

Weston^c

George Weston

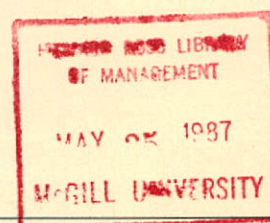
Limited

Annual Report

1986

(in millions of dollars, except per share data)

	1986	1985	1984
Sales and earnings			
Sales	\$10,026.1	\$8,879.8	\$8,254.7
Operating income			
First quarter	44.8	42.8	39.7
Second quarter	66.0	58.6	54.6
Third quarter	94.9	79.0	75.8
Fourth quarter	104.9	87.8	70.4
Total	310.6	268.2	240.5
Interest expense	74.7	71.5	66.8
Earnings before extraordinary items	118.6	100.9	88.8
Earnings per share			
First quarter	.25	.23	.20
Second quarter	.46	.38	.35
Third quarter	.74	.61	.55
Fourth quarter	.86	.74	.59
Total	2.31	1.96	1.69
Year end dividend rate	0.56	0.47	0.43
Cash flow			
Cash flow from operations	300.2	261.6	251.4
Capital expenditures	389.7	247.0	206.4
Net long term debt issued	91.5	33.9	36.1
Increase (decrease) in cash position	90.4	(56.5)	(3.8)
Financial position			
Long term debt	571.5	463.3	425.3
Shareholders' equity	1,024.6	830.0	754.5
Total assets	3,173.5	2,616.4	2,279.0
Ratios and returns			
Return on capital employed	15.3%	15.6%	15.2%
Return on common equity	15.0%	14.3%	14.0%
Current ratio	1.42 to 1	1.32 to 1	1.45 to 1
Debt to equity ratio	.74 to 1	.80 to 1	.76 to 1



George Weston Limited, a broadly based Canadian company conducts food processing, food distribution and resource operations in North America. With diverse business operations throughout Canada and the United States, Weston has a significant investment in the North American economy. Weston, originally started in Toronto in 1882, now generates approximately 65% of sales in Canada and 35% in the United States and is committed to providing the best quality, service and values to our customers. Many of our strong branded products along with some of the people who manufacture and distribute them are featured in this report.

Highlights for 1986 are: ♦ significant sales growth of 13% ♦ expansion of the business by capital investment of over \$470 million ♦ strong earnings growth as earnings per share increase 18% ♦ dividend rate increase of 19% ♦ major improvements in productivity and capacity utilization in the Resource Group ♦ new strategic focus in our food processing businesses ♦ strong customer reception to our combination stores ♦ shareholders' equity in our businesses exceeds \$1 billion.

Contents

Chairman's Message	5
Review of Operations	
Food Processing	8
Food Distribution	15
Resource	20
Financial Discussion	27
Financial Statements	33
Principal Operations	46
Corporate and Operating Directory	47





GRAHAM FLOUR
FARINE GRAHAM
40 kg

MCCARTHY
MILLING LIMITED

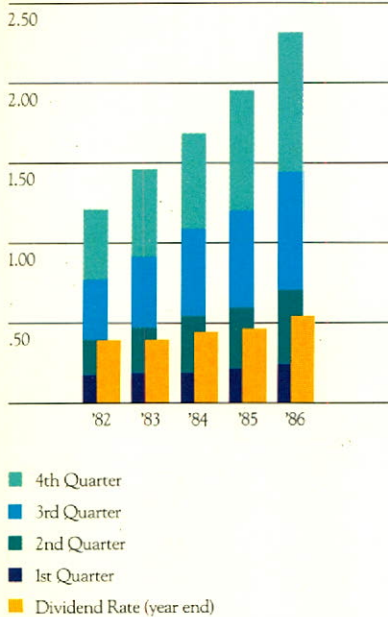
MISSISSAUGA, ONTARIO. L5M 2M5

INGREDIENTS: Flour. The proportions
of the following ingredients may change:
malted barley flour, potassium bromate,
ascorbic acid.

INGRÉDIENTS: Farine. La proportion des
ingrédients suivants peut changer : —
malté d'orge mûle, bromate de potas-
sium, acide ascorbique.

Chairman's Message

Earnings per Share
and Dividend Rate
(dollars)



The year 1986 was a very successful one for George Weston Limited. Sales exceeded \$10 billion for the first time and earnings per share were up 18%. The Company undertook the most aggressive capital expenditure program in its history. In keeping with these record earnings, dividends were raised at the end of the year to an annual rate of \$0.56 per share, a 19% increase over the previous year's level.

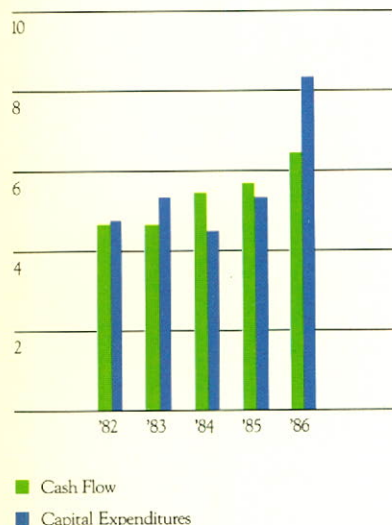
Operating Highlights

All groups showed improvements in operating income. Weston Foods, which represents our Food Processing Group, increased 6% with outstanding results in both the United States and Canadian biscuit divisions. Loblaw Companies' operating income was also up 6% with Western Canada and our wholesale companies contributing the most significant gains. The most dramatic improvements, for the second year running, were achieved in our Resource Group consisting of E.B. Eddy, our pulp and paper subsidiary, and B.C. Packers and Connors Bros., our fish companies operating on the Pacific and Atlantic coasts respectively. Pulp prices were strong and production efficiency made possible by well conceived capital expenditure programs in prior years helped paper. In addition fish markets were good throughout North America and our branded products penetrated more shelf space than ever before.

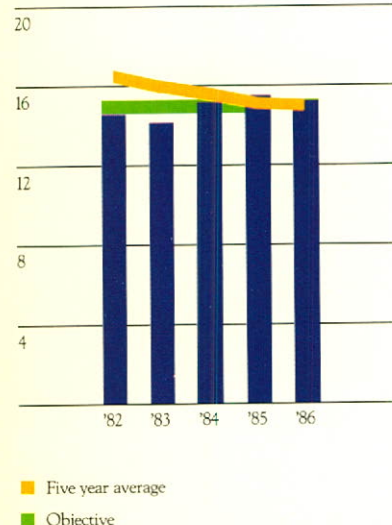
Capital Expenditures

Capital expenditures of \$390 million in 1986 exceeded anything attempted in any year in our history. All Groups identified their own priorities in this regard and all shared in the allocation of these resources. The Loblaw Group, however, accounted for by far the largest part of these expenditures. A very substantial refurbishment of conventional supermarkets and the development of the new

**Cash Flow and
Capital Expenditures per Share**
(dollars)



**Return on
Capital Employed**
(percent)



combination store program were augmented by acquisitions to our existing business units as once important competitors decided to withdraw and were acquired in whole or in part. These acquisitions, representing a total of \$82 million of new investment, were of great strategic significance to our Company, complementing in every case, a market already identified as a growth area and a territory in which Loblaw was already committed. It is interesting to note that 1986 was the first year in the last ten that Loblaw Companies increased its total selling square footage. I believe this to be a significant strategic turning point for our Food Distribution Group.

Financial Highlights

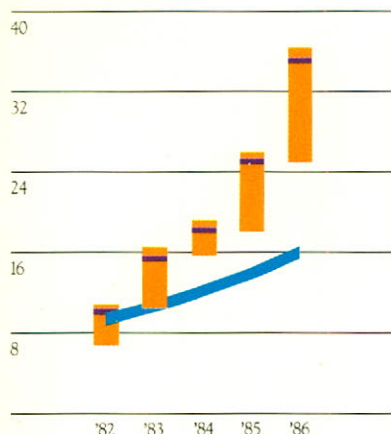
In order to seize a number of business opportunities available to this highly diversified group of companies, in a fast changing environment while at the same time rigidly adhering to a solid set of financial targets and goals, a number of public financings were completed in 1986. Weston issued \$100 million in 7¾% preferred shares while Loblaw issued \$75 million in 7.3% preferred shares. In addition, Loblaw issued debentures totalling \$200 million at an average interest rate of 10%. As in past years, however, it is our intention to look primarily to internally generated cash and increased retained earnings to finance the growth levels to which we have become accustomed.

Market Thrust

While the strategic direction of this group of companies is now very clearly in the hands of an able and seasoned group of divisional presidents, no Chairman's review is complete without reference to some overall goals and objectives. We believe that our role is to provide clearly superior goods and services at reasonable prices to a very large number of customers. To do this successfully, products and store formats must stand clearly differentiated and focused on today's customer needs and preferences and we must be ever alert in preparing ourselves for their future requirements. In 1986, Weston companies spent more than ever on Research and

Market Value per Share

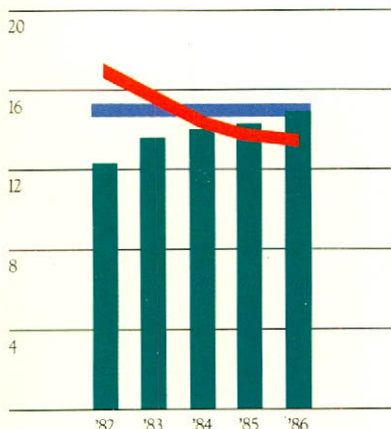
(dollars)



High/Low
Close
Book Value

Return on Common Equity

(percent)



Five year average
Objective

Development in support of new products and more marketing dollars in support of existing brands. At the same time, we are re-emphasizing our commitments to licensing agreements and joint ventures with leading edge manufacturers and marketers around the world. Acquisitions included the Cadbury Confectionery business in Canada, the Kroger stores in St. Louis, as well as the Capitol stores in Halifax, the Mr. Grocer business in Ontario and wholesaling operations by Peter J. Schmitt. All these will complement the marketing objectives set out above and will have a strong and immediate affect on the respective operating results of these divisions.

Outlook

Many of the achievements of 1986 of which I am most proud, whether they be acquisition, product development or sales or productivity related were largely uncommitted at this time last year. It would similarly be impossible at this time to list for you the realizable opportunities of 1987. We intend to continue to drive forward and to take necessary risks when the opportunities present themselves. We are as confident of our future potential now as we have been at any time in our history. It is with gratitude and appreciation that I thank our customers, executives, employees, shareholders and all those with whom we do business, for their continued support.

W. Galen Weston

W. Galen Weston
Chairman and President

Review of Operations

OPERATING income of the food processing businesses of Weston increased by 6% in 1986 to \$52 million. Sales increased by 9% to \$1.4 billion, reflecting volume gains of 5%.

Operating income increased in the Biscuit division, Stroehmann Bakeries and the dairy/frozen operations at Neilson while it decreased in the Canadian bakery operations and in Neilson's confectionery operations.

Return on capital employed for the Group in 1986 was 16.5% compared to 16.6% in 1985, while capital employed rose by 5%.

During 1986, "Weston Foods" was established to consolidate and refocus the Company's food processing operations.

Weston Foods has three main businesses: baking and milling; biscuit; and chocolate, dairy and specialties.

(\$ millions)	Net Sales			Total Assets		
	1986	1985	1984	1986	1985	1984
Baking & Milling	\$ 686	\$ 602	\$ 527	\$186	\$186	\$142
Biscuit	293	265	248	90	86	81
Chocolate, Dairy & Specialties	454	449	445	151	144	147
	1,433	1,316	1,220	427	416	370

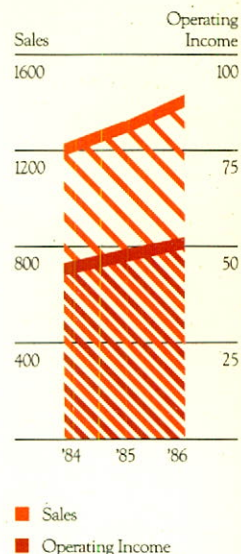
Sales growth of 9% was achieved principally by the expansion of the Baking and Milling division which acquired businesses in both Canada and the U.S. during the later half of 1985. Operating income improved modestly despite the integration costs of these acquired businesses and lower confectionery shipments which adversely affected Neilson.

Capital expenditures were \$39 million compared to \$34 million in 1985. Spending in 1986 by division was: Baking and Milling \$22 million; Biscuit \$4 million; and Chocolate, Dairy and Specialties \$13 million.

Strategic Review and Objectives

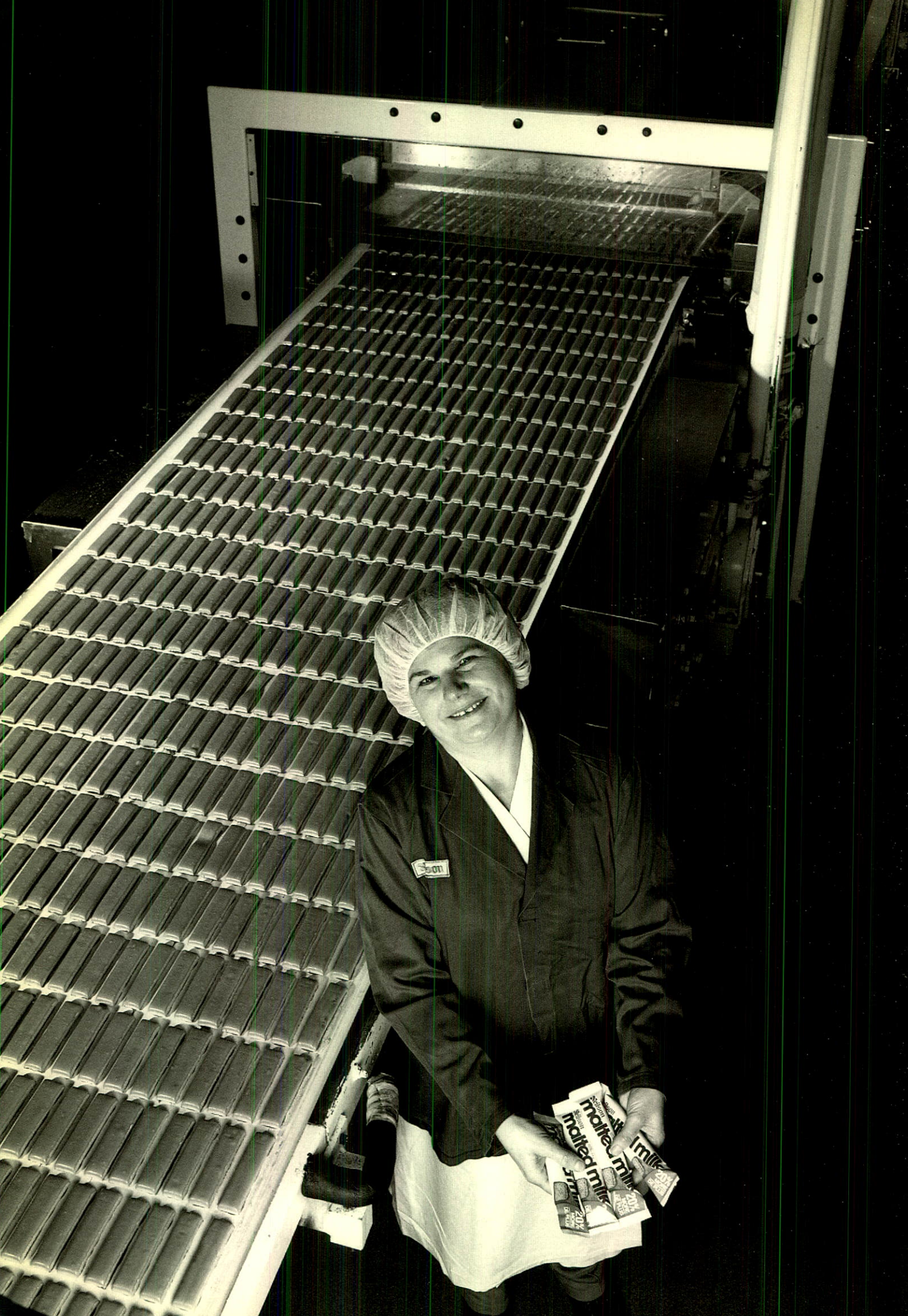
Weston Foods' management team initiated a rigorous strategic planning process in 1986 to ensure that its goals are achieved. A complete assessment of the Group's many different business segments was

Sales and Operating Income
(\$ millions)



Randy Dewey has a Bachelor of Science degree and is Senior Control Room Operator at the Halton Hills dairy. Randy started with the company in 1979.





Rassaela Hrecico, a wrapping machine operator at the Neilson plant on Gladstone Avenue, started with the company more than 20 years ago.



undertaken and specific strategies for each business established. In segments with high growth potential, investment will be increased and attention focused on capturing market share. In segments with lower potential growth, increased emphasis will be placed on cost reduction.

Baking and Milling

In the Baking and Milling division, sales increased by 14%. Operating income, however, was 11% below the 1985 results with gains in the U.S. operations (Stroehmann Bakeries) and the flour mills more than offset by lower results in Canadian bakeries. At Weston Bakeries, continued problems with the integration and rationalization of the General Bakeries assets combined with market softness and competitive pricing severely affected operating results in 1986. A revitalized and restructured management team at Weston Bakeries has completed a strategic review of its business. The action programs implemented in 1986 have already started to show signs that the company will return to significantly higher levels of profitability.

In the United States, Stroehmann Bakeries' operations showed continuing improvements in sales dollars, volumes and operating income. The improvement in 1986 reflects benefits of the 1985 Millbrook acquisition as well as improved production efficiencies, enhanced price realization and market penetration of high quality Stroehmann branded products such as low calorie breads and several new snack cakes. Stroehmann will continue to rationalize its product mix and operations by focusing on those areas of its markets where it is either a dominant player or where attractive growth segments exist.

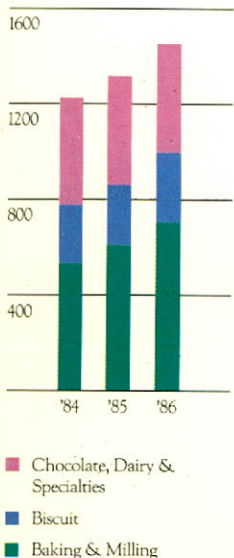
Biscuit

The Biscuit division sales revenues increased 11% and volume grew almost 8%. Operating income increased significantly over 1985. Both the Canadian and U.S. segments of the Biscuit division contributed to the improved earnings through solid volume growth, new product introductions and substantial progress on production efficiencies.

In Canada, InterBake's results reflected the success of "Stoned Wheat Thins", "Puffs", "Country Harvest" and the recently introduced "Champagne" cracker lines.

In the United States, Interbake's results improved showing volume gains in all segments. Interbake's strong position in the Girl Scout cookie market made a contribution to this improvement, as did the

Sales by Division
(\$ millions)



co-packing business where new customers and new products for established customers helped generate solid gains. The "FFV" line of crackers and cookies, as well as the ice cream wafer business also contributed to volume growth.

Although competitive activity in all areas of the North American biscuit and cracker industry will continue to be intense, this division will perform well in 1987.

Chocolate, Dairy and Specialties

The Chocolate, Dairy and Specialties division generated sales gains of 1%, while operating income declined by 5%. The dairy/frozen and specialties operations generated solid results, however, the confectionery area suffered as industry volumes eroded due to competition within the Canadian snack food industry.

Neilson's dairy operations turned in a record year. New dairy product introductions during the year included a line of flavoured drinks in four litre bags, a line of economy yogurt and a retail package of the very popular "Neilson" creamer cups.

Ice cream operations had mixed results in 1986. Very competitive conditions in the economy segment of the business caused a deterioration in overall results. However, introductions of new premium novelty items including the "Dole fruit 'n' cream" bars and the stickless ice cream bars sold under popular "Neilson" chocolate bar branding, were highly successful.

In Neilson's confectionery operations, the benefits of product improvements in 1985 and a more focused marketing thrust are now being realized in consistent share gains for "Crispy Crunch", "Mr. Big" and "Sweet Marie" bars.

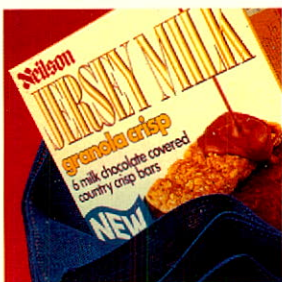
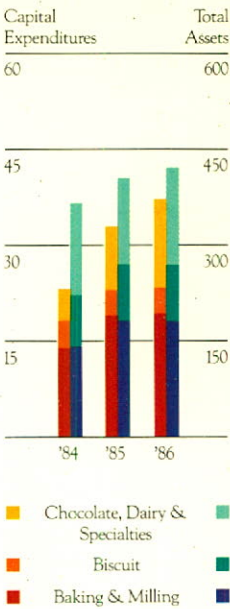
In the food specialties operations, markets and margins remained tight reflecting continued low commodity prices. Further market penetration was achieved as new customers were added.

Neilson acquired in February 1987 substantially all of the Canadian confectionery assets of Cadbury Schweppes Canada as well as the trademark rights for "Cadbury" confectionery products in Canada. The high quality image and strength of the "Cadbury" name plus operational synergies will make Neilson a more effective participant in the highly competitive Canadian snack food industry.

Recovery of confectionery volumes in the short term and integration of the Cadbury acquisition in the longer term will make this division a strong performer in the future.

Capital Expenditures and Total Assets by Division

(\$ millions)



Mirko Divjanovic started with Weston Bakeries 20 years ago and is currently an oven supervisor overseeing the baking process at our Dupont Street Bakery.







Outlook

Weston Foods' commitment to achieving market leadership through high quality products, giving good value to consumers and by providing superior customer service will generate higher returns than the results of the last few years would indicate. Selective expansion and investment with a focus on those areas and markets where Weston Foods has strong and unique positioning, along with the commitment to producing our products at the lowest possible cost, will generate improving results and contribute to Weston Foods' success in achieving its financial goals.

THE FOOD DISTRIBUTION GROUP, conducted by Loblaw Companies Limited, achieved substantial growth and improved market positioning in 1986. Sales increased \$908 million to \$7.8 billion and operating income increased \$9 million to \$161 million, both new records. These improvements were made as the Group embarked on the largest capital expenditure program in its history and as customers responded strongly to the new store program.

Loblaw Companies operates in three main regions and in two complementary food distribution businesses.

(\$ millions)	Net Sales			Operating Income		
	1986	1985	1984	1986	1985	1984
Eastern Canadian	\$3,067	\$2,780	\$2,692	\$ 72	\$ 71	\$ 67
Western Canadian	2,031	1,888	1,702	57	47	37
United States	2,741	2,263	2,025	32	34	33
	7,839	6,931	6,419	161	152	137
Retail	4,430	3,940	3,659			
Wholesale	3,409	2,991	2,760			
	7,839	6,931	6,419			

The 1986 performance is the result of steadily improving productivity throughout its merchandising, warehousing and purchasing operations. Loblaw Companies' business strategy focuses on improving productivity rather than increasing market share. Increased sales per square foot of \$457 were obtained in 1986 compared to \$432 in 1985 and \$400 in 1984. In these same years the average store size has increased to 28,400 square feet in 1986 from 25,300 in 1985 and 24,100 in 1984.

Loblaw's objectives over any five year period are

Cherrie Chiang, a full-time student at Ryerson, works part-time as a cashier at the SuperCentre in Markham.

to earn an average return on common shareholders' equity of 15% per year, increase earnings for common shareholders at an average rate of 15% and to have less total debt than total equity in the business. Loblaw debt to equity ratio of .87 to 1 is well within the financial target. Return on capital employed declined to 13.8% in 1986, caused primarily by the heavy capital investment, but a five year average of 16.9% was obtained.

Operating Review

Sales increased 13% to \$7.8 billion in 1986 from \$6.9 billion in 1985. Increased unit sales accounted for approximately two thirds of this increase while less than one third was attributable to inflation which is now 5% in Canada and 3% in the United States. Important for 1987 sales growth will be continuing store construction, acquisition of selected Kroger stores in St. Louis in late 1986 and the February 1987 acquisition of the Mr. Grocer business in Ontario.

Operating income increased 6% in 1986. The moderate growth in operating income compared to the sales increases reflects the anticipated initial impact of new store opening costs in addition to a \$14 million increase in depreciation expense. Operating income was depressed in the United States' operations as a result of intense price competition in St. Louis and unsatisfactory levels of operating costs in New Orleans.

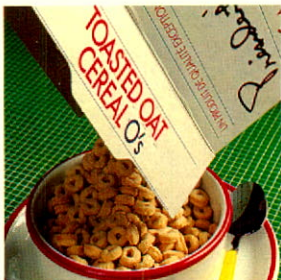
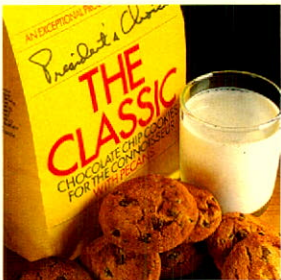
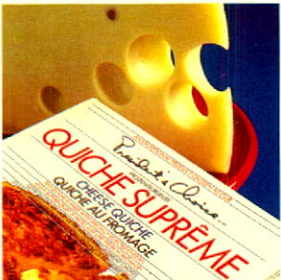
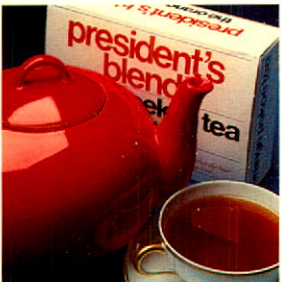
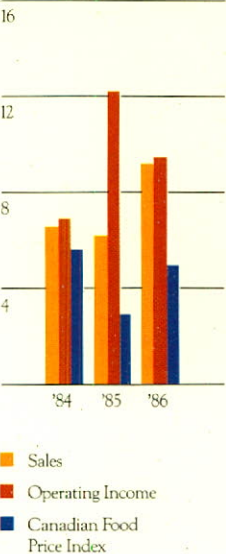
Eastern Canadian

Eastern Canadian operations expanded in 1986 with the opening of 4 combination stores contributing to the 10% increase in sales. At year end 7 combination units of over 80,000 square feet each are under construction and planned to open in 1987 in Brampton, Kitchener, Windsor, Halifax and Toronto. During 1986 six Capitol Stores in Halifax were acquired and added to existing operations in this market. This acquisition complements the planned opening of two combination stores in Halifax in 1987. The acquisition of the Mr. Grocer business in Ontario will be fitted into the National Grocers wholesale business which will improve throughput in existing warehouses and unit operating costs.

Western Canadian

The Western Canadian operations provided strong growth in 1986 reflecting the beginnings of the maturing of "The Real Canadian Superstore" concept. Customers have demonstrated strong loyalty

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



Ron Dickie, a Loblaw's store manager in one of our new stores in Toronto, started as a part-time employee with the company 20 years ago.

AN EXCEPTIONAL PRODUCT CHOSEN AS OUR

President's Choice.

**EXTRA
RAISIN**

RAISIN BRAN CEREAL

MORE RAISINS THAN THE LEADING NATIONAL BRAND

IMPORTANT, BECAUSE OF THE HIGH RAISIN

CONTENT OF THIS PRODUCT, WE RECOMMEND

THAT YOU SHAKE THE BOX BEFORE USING TO

GUARANTEE MAXIMUM RAISIN

AN EXCEPTIONAL PRODUCT CHOSEN AS OUR

President's Choice.

**EXTRA
RAISIN**

RAISIN BRAN CEREAL

MORE RAISINS THAN THE LEADING NATIONAL BRAND

IMPORTANT, BECAUSE OF THE HIGH RAISIN

CONTENT OF THIS PRODUCT, WE RECOMMEND

THAT YOU SHAKE THE BOX BEFORE USING TO

GUARANTEE MAXIMUM RAISIN



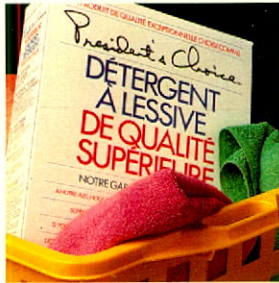
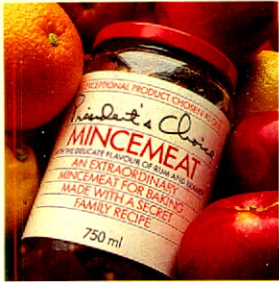
THE CLASSIC
CHOCOLATE CHIP COOKIES
FOR THE CONNOISSEUR
WITH PECANS

AN EXCEPTIONAL PRODUCT CHOSEN AS OUR
President's Choice
THE CLASSIC
CHOCOLATE CHIP COOKIES
FOR THE CONNOISSEUR
WITH PECANS

400 g



Mary Anne Gryciuk has been with Loblaw's for 13 years and is currently a seafood manager in one of our new Super-Centre stores.



to these stores and operating results have proven these stores' ability to weather any competitive activity. Total Western Canadian sales improved 8% while competitive strengths were improved in all markets.

The strength of the Western Canadian operations is its wholesale and franchised independent operations. "The Real Canadian Superstore" concept has strengthened representation in major urban centres and by improving the throughput of warehouses has improved the service, variety and security available to franchised and independent accounts.

United States

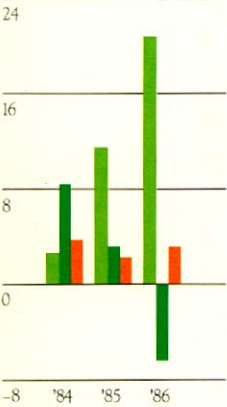
United States' operating results were mixed. 1986 saw a strong sales increase in the Peter J. Schmitt wholesale group, up 29% to \$1.4 billion. This sales growth resulted from internal expansion and the recent acquisition of Hickman, Coward and Wattles, Inc. and Kotok & Heims Corporation whose specialized wholesale operations expanded and improved the Peter J. Schmitt category offerings. Sales in the National Tea retail stores centered in St. Louis and New Orleans were up 13% representing the additional sales from the Kroger acquisitions and the opening of new Superstores in the New Orleans division.

Capital Expenditures

Loblaw Companies is in the middle of the largest capital expenditure program in its history. From 1985 through 1989 it is expected that over \$1.4 billion will be committed to capital expenditures and acquisitions. The \$379 million spent in 1986 was committed 35% to combination stores, 24% conventional supermarkets, 22% acquisitions and 19% wholesale, data processing and administration facilities. In this expansion program, real estate is owned where possible.

Loblaw Companies' strategy in new store development reflects its belief that customers should be offered uniqueness and value both through product offerings and store formats. Product value to the customer and improved turnover to Loblaw is obtained by offering superior products under the "no name" or "President's Choice" brand. Customer segments are targeted through the different offerings of combination stores, conventional stores, franchise stores and wholesale supplied local independents. 1986 has seen significant capital and personnel investments in both the product development and

U.S. Sales and Operating Income
(percent change over previous year)



■ Sales
■ Operating Income
■ U.S. Food Price Index

store format parts of this strategy. 1987 will see at least an equal investment.

Outlook

Loblaw Companies is now a significant player in every market in which it participates. The major investment program of Loblaw Companies is expected to improve its offering to consumers on a store by store, category by category basis. This market position, along with its geographic diversification and representation in retail and wholesale food and real estate, provides a strength and stability of earnings that has been targeted for some years.

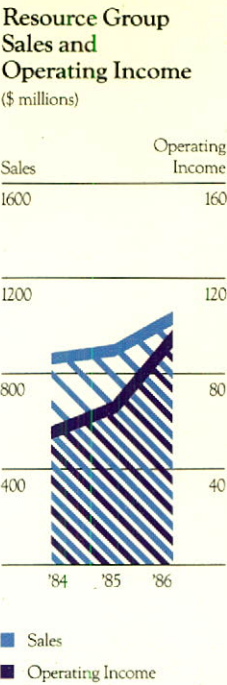
THE RESOURCE GROUP in 1986 achieved record earnings in both the Fisheries and Forest Products segments. For the first time ever, Resource Group sales exceeded the \$1 billion level at \$1.055 billion, a 14% increase over 1985. Operating income increased to \$98 million, a 44% increase over 1985. Major factors contributing to these positive results included increased shipments, improved pricing, lower energy costs and greater plant capacity utilization. In 1986, the Resource Group achieved a return on capital employed of 17.8% up from 13.0% in 1985.

	Net Sales			Total Assets		
(\$ millions)	1986	1985	1984	1986	1985	1984
Fisheries	\$ 471	\$397	\$362	\$281	\$224	\$199
Forest Products	584	526	533	467	436	444
	1,055	923	895	748	660	643

Operating Review

While the Resource Group, by its nature, will never be totally free of cyclical trends such as resource availability in Fisheries or economic downturns which affect Forestry operations, the Group has adopted a strategy which will help mitigate future downturns. This includes an aggressive review of asset deployment to where operations perform best and the upgrading of production equipment to provide the opportunity to reach more stable niche markets and customers less prone to general economic declines. The Resource Group's goal is to achieve Weston's financial targets on a consistent basis.

In 1986, the Resource Group spent \$54 million on capital assets of which 78% was in the Forest



Fausta Martini, a high school student, works part-time as a sales clerk at "Ziggy's" in the Yonge and Yonge Boulevard store in Toronto.

snpack

all del meats are
physiced & vacuum
packaged on the
premises
eggs

Sausage

made here
the prem

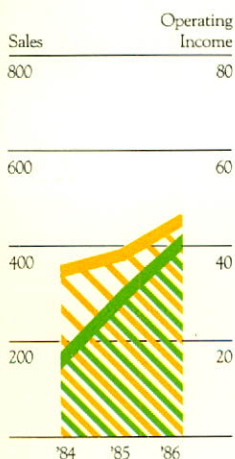




Lorraine Hussey has worked for Connors Bros. for 2 years in the packaging area in our Black's Harbour, New Brunswick facility.



Fish Processing Sales and Operating Income (\$ millions)



■ Sales
■ Operating Income

Products division primarily for machine upgrades.

The Group will continue to upgrade assets and maximize its competitive position. Paper machine speed ups and conversion to lighter weight papers will occur in the Forest Products division. Fisheries will invest capital selectively and consistent with market expectations. Early in 1986 for example, facilities in Egegik, Alaska were acquired which provided additional fishing sources and exposure to an additional river system.

Fisheries

Fish processing operations consisting of Connors Bros. and British Columbia Packers both benefited from ongoing internal productivity reviews and a renewed interest in fish consumption by a health minded public, especially in the United States. While fish prices paid to fishermen increased, efforts to increase the recognition of our major brands such as "Connors Brunswick" and "Clover Leaf" in the marketplace and expansion of export sales provided adequate returns. The world currency realignment in terms of North American currencies has been a major positive factor in export sales.

For the second consecutive year, canned fish production exceeded one million cases. The herring resource appears to be strong which is important given the increase in Connors' market share in the U.S.

On the west coast, British Columbia Packers which operates two canneries in British Columbia and two canneries in Alaska, experienced a good year due to better than anticipated runs of pink salmon. Salmon production also exceeded one million cases.

Sales of \$305 million including export sales of \$162 million reflect the effect of a renewed advertising and marketing effort to promote and sell products around the world. British Columbia Packers is the largest seafood processor in British Columbia accounting for approximately 40% of Canadian salmon landings and 30% of herring roe production.

1987 marks the beginning of the second century for the "Clover Leaf" product line. We are confident that it is the dedication to quality which has kept our products at the top of the list for generations of Canadian consumers.

Forest Products

In 1986 the E. B. Eddy Forest Products operations, assisted by a better economy and improved pulp, paper and lumber prices, started to realize the benefits anticipated at the time of our major capital

expenditure program in the early 1980's. Market prices for bleached kraft softwood pulp, which began the year at U.S. \$400 per metric tonne climbed up to U.S. \$520 by year end and averaged U.S. \$460, a U.S. \$35 improvement over 1985's average price. A further increase of U.S. \$30 per metric tonne occurred in the first quarter of 1987.

A large part of the price increase is related to demand and inventory levels which were low at less than 900,000 tons at year end. In addition, despite the fact that Norscan operating rates were almost 97% at year end, the cost of establishing a greenfield pulp mill has largely ruled out large scale additions to capacity in the near future. The decline of the U.S. dollar against offshore currencies took away a large part of the cost advantage experienced earlier in the year by Scandinavian pulp producers.

Forest Products' operating income increased 56% to \$56 million on a sales base of \$584 million due to increased prices, volumes and improved product mix.

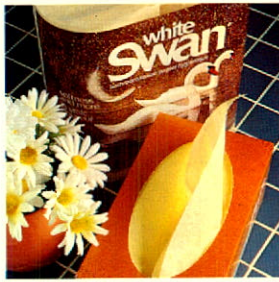
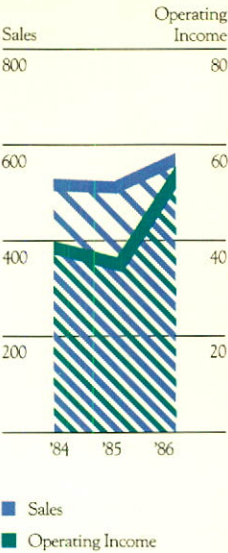
In the U.S., our Eastern Fine Paper operation, which produces approximately 65,000 tons of fine and specialty papers, had another successful year due to higher operating rates and improved costs. This operation will be adversely affected by ongoing pulp price increments but, strategically is an important window into the U.S. market.

Product lines range from commodity lumber, market pulp, fine paper and tissues to high quality freesheet, lightweight and specialty papers and our well known "White Swan" brand tissue products. Our vertically integrated operations provide a measure of stability in earnings, especially when pulp prices increase. On balance, approximately 10% of our pulp production is sold in the market.

Outlook

1986 was very satisfying in terms of achieving our goals and provides a solid base from which to meet the challenges of 1987. We expect moderately lower salmon returns on the west coast which could put pressure on unit costs. On the east coast, Connors Bros. should continue its solid performance. Most of the expected improved results in 1987 will be contributed by the Forest Products division which will benefit from improved prices and the continued asset upgrading program.

Forest Products
Sales and
Operating Income
(\$ millions)



Maurice Gervais started with E.B. Eddy in 1970 and now works in the serviette department where these large rolls of paper are converted into serviettes.





President's Choice
QUICHE AU FROMAGE

AN EXCEPTIONAL PRODUCT CHOSEN AS OUR

President's Choice
FROZEN/SURGELEE

QUICHE SUPRÊME

CHEESE QUICHE
QUICHE AU FROMAGE

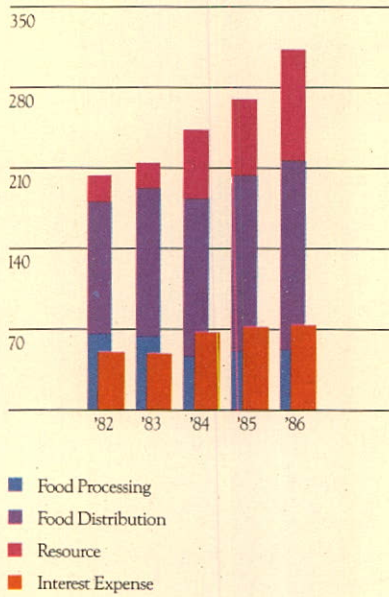
THIS QUICHE IS MADE WITH
AND A SUPERB CRUST. IT TASTES
CETTE QUICHE EST FAITE DE
ET D'UNE CRÔTE SUPERBE. ELLE A UN

CLOVER
LEAF

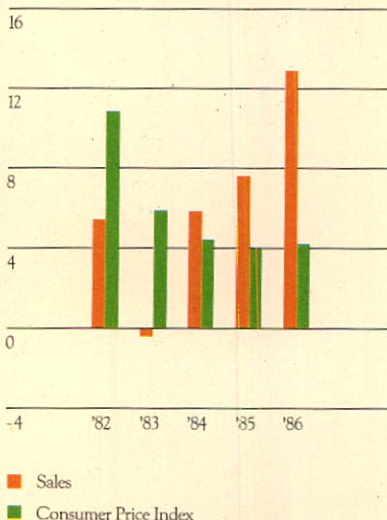
PACIFIC
PINK SALMON

President's Choice
EXTRA VIRGIN OLIVE OIL
PRODUCT OF ITALY

Operating Income and Interest Expense
(\$ millions)



Sales vs. Consumer Price Index
(percent change over previous year)



Weston strengthened its financial position in 1986 with \$119 million net earnings and a record \$390 million capital investment program. On \$10 billion of sales, operating income increased 16% to \$311 million. Shareholders' equity for the first time exceeded \$1 billion. Earnings per share increased 18% to \$2.31 from \$1.96 and \$1.69 in 1985 and 1984 respectively. Dividends were increased at year end to an annual rate of \$0.56 per share.

Sales growth of 13% followed two years of 8% and 6% increases despite low food price inflation. Increased volume in our core businesses contributed more than half of the sales growth while recent acquisitions provided one quarter. All groups contributed to this growth with the largest increases coming from the Combined Merchandisers (SuperCentres), Peter J. Schmitt and Bakery divisions.

The operating income increase of \$43 million was driven by strong margin improvements in the Resource Group and volume growth in the food groups. The ratio of operating income to sales improved to 3.1% in 1986 from 3.0% and 2.9% in 1985 and 1984.

Productivity improvements were a major contributor to the Resource Group's strong performance. Capacity utilization improved in both forest and fish divisions with careful control of variable costs so that increased production through existing plants strengthened contribution margins.

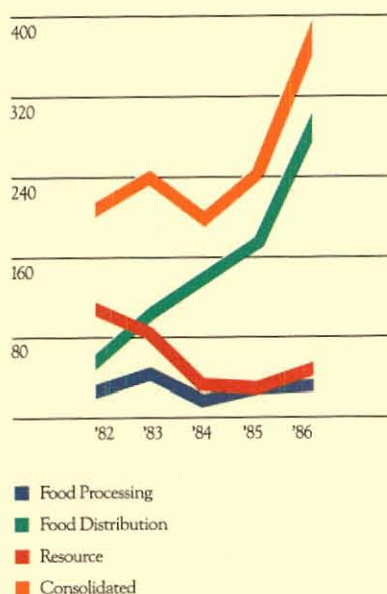
Food Processing's \$52 million operating income improved modestly as better biscuit, dairy and U.S. bakery results were largely offset by poor Canadian bakery earnings. Food Distribution invested heavily in new stores and, despite the costs of this expansion and competitive conditions, increased operating income \$9 million to \$161 million while adding \$908 million to their sales base.

Weston's 1986 growth is also reflected in the increased depreciation and interest charged against the operations. Depreciation increased \$18 million and interest costs were up \$3 million as a result of new asset investment. These costs were partially offset by \$20 million of gains as retail facilities made redundant were sold. The 1986 income tax provision increased \$17 million and the effective tax rate was 39%. During the five fiscal years preceding 1986 the corporation's effective tax rate fluctuated from a low of 38% to a high of 45% with an average of 41%. The recent elimination of the inventory tax credit increased the tax rate 3.4% but 1986 also benefited from favourable U.S. tax settlements. While 35% of Weston's sales are in the

**Return on Capital
Employed by Group**
(percent)



**Capital Expenditures
by Group**
(\$ millions)



U.S., the impact of the U.S. Tax Reform on the effective tax rate is not expected to be significant enough in 1987 or thereafter to offset the loss of the inventory allowance deduction. Consequently, Weston's effective tax rate will increase slightly in 1987.

Achievements Against Objectives

In 1986 the financial objectives aimed at ensuring real long term return to shareholders were achieved within sound financial guidelines. Year end debt to equity ratio of .74 to 1 was well below the guideline of less than 1 to 1.

The Company continues to focus on improving the return on common shareholders' equity. A return on equity of 15.0% was achieved in 1986 bringing the five year average to 13.8%, below the long term target of 15%. In meeting the 1986 target the increase in the Resource Group's return on capital employed was critical and more than offset the lower return of the Food Distribution Group resulting from its store expansion.

While return on equity is the best measure of consolidated performance, return on capital employed is a better measure for assessing group performance. The individual groups had returns on capital employed of: Food Processing 16.5% similar to 16.6% in 1985, Food Distribution 13.8% down from 16.8% in 1985 and Resource 17.8% up from 13.0% in 1985. Weston achieved a consolidated 15.3% return on capital employed down modestly from 15.6% in 1985 and has averaged 15.0% the last five years.

Growth in earnings per share of 18% for the year 1986 brought the five year compound growth rate to 10%. Weston believes that over the longer term a 15% growth target can be met or exceeded but this will be difficult in periods of asset expansion.

Balance Sheet Analysis

The balance sheet continues to demonstrate a strong asset commitment to the business. Sales growth required additional investment in inventory and receivables. Inventory turnover improved marginally in the Food Processing and Food Distribution established operations. The major increase in inventories related to new store expansion, acquisitions and B.C. Packers' record fish catch. Accounts receivable increased as sales growth was strong in our wholesaling operations. Trade payables rose as inventories increased.

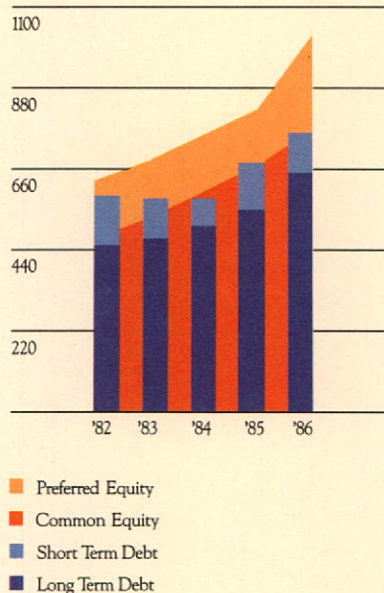
Weston's cash position increased in part as the result of financing done in anticipation of the Mr. Grocer acquisition which did not close until after year end. Cash flow was strong, operations contributed \$300 million cash flow of which \$144 million was from earnings and \$153 million non cash depreciation expense. This cash flow together with \$253 million net financings and \$62 million proceeds from sale of fixed assets financed the \$390 million purchase of stores and equipment and \$82 million of acquisitions.

The investment in land, buildings and equipment increased \$354 million in 1986. During the past five years \$1.3 billion capital expenditures have renewed the fixed asset base. This investment has not only strengthened the operating earning power but also provides Weston with investments in land and buildings exceeding \$760 million. This real estate position has been built while maintaining a satisfactory current return on equity despite the lower immediate return on capital employed resulting from the real estate portfolio. Capital leases have not been increasing at the rate of the Company's growth because of the current policy to own rather than lease land and buildings.

The replacement cost of fixed assets on current cost indexes exceeds book value by more than \$300 million. With the lessening of inflation, changes to accounting recommendations and the consistent pattern of Weston current cost data the Company concluded that the supplementary information reporting on the effects of changing prices was no longer of significant value and so deleted it from the annual report. 1986 current cost data is available by writing to the Company's Controller.

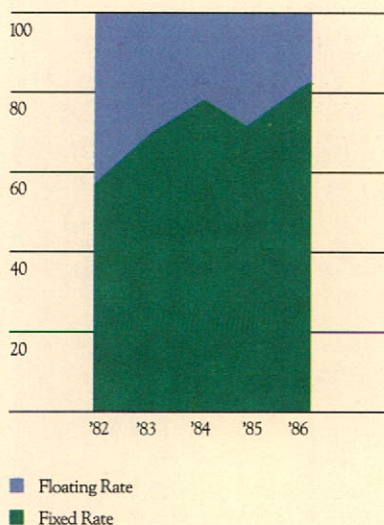
Capital Structure

(\$ millions)



Fixed and Floating Rate Debt Levels

(percent)



Capital investments have been encouraged in Canada by income tax legislation providing for accelerated deduction of capital costs and investment tax credits. While these incentives for capital investment are being reduced, the capital expenditure programs have resulted in \$159 million deferred income taxes on the balance sheet. With less government incentive for capital investments this deferred tax balance will modestly grow and then stabilize during the next few years.

Weston shareholders continue to invest in growth with 1986 retained earnings increasing by \$83 million. Shareholders' equity now exceeds \$1 billion. Preferred shareholders' equity of \$265 million improves the total return to common shareholders because of the determined limit on preferred shareholders participation. Minority shareholders' equity increased \$91 million in 1986 including \$75 million from issue of Loblaw 7.3% preferred shares.

Capital Expenditures

Capital expenditures during the year were \$390 million with the major portion being for combination stores and conventional store construction in the Food Distribution Group. Food Processing invested \$39 million for cost reduction and production improvements. Resource invested \$54 million with the largest portion for quality improvement and machine speed up in the Eddy fine paper and consumer products operations. Acquisitions were again focused on extending existing businesses; \$82 million was committed to acquisitions, \$58 million for fixed assets and \$24 million for other operating assets.

Subsequent to year end the acquisitions of the Mr. Grocer business and the Canadian chocolate bar business of Cadbury were completed. The total acquisition cost of \$84 million was for fixed assets of \$40 million, inventory of \$22 million, other working capital of \$15 million and goodwill of \$7 million. These acquisitions were funded by available cash resources and are expected to increase 1987 sales \$250 million and have a negligible effect on 1987 operating income.

Financial Ratios and Liquidity

Weston's financial strategy is premised on the maintenance of adequate financial flexibility to take advantage of capital investment opportunities, retain low cost producer status and aggressively pursue marketing opportunities. The strong cash flow, extensive available short term lines in excess of \$550 million and the continued growth of shareholders' equity, position the Company for periods of heavy capital expenditures. During 1986, \$212 million of debt was issued and \$120 million retired as part of the program to fund capital expenditures and extend the maturity of fixed rate debt.

The Company's balance sheet and financial ratios improved in 1986. The debt to equity ratio is .74 to 1 and interest coverage ratio 4.2 times compared to a .80 to 1 ratio and coverage of 3.8 times in 1985. Considering the \$75 million preferred shares maturing 1987 to be paid out by debt, the debt to equity ratio would be .87 to 1 compared to our long term guideline of less than 1 to 1. The strength of Weston's assets, diversity of business, stability of operations and financial ratios provide it with easy and efficient access to most financial markets as reflected in its 'A' bond ratings.

Long term debt average term to maturity or retraction is now 6 years and the average interest rate is 11%. During the past three years an average of \$54 million long term debt has been placed while retained earnings have increased by an average of \$72 million. Fixed rate debt as a percentage of total debt increased to 83% in 1986 from 72% and 78% in the previous two years. The higher proportion of fixed rate debt and fixing of the series Y and Z preferred shares' dividend rate at an average 6.3% has reduced Weston's exposure to floating rates from over 3% five years ago to 1% of current earnings for each annual percentage point change in interest rates.

Average total debt outstanding during 1986 totalled \$711 million, an increase of 22% over 1985. Weston's average cost on this debt declined to 10.5% from 11.2% in 1985, principally attributable to the average 10% rate achieved on the long term debt issued during the year and lower commercial paper rates.

While 1987 will again be a record year of capital expenditures, the level of new financings will decline as more of the expenditures are financed internally. With this internal financing, the Company will maintain lower than a 1 to 1 debt to equity ratio and better than a 4 times interest coverage ratio.

Dividend Policy

In 1986, Weston's common shares were split on a basis of four for one. The share split did not alter the value of an individual's holdings but has made it most attractive for small holders to own a meaningful number of shares. Dividends were increased to an annual rate, on a post split basis of \$0.56 effective January 1, 1987, an increase of 19% from January 1, 1986.

Weston's common share dividend policy has been a target payout of 25% to 30% of the prior year's earnings giving consideration to cash flows, capital requirements and financial markets. The Company, in its third consecutive record year of capital expenditures, is paying out 24% of prior year's earnings and will maintain a conservative rate above 20% during this period of expansion.

Quarterly Performance

Weston's 1986 quarterly performance continued the 1985 trend compared with 1984. Sales growth which averaged 6% in 1984, 8% in 1985 including 10% in the last quarter of that year continued to accelerate with quarterly sales growth of 11%, 12%, 12% and 17%. While the fourth quarter benefited abnormally from new openings and acquisitions, the strong sales growth will continue as assets are added to the business.

Operating income growth followed sales growth in both 1986 and 1985. This trend is expected to continue as the costs of real volume increases are absorbed. Weston's fourth quarter is historically strong with higher margins in Food Processing and Food Distribution, lower fibre cost in Forest Products and seasonal fish sales. The pace of Food Distribution sales will accelerate in 1987 and operating income growth will follow in late 1987 and into 1988. Food Processing's operating income, down on the quarterly basis in the first half of 1986, is on a trend modestly ahead of prior years. Resource quarterly

earnings continue to improve as Fisheries benefits from their second consecutive record fish catch and fine paper prices strengthen, pushed by increasing pulp prices. Earnings per share increased each quarter over the prior year following the growth trend of operating income.

(\$ millions)	Food Processing		Food Distribution		Resource	
	1986	1985	1986	1985	1986	1985
Sales						
1st Quarter	362	312	1,653	1,508	226	198
2nd Quarter	356	322	1,753	1,581	258	220
3rd Quarter	362	331	2,394	2,139	265	232
4th Quarter	353	351	2,039	1,703	306	273
	1,433	1,316	7,839	6,931	1,055	923
Operating Income						
1st Quarter	5	8	28	28	12	7
2nd Quarter	11	13	39	38	17	8
3rd Quarter	19	16	49	47	27	17
4th Quarter	17	12	45	39	42	35
	52	49	161	152	98	67

Outlook

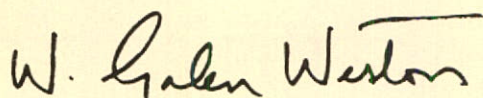
Weston's target for 15% return on equity and 15% growth in earnings per share was achieved in 1986 despite the heavy capital expenditure program. As Weston pursues growth within its stated financial objectives the commitment to maintaining a strong asset base may constrain the growth of earnings in 1987. Once the costs of this expansion are absorbed, the real volume increases, improved ratio of operating income to sales and renewed assets will result in long term growth and superior earnings for Weston shareholders.

Management's Statement of Responsibility

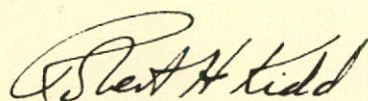
Management is responsible for the preparation of the accompanying consolidated financial statements and the preparation and presentation of all information in the Annual Report. This responsibility includes the selection of appropriate accounting principles in addition to judgments and estimates in accordance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

To assure the integrity and objectivity of the financial statements management has established systems of internal control which provide reliable accounting records and properly safeguard Company assets. The financial statements have been audited by our independent auditors, Thorne Ernst & Whinney, whose report outlines the scope of their examination and their opinion on the financial statements.

The Company's audit committee, which is comprised solely of directors who are not employees of the Company, is appointed by the Board of Directors annually. The committee meets regularly with financial management and with the independent auditors to satisfy itself on the adequacy of internal controls and to review the financial statements and the independent auditors' report. The audit committee reports its findings to the Board of Directors for its consideration in approving the financial statements for issuance to the shareholders.



W. Galen Weston
Chairman and President



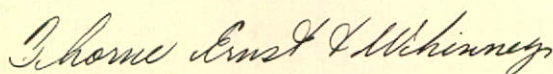
Robert H. Kidd
Senior Vice President and
Chief Financial Officer

Auditors' Report

To the Shareholders of George Weston Limited

We have examined the consolidated balance sheet of George Weston Limited as at December 31, 1986 and the consolidated statements of earnings, retained earnings and cash flow for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1986 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants
Toronto, Canada
March 9, 1987

Consolidated Statement of Earnings

George Weston Limited

Year ended December 31, 1986

(in millions of dollars)	1986	1985	1984
Sales	\$10,026.1	\$8,879.8	\$8,254.7
Operating expenses			
Cost of sales, selling and administrative expenses before the following items	9,562.1	8,476.1	7,883.0
Depreciation of owned fixed assets	143.5	123.6	120.8
Depreciation of property under capital leases	9.9	11.9	10.4
	9,715.5	8,611.6	8,014.2
Operating income	310.6	268.2	240.5
Interest on long term debt	56.4	52.0	47.1
Interest on obligations under capital leases	10.7	11.1	11.4
Other interest expense	7.6	8.4	8.3
	74.7	71.5	66.8
Earnings before income taxes	235.9	196.7	173.7
Income taxes	92.4	75.6	66.4
Earnings before minority interest	143.5	121.1	107.3
Minority interest	24.9	20.2	18.5
Earnings before extraordinary items	118.6	100.9	88.8
Extraordinary items			4.7
Net earnings for the year	\$ 118.6	\$ 100.9	\$ 93.5
Per common share (in dollars)			
Earnings before extraordinary items	\$ 2.31	\$ 1.96	\$ 1.69
Extraordinary items			\$.10
Net earnings for the year	\$ 2.31	\$ 1.96	\$ 1.79

Consolidated Statement of Retained Earnings

Year ended December 31, 1986

(in millions of dollars)	1986	1985	1984
Retained earnings at beginning of year	\$ 614.9	\$ 545.4	\$ 481.6
Net earnings for the year	118.6	100.9	93.5
	733.5	646.3	575.1
Dividends declared			
Preferred shares	11.9	11.2	11.4
Common shares	23.3	20.2	18.3
	35.2	31.4	29.7
Retained earnings at end of year	\$ 698.3	\$ 614.9	\$ 545.4

Consolidated Cash Flow Statement

George Weston Limited

Year ended December 31, 1986

(in millions of dollars)	1986	1985	1984
Operations and Working Capital			
Earnings before minority interest	\$ 143.5	\$ 121.1	\$ 107.3
Depreciation	153.4	135.5	131.2
Income taxes not requiring cash	28.4	16.2	17.2
Gain on sale of fixed assets	(19.8)	(12.1)	(3.8)
Other	(5.3)	.9	(.5)
Cash flow from operations	300.2	261.6	251.4
Provided from (used for) working capital	(10.7)	(28.9)	(69.0)
	289.5	232.7	182.4
Investment			
Purchase of owned fixed assets	(389.7)	(247.0)	(206.4)
Acquisition of subsidiary companies	(81.5)	(33.2)	
Proceeds from sale of fixed assets	61.5	40.8	30.6
Net decrease (increase) in properties held for development	10.5	(9.9)	1.3
Net decrease (increase) in other investments and sundry	(10.3)	(27.2)	1.4
	(409.5)	(276.5)	(173.1)
Financing			
Increase in long term debt	211.7	122.6	84.5
Reduction in long term debt	(120.2)	(88.7)	(48.4)
Proceeds from issue of share capital	100.8	.8	.3
Proceeds from issue of subsidiary's share capital	75.4	.8	.2
Reduction in obligations under capital leases	(13.8)	(9.5)	(6.3)
Purchase of minority interest	(.6)	(1.5)	(8.1)
	253.3	24.5	22.2
Dividends			
To shareholders	(34.2)	(30.9)	(29.2)
To minority shareholders in subsidiary companies	(8.7)	(6.3)	(6.1)
	(42.9)	(37.2)	(35.3)
Increase (decrease) in cash position*	\$ 90.4	\$ (56.5)	\$ (3.8)

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

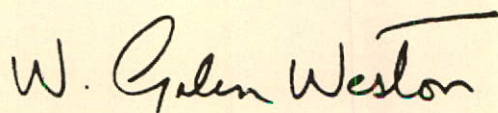
Consolidated Balance Sheet

As at December 31, 1986

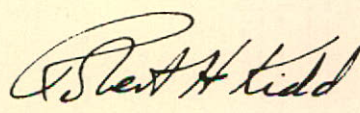
George Weston Limited
(Incorporated under
the laws of Canada)

(in millions of dollars)	1986	1985	1984
Assets			
Current assets			
Cash and short term investments	\$ 89.9	\$ 7.3	\$ 23.5
Accounts receivable	415.4	382.0	311.6
Inventories	925.8	804.7	687.7
Properties held for sale	17.3	7.7	8.2
Prepaid expenses and other	43.3	26.6	23.8
	1,491.7	1,228.3	1,054.8
Investments	116.2	117.2	81.6
Fixed assets	1,530.6	1,253.3	1,134.0
Other assets	35.0	17.6	8.6
	<u>\$3,173.5</u>	<u>\$2,616.4</u>	<u>\$2,279.0</u>
Liabilities			
Current liabilities			
Bank advances and notes payable	\$ 85.1	\$ 92.9	\$ 52.7
Accounts payable and accrued liabilities	877.1	762.6	622.3
Taxes payable	57.9	31.0	25.6
Dividends payable	6.4	5.4	4.9
Long term debt payable within one year	19.0	28.4	14.4
Current portion of obligations under capital leases	7.5	9.4	9.0
	1,053.0	929.7	728.9
Long term debt	571.5	463.3	425.3
Obligations under capital leases	72.2	72.4	74.7
Other liabilities	32.7	31.6	38.2
Deferred income taxes	159.2	119.9	100.4
Minority interest in subsidiaries	260.3	169.5	157.0
	<u>2,148.9</u>	<u>1,786.4</u>	<u>1,524.5</u>
Shareholders' Equity			
Share capital	294.6	194.4	194.9
Retained earnings	698.3	614.9	545.4
Foreign currency translation adjustment	31.7	20.7	14.2
	<u>1,024.6</u>	<u>830.0</u>	<u>754.5</u>
	<u>\$3,173.5</u>	<u>\$2,616.4</u>	<u>\$2,279.0</u>

Approved by the Board



W. Galen Weston, Director



Robert H. Kidd, Director

Basis of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. The effective interest of George Weston Limited in the equity share capital of principal subsidiaries which are not substantially 100% owned at December 31, 1986 are: Loblaw Companies Limited 78% and Kelly, Douglas & Company, Limited 67%.

The Company's business falls into three classes: Food Processing, Food Distribution and Resource which includes Fisheries and Forest Products.

Inventories and properties held for sale

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

Leases

Rents on non capital leases and on all leases entered into before January 1, 1979 are expensed as incurred.

Translation of foreign currencies

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

Fixed assets

Fixed assets are stated at cost including interest capitalized during the year of \$9.5 million (1985—\$3.0 million, 1984—\$3.0 million) associated with construction. Depreciation is recorded principally on a straight line basis and units of production basis to amortize the cost of these assets over their estimated useful lives, up to a maximum of forty years for buildings, of twenty years for equipment and fixtures and of seven years for automotive equipment. Leasehold improvements are depreciated over the lesser of useful life and term of lease.

Notes to Consolidated Financial Statements

December 31, 1986

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

1. Inventories, By Group

	1986		1985	1984
	Raw materials and supplies	Finished goods	Total	Total
Food Processing	\$ 34.6	\$ 69.3	\$103.9	\$ 98.6
Food Distribution	7.3	587.3	594.6	520.5
Resource				
Fisheries	15.9	144.7	160.6	121.9
Forest Products	24.2	42.5	66.7	63.7
	\$ 82.0	\$843.8	\$925.8	\$804.7
				\$687.7

2. Investments

	1986	1985	1984
Properties held for development or sale	\$ 21.9	\$ 32.4	\$22.5
Secured loans and advances	38.8	30.7	22.6
Long term receivables	25.1	17.5	17.5
Sundry investments	30.4	36.6	19.0
	\$116.2	\$117.2	\$81.6

Secured loans and advances include \$1.2 (1985 – \$1.4) owing by directors and officers of the Company and its subsidiaries arising out of the purchase of preferred shares of the Company through a trustee as part of the Company's incentive plan. These advances are secured by the shares purchased.

3. Fixed Assets

	1986	1985	1984
Land	\$ 176.9	\$ 141.9	\$ 118.3
Buildings	591.9	463.4	375.9
Equipment and fixtures	1,504.2	1,313.6	1,212.6
Leasehold improvements	150.3	124.5	126.9
	2,423.3	2,043.4	1,833.7
Accumulated depreciation	955.9	853.9	766.3
	1,467.4	1,189.5	1,067.4
Property under capital leases, less accumulated depreciation	63.2	63.8	66.6
	\$1,530.6	\$1,253.3	\$1,134.0

4. Long Term Debt	1986	1985	1984
George Weston Limited			
Sinking Fund Debentures			
12.75% Series 1 maturing 2000	\$ 18.8	\$ 20.0	\$ 21.3
14½% Series 2 maturing 1997	21.2	22.5	23.7
Term loans at a weighted average interest rate of:			
8.3% maturing 1988 to 1992 (Swiss Francs 25.5)	20.5	34.5	29.8
13% rate renegotiable in 1987 to 1989 maturing 1993 (includes U.K. £8.3)	34.5	42.3	43.0
12% maturing 1988	25.0	25.0	25.0
Repaid in 1986 and 1985		9.9	43.0
Loblaw Companies Limited and subsidiaries			
Debentures			
12½% Series 1 maturing 1990	35.0	35.0	35.0
12¼% Series 2 maturing 1994	35.0	35.0	35.0
11½% Series 3 maturing 1992	50.0	50.0	
11% Series 4 maturing 1995	40.0	40.0	
10% Series 5 maturing 2006, retractable annually commencing 1996	50.0		
9¾% Series 6 maturing 2001, retractable annually commencing 1993	75.0		
10% Series 7 maturing 2001, retractable in 1991 and 1996	75.0		
Term loans			
London Interbank offered rate plus ¾% to ¾% maturing 1992 (U.S. \$13.0)	18.1	17.3	16.7
Repaid in 1986 and 1985		15.0	30.4
Mortgages at a weighted average interest rate of 10.1% maturing 1988 to 2004 (including U.S. \$5.2)	25.5	28.5	22.2
Other long term debt			
Term loans			
At a weighted average interest rate of 13.1%, maturing 1988 to 1991 (including U.S. \$8.5)	11.8	38.2	40.1
Repaid in 1986		15.0	15.0
Individually not exceeding \$7.4 at a weighted average rate of 9.1% (including U.S. \$25.0)	55.1	63.5	59.5
	590.5	491.7	439.7
Less payable within one year	19.0	28.4	14.4
Long term debt	\$571.5	\$463.3	\$425.3
Principal payable and/or retractable in the next five years is as follows:			
1987 — \$19.0; 1988 — \$41.2; 1989 — \$20.5;			
1990 — \$50.5; 1991 — \$85.0.			

5. Leases

The Company and its subsidiaries have obligations under long term leases for retail outlets, warehouse facilities and equipment. Net long term lease expense for 1986 was \$53.2 (1985 — \$53.5). Property under capital leases entered into after December 31, 1978 is:

	1986	1985	1984
Buildings	\$ 75.0	\$ 66.6	\$ 60.5
Equipment	37.6	49.8	52.5
	112.6	116.4	113.0
Accumulated depreciation	49.4	52.6	46.4
	<u>\$ 63.2</u>	<u>\$ 63.8</u>	<u>\$ 66.6</u>

A retroactive application of capitalization of leases entered into before January 1, 1979 would increase assets by \$47.6 (1985 — \$60.4, 1984 — \$67.9) and obligations by \$75.3 (1985 — \$90.7, 1984 — \$97.8).

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

For the year	Capital leases entered into after December 31, 1978	Other leases		
		Gross liability	Expected sublease income	Expected net liability
1987	\$ 17.4	\$ 86.8	\$ 24.3	\$ 62.5
1988	14.2	79.3	21.2	58.1
1989	11.3	73.0	17.9	55.1
1990	10.9	65.9	15.5	50.4
1991	20.6	57.0	13.1	43.9
Thereafter to 2023	88.3	302.4	60.1	242.3
Total minimum lease payments	162.7	<u>\$664.4</u>	<u>\$152.1</u>	<u>\$512.3</u>
Less interest at a weighted average rate of 13.4%	83.0			
Balance of obligations	79.7			
Less current portion	7.5			
Long term obligations	<u>\$ 72.2</u>			

6. Share Capital

All common share figures reflect a four for one share split effective May 27, 1986.

	Number of shares issued			Amount (in millions of dollars)		
	1986	1985	1984	1986	1985	1984
Senior preferred shares						
First series	54,385	56,565	61,190	\$ 5.4	\$ 5.6	\$ 6.1
Second series	56,039	57,014	60,704	5.6	5.7	6.1
	<u>110,424</u>	<u>113,579</u>	<u>121,894</u>			
Preferred shares						
Series A	4,000,000			100.0		
Series X	750,000	750,000	750,000	75.0	75.0	75.0
Series Y	500,000	500,000	500,000	50.0	50.0	50.0
Series Z	250,000	250,000	250,000	25.0	25.0	25.0
	<u>5,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>			
Junior preferred shares						
Series A		2,375	2,375		.2	.2
Series C	2,600	2,600	3,700	.3	.3	.4
Series D	14,160	14,160	14,800	1.4	1.4	1.5
Series E	19,050	20,050	22,250	1.9	2.0	2.2
	<u>35,810</u>	<u>39,185</u>	<u>43,125</u>			
				<u>264.6</u>	<u>165.2</u>	<u>166.5</u>
Common shares	<u>45,998,034</u>	<u>45,898,716</u>	<u>45,812,668</u>	<u>30.0</u>	<u>29.2</u>	<u>28.4</u>
				<u>\$294.6</u>	<u>\$194.4</u>	<u>\$194.9</u>

Share Information (in dollars):

Senior preferred shares (authorized 164,949)

First series — \$4.50 cumulative dividend redeemable at \$104.

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

Preferred shares — cumulative dividend

Series A — redeemable on December 1, 1991 at \$26 per share, declining by \$0.20 annually until November 30, 1996, and thereafter at \$25, retractable at \$25 at five year intervals commencing December 1, 1996, annual dividend rate is 7¼% to December 1, 1996 and 71% of average bank prime rate thereafter.

Series X — redeemable and retractable on December 1, 1987 at \$100, annual dividend rate is one half average bank prime rate plus 1¼%.

Series Y — redeemable and retractable on December 1, 1990 at \$100, annual effective dividend rate is 6.2%.

Series Z — redeemable and retractable on December 1, 1991 at \$100, annual effective dividend rate is 6.6%.

Junior preferred shares

Series C — \$9.00 cumulative dividend, redeemable after June 6, 1990 at \$100, 2,000 convertible into 33,332 common shares.

Series D — \$10.00 cumulative dividend, redeemable after October 2, 1991 at \$100, 10,000 convertible into 124,032 common shares.

Series E — cumulative dividend with annual rate at two thirds average bank prime plus ¾%, 8,000 redeemable after August 27, 1992 and 11,050 after May 16, 1993, at \$100, 17,250 convertible into 164,770 common shares.

During the year 4,000,000 preferred shares, Series A were issued for a cash consideration of \$100 million. In 1986 3,155 senior preferred shares (1985 — 8,315) were purchased for cancellation at a cost of \$215,000 (1985 — \$532,000).

The preferred shares Series X, Y and Z are retractable at \$100 each earlier than 1987, 1990 and 1991 respectively, only in the event of an adverse change in the tax status of the dividends received. In the event of early retraction of Series X and Y shares, the original holder will loan the Company funds sufficient to complete the retraction.

On May 2, 1986 the Company entered into agreements effectively converting, on an after tax basis, the floating rate dividends on the Series Y (one half average bank prime rate plus ⅞%) and Series Z (one half average bank prime rate plus 1¼%) preferred shares to fixed rates until maturity.

In 1986 the Company issued 71,418 (1985 — 47,164) common shares for \$338,000 (1985 — \$394,000) on conversion of junior preferred shares and issued 27,900 (1985 — 38,884) common shares for cash of \$441,000 (1985 — \$373,000) on exercise of employee stock options. After giving effect to the foregoing, the Company has reserved 336,770 common shares for potential conversion of the preferred shares. As at December 31, 1986, 1,879,440 common shares have been set aside for issue under terms of an employee stock option plan. As at December 31, 1986, there were outstanding options, which were granted at the market price on the date of the grant, to purchase 542,468 common shares at prices averaging \$22.40 and ranging from \$6.00 to \$30.75. Each option expires no later than 10 years from the date on which it was granted. All options expire on dates ranging from June 6, 1990 to December 11, 1993.

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

7. Income Taxes

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

	1986	1985	1984
Combined basic Canadian federal and provincial rates	51.7%	50.7%	49.9%
Effect of selling capital assets	(3.4)	(2.1)	(1.9)
Operations in countries with lower tax rates	(2.1)	(2.7)	(3.7)
Rate reduction for manufacturing and processing operations	(2.6)	(1.8)	(2.0)
Allowance to reduce the impact of inflation on inventory	(.5)	(3.9)	(3.7)
Other	(3.9)	(1.8)	(.4)
Rate reported in financial statements	39.2%	38.4%	38.2%

Income tax expense includes deferred taxes of \$28.4 (1985 – \$16.2, 1984 – \$14.9).

8. Related Party Transactions

The Company's majority shareholder, Wittington Investments, Limited, and its subsidiaries are related parties. It

is the Company's policy to conduct all transactions with related parties on normal trade terms.

9. Pensions

The Company and its subsidiaries maintain defined benefit pension plans and participate in union sponsored multiemployer plans. The Company's portion of the assets and liabilities of the union sponsored multiemployer plans is not determinable. The most recent estimates for the defined benefit plans indicate actuarial asset valuations and accrued pension benefits as follows:

Accrued pension benefits	\$575.0
Pension fund assets	539.3
Unfunded past service liability	<u>\$ 35.7</u>

The unfunded past service liability is being amortized over varying periods not exceeding fifteen years.

10. Commitments and Contingent Liabilities

Endorsements and guarantees arising in the normal course of business amount to \$159.2. In addition, there are assigned leases of \$99.1 which relate to the sale of U.S. Food Distribution Group subsidiary operations. In addition to various claims arising in the normal course of business, there is a class action lawsuit,

involving a substantial amount, filed by a former employee of a U.S. Food Distribution division sold in 1982. Although the outcome of this action cannot be predicted with certainty, management believes that it will not have a material effect on the Company's financial position.

11. Acquisitions

Effective December 3, 1986 the Food Distribution Group acquired 26 stores and certain other assets in St. Louis, Missouri, from The Kroger Company. Other acquisitions completed during the year include: the assets of Hickman, Coward and Wattles, Inc. and Kotok & Heims Corporation, both U.S. wholesale operations based in Buffalo, New York, effective the beginning of the year, and the

assets of Capitol Stores Ltd., a six store chain in Halifax, Nova Scotia, effective June 29, 1986. These transactions have been accounted for using the purchase method with the results of operations included in these financial statements since the dates of acquisition. Details of the acquisitions are as follows:

	Kroger	Other	Total
Net assets acquired			
Working capital	\$14.8	\$12.6	\$27.4
Fixed assets	47.0	10.9	57.9
Property under capital leases	10.3		10.3
Long term debt		(3.8)	(3.8)
Obligations under capital leases	(10.3)		(10.3)
Cash consideration paid	\$61.8	\$19.7	\$81.5

12. Subsequent Events

Effective February 2, 1987 the Food Distribution Group completed the acquisition of the franchise business of Domgroup Ltd. operated under the Mr. Grocer name in Ontario at a cost of \$37.

On February 27, 1987 the Food Processing Group purchased the Canadian confectionery operations of Cadbury Schweppes Canada Inc. for \$47.

13. Segmented Information

Canadian sales include export sales approximating \$400 (1985 — \$300) in 1986. Inter Group sales relate primarily to Food Processing. 1986 includes \$248 (1985 — \$234) from this Group.

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

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

Debt is comprised of interest bearing liabilities.

Note 13 continued	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977
Sales and earnings										
Sales										
Food Processing	\$ 1,433	\$1,316	\$1,220	\$1,184	\$1,134	\$1,038	\$ 905	\$ 630	\$ 567	\$ 510
Food Distribution	7,839	6,931	6,419	6,091	6,221	5,795	5,375	4,725	4,247	3,735
Resource — Fisheries	471	397	362	364	339	395	327	337	308	261
— Forest Products	584	526	533	430	378	421	385	354	278	224
Inter Group	(301)	(290)	(279)	(269)	(242)	(220)	(215)	(179)	(162)	(140)
Consolidated	10,026	8,880	8,255	7,800	7,830	7,429	6,777	5,867	5,238	4,590
Canada	6,592	6,020	5,669	5,294	4,963	4,730	4,252	3,814	3,489	3,139
United States	3,434	2,860	2,586	2,506	2,867	2,699	2,525	2,053	1,749	1,451
Operating income										
Food Processing	52	49	45	61	64	61	49	30	29	32
Food Distribution	161	152	137	128	115	114	100	71	59	47
Resource — Fisheries	42	31	19	16	10	22	6	19	31	21
— Forest Products	56	36	40	8	13	33	41	48	22	2
Consolidated	311	268	241	213	202	230	196	168	141	102
Canada	237	205	189	156	141	170	149	123	109	76
United States	74	63	52	57	61	60	47	45	32	26
Cash flow										
Capital expenditures										
Food Processing	39	34	23	47	34	41	34	22	13	19
Food Distribution	297	179	145	110	65	88	90	98	80	58
Resource — Fisheries	12	6	3	5	18	13	35	15	11	9
— Forest Products	42	28	35	83	100	64	21	22	15	10
Consolidated	390	247	206	245	217	206	180	157	119	96
Depreciation										
Food Processing	32	26	27	22	22	20	17	11	11	9
Food Distribution	77	63	59	53	49	45	43	35	32	29
Resource — Fisheries	7	8	8	8	8	8	7	6	5	4
— Forest Products	28	27	27	15	15	13	12	10	9	8
Consolidated	144	124	121	98	94	86	79	62	57	50
Financial position										
Total assets										
Food Processing	427	416	370	372	371	354	343	249	230	219
Food Distribution	1,998	1,540	1,266	1,155	1,115	1,037	963	868	713	632
Resource — Fisheries	281	224	199	217	243	243	235	200	167	141
— Forest Products	467	436	444	424	343	264	217	190	172	154
Consolidated	3,173	2,616	2,279	2,168	2,072	1,898	1,758	1,507	1,282	1,146
Canada	2,164	1,911	1,708	1,624	1,520	1,329	1,238	1,066	930	852
United States	1,009	705	571	544	552	569	520	441	352	294
Ratios										
Return on capital employed (%)	15.3	15.6	15.2	14.2	14.6	18.1	17.4	17.4	16.6	12.3
Food Processing (%)	16.5	16.6	15.8	20.6	22.3	21.5	20.1	15.1	15.6	17.5
Food Distribution (%)	13.8	16.8	17.8	18.4	17.5	18.2	17.3	14.6	14.3	11.7
Resource (%)	17.8	13.0	11.0	4.7	5.2	15.3	15.5	24.4	21.0	9.5
Return on common equity (%)	15.0	14.3	14.0	13.6	12.3	16.2	17.3	20.5	20.1	13.9
Interest coverage ratio	4.16:1	3.75:1	3.60:1	4.37:1	3.96:1	3.43:1	3.44:1	4.33:1	4.43:1	2.75:1
Debt to equity ratio	.74:1	.80:1	.76:1	.84:1	.92:1	.77:1	.90:1	.73:1	.80:1	1.14:1

Ten Year Summary

George Weston Limited

(in millions of dollars)	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977
Sales and earnings										
Sales	\$10,026	\$8,880	\$8,255	\$7,800	\$7,830	\$7,429	\$6,777	\$5,867	\$5,238	\$4,590
Operating income										
First quarter	45	43	40	37	39	41	35	30	21	15
Second quarter	66	59	55	47	41	48	44	40	34	23
Third quarter	95	79	76	63	60	69	53	49	39	32
Fourth quarter	105	87	70	66	62	72	64	49	47	32
Total	311	268	241	213	202	230	196	168	141	102
Interest expense	75	72	67	49	51	67	57	39	32	37
Earnings before extraordinary items	119	101	89	79	70	79	71	66	51	27
As a percentage of sales	1.2%	1.1%	1.1%	1.0%	0.9%	1.1%	1.0%	1.1%	1.0%	0.6%
Net earnings	119	101	94	79	69	95	84	76	57	32
Cash flow										
Cash flow from operations	300	262	251	214	213	215	174	168	135	95
Capital expenditures	390	247	206	245	217	206	180	157	119	96
Increase (decrease) in cash position	90	(57)	(4)	48	(30)	64	(9)	22	10	70
Net long term debt issued (retired)	92	34	36	41	59	25	73	(2)	(18)	(41)
Financial position										
Current assets	1,492	1,228	1,055	994	986	952	932	827	732	657
Current liabilities	1,053	930	729	736	749	678	667	603	530	490
Working capital	439	298	326	258	237	274	265	224	202	167
Fixed assets	1,531	1,253	1,134	1,075	980	854	746	605	480	438
Long term debt	572	463	425	383	345	266	249	174	174	196
Shareholders' equity	1,025	830	755	686	627	591	526	471	391	297
Average capital employed	2,025	1,722	1,584	1,502	1,388	1,270	1,126	963	852	827
Per common share (in dollars)										
Earnings before extraordinary items										
First quarter	.25	.23	.20	.20	.18	.23	.21	.20	.12	.02
Second quarter	.46	.38	.35	.28	.21	.28	.25	.30	.24	.10
Third quarter	.74	.61	.55	.45	.40	.40	.32	.32	.27	.20
Fourth quarter	.86	.74	.59	.54	.42	.50	.50	.45	.39	.27
Total	2.31	1.96	1.69	1.47	1.21	1.41	1.28	1.27	1.02	.59
Net earnings	2.31	1.96	1.79	1.48	1.17	1.77	1.57	1.50	1.17	.69
Dividends declared	.51	.44	.40	.39	.39	.36	.34	.26	.18	.15
Cash flow from operations	6.53	5.71	5.49	4.70	4.72	4.78	3.90	3.80	3.06	2.17
Capital expenditures	8.48	5.38	4.51	5.38	4.80	4.59	4.03	3.55	2.70	2.18
Book value	16.52	14.49	12.84	11.34	10.12	9.39	7.99	6.78	5.56	4.57
Market value — high	36.38	26.00	19.00	16.50	10.75	9.63	7.75	7.00	5.88	3.75
— low	25.00	18.00	15.75	10.50	6.75	7.50	5.50	5.25	3.25	2.88
— close	35.50	25.50	18.50	15.75	10.50	9.13	7.75	5.63	5.75	3.75
Price earnings ratio (year end)	15.4x	13.0x	11.0x	10.7x	8.8x	6.5x	6.0x	4.4x	5.6x	6.4x
Market/book ratio (year end)	2.15:1	1.76:1	1.45:1	1.38:1	1.04:1	.97:1	.96:1	.83:1	1.03:1	82:1

Principal Operations

Financial (\$ millions)	Operating Companies	Principal Facilities	Types of Products and Trademarks
Food Processing			
Baking and Milling	Weston Bakeries Soo Line Mills McCarthy Milling Stroehmann Bakeries	Canada: Vancouver, Calgary, Edmonton, Regina, Winnipeg, Essex, Kitchener, Orillia, Kirkland Lake, Aurora, Toronto, Kingston, and Longueuil, with flour mills in Winnipeg and Mississauga; United States: Williamsport, Norristown, Altoona, Sayre, Hazelton, Harrisburg, Erie and Beaver, Pennsylvania; Olean, New York and East Hartford, Connecticut	Wide variety of breads, rolls, cakes, flour and other bakery products: <i>Country Harvest, Fibre Goodness, Wheat 'n Bran, Wonder, Dietrich's, Hostess</i>
Sales \$686 Assets \$186 Number of Employees 7,100			
Biscuit	InterBake (Can.) Interbake (U.S.)	Canada: Winnipeg, London and Longueuil; United States: Richmond, Virginia; Battle Creek, Michigan; Tacoma, Washington; and North Sioux City, South Dakota	Sweet biscuits, crackers, ice cream cones, wafers, confection and candies: <i>McCormicks, Stoned Wheat Thins, FFV Famous Foods of Virginia, TC Rounds, Champagne, Country Harvest</i>
Sales \$293 Assets \$90 Number of Employees 3,000			
Chocolate, Dairy and Specialties	William Neilson Bowes	Canada: Toronto, Ottawa, Halton Hills, Colborne, Montreal and Winnipeg	Chocolate bars, chocolate coatings, cocoa, specialty items, bulk and packaged ice cream, frozen novelties, fluid milk and associated dairy products: <i>Neilson, Jersey Milk, Crispy Crunch, Mr. Big, Sweet Marie, Häagen-Dazs, Dole</i> . Dried and glazed fruits, nuts, cereal and health foods: <i>Bowes, Dutch Mill, Bakeshop, McNair</i>
Sales \$454 Assets \$151 Number of Employees 2,500			

Food Distribution

Eastern Canada	Loblaws Supermarkets Combined Merchandisers Zehrmart Atlantic Wholesalers National Grocers	Canada: Ontario, New Brunswick, Nova Scotia and Prince Edward Island	Wholesale and retail distribution of food and other products throughout central and eastern Canada: <i>President's Choice, no name, SuperCentre</i>
Sales \$3,067 Number of Employees 16,000			
Western Canada	Kelly, Douglas Westfair Foods	Canada: British Columbia, Alberta, Saskatchewan and Manitoba	Wholesale and retail distribution of food and other products throughout western Canada: <i>Real Canadian Super Store, no name</i>
Sales \$2,031 Number of Employees 6,500			
United States	National Tea Peter J. Schmitt	United States: New Orleans, Louisiana; St. Louis, Missouri; Buffalo and Rochester, New York; Sharon and Erie, Pennsylvania	Wholesale and retail distribution of food and other products throughout northeastern and southcentral United States
Sales \$2,741 Number of Employees 11,000			

Resource

Forest Products	E. B. Eddy Forest Eastern Fine Paper	Canada: Timber limits, FMA's and sawmills in Nairn Centre, Timmins, Ontario, and Davidson, P.Q.; Pulp and Paper operations in Espanola and Ottawa, Ontario, Hull, Quebec and Brewer, Maine	Spruce and pine lumber, bleached kraft pulp and a wide variety of fine and specialty papers for printing, writing and packaging for household and industrial uses and tissue paper products: <i>White Swan, Appleford</i>
Sales \$584 Assets \$467 Number of Employees 4,500			
Fisheries	Connors Bros. British Columbia Packers	Canada: Richmond and Prince Rupert, British Columbia; Blacks Harbour and Shippegan, New Brunswick; Clark's Harbour, Nova Scotia; and Isle Aux Morts, Newfoundland; United States: Westwood, Massachusetts; Naknek and Petersburg, Alaska; and Scotland: Aberdeen	Variety of canned fresh, frozen and processed fish including salmon, tuna, groundfish, herring, sardines, clams, oysters, mussels and crab products: <i>Brunswick, Connoisseur, Clover Leaf, Rupert Flip 'n' Fry</i>
Sales \$471 Assets \$281 Number of Employees 3,000			

Weston Research Centre

Number of Employees 100	Canada: Toronto Accredited by the Standards Council of Canada	Research and development of new products, quality control testing and quality assurance programs, carried out on behalf of companies within the group, ensure that Weston's commitment to providing its customers the highest quality products and best value is met.
-------------------------	---	---

Directors

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

David R. Beatty
President
Food Processing Group
George Weston Limited

Richard J. Currie
President
Loblaw Companies Limited

Mark Hoffman
Chairman
IFM Trading Limited

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

Hugo Mann*
Managing Director
Deutscher Supermarkt

**Honourable Doctor
Pauline McGibbon**
Corporate Director

Dr. Robert Mitchell*
Corporate Director

David A. Nichol
Executive Vice President
Loblaw Companies Limited

Earl R. Pearce
President
Resource Group
George Weston Limited

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

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

Garry H. Weston
Chairman
Associated British Foods plc

Corporate Officers

Robert H. Kidd
Senior Vice President and
Chief Financial Officer

William A. Sloan
Vice President, Finance

Ivan R. Franklin
Vice President, Taxation

Stewart E. Green
Vice President, Secretary and
General Counsel

Terrence H. Wardrop
Vice President, Financial
Control and Administration

John V. Laurie
Treasurer

Michael R. Lambert
Controller

*Audit Committee

Operating Directory

Food Processing

Weston Foods Ltd.

D. R. Beatty, President
J. D. Fisher, Executive
Vice President
R. S. Barnes, Senior
Vice President, Finance and
Administration

Weston Bakeries
J. P. Wygant, Chairman
C. E. Scott, President

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

Soo Line Mills
N. Humby, President

McCarthy Milling
J. H. Wyncoll, President

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

Interbake U.S.
D. J. McMullen, Chairman

William Neilson
D. H. McMillan, President

Bowes
B. B. Green, Chairman

Food Distribution

Loblaw Companies Limited

R. J. Currie, President

Atlantic Wholesalers
A. F. Rose, President

Central Canada Grocers
D. M. Williams, President

— **Combined Merchandisers**
E. B. Johnston, President

— **Loblaws Supermarkets**
D. T. Stewart, President

— **National Grocers**
N. M. Walker, President

— **Zehrmart**
G. J. Heimpel, President

— **IPCF Properties**
S. Swartzman, President

Kelly, Douglas
R. J. Addington, President

— **Westfair Foods**
M. D. Booty, President

**Loblaw International
Merchants**
D. A. Nichol, President

Resource

Weston Resources Limited

E. R. Pearce, President
M. J. Mugan, Vice President,
Finance

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

Connors Bros.
E. L. D. McLean, President

Eddy Paper

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

— **Eastern Fine Paper**
B. B. Hamilton, President

Head Office

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

Stock Listings

Toronto, Montreal and Vancouver Stock Exchanges

Share Symbol

"WN"

Registrar and Transfer Agent

National Trust Company
Toronto, Montreal and Vancouver

Annual Meeting of Shareholders

Thursday, May 7, 1987 at 11:00 a.m.
Metro Toronto Convention Centre,
Constitution Hall,
Toronto, Ontario

Shares Held in Nominee Name

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

Investor Relations

Attention: The Treasurer

General Counsel

Smith, Lyons, Torrance, Stevenson & Mayer

Auditor

Thorne Ernst & Whinney

Common Shares Outstanding

45,998,034

Number of Common Shareholders

3,200

Average Daily Trading Volume TSE

12,000

Common Dividend Payment Dates

January 1st, April 1st, July 1st, October 1st

Valuation Day Value of Common Shares

\$4.50

Year End

December 31

