeway Stores, et al.* The complaint in this action is substantially similar to the complaints in the other 17 actions.

Although the outcome of these actions cannot be predetermined, management is not aware of any facts which could substantiate the allegations of the various plaintiffs.

11. VACATION PAY

In 1981 the Company retroactively adopted the policy of accruing for vacation pay based on employee service on a basis consistent in all operations. Previously, in some divisions these costs were expensed when paid. The effect of this change on earnings for 1981 and 1980 is not considered material. A result of the consistent application of policy has been to reduce consolidated retained earnings by \$5,420,000.

12. SUBSEQUENT EVENT

On January 27, 1982 a merger transaction took place between National Tea Co. and Natco Holdings, Inc., both being U.S. subsidiaries of the Company. The effect of the merger was that the Company acquired the 16.02% of National Tea Co. previously held by minority interests for a cash price of \$8.00 (U.S.) per share. This acquisition will result in a total cash outlay of approximately \$13,400,000 U.S..

13. OTHER INFORMATION

(a) Segmented Information

The Company's only significant activity is food distribution. In Canada, operating income and total assets were \$78,915,000 and \$624,292,000 respectively, (1980 - \$70,996,000 and \$561,687,000), and in the United States \$33,726,000 and \$409,342,000 respectively (1980 - \$28,143,000 and \$400,176,000).

(b) 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

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

Charles M. Humphrys*
Management Consultant

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

Roger A. Lindsay
Executive Vice President
Wittington Investments Limited

Arthur H. Mingay*
Chairman of the Board
Canada Trust Company

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

George B. Robertson, Q.C.*
Partner, McInnes Cooper & Robertson
Barristers and Solicitors

*member - Audit Committee

Honorary Director
Richard G. Meech, Q.C.

Honorary Chairman
George C. Metcalf

SENIOR OFFICERS

W. Galen Weston
Chairman of the Board

Richard J. Currie
President

David M. Williams
Senior Vice President,
Chief Financial Officer

Brian Y. Davidson
Senior Vice President,
Business Development

Harold A. Seitz
Senior Vice President,
Real Estate Development

Douglas N. Lunau
Vice President,
Procurement Services

Sheldon Douglass
Vice President, Controller

Wayne E. East
Vice President, Information Systems

James H. Farrell
Vice President, General Counsel
and Secretary

John N. McCullough
Vice President, Real Property
Counsel

John W. Thompson
Treasurer

OTHER CORPORATE OFFICERS

Ian F. Bell
Assistant Controller

Stewart E. Green
Assistant Secretary

Dorothy M. Leamen
Assistant Controller

Shimona Petroff
Assistant Treasurer

PRESIDENTS OF OPERATING BUSINESSES

EASTERN OPERATIONS

Atlantic Wholesalers
Sackville, New Brunswick

Douglas J. Hamm

Loblaws Ontario
Toronto, Ontario

David A. Nichol

National Grocers
Toronto, Ontario

Peter S. Lennie

Zehrmart
Cambridge, Ontario

Carl M. Zinkan

WESTERN OPERATIONS

Kelly, Douglas & Company, Limited
Vancouver, British Columbia

Raymond J. Addington

UNITED STATES OPERATIONS

National Tea Co.
Rosemont, Illinois

Valdyn W. Schulz

Peter J. Schmitt Co., Inc.
Buffalo, New York

Charles B. Barcelona

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

WHITEHORSE

Whitehorse became the transportation center and river boat port during the Gold Rush of '98

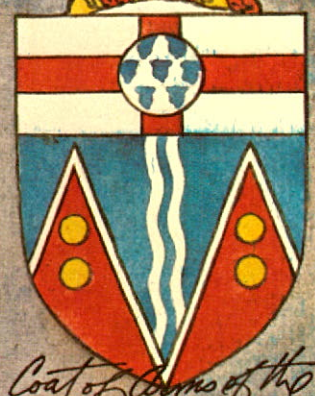
The Anglican parish church built in 1900



Famed poet Robert W. Service was a parishioner of the old log Anglican Church.



In 1898 an estimated 100,000 men set out to seek the "eterna treasure"



Coat of Arms of the Yukon Territory

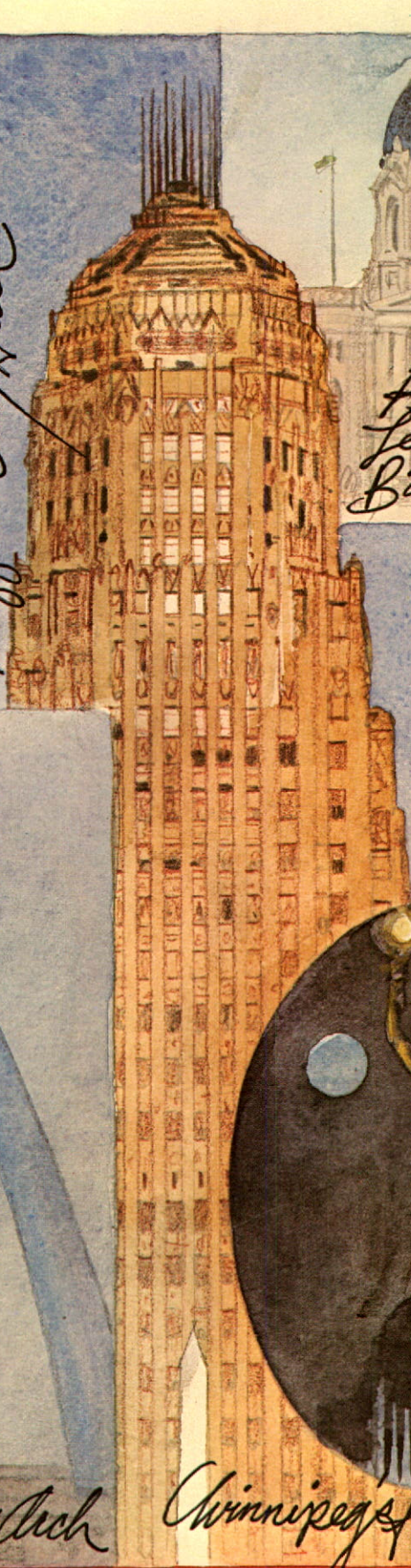


abandoned mining equipment near Whitehorse



Charlottesville P.C.D.

Buffalo City Hall



Regina Legislative Building



Missouri

St. Louis Cathedral & the Gateway Arch



Winnipeg's famous Golden Boy