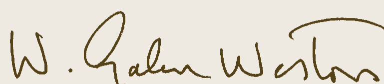
The management of George Weston Limited is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements, Management's Discussion and Analysis and all other information in this Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgements and estimates necessary to prepare the consolidated financial statements in accordance with Canadian generally accepted accounting principles. It also includes ensuring that the financial information presented elsewhere in this Annual Report is consistent with the consolidated financial statements.

To provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced, management maintains a system of internal controls reinforced by the Company's standards of conduct and ethics set out in written policies. Internal auditors, who are employees of the Company, review and evaluate internal controls on management's behalf, coordinating this work with the independent auditors. KPMG LLP, whose report follows, were appointed as independent auditors by a vote of the Company's shareholders to audit the consolidated financial statements.

The Board of Directors, acting through an Audit Committee comprised solely of non-management directors, is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the shareholders. The Audit Committee meets regularly with financial management, internal auditors and the independent auditors to discuss internal controls, auditing matters and financial reporting issues. The independent auditors and internal auditors have unrestricted access to the Audit Committee. These consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Directors for inclusion in this Annual Report based on the review and recommendation of the Audit Committee.



W. Galen Weston
Chairman and President

Richard P. Mavrinac
Chief Financial Officer

Toronto, Canada
March 7, 2003

To the Shareholders of George Weston Limited:

We have audited the consolidated balance sheets of George Weston Limited as at December 31, 2002 and 2001 and the consolidated statements of earnings, retained earnings and cash flow for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada
March 7, 2003

Consolidated Statements of Earnings

For the years ended December 31
($ millions except where otherwise indicated)

	2002	2001
Sales	$ 27,446	$ 24,661
Operating Expenses		
Cost of sales, selling and administrative expenses	25,261	22,790
Depreciation	507	431
	25,768	23,221
Operating Income	1,678	1,440
Interest Expense (note 2)	238	221
Unusual Items (net gain) (notes 3 & 4)		63
Earnings Before the Following:	1,440	1,282
Income Taxes (note 5)	469	435
	971	847
Goodwill Charges (2001 – net of tax of $4) (note 1)		53
	971	794
Minority Interest	281	212
Net Earnings	$ 690	$ 582
Earnings per Common Share ($) (note 6)		
Basic		
Net earnings	$ 5.05	$ 4.42
Earnings before goodwill charges, net of minority interest impact	$ 5.05	$ 4.70
Diluted		
Net earnings	$ 5.02	$ 4.37
Earnings before goodwill charges, net of minority interest impact	$ 5.02	$ 4.65

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Retained Earnings

For the years ended December 31
($ millions except where otherwise indicated)

	2002	2001
Retained Earnings, Beginning of Year	$ 3,260	$ 2,801
Impact of implementing new accounting standard (note 1 – Stock-Based Compensation)	(55)	
Net earnings	690	582
Premium on common shares purchased for cancellation (note 15)	(33)	(1)
Stock option plan cash payments (note 16)		(12)
Net subsidiary stock option plan cash payments (note 16)		(5)
Dividends declared		
Per common share – 96¢ (2001 – 80¢)	(126)	(105)
Per preferred share – Series I – $1.49	(14)	
– Series II – 93¢	(10)	
Retained Earnings, End of Year	$ 3,712	$ 3,260

See accompanying notes to the consolidated financial statements.

As at December 31
($ millions)

	2002	2001
Assets		
Current Assets		
Cash and cash equivalents (note 7)	$ 1,157	$ 743
Short term investments (note 7)	398	518
Accounts receivable (note 8)	964	863
Inventories	1,994	1,780
Business held for sale (note 4)		934
Future income taxes (note 5)	144	168
Prepaid expenses and other assets	48	54
Total Current Assets	4,705	5,060
Fixed Assets (note 9)	7,053	6,249
Goodwill and Intangible Assets (note 10)	3,988	3,980
Future Income Taxes (note 5)	43	129
Other Assets (note 11)	874	869
Total Assets	$ 16,663	$ 16,287
Liabilities		
Current Liabilities		
Bank indebtedness	$ 61	$ 152
Commercial paper	715	466
Accounts payable and accrued liabilities	3,344	3,407
Income taxes	164	179
Short term bank loans (notes 4 & 13)	33	1,367
Long term debt due within one year (note 13)	110	82
Total Current Liabilities	4,427	5,653
Long Term Debt (note 13)	5,391	4,908
Future Income Taxes (note 5)	146	122
Other Liabilities (note 14)	728	601
Minority Interest	1,589	1,377
Total Liabilities	12,281	12,661
Shareholders' Equity		
Share Capital (note 15)	609	305
Retained Earnings	3,712	3,260
Cumulative Foreign Currency Translation Adjustment	61	61
Total Shareholders' Equity	4,382	3,626
Total Liabilities and Shareholders' Equity	$ 16,663	$ 16,287

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board

W. Galen Weston
Director

R. Donald Fullerton
Director

For the years ended December 31
($ millions)

		2002	2001
Operating Activities			
Net earnings before minority interest		$ 971	$ 794
Depreciation and amortization		507	488
Unusual items (notes 3 & 4)			(63)
Future income taxes		137	56
Change in non-cash working capital		(212)	(217)
Acquisition restructuring and other charges, including income tax recoveries		(107)	(76)
Other		27	(21)
Cash Flows from Operating Activities		1,323	961
Investing Activities			
Fixed asset purchases		(1,397)	(1,330)
Short term investments		120	(100)
Proceeds from fixed asset sales		69	52
Business acquisitions (note 4)			(2,794)
Business dispositions (note 3)		960	330
Franchise investments, other receivables and credit card receivables		(111)	(148)
Other		25	(42)
Cash Flows used in Investing Activities		(334)	(4,032)
Financing Activities			
Bank indebtedness		(91)	3
Commercial paper		249	(237)
Short term bank loans (notes 4 & 13)	– Issued	33	2,788
	– Retired	(1,367)	(1,421)
Long term debt (note 13)	– Issued	600	2,006
	– Retired	(78)	(253)
Share capital (note 15)	– Issued	304	229
	– Retired	(33)	(1)
Subsidiary share capital	– Issued (note 16)	2	
	– Retired (note 4)	(17)	(1)
Dividends	– To shareholders	(141)	(105)
	– To minority shareholders	(51)	(52)
Other		15	6
Cash Flows (used in) from Financing Activities		(575)	2,962
Change in Cash and Cash Equivalents		414	(109)
Cash and Cash Equivalents, Beginning of Year		743	852
Cash and Cash Equivalents, End of Year		$ 1,157	$ 743

See accompanying notes to the consolidated financial statements.

December 31, 2002
($ millions except where otherwise indicated)

1. Summary of Significant Accounting Policies

The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Basis of Consolidation

The consolidated financial statements include the accounts of George Weston Limited and its subsidiaries (the "Company") with provision for minority interest. The Company's interest in the voting share capital of its subsidiaries is 100% except for Loblaw Companies Limited ("Loblaw"), which is 61.4% (2001 – 61.4%).

Fiscal Year

The Company reports its year end as of December 31. Sales and related activities are reported on a fiscal period ending on the Saturday closest to December 31. Each of the years ended December 31, 2002 and December 31, 2001 contain 52 weeks.

Revenue Recognition

Weston Foods and Fisheries recognize sales upon delivery of their products to customers net of applicable reductions for discounts and allowances. Food Distribution recognizes sales from customers through corporate stores operated by Loblaw and sales to and service fees from its franchised store, associated store and independent account customers at the time the sale is made to its customer.

Earnings Per Share ("EPS")

Basic EPS is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated using the treasury stock method, which assumes that all outstanding stock option grants with an exercise price below the average market price are exercised and the assumed proceeds are used to purchase the Company's common shares at the average market price during the year.

Cash, Cash Equivalents and Bank Indebtedness

Cash balances for which the Company has the ability and intent to offset are used to reduce reported bank indebtedness. Cash equivalents are highly liquid investments with a maturity of less than 90 days.

Short Term Investments

Short term investments are carried at the lower of cost or quoted market value and consist primarily of United States government securities, commercial paper and bank deposits.

Credit Card Receivables

The Company, through President's Choice Bank ("PC Bank"), a wholly owned subsidiary of Loblaw, has credit card receivables that are stated net of an allowance for credit losses. Any credit card receivable that has a payment that is contractually 180 days in arrears or where the likelihood of collection is considered remote is written off. Interest charges are recorded when billed to customers and recognized in operating income.

Allowance for Credit Losses

PC Bank maintains a general allowance for credit losses which, in management's opinion, is considered adequate to absorb all credit-related losses in its credit card portfolio, based upon an analysis of past performance and market conditions. The allowance for credit losses is deducted from the credit card receivable balance.

The amount of the allowance for credit losses recognized in operating income is the net credit loss experience for the year.

Securitization
PC Bank securitizes credit card receivables through the sale of a portion of the total interest in these receivables to an independent Trust and does not exercise any control over the Trust's management, administration or assets. When PC Bank sells credit card receivables in a securitization transaction, it has a retained interest in the securitized receivables represented by a cash reserve account and the right to future cash flows after obligations to investors have been met. Although PC Bank remains responsible for servicing all credit card receivables, it does not receive additional compensation for servicing those credit card receivables sold to the Trust. Any gain or loss on the sale of these receivables depends, in part, on the previous carrying amount of receivables involved in the securitization allocated between the receivables sold and the retained interest based on the relative fair values at the date of securitization. The fair values are determined using a financial model. Any gain or loss on sale is recognized in operating income at the time of the securitization.

Inventories (principally finished products)
Retail store inventories are stated at the lower of cost and estimated net realizable value less normal profit margin. Other inventories are stated principally at the lower of cost and estimated net realizable value. Cost is determined substantially using the first-in, first-out method.

Fixed Assets
Fixed assets are recorded at cost including capitalized interest. Depreciation commences when the assets are put into use and is recognized principally on a straight-line basis to depreciate the cost of these assets over their estimated useful lives. Estimated useful lives range from 10 to 40 (2001 – 10 to 40) years for buildings and from 2 to 17 (2001 – 2 to 16) years for equipment and fixtures. Leasehold improvements are depreciated over the lesser of the applicable useful life and the term of the lease plus one renewal period to a maximum of 10 years.

Goodwill and Intangible Assets
Goodwill represents the excess of the purchase price of a business acquired over the fair value of the underlying net assets acquired at the date of acquisition. The fair value of intangible assets is determined at the date of acquisition based on estimated future cash flows.

For goodwill recognized on acquisitions completed prior to July 1, 2001, the goodwill was amortized on a straight-line basis over the estimated useful life of the benefit determined for each acquisition. Any permanent impairment in the carrying value, based on projected cash flows, was recognized in net earnings.

During July 2001, the Company implemented the new standard issued by the Canadian Institute of Chartered Accountants (the "CICA") on goodwill and intangible assets for the George Weston Bakeries acquisition and effective January 1, 2002, the Company prospectively implemented this standard for all goodwill and intangible assets that existed prior to July 1, 2001. Under the new standard, goodwill is no longer amortized but instead the carrying value of goodwill must be tested annually for impairment. In addition, the amortization of intangible assets is no longer required unless the intangible asset has a limited life, in which case it will be amortized over its estimated useful life. Intangible assets not subject to amortization must be tested annually for impairment. Any impairment in the carrying value of goodwill or intangible assets will be recognized in net earnings.

A review of the business combinations completed prior to July 1, 2001 was performed and no change was required to the carrying value of goodwill and no previously unrecognized intangible assets were recorded.

Foreign Currency Translation
(i) Self-Sustaining Foreign Operations
Assets and liabilities of self-sustaining foreign operations denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at each year end date. The resulting exchange gains or losses on translation are included in the cumulative foreign currency translation adjustment. When there is a reduction in the Company's net investment in its self-sustaining foreign operations, the proportionate amount of the cumulative foreign currency translation adjustment is recognized in operating income. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average exchange rates for the year.

(ii) Loblaw and Integrated Foreign Operations
Monetary assets and liabilities of Loblaw and of integrated foreign operations denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at each year end date. Non-monetary assets and liabilities denominated in foreign currencies are translated at their historical exchange rates. Exchange gains or losses arising from the translation of the monetary balances denominated in foreign currencies are recognized in net earnings. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average exchange rates for the year.

Financial Derivative Instruments

The Company uses currency, interest rate, equity and commodity derivative agreements to manage its current and anticipated exposure to fluctuations in exchange rates, interest rates, the market prices of the Company's and Loblaw's common shares and commodity prices. The Company does not enter into financial derivative agreements for speculative purposes.

Currency forwards and options are identified as a hedge of commitments or anticipated transactions and realized gains and losses are recorded in the cost of the underlying hedged item. Unrealized gains and losses on currency forwards and options are not recognized.

Cross currency basis swaps are identified as a hedge against foreign currency exchange rate fluctuations on the Company's United States dollar denominated net investment in self-sustaining foreign operations with realized and unrealized foreign currency exchange rate adjustments on cross currency basis swaps recorded in the cumulative foreign currency translation adjustment. When there is a reduction in the Company's net investment in its self-sustaining foreign operations, the proportionate amount of the cumulative foreign currency translation adjustment related to the cross currency basis swaps gains or losses is recognized in operating income. Loblaw's cross currency basis swaps are identified as a hedge against foreign currency exchange rate fluctuations on its United States dollar denominated net assets, principally cash, cash equivalents and short term investments. Realized and unrealized foreign currency exchange rate adjustments on Loblaw's cross currency basis swaps are offset by realized and unrealized foreign currency exchange rate adjustments on its United States dollar denominated net assets and are recognized in operating income. Unrealized foreign currency exchange rate adjustments on Loblaw's cross currency basis swaps are recorded in other liabilities. The exchange of interest payments on the Company's and Loblaw's cross currency basis swaps is recognized on an accrual basis.

Interest rate swaps are identified as a hedge against interest rate fluctuations because they offset the interest rate exposure on the underlying hedged items. The exchange of interest payments on the interest rate swaps is recognized on an accrual basis and unrealized gains and losses are not recognized.

Equity forwards and swaps manage the Company's and Loblaw's exposure to fluctuations in the market prices of the Company's and Loblaw's common shares, which impacts the stock-based compensation cost recognized. Market price adjustments on these equity forwards and swaps are recognized in operating income and recorded in accounts receivable. Interest on the equity forwards and swaps is recognized on an accrual basis. Market price adjustments on other equity forwards that are identified as hedges of anticipated transactions are recognized in other liabilities and are deferred in other assets.

Commodity futures and options are identified as a hedge of anticipated transactions. Unrealized and realized gains and losses on commodity futures and options are deferred in current assets or liabilities and recognized in cost of sales when the inventory produced from the related commodity is sold.

The Company entered into an electricity forward purchase contract to purchase a portion of its electricity needs in Ontario, Canada. This contract is identified as a hedge of an anticipated transaction as it partially offsets the volatility in the price of electricity.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in net earnings in the period that includes the date of enactment or substantive enactment. Future income tax assets are evaluated and a valuation allowance, if required, is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

Pension, Post-Retirement and Post-Employment Benefits

The cost of the Company's defined benefit pension plans, post-retirement and post-employment benefits is accrued based on actuarial valuations, which are determined using the projected benefit method pro-rated on service and management's best estimate of the expected long term rate of return on plan assets, salary escalation, retirement ages and expected growth rate of health care costs. Market values are used to value benefit plan assets. The obligation related to employee future benefits is measured using current market interest rates assuming a portfolio of Corporate AA bonds with terms to maturity that, on average, match the terms of the liabilities. Past service costs from plan amendments and the excess net actuarial gain or loss over 10% of the greater of the accrued benefit plan obligation and the market value of the benefit plan assets are amortized on a straight-line basis over the average remaining service period of the active employees ranging from 6 to 18 years, with a weighted average of 13 years at year end. The costs of pension benefits for defined contribution plans and the multi-employer benefit plans are expensed as the contributions are paid.

Stock-Based Compensation

During 2001, consideration paid by employees on the exercise of a stock option grant that was settled by issuing common shares was credited to common share capital. The cash payment (net of applicable taxes), for those stock option grants that employees exercised and elected to receive in cash the share appreciation value equal to the excess of the market price at the date of exercise over the specified option price, was recognized in retained earnings.

Effective January 1, 2002, the Company implemented the new standard issued by the CICA on stock-based compensation and other stock-based payments. The standard was implemented retroactively without restatement of the prior period consolidated financial statements for stock options outstanding at January 1, 2002 that allow for settlement in cash at the option of the employee. The cumulative effect of implementation was a decrease to retained earnings of $55 ($125 less future income tax recoverable of $28, the $32 fair value impact of Loblaw's equity forwards and a $10 minority interest impact). This decrease includes the Company's portion of Loblaw's decrease to its retained earnings of $25 ($80 less future income tax recoverable of $23 and the $32 fair value impact of its equity forwards).

The Company recognizes in operating income a compensation cost related to employee stock option grants that allow for settlement in cash at the option of the employee and employee share appreciation right grants that will be settled in cash, which is accounted for using the intrinsic value method. A change in the intrinsic value between the grant date and the reporting date will result in a change in the compensation cost recognized.

The Company accounts for stock option grants that will be settled by issuing common shares as capital transactions and no compensation cost is recognized. Consideration paid by employees on the exercise of this type of stock option is credited to common share capital. The pro forma effect of accounting for these stock option grants, which will be settled by issuing common shares and were granted during 2002, using the fair value method is disclosed in Note 16.

Outside members of the Company's and Loblaw's Boards of Directors may elect annually to receive all or a portion of their annual retainer(s) and fees in the form of deferred share units. The deferred share unit obligation is accounted for using the intrinsic value method and the year-over-year change in the deferred share unit obligation is recognized in operating income.

The Company and Loblaw maintain Employee Share Ownership Plans for their employees. The Company does not contribute to its plan and therefore, no compensation cost is recognized. Loblaw contributes 15% of each employee's contribution to its plan, which is recognized in operating income as a compensation cost when the contribution is made.

Use of Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and assumptions are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from these estimates.

Comparative Information

Certain prior year's information was reclassified to conform with the current year's presentation.

2. Interest Expense

	2002	2001
Interest on long term debt	**$ 363**	$ 264
Other long term interest	**(77)**	(22)
Net long term interest	**286**	242
Net short term interest	**(18)**	6
Capitalized to fixed assets	**(30)**	(27)
Interest expense	**$ 238**	$ 221

Net interest paid in 2002 was $294 (2001 – $273).

3. Business Dispositions ($)

During 2002, the Company sold the western portion of Bestfoods Baking ("BF West"), which included certain licensing and distribution arrangements, to Grupo Bimbo, S.A. de C.V. for cash proceeds of approximately $950 million (U.S. $610 million). This disposition and BF West's net earnings, including the interest on the unsecured short term credit facility attributable to BF West, were recorded as part of the George Weston Bakeries Inc. ("George Weston Bakeries") purchase equation (Note 4).

In 2001, the Company sold 4.2 million of its Loblaw common shares at a price of $48.50 per common share for net proceeds of $195 million pursuant to a Prospectus filed by Loblaw. This sale reduced the Company's ownership in Loblaw to 61% from 63% and resulted in a $142 million gain recognized in unusual items. Income taxes of $25 million related to this gain were recognized in income taxes.

Also during 2001, the Company sold its Connors canned sardine business and seafood processing operations. The net proceeds for these dispositions were $148 million, including net proceeds received during 2002 of $13 million. A $35 million loss on these sales was recognized in unusual items.

4. Business Acquisitions

On July 30, 2001, the Company purchased all of the issued and outstanding common shares of Bestfoods Baking and certain trademarks for $2.8 billion (U.S. $1.8 billion) cash. The cash consideration was financed by way of an unsecured short term credit facility. The business was renamed George Weston Bakeries. The acquisition was accounted for using the purchase method. During the fourth quarter of 2001, the Company completed the George Weston Bakeries valuation analysis, and recorded the purchase equation including goodwill of $1.3 billion. Operating results of George Weston Bakeries have been included in the Company's consolidated financial statements since July 30, 2001, excluding the results of BF West, which was sold in 2002 (Note 3). The July 30, 2001 U.S. dollar balance sheet of George Weston Bakeries was translated at the exchange rates in the currency forwards and options used to hedge the purchase consideration.

Details of the George Weston Bakeries purchase equation, including cash consideration paid and the net assets acquired at their fair values, were as follows:

	As at July 30, 2001
Current assets	$ 189
Business held for sale	952
Fixed assets	548
Intangible assets	626
Other assets	109
Current liabilities	(746)
Long term debt	(2)
Other liabilities	(218)
Net assets acquired (including acquisition integration charges)	1,458
Goodwill	1,322
Cash consideration (including acquisition costs of $26, net of cash assumed of $25)	$ 2,780

As part of the George Weston Bakeries acquisition, the Company developed a plan for integration and reorganization of its administrative, manufacturing and distribution assets and activities. In 2001, a restructuring charge of $44 ($27 net of applicable income taxes) was recognized in unusual items relating to the integration of the Company's existing Weston Foods operations.

Other Acquisitions

When Loblaw purchases its own common shares, the Company accounts for the purchase as a step-by-step purchase of Loblaw. During 2002, Loblaw purchased 309,000 (2001 – 12,600) of its common shares for $17 (2001 – $1) pursuant to its Normal Course Issuer Bids, which resulted in the Company recognizing $8 (2001 – nominal) of goodwill (Note 10).

Subsequent to year end, Loblaw purchased 730,000 of its common shares for $41 pursuant to its Normal Course Issuer Bids.

5. Income Taxes

The Company's effective income tax rate in the consolidated statements of earnings is reported at a rate less than the weighted average basic Canadian federal and provincial statutory income tax rate for the following reasons:

	2002	2001
Weighted average basic Canadian federal and provincial statutory income tax rate	**39.2%**	41.4%
Net decrease resulting from:		
Operating in countries with lower effective income tax rates	**(5.7)**	(5.1)
Non-taxable amounts (including capital gains/losses and dividends)	**(1.3)**	(2.4)
Large corporation tax	**0.5**	0.5
Substantively enacted changes in income tax rates		(0.1)
Other	**(0.1)**	(0.4)
Effective income tax rate before goodwill charges	**32.6**	33.9
Non-deductible goodwill charges		1.3
Effective income tax rate	**32.6%**	35.2%

Net income taxes paid in 2002 were $320 (2001 – $329).

In 2001, the effect of the reduction in the Ontario provincial income tax rate of 1.5% in each of 2002, 2003, 2004 and 2005 was recognized as a $1 reduction to the future income tax expense. The deferral by one year of the reduction in the Ontario provincial income tax rate, which was announced in 2002, did not have a significant impact on the future income tax expense.

The income tax effects of temporary differences that gave rise to significant portions of the future income tax assets and future income tax liabilities were as follows:

	2002	2001
Future Income Tax Assets		
Accounts payable and accrued liabilities	**$ 276**	$ 303
Other liabilities	**118**	101
Losses carried forward (expiring 2004 to 2021)	**115**	99
Other	**29**	37
	538	540
Valuation allowance	**(182)**	(185)
	$ 356	$ 355
Future Income Tax Liabilities		
Fixed assets	**$ 234**	$ 133
Goodwill	**33**	24
Intangible assets and other	**48**	23
	$ 315	$ 180

6. Basic and Diluted Net Earnings per Common Share

	2002	2001
Net earnings	$ 690	$ 582
Prescribed dividends on preferred shares	(24)	(1)
Net earnings available to common shareholders	$ 666	$ 581
Weighted average common shares outstanding (in millions)	131.9	131.5
Dilutive effect of stock-based compensation (in millions)	0.7	1.3
Diluted weighted average common shares outstanding (in millions)	132.6	132.8
Basic net earnings per common share ($)	$ 5.05	$ 4.42
Dilutive effect of stock-based compensation per common share ($)	(0.03)	(0.05)
Diluted net earnings per common share ($)	$ 5.02	$ 4.37

7. Cash, Cash Equivalents and Short Term Investments

At year end, the Company had $1.5 billion (2001 – $1.3 billion) in cash, cash equivalents and short term investments held or managed by Glenhuron Bank Limited ("Glenhuron"), a wholly owned subsidiary of Loblaw in Barbados. The $31 (2001 – $60) of income from the cash, cash equivalents and short term investments was recognized in net short term interest.

8. Credit Card Receivables

During 2002, Loblaw, through PC Bank, securitized $244 (2001 – $112) of credit card receivables, yielding a minimal gain in both years, inclusive of a $2 (2001 – $3) servicing liability, on the initial sale. Servicing liabilities expensed during the year were $4 (2001 – nil) and the fair value of recognized servicing liabilities was $4 (2001 – $3). The Trust's recourse to PC Bank's assets is limited to PC Bank's retained interest and is further supported by Loblaw through a standby letter of credit for 15% of the securitized amount.

	2002	2001
Credit card receivables	$ 502	$ 166
Amount securitized	(356)	(112)
Net credit card receivables	$ 146	$ 54
Net credit loss experience	$ 6	$ 5

For 2002, the key economic assumptions used in measuring the securitization gain and the sensitivity of the current fair value of retained interests to an immediate 10% and a 20% adverse change in those assumptions were as follows:

		Change in Assumptions	
	2002	(10%)	(20%)
Carrying amount of retained interests	$ 5		
Payment rate (monthly)	51.0%		
Weighted average life (in years)	0.5		
Expected credit losses (annual)	3.4%	$ (0.2)	$ (0.4)
Discounted residual cash flows (annual)	17.4%	$ (0.7)	$ (1.5)

The details on the cash flows from securitization were as follows:

	2002	2001
Proceeds from new securitizations	$ 244	$ 112
Net cash flows received on retained interests	$ 23	$ 1

9. Fixed Assets

	2002			2001		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Properties held for development	$ 336		$ 336	$ 248		$ 248
Properties under development	234		234	206		206
Land	1,307		1,307	1,171		1,171
Buildings	3,406	$ 681	2,725	2,957	$ 588	2,369
Equipment and fixtures	4,210	2,158	2,052	3,733	1,874	1,859
Leasehold improvements	629	247	382	592	217	375
	10,122	3,086	7,036	8,907	2,679	6,228
Capital leases – buildings and equipment	87	70	17	87	66	21
	$ 10,209	$ 3,156	$ 7,053	$ 8,994	$ 2,745	$ 6,249

10. Goodwill and Intangible Assets

Changes in the carrying value of goodwill and intangible assets were as follows:

	2002				2001
	Weston Foods	Food Distribution	Fisheries	Total	Total
Goodwill balance, beginning of year	$ 1,656	$ 1,674	$ 9	$ 3,339	$ 2,073
Goodwill acquired during the year		8		8	1,323
Goodwill charges					(57)
Goodwill balance, end of year	1,656	1,682	9	3,347	3,339
Trademarks and brand names	627			627	627
Marine site licenses			14	14	14
Goodwill and intangible assets	$ 2,283	$ 1,682	$ 23	$ 3,988	$ 3,980

The Weston Foods intangible assets primarily relate to the $626 of trademarks and brand names acquired in the 2001 George Weston Bakeries acquisition, which have an indefinite useful life and, accordingly, are not being amortized.

The Fisheries intangible assets relate to marine site licenses, which have a limited life of 20 years and, accordingly, are being amortized over 20 years.

The Weston Foods, Food Distribution and Fisheries goodwill and the Weston Foods intangible assets with indefinite lives are tested annually for impairment. During the fourth quarter of 2002, the Company performed the annual goodwill and intangible assets impairment tests and determined that there was no impairment to the carrying value of the goodwill or the intangible assets.

11. Other Assets

	2002	2001
Domtar investment (note 13)	$ 367	$ 368
Franchise investments and other receivables	319	317
Equity forward deferred loss (note 17)	53	34
Accrued benefit plan asset (note 12)	47	51
Deferred charges and other assets	88	99
	$ 874	$ 869

12. Pension, Post-Retirement and Post-Employment Benefits

The Company has a number of defined benefit and defined contribution plans providing pension and other retirement and post-employment benefits to certain employees. The Company also contributes to various multi-employer benefit plans providing pension benefits.

Information about the Company's defined benefit plans other than the multi-employer benefit plans, in aggregate, was as follows:

	2002		2001	
	Pension Benefit Plans	Other Benefit Plans	Pension Benefit Plans	Other Benefit Plans
Benefit Plan Assets				
Fair value, beginning of year	$ 1,175	$ 18	$ 1,305	$ 16
Actual return on plan assets (loss) gain	(60)	4	(172)	
Employer contributions	20	21	10	15
Employees' contributions	3		4	
Benefits paid	(90)	(16)	(81)	(13)
Acquisitions			130	
Divestitures			(24)	
Settlement gain			(3)	
Other			6	
Fair value, end of year	$ 1,048	$ 27	$ 1,175	$ 18
Accrued Benefit Plan Obligations				
Balance, beginning of year	$ 1,223	$ 229	$ 1,105	$ 164
Current service cost	43	7	36	9
Interest cost	93	16	82	13
Benefits paid	(90)	(16)	(81)	(13)
Actuarial loss (gain)	151	89	(29)	(7)
Plan amendments	14	1	6	
Acquisitions			121	60
Divestitures			(23)	
Settlement gain			(3)	
Other	6	4	9	3
Balance, end of year	$ 1,440	$ 330	$ 1,223	$ 229
Deficit of Plan Assets Versus Plan Obligations	$ (392)	$ (303)	$ (48)	$ (211)
Unamortized past service costs	19	1	7	
Unamortized net actuarial loss (gain)	329	69	24	(10)
Net accrued benefit plan liability	$ (44)	$ (233)	$ (17)	$ (221)
Accrued benefit plan asset included in other assets	$ 41	$ 6	$ 51	
Accrued benefit plan liability included in other liabilities	(85)	(239)	(68)	$ (221)
Net accrued benefit plan liability	$ (44)	$ (233)	$ (17)	$ (221)

At year end 2002, the deficit of plan assets versus plan obligations for those pension benefit plans and post-employment benefit plans where the accrued benefit plan obligations exceeded the fair value of benefit plan assets were $396 and $26, respectively (2001 – $101 and $15). There were no plan assets in non-registered pension plans. All the Company's post-retirement benefit plans also had no plan assets and, at year end 2002, had an aggregate accrued benefit plan obligation of $278 (2001 – $196).

The significant annual weighted average actuarial assumptions were as follows:

	2002		2001	
	Pension Benefit Plans	**Other Benefit Plans**	Pension Benefit Plans	Other Benefit Plans
Discount rate	**6.6%**	**6.4%**	7.5%	7.3%
Expected long term rate of return on plan assets	**8.0%**	**5.0%**	8.0%	6.0%
Rate of compensation increase	**3.6%**		3.5%	

The expected long term rates of return on pension benefit plans and other benefit plans assets used in calculating the Company's 2002 net defined benefit plan expense were 8.0% and 6.0%, respectively (2001 – 8.0% and 6.0%).

The Company's growth rate of health care costs, primarily drug costs, was estimated at 9.0% (2001 – 9.0%), with the rate trending to 5.0% in 2010 and remaining at that level thereafter.

The accrued benefit plan obligations and the fair value of the benefit plan assets were determined using a September 30 measurement date.

The total net expense for the Company's benefit plans and the multi-employer benefit plans was as follows:

	2002		2001	
	Pension Benefit Plans	**Other Benefit Plans**	Pension Benefit Plans	Other Benefit Plans
Current service cost	**$ 40**	**$ 7**	$ 32	$ 9
Interest cost on plan liabilities	**93**	**16**	82	13
Expected return on plan assets	**(92)**	**(1)**	(107)	(1)
Amortization of net actuarial (gain) loss		**5**	(8)	(1)
Settlement loss			2	
Other	**3**			
Net defined benefit plan expense	**44**	**27**	1	20
Defined contribution plan expense	**27**		16	
Multi-employer benefit plan expense	**79**		58	
Net benefit plan expense	**$ 150**	**$ 27**	$ 75	$ 20

13. Long Term Debt

	2002	2001
George Weston Limited		
Debentures		
Series B, current rate 3.34%, due on demand (i)	**$ 33**	
Series A, 7.45%, due 2004	**200**	$ 200
Series A, 7.00%, due 2031 (i)	**466**	466
Exchangeable Debentures, 3%, due 2023, redeemable in 2005 (ii)		
Carrying amount	**567**	579
Deferred amount	**(193)**	(204)
Notes		
5.25%, due 2006	**200**	200
5.90%, due 2009 (iii)	**250**	
6.45%, due 2011	**300**	300
12.70%, due 2030		
Principal	**150**	150
Effect of coupon repurchase	**(121)**	(120)
7.10%, due 2032 (iii)	**150**	
Other at a weighted average interest rate of 10.20%, due 2003 to 2019	**6**	5
Loblaw Companies Limited		
Debentures		
Series 8, 10%, due 2007, redeemed in 2002 (iii)		61
Notes		
6.20%, BA Range Note, due 2002 (iii)		10
6.60%, due 2003	**100**	100
6.95%, due 2005	**200**	200
6.00%, due 2008	**390**	390
5.75%, due 2009	**125**	125
7.10%, due 2010	**300**	300
6.50%, due 2011	**350**	350
6.00%, due 2014	**100**	100
7.10%, due 2016	**300**	300
6.65%, due 2027	**100**	100
6.45%, due 2028	**200**	200
6.50%, due 2029	**175**	175
11.40%, due 2031		
Principal	**151**	151
Effect of coupon repurchase	**(4)**	1
6.85%, due 2032 (iii)	**200**	
8.75%, due 2033	**200**	200
6.45%, due 2039	**200**	200
7.00%, due 2040	**150**	150
Other at a weighted average interest rate of 10.74%, due 2003 to 2040	**51**	59
Provigo Inc.		
Debentures		
Series 1997, 6.35%, due 2004	**100**	100
Series 1996, 8.70%, due 2006	**125**	125
Other (iv)	**13**	17
Total long term debt	**5,534**	4,990
Less – amount due within one year	**(110)**	(82)
– amount due on demand	**(33)**	
	$ 5,391	$ 4,908

The five year schedule of repayment of long term debt based on maturity, excluding the Exchangeable Debentures and the amount due on demand, is as follows: 2003 – $110; 2004 – $308; 2005 – $216; 2006 – $329; 2007 – $6.

(i) During 2002, the Company issued $33 of Series B Debentures due on demand, which are at a current weighted average interest rate of 3.34%. During 2001, the Company issued $466 of 7.00% Series A Debentures due 2031. The Series A, 7.00% and Series B Debentures are secured by a pledge of 9.6 million Loblaw common shares.

(ii) In 1998, the Company sold its Forest Products business to Domtar Inc. ("Domtar") for proceeds of $803 consisting of $435 of cash and $368 of Domtar common shares. The Domtar common share investment is recorded in other assets. The Company subsequently issued $375 of 3% Exchangeable Debentures ("Debentures") due June 30, 2023. Each one thousand dollar principal amount of the Debentures is exchangeable at the option of the holder for 95.2381 Domtar common shares. The Debentures are redeemable at the option of the Company after June 30, 2005. Upon notice of redemption by the Company or within 30 days prior to the maturity date, the holder has the option to exchange each one thousand dollar principal amount for 95.2381 Domtar common shares plus accrued interest payable in cash.

The Company's obligation on the exchange or redemption of these Debentures can be satisfied by delivery of a cash amount equivalent to the current market price of Domtar common shares at such time, the Domtar common shares or any combination thereof. Upon maturity, the Company at its option may deliver cash, the Domtar common shares or any combination thereof equal to the principal amount plus accrued interest.

The carrying amount of these Debentures is based on the market price of the underlying Domtar common shares at the reporting date. As a result of issuing these Debentures, the Domtar investment is hedged and the difference between the carrying amount and the original issue amount of the Debentures is recorded as a deferred amount until exchange, redemption or maturity. No corresponding valuation adjustment is made to the investment.

(iii) During 2002, the Company issued $250 of 5.90% Medium Term Notes ("MTN") due 2009 and $150 of 7.10% MTN due 2032. Also during 2002, Loblaw redeemed its $61 Series 8, 10% Debentures in accordance with their terms, issued $200 of 6.85% MTN due 2032 and repaid its $10 6.20% BA Range Note as it matured.

(iv) Provigo Inc. Debentures – Other of $13 (2001 – $17) represents the unamortized portion of the adjustment to fair value the Provigo Inc. Debentures. This adjustment was recorded as part of the Provigo purchase equation and was calculated using Loblaw's average credit spread applicable to the remaining life of the Provigo Inc. Debentures. The adjustment is being amortized over the remaining term of the Provigo Inc. Debentures.

(v) Subsequent to year end, the Company issued $100 of 6.69% MTN due 2033 and Loblaw issued $200 of 6.54% MTN due 2033.

14. Other Liabilities

	2002	2001
Accrued benefit plan liability (note 12)	**$ 324**	$ 289
Unrealized cross currency basis swap adjustment (note 17)	**131**	96
Accrued insurance liabilities	**116**	107
Stock-based compensation obligation	**83**	
Equity forward obligation (note 17)	**15**	29
Other liabilities	**59**	80
	$ 728	$ 601

15. Share Capital

	2002	2001
Common share capital	$ 121	$ 77
Preferred shares, Series I	228	228
Preferred shares, Series II	260	
	$ 609	$ 305

Common Share Capital (authorized – unlimited)
The changes in the common shares issued and outstanding during the year were as follows:

	2002		2001	
	Number of Common Shares	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of year (i)	**131,467,907**	**$ 77**	131,459,407	$ 77
Issued for stock options exercised (note 16)	**1,139,315**	**44**	16,600	
Purchased for cancellation	**(327,400)**		(8,100)	
Issued and outstanding, end of year	**132,279,822**	**$ 121**	131,467,907	$ 77
Weighted average outstanding	**131,864,972**		131,469,062	

(i) 2001 opening balance adjusted to reflect 864 fractional common shares outstanding.

Preferred Shares, Series I (authorized – unlimited) ($)
During 2001, the Company issued 9.4 million 5.80% Preferred Shares, Series I for $25.00 per share for net proceeds of $228 million, which entitle the holder to a fixed cumulative preferred cash dividend of $1.45 per share per annum. The Company may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:
On or after December 15, 2006 at $26.00 per share
On or after December 15, 2007 at $25.75 per share
On or after December 15, 2008 at $25.50 per share
On or after December 15, 2009 at $25.25 per share
On or after December 15, 2010 at $25.00 per share
The Company may, at its option, grant the holders of these preferred shares the right to convert their shares upon notice into preferred shares of a further series issued by the Company.

Preferred Shares, Series II (authorized – unlimited) ($)
During 2002, the Company issued 10.6 million 5.15% Preferred Shares, Series II for $25.00 per share for net proceeds of $260 million, which entitle the holder to a fixed cumulative preferred cash dividend of $1.2875 per share per annum. On or after April 1, 2009, the Company may, at its option, redeem for cash these outstanding preferred shares, in whole or in part, at $25.00 per share. On and after July 1, 2009, these outstanding preferred shares are convertible, at the option of the holder, into a number of the Company's common shares determined by dividing $25.00 by the greater of $2.00 and 95% of the then current market price of the Company's common shares. At any time after issuance, the Company may, at its option, give the holders of these preferred shares the right, at the option of the holder, to convert their preferred shares into preferred shares of a further series designated by the Company on a share-for-share basis on a date specified by the Company.

Normal Course Issuer Bids ("NCIB") ($)
During 2002, the Company purchased for cancellation 327,400 (2001 – 8,100) of its common shares for $33 million (2001 – $1 million) and entered into equity swaps to buy 800,000 of its common shares pursuant to its NCIB. In addition, the Company intends to renew its NCIB to purchase on the Toronto Stock Exchange or enter into equity derivatives to purchase up to 5% of its common shares outstanding. The Company, in accordance with the rules and by-laws of the Toronto Stock Exchange, may purchase its common shares at the then market prices of such shares.

Subsequent to year end, the Company entered into equity swaps to buy 886,700 of its common shares pursuant to its NCIB.

16. Stock-Based Compensation ($)

Stock Option Plan

The Company maintains a stock option plan for certain employees. Under the plan, the Company may grant options for up to seven million common shares. Stock options have up to a seven year term, vest 20% cumulatively on each anniversary date of the grant and are exercisable at the designated common share price, which is 100% of the market price of the Company's common shares on the last trading day prior to the effective date of the grant. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option or option holders may elect to receive in cash the share appreciation value equal to the excess of the market price at the date of exercise over the specified option price.

Loblaw Stock Option Plan

Loblaw maintains a stock option plan for certain employees. Under its plan, Loblaw may grant options for up to 20.4 million of its common shares. Stock options have up to a seven year term, vest 20% cumulatively on each anniversary date of the grant and are exercisable at the designated common share price, which is 100% of the market price of Loblaw's common shares on the last trading day prior to the effective date of the grant. Each stock option is exercisable into one common share of Loblaw at the price specified in the terms of the option or option holders may elect to receive in cash the share appreciation value equal to the excess of the market price at the date of exercise over the specified option price.

Share Appreciation Right Plan

The Company maintains a share appreciation right plan for certain senior United States employees. Share appreciation rights have up to a seven year term, vest 20% cumulatively on each anniversary date of the grant and are exercisable at the designated common share price, which is 100% of the market price of the Company's common shares on the last trading day prior to the effective date of the grant. When exercised, the employee will receive in cash the share appreciation value equal to the excess of the market price at the date of exercise over the specified right price. During 2002, the Company granted 144,000 share appreciation rights, which will be settled in cash, to 48 employees at a weighted average exercise price of $100.00 per common share. No share appreciation rights were exercised, forfeited or cancelled during 2002.

In 2002, the Company recognized in operating income a compensation cost of $32 million ($19 million plus the $13 million fair value impact of the equity swaps and forwards) related to the Company's stock option and share appreciation right plans and Loblaw's stock option plan. The Company issued 1,139,315 common shares (2001 – 16,600) for cash consideration of $44 million (2001 – $.3 million) on the exercise of stock options and paid the share appreciation value of $9 million (2001 – $12 million), net of tax of $5 million (2001 – $5 million), on the exercise of 202,536 stock options (2001 – 298,867). During 2002, Loblaw issued 75,000 (2001 – 20,000) common shares for cash consideration of $2 million (2001 – $.4 million) on the exercise of stock options and paid the share appreciation value of $13 million (2001 – $8 million), net of tax of $9 million (2001 – $6 million) on the exercise of 685,447 stock options (2001 – 513,970).

During 2002, the Company granted 226,000 stock options to 18 employees at a weighted average exercise price of $100.00 per common share, which will be settled by issuing common shares. The weighted average grant-date fair value of these stock options was estimated using the Black-Scholes model for pricing options assuming a weighted average expected dividend yield of .96% annually, a weighted average risk free interest rate of 3.3%, a weighted average expected common stock price volatility of 26.0% and a weighted average expected option life of three years. If the fair value method had been used for these stock options, the Company's year end net earnings would have decreased by $2 million, with a one cent impact to basic and diluted net earnings per common share. This impact on net earnings and basic and diluted net earnings per common share excludes the effect of 239,115 stock options that were granted before January 1, 2002, which will be settled by issuing common shares.

At year end, the Company had a total of 1,417,233 (2001 – 2,420,524) common stock option grants and share appreciation rights outstanding, which represented approximately 1.1% (2001 – 1.8%) of its issued and outstanding common shares and was within regulatory guidelines.

A summary of the status of the Company's stock option and share appreciation right plans and activity was as follows:

	2002		2001	
	Options/Rights (number of shares)	Weighted Average Exercise Price/Share	Options/Rights (number of shares)	Weighted Average Exercise Price/Share
Outstanding options/rights, beginning of year	**2,420,524**	**$ 44.018**	2,614,966	$ 41.903
Granted	**370,000**	**$100.000**	126,825	$ 78.850
Exercised	**(1,341,851)**	**$ 39.418**	(315,467)	$ 40.460
Forfeited/cancelled	**(31,440)**	**$ 49.470**	(5,800)	$ 45.966
Outstanding options/rights, end of year	**1,417,233**	**$ 62.867**	2,420,524	$ 44.018
Options/rights exercisable, end of year	**227,419**	**$ 47.531**	898,675	$ 39.181

	2002				
	Outstanding Options/Rights			Exercisable Options/Rights	
Range of Exercise Prices ($)	Number of Options/Rights Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price/Share	Number of Exercisable Options/Rights	Weighted Average Exercise Price/Share
$ 37.667 – $ 55.250	**918,335**	**3**	**$ 46.037**	**213,400**	**$ 46.117**
$ 63.500 – $ 100.000	**498,898**	**6**	**$ 93.847**	**14,019**	**$ 69.055**

Subsequent to year end, the Company granted 685,129 stock options under its current stock option plan, which allow for settlement in cash at the option of the employee, to 91 employees at an exercise price of $93.35 per common share and granted 252,285 share appreciation rights, that will be settled in cash, to 63 employees at an exercise price of $93.35 per common share. As a result, subsequent to year end, the Company had a total of 2,354,647 common stock option grants and share appreciation rights outstanding, which represented approximately 1.8% of its issued and outstanding common shares at year end.

Deferred Share Units

Outside members of the Company's and Loblaw's Boards of Directors may elect annually to receive all or a portion of their annual retainer(s) and fees in the form of deferred share units, the value of which is determined by the market price of the Company's or Loblaw's common shares at the time of payment of the director's annual retainer(s) or fees. Upon termination of Board service, the common shares due to the director, as represented by the deferred share units, will be purchased on the open market on the director's behalf. At year end, the Company had 19,538 (2001 – 12,689) and Loblaw had 12,941 (2001 – 8,556) deferred share units outstanding. The year-over-year change in the deferred share unit obligation was minimal and was recognized in operating income.

Loblaw Employee Share Ownership Plan ("ESOP")

Loblaw maintains an ESOP for its employees, which allows its employees to acquire Loblaw's common shares through regular payroll deductions for up to 5% of their gross regular earnings. Loblaw contributes 15% of each employee's contribution. The ESOP is administered through a Trust, which purchases Loblaw common shares on the open market on behalf of its employees. In 2002, Loblaw recognized in operating income a compensation cost of $2 million (2001 – $1 million) related to its ESOP.

17. Financial Instruments

A summary of the Company's and Loblaw's outstanding financial derivative instruments was as follows:

	Notional Amounts Maturing in							
	2003	2004	2005	2006	2007	Thereafter	**2002 Total**	2001 Total
Cross currency basis swaps	$ 49	$ 344	$ 64	$ 114	$ 67	$ 3,387	**$ 4,025**	$ 4,238
Interest rate swaps	$ 188	$ 357	$ 161	$ (43)	$ 21	$ 753	**$ 1,437**	$ 958
Equity swaps and forwards						$ 745	**$ 745**	$ 599
Electricity forward purchase contract	$ 47	$ 51	$ 17				**$ 115**	

Cross Currency Basis Swaps

The Company entered into cross currency basis swaps to exchange $2.9 billion (2001 – $3.2 billion) of Canadian dollar debt for United States dollar debt, which mature by 2016. These swaps may be extended at the option of the Company. At year end, an unrealized foreign currency exchange rate adjustment of $68 (2001 – $24) was recorded in cumulative foreign currency translation adjustment.

Loblaw entered into cross currency basis swaps to exchange $1.1 billion (2001 – $1.0 billion) of Canadian dollar debt for United States dollar debt, which mature by 2016. Currency adjustments receivable or payable arising from these swaps may be settled in cash on maturity or the term may be extended. At year end, an unrealized foreign currency exchange rate adjustment of $131 (2001 – $96) was recorded in other liabilities.

Interest Rate Swaps

The Company entered into interest rate swaps converting a net notional $75 (2001 – $75) of its 6.7% (2001 – 6.7%) fixed rate debt into floating rate debt, which mature by 2004.

The Company also entered into interest rate swaps which convert $2.4 billion of its Canadian floating interest rate exposure to receive a 5.1% fixed interest rate and $1.9 billion (U.S. $1.2 billion) of its United States floating interest rate exposure to pay a 4.5% fixed interest rate. These swaps partially offset the Company's exposure to United States and Canadian floating interest rates, which results from the cross currency basis swaps the Company entered into during 2001 to hedge against exchange rate fluctuations on the Company's United States dollar denominated net investment in self-sustaining foreign operations. These swaps have a weighted average term to maturity of nine years.

Loblaw entered into interest rate swaps converting a net notional $867 (2001 – $883) of its 6.88% (2001 – 6.88%) fixed rate debt into floating rate debt, which mature by 2013.

Equity Swaps and Forwards ($)

The Company entered into equity swaps to buy 800,000 of its common shares at an average forward price of $115.01 per common share with an average initial term of six years. Loblaw entered into equity forwards to buy 3.7 million (2001 – 3.3 million) of its common shares at an average forward price of $44.88 (2001 – $42.70) per common share, including $3.47 (2001 – $2.97) per common share of interest expense net of dividends that will be paid at redemption, with an average initial term of 10 (2001 – 10) years. These swaps and forwards allow for several methods of settlement including net cash settlement. They change in value as the market price of the underlying common shares changes and provide a partial offset to fluctuations in the Company's and Loblaw's stock-based compensation cost. The Company and Loblaw have included an unrealized market adjustment of $14 million in accounts receivable relating to these swaps and forwards.

During 2001, the Company entered into an equity forward based on 9.6 million Loblaw common shares (the "underlying Loblaw common shares") at a current forward price of $52.43 (2001 – $48.99) per Loblaw common share, which increases over time at a rate equivalent to the forward rate. The forward matures in 2031 and will be settled in cash as follows: the Company will receive the forward price and will pay the market value of the underlying Loblaw common shares at maturity. The obligation of the Company under this forward is secured by the underlying Loblaw common shares. The Company entered into this forward to partially offset any repayment risk associated with the Series A, 7.00% and Series B Debentures issued by the Company. At year end, the Company had an obligation under this forward of $15 million (2001 – $29 million), which is included in other liabilities and a deferred loss of $53 million (2001 – $34 million), which is included in other assets.

Subsequent to year end, the Company entered into equity swaps to buy 886,700 of its common shares at an average forward price of $92.49 per common share, with an average initial term of six years, pursuant to its NCIB. Also, Loblaw entered into equity forwards to buy 1,103,500 of its common shares at an average forward price of $56.39 per common share with an average initial term of 10 years, pursuant to its NCIB. These swaps and forwards provide a partial offset to fluctuations in the Company's and Loblaw's stock-based compensation cost.

Electricity Forward Purchase Contract

The Company entered into an electricity forward purchase contract that expires in May 2005 to minimize price volatility and to maintain a portion of the Company's electricity costs in Ontario, Canada at approximately 2001 rates.

Counterparty Risk

The Company may be exposed to losses should any counterparty to its derivative agreements fail to fulfill its obligations. The Company has sought to minimize potential counterparty losses by transacting with counterparties for its derivative agreements that have at a minimum an A rating and by placing risk adjusted limits on its exposure to any single counterparty. The Company has internal policies, controls and reporting processes, which permit ongoing assessment and corrective action with respect to its derivative activity. In addition, principal amounts on currency and equity derivatives are netted by agreement and there is no exposure to loss of the notional principal amounts on the interest rate derivatives.

Fair Value of Financial Instruments

The fair value of a financial instrument is the estimated amount that the Company would receive or pay to terminate the instrument agreement at the reporting date. The following methods and assumptions were used to estimate the fair value of each type of financial instrument by reference to various market value data and other valuation techniques as appropriate.

- The fair values of cash, cash equivalents, short term investments, accounts receivable, bank indebtedness, commercial paper, accounts payable, accrued liabilities and short term bank loans approximated their carrying values given their short term maturities.
- The fair value of long term debt issues was estimated based on the discounted cash flows of the debt at the Company's estimated incremental borrowing rates for debt of the same remaining maturities.
- The fair value of the Exchangeable Debentures was estimated based on the market price, at the reporting date, of the underlying Domtar common shares.
- The fair value of the cross currency basis swaps was estimated based on the market spot and forward exchange rates and approximated carrying value.
- The fair value of the interest rate swaps was estimated by discounting net cash flows of the swaps at market rates for swaps of the same remaining maturities.
- The fair value of the equity swaps and forwards was estimated by multiplying the total of the Company's and Loblaw's common stock outstanding under the swaps and forwards by the difference between the market price of the common shares and the average forward price of the outstanding swaps and forwards at year end.
- The fair value of the electricity forward purchase contract was estimated by discounting the net cash flows at market rates for a contract of the same remaining maturity.

	2002		2001	
	Carrying Value	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Long term debt liability	**$ 5,534**	**$ 6,193**	$ 4,990	$ 5,377
Long term debt liability (excluding Exchangeable Debentures)	**$ 5,160**	**$ 5,626**	$ 4,615	$ 4,798
Interest rate swaps net asset		**$ 19**		$ 53
Equity swaps and forwards net (liability) asset	**$ (1)**	**$ (1)**	$ (29)	$ 1
Electricity forward purchase contract net asset		**$ 17**		

18. Contingencies and Commitments

The Company is involved in and potentially subject to various claims and litigation arising out of the normal course and conduct of its businesses including product liability, labour and employment, environmental and tax. Although such matters cannot be predicted with certainty, management considers the Company's exposure to such litigation, to the extent not provided for through insurance or otherwise, not to be material to these consolidated financial statements.

The Company is committed to various operating leases. Future minimum lease payments related to these operating leases were as follows:

	Amounts Maturing in							
	2003	2004	2005	2006	2007	Thereafter to 2016	**2002 Total**	2001 Total
Operating lease payments	$ 207	$ 189	$ 170	$ 149	$ 130	$ 622	**$ 1,467**	$ 1,390
Expected sub-lease income	(51)	(45)	(41)	(37)	(31)	(61)	**(266)**	(242)
Net operating lease payments	$ 156	$ 144	$ 129	$ 112	$ 99	$ 561	**$ 1,201**	$ 1,148

Gross rentals under leases assigned to others for which the Company is contingently liable amount to $213 (2001 – $242).

At year end, capital projects-in-progress which the Company has effectively committed to complete totaled approximately $228 (2001 – $162).

Loblaw has provided a guarantee, on behalf of PC Bank, to MasterCard International Incorporated for U.S. $50 (2001 – U.S. $12) relating to PC Bank's obligations to meet its settlement commitments arising from its credit card program.

In connection with Loblaw's purchase of Provigo, Loblaw committed to support Quebec small business and farming communities as follows: for a period of seven years commencing in 1999 and, subject to business dispositions, the aggregate amount of goods and services purchased from Quebec suppliers in the ordinary course of business will not fall below those of 1998. Loblaw fulfilled its commitment in each year from 1999 to and including 2002.

19. Related Party Transactions

The Company's majority shareholder, Wittington Investments, Limited, its subsidiaries and its affiliates are related parties. The Company, in the normal course of business, has routine transactions with these related parties. It is the Company's policy to conduct all transactions and settle balances with related parties on normal trade terms.

20. Segment Information

The Company has three reportable operating segments: Weston Foods, Food Distribution and Fisheries. The Weston Foods segment is primarily engaged in the baking and dairy industries within North America. The Food Distribution segment focuses on food retailing and is increasing its offering of non-food products and services in Canada and is operated by Loblaw. The Fisheries segment is primarily engaged in the hatching, growing and processing of fresh farmed salmon in North America and Chile. The results for Fisheries include the Fisheries operations which were disposed of prior to 2002. In prior years, the Company reported Weston Foods and Fisheries as one segment, Food Processing.

The accounting policies of the reportable operating segments are the same as those described in the Company's summary of significant accounting policies. The Company measures each reportable operating segment's performance based on operating income. No reportable operating segment is reliant on any single external customer.

	2002	2001
Sales		
Weston Foods	$ 4,792	$ 3,412
Food Distribution	23,082	21,486
Fisheries	219	396
Intersegment	(647)	(633)
Consolidated	$ 27,446	$ 24,661
Operating Income		
Weston Foods	$ 409	$ 313
Food Distribution	1,295	1,128
Fisheries	(26)	(1)
Consolidated	$ 1,678	$ 1,440
Depreciation and Goodwill Charges		
Weston Foods	$ 144	$ 115
Food Distribution	354	359
Fisheries	9	14
Consolidated	$ 507	$ 488
Total Assets (1)		
Weston Foods	$ 4,837	$ 5,627
Food Distribution	11,167	9,972
Fisheries	292	320
Consolidated	$ 16,296	$ 15,919
Fixed Assets and Goodwill Purchases		
Weston Foods	$ 311	$ 1,527
Food Distribution	1,087	1,110
Fisheries	7	34
Consolidated	$ 1,405	$ 2,671

The Company operates primarily in Canada and the United States.

	2002	2001
Sales (excluding intersegment)		
Canada	$ 23,650	$ 22,071
United States	3,796	2,590
Consolidated	$ 27,446	$ 24,661
Fixed Assets and Goodwill		
Canada	$ 7,635	$ 6,891
United States	2,765	2,697
Consolidated	$ 10,400	$ 9,588

(1) Excludes the $367 (2001 – $368) investment in Domtar common shares, which is effectively hedged as a result of issuing the 3% Exchangeable Debentures (see Note 13).