



2006

ANNUAL INFORMATION FORM

March 15, 2007

GEORGE WESTON LIMITED
2006 ANNUAL INFORMATION FORM
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APPENDIX A – AUDIT COMMITTEE CHARTER

I. FORWARD - LOOKING STATEMENTS

This Annual Information Form (“AIF”) contains forward-looking statements which reflect management’s expectations and are contained in discussions regarding the Company’s objectives, plans, goals, aspirations, strategies, potential future growth, results of operations, performance and business prospects and opportunities. Forward-looking statements are typically, though not always, identified by words or phrases such as “anticipates”, “expects”, “believes”, “estimates”, “intends” and other similar expressions.

These forward-looking statements are not guarantees, but only predictions. Although the Company believes that these statements are based on information and assumptions, which are current, reasonable and complete, these statements are necessarily subject to a number of factors that could cause actual results to vary significantly from the estimates, projections and intentions. Such differences may be caused by factors which include, but are not limited to, changes in consumer spending, preferences and consumers’ nutritional and health related concerns, changes in the competitive environment, including changes in pricing and market strategies of the Company or its competitors and the entry of new competitors and expansion of current competitors, the availability and cost of raw materials and ingredients, fuels and utilities, the ability to realize anticipated cost savings and efficiencies, including those resulting from restructuring, inventory liquidation and other cost reduction and simplification initiatives, the ability to execute restructuring plans, implement strategies and introduce innovative products successfully and in a timely manner, changes in the markets for the inventory intended for liquidation and changes in the expected realizable value and costs associated with the liquidation, unanticipated, increased or decreased costs associated with the announced initiatives, including those related to compensation costs, the Company’s relationship with its employees, results of labour negotiations including the terms of future collective bargaining agreements, changes to the regulatory environment in which the Company operates now or in the future, the inherent uncertainty regarding the outcome of litigation or any dispute resolution initiative, changes in the Company’s tax liabilities, either through changes in tax laws or future assessments, performance of third-party service providers, public health events, the ability of the Company to attract and retain key executives, the success rate of the Company in developing and introducing new products and entering new markets and supply and quality control issues with vendors. The calculation of the goodwill impairment charge described in this AIF involves the estimation of several variables, including but not limited to market multiples, projected future sales and earnings, capital investment, discount rates, terminal growth rates and the fair values of those assets being valued. The Company cautions that this list of factors is not exhaustive.

The assumptions applied in making the forward-looking statements contained in this AIF include the following: economic conditions do not materially change from those expected, patterns of consumer spending and preferences are reasonably consistent with historical trends, no new significant competitors enter the Company’s markets and neither the Company nor its competitors significantly increase their presence or change pricing or market strategies materially, the Company successfully offers new and innovative products and executes its strategies as planned, anticipated cost savings and efficiencies are realized as planned, continuing future restructuring activities are effectively executed in a timely manner, costs associated with the liquidation of inventory are not higher or lower than expected, the Company’s assumptions regarding average compensation costs and average years of service for employees affected by the simplification initiatives are materially correct, the Company does not significantly change its approach to its current restructuring activities, there is no material amount of excess inventory in the Company’s supply chain, there are no material work stoppages and the performance of third-party service providers is in accordance with expectations.

These estimates and assumptions may change in the future due to uncertain competitive and economic market conditions or changes in business strategies. This list of factors and other risks and uncertainties are discussed in the Company’s materials filed with the Canadian securities regulatory authorities from time to time, including the Operating Risks and Risk Management and Financial Risks and Risk Management sections of the Management’s Discussion and Analysis included in the Company’s 2006 Annual Report.

Potential investors and other readers are urged to consider these factors carefully in evaluating these forward-looking statements and are cautioned not to place undue reliance on them. The forward-looking statements included in this AIF are made only as of the date of this AIF and the Company disclaims any obligation or intention to publicly update these forward-looking statements to reflect new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events contained in these forward-looking statements may or may not occur. The Company cannot assure that projected results or events will be achieved.

The information in this Annual Information Form is current to December 31, 2006, unless otherwise noted. All amounts are in Canadian dollars.

II. CORPORATE STRUCTURE

Incorporation

George Weston Limited (“Weston” or the “Company”) was incorporated by letters patent under the laws of Canada on January 27, 1928. It was continued under the *Canada Business Corporations Act* on April 29, 1980, and amalgamated with Weston Food Processing Ltd. pursuant to Articles of Amalgamation effective January 1, 1989. The registered head office is located at 22 St. Clair Avenue East, Toronto, Ontario, Canada M4T 2S7.

Intercorporate Relationships

George Weston Limited (“Weston”) is a holding company and operates through its subsidiaries in its Weston Foods and Loblaw reportable operating segments. Weston Foods is operated primarily in Canada by Weston Foods (Canada) Inc. and its subsidiaries and in the United States by Weston Foods, Inc. and its subsidiaries. The Loblaw segment is operated by Loblaw Companies Limited (“Loblaw Companies”), a public company in which Weston, directly and indirectly, holds a 61.95% interest. Loblaw Companies operates the Loblaw segment across Canada through directly and indirectly owned subsidiaries (Loblaw Companies and its subsidiaries are collectively referred to as “Loblaw”). Throughout this Annual Information Form, George Weston Limited and all of its subsidiaries are collectively referred to as the “Company”.

A list of subsidiaries of Weston that carry on its principal businesses is set out below. In each case, 100% of the voting securities are owned either directly or indirectly by Weston, except in the case of Loblaw Companies, in which 61.95% of the voting shares are held directly and indirectly by Weston.

<u>Weston Foods Subsidiaries</u>	<u>Jurisdiction of Incorporation</u>
Arnold Foods Company, Inc.	Delaware
Arnold Products, Inc.	Delaware
Boulangerie Gadoua Ltée.	Quebec
Boulangeries Weston Quebec Limitée	Ontario
Charles Freihofer Baking Company, Inc.	New York
Dicoa Holdings Limited	Gibraltar
Dicoa Investments Limited	Gibraltar
Dunedin Holdings SARL	Luxembourg
Entenmann’s, Inc.	Delaware
Entenmann’s Products, Inc.	Delaware
Entenmann’s Sales Company, Inc.	Delaware
Freihofer Products, Inc.	Delaware
Freihofer Sales Company, Inc.	Delaware
George Weston Bakeries Distribution Inc.	Delaware
George Weston Bakeries Inc.	Delaware
Groupe Tradition’l Inc.	Quebec
Interbake Foods LLC	Delaware
Maplehurst Bakeries, Inc.	Indiana

Weston Foods Subsidiaries (cont'd)

Jurisdiction of Incorporation

Ready Bake Foods Inc.	Ontario
Stroehmann Bakeries, L.C.	Virginia
Weston Acquisition, Inc.	Delaware
Weston Bakeries Limited	Canada
Weston Foods, Inc.	Delaware
Weston Foods (Canada) Inc.	Ontario
Weston Food Distribution Inc.	Canada
William Neilson Ltd.	Ontario

Loblaw Subsidiaries

Jurisdiction of Incorporation

Atlantic Wholesalers Ltd.	New Brunswick
Fortinos Supermarket Ltd.	Ontario
Glenhuron Bank Limited	Barbados
Kelly, Douglas & Company, Limited	British Columbia
Loblaw Brands Limited	Canada
Loblaw Companies Limited	Canada
Loblaw Financial Holdings Inc.	Ontario
Loblaw Properties Limited	Ontario
Loblaw Properties West Inc.	Canada
Loblaws Inc.	Ontario
Loblaws Supermarkets Limited	Ontario
National Grocers Co. Ltd.	Ontario
President's Choice Bank	Canada
Provigo Distribution Inc.	Quebec
Provigo Inc.	Quebec
Provigo Properties Limited	Canada
Provigo Quebec Inc.	Quebec
Westfair Foods Ltd.	Ontario
Zehrmart Inc.	Ontario

III. GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Weston is a Canadian public company, founded in 1882, and is one of North America's largest food processing and distribution companies. The Company has two reportable operating segments: Weston Foods and Loblaw. The Weston Foods operating segment is primarily engaged in the baking and dairy industries within North America. The Loblaw operating segment, which is operated by Loblaw Companies Limited and its subsidiaries, is Canada's largest food distributor and a leading provider of general merchandise, drugstore and financial products and services.

The North American food processing and retail industries are evolving and operate in increasingly competitive markets. Consumers' needs drive changes in the industries, which are impacted by changing demographic and economic trends such as changes in disposable income, ethnic diversity, nutritional awareness and time availability. Over the last several years, consumers have demanded more choice, value and convenience.

Weston Foods

Weston Foods is focused predominantly on the North American baking industry (primarily fresh and frozen bakery products), and the dairy industry within Ontario, Canada. Baking industry conditions have changed significantly over the past several years and the Company's North American baking operations have faced a challenging marketplace impacted by changing consumer eating preferences and food shopping patterns, as well as continued inflationary cost pressures. The Company continues to respond to these challenging conditions and execute on opportunities to improve the long term competitive position of its North American baking operations.

Capital Investment

Capital investments have been targeted toward improving the efficiency of existing assets and increasing capacity where growth opportunities exist. Over the last three years, small to medium sized acquisitions have taken place in targeted areas.

During 2005, Weston Foods purchased a commercial baking facility in Orlando, Florida for US\$6.5 million and subsequently completed a significant expansion of the facility. Also in 2005, Weston Foods commenced the construction of a new facility in Front Royal, Virginia, which commenced operations in 2006. In 2004, Weston Foods acquired Boulangerie Gadoua Ltée., a Quebec-based commercial bakery with three baking facilities in Quebec for \$59 million. A newly constructed plant in Langley, British Columbia began production in 2004.

Restructuring Activities

Significant restructuring of the baking assets has been carried out in the past three years. Restructuring and rationalization activity has been taking place across the industry and particularly among the Company's competitors in the United States. Weston Foods continues to evaluate strategic and cost reduction initiatives related to its manufacturing assets, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. Certain of these initiatives were completed in 2006 while others are in progress or in the planning stages.

In 2005, Weston Foods approved plans to start construction of a new bakery in Indiana. This new facility has been completed and recently began production of fresh bakery products, including English muffins and fresh bread production is expected to begin in 2007.

During 2006, Weston Foods approved a number of manufacturing asset restructuring activities to be implemented over the next two years. The fresh-baked sweet goods facility in Bay Shore, New York will be downsized. The plan involves the transfer of full-size dessert cake and cookie production to other existing Weston Foods facilities. Once the downsizing is complete, the Bay Shore location will be a more focused facility producing primarily danish and pie products. This restructuring is expected to be completed by the third quarter of 2008. Weston Foods also approved the closure of an ice-cream cone baking facility in Los Angeles, California and plans to transfer the production to other existing Weston Foods facilities. This restructuring is expected to be completed in the first quarter of 2007. During 2006, Weston Foods approved a plan to restructure a portion of its distribution network in Quebec. Finally, the closure of a fresh bakery manufacturing facility in Quebec was also approved in 2006. This manufacturing facility closure is expected to be completed by the end of 2007.

In 2005, Weston Foods approved plans to restructure its United States biscuit operations. This plan resulted in the closure of two biscuit facilities located in Elizabeth, New Jersey and Richmond, Virginia in 2006 with the majority of the production relocated to a new facility in Virginia and an existing Weston Foods facility in South Dakota. In 2005, Weston Foods also approved plans to consolidate, relocate and restructure certain of its administrative offices within North America.

In 2005, Weston Foods approved plans to exit certain bread and roll manufacturing lines in the northeast United States to further its objective of simplifying and removing cost from its existing manufacturing processes. All production associated with these lines was transferred to third-party producers or other Weston Foods manufacturing facilities by the end of 2005.

During 2006, in addition to the closure of the biscuit facilities in Elizabeth, New Jersey and Richmond Virginia, Weston Foods closed a frozen bagel plant in Nebraska. During 2005, Weston Foods completed the sale of its discontinued fisheries operations. During 2004, six Weston Foods plants were closed: Buffalo, New York; Northlake, Illinois; St. Louis, Missouri; Laval, Quebec; Ottawa, Ontario; and Toronto, Ontario.

Subsequent to year end, Weston Foods approved a plan to exit certain bread and roll manufacturing lines in the southeast United States. All production associated with these lines will be transferred to third party producers or other Weston Foods manufacturing facilities.

Further information on trends affecting Weston Foods and Weston Foods strategies can be found in the Management's Discussion and Analysis section of the Company's 2006 Annual Report ("MD&A"). This information is incorporated by reference and is available at www.sedar.com or www.weston.ca.

Loblaw

The past three years were years of evolution as Loblaw continued to transform into a company that can be truly competitive over the long term.

Senior Management Change and Strategies

2006 saw a number of significant changes in the operations of Loblaw, including the change in senior leadership. Galen G. Weston was appointed Executive Chairman of Loblaw's Board of Directors, Mark Foote became President and Chief Merchandising Officer and Allan L. Leighton joined as Deputy Chairman. Early in 2007, Dalton Philips joined Loblaw as Chief Operating Officer and William M. Wells will be joining Loblaw as the new Chief Financial Officer effective April, 2007. The Loblaw management team commenced a review of the company in the latter half of 2006 which focused on key drivers of the business such as fresh food presentation, maximizing employee engagement, the performance of retailing basics and customer satisfaction.

New management embarked on an initiative to simplify the organization by more clearly defining accountabilities, eliminating duplication and establishing consistent, simple and efficient processes. Loblaw also planned and developed organizational transition, focusing on redesigned processes and a leaner administrative structure.

Loblaw is focused on simplifying its organizational structure, improving retailing basics such as availability and customer focus, innovation as a competitive advantage and executing Loblaw's "Formula for Growth".

Supply Chain

In 2005, Loblaw began to restructure its supply chain in an effort to create a national logistics platform. Challenges were experienced with conversions to new systems and this had a negative effect on store service levels for general merchandise products and drugstore. In addition, challenges were experienced with the startup of a new third-party owned and operated warehouse and distribution centre for eastern Canada which handles general merchandise and certain drugstore products, primarily health and beauty care products.

In 2006, Loblaw continued with its efforts to restructure its supply chain function. In part because of the factors described above, this proved to be more complex and costly than originally anticipated. By the end of 2006, the supply chain stabilized and delivered improved service levels.

Also in 2006, following a review of its inventory levels, Loblaw identified certain excess inventory, primarily general merchandise. Loblaw decided to proceed with the liquidation of this inventory, and engaged a third party to assist with the process.

Labour and Employment Matters

In 2006, a new four-year collective agreement was successfully negotiated by Loblaw with members of some Ontario locals of the United Food and Commercial Workers union and ratified. The agreement enables Loblaw to convert 44 stores in Ontario to the Real Canadian Superstore banner or food stores with equivalent labour economics and the flexibility to invest in additional store labour where appropriate.

Other Restructuring Activities

In 2005, Loblaw established a new National Head Office and Store Support Centre in Brampton, Ontario. Loblaw consolidated several regional offices and relocated the general merchandise operations from Calgary, Alberta to the National Head Office and Store Support Centre.

As part of its assessment of store operations, in the fourth quarter of 2006, Loblaw management approved plans to close 19 underperforming stores in Quebec, mainly within the Provigo banner, 8 stores in the Atlantic region and 24 wholesale outlets. These closures are expected to be completed in 2007.

Early in 2007, Loblaw approved and announced the restructuring of its merchandising and store operations into more streamlined functions. This followed a thorough review of the retail and merchandising functions and processes across Loblaw. This action resulted in the announcement of the elimination of 800-1,000 positions in the National Head Office and Store Support Centre and regional offices.

Financial Performance

During the last three years, Loblaw's total sales increased at a cumulative average annual rate of 4.6%. The square footage of corporate and franchised stores increased at cumulative average annual growth rates of approximately 4.4% and 4.0%, respectively, over the same period. The number of corporate stores over the period increased marginally from 646 to 672. The number of franchised stores also increased marginally from 397 to 405 over the same period. The average store size for both corporate stores and franchised stores has increased by 7.1% and 5.4% respectively over the last three years as Loblaw has generally moved to larger store formats.

Over the past three years, Loblaw continued to expand and improve its asset base and to reinvest in existing assets in order to position Loblaw for sustainable future growth. During this period, cumulative capital investment, funded through cash flows from operating and financing activities, was \$3.35 billion, comprised of \$0.937 billion, \$1.156 billion and \$1.258 billion in fiscal years 2006, 2005, and 2004, respectively.

In the fourth quarter of 2006, Loblaw recorded a non-cash charge of \$800 million related to the impairment of the goodwill associated with its acquisition of the Provigo business in 1998. This non-cash goodwill impairment charge is expected to be adjusted if necessary in the first half of 2007.

Further information on Loblaw's financial performance can be found in Loblaw's other public filings including the Management's Discussion and Analysis section of Loblaw's 2006 Annual Report (Loblaw "MD&A"). This information is incorporated by reference and is available at www.sedar.com or www.loblaw.ca.

Products and Services

Loblaw is Canada's largest food distributor and a leading provider of general merchandise, drugstore and financial products and services. Traditional food offerings remain at the core of the Loblaw's business. Loblaw primarily offers four distinct store formats: Superstore, Great Food, Hard Discount and Wholesale. Loblaw pursues a strategy of enhancing profitability on a market-by-market basis by selecting the best store format for the market. This multi-format approach enables Loblaw to serve a greater variety of consumers, ensure products are "priced right" and place the optimal offerings in the right markets. Loblaw has focused and will continue to focus on two key aspects of its food offering: fresh perception and product availability. In 2006, Loblaw formed positive action groups to develop and implement plans to help ensure excellence in these key areas.

Control Label Program

Loblaw offers a strong and innovative control label program for both its food and everyday household needs. This program helps to create customer loyalty and ensure price competitiveness. Over the past three years, Loblaw continued to add products to its control label program which now provides over 7,900 products in the food and everyday household needs categories. In 2006, over 2,000 new control label products were launched, including over 1,400 new general merchandise products.

Loblaw strives to offer products and services centered around the theme of "Health, Home and Wholesome". To this end, Loblaw has been a leader in the offering of health-oriented control label products. Loblaw offers a range of certified organic products and now has approximately 302 of those products under the *President's Choice Organics* label. In 2004, Loblaw launched the *President's Choice Mini Chefs* line of healthy-choice products for children. Early in 2005, Loblaw introduced its *President's Choice Blue Menu* line of products for health and nutrition conscious consumers and now offers over 250 such products.

In April of 2006, the *Joe Fresh Style* brand of adult apparel was launched in 40 stores with positive customer response. By the end of the year *Joe Fresh Style* apparel was in almost 100 stores in all regions of the country. To facilitate this launch, Loblaw redesigned the *Joe Fresh Style* shopping environment with wide aisles, a central cash desk and fitting rooms. New fixtures and a signing program were also introduced. Loblaw is pursuing the continued expansion of the *Joe Fresh Style* brand by expanding the number of stores in which it is available as well as launching children's wear and accessories in 2007.

Loblaw is also focused on its growing line of *PC Home* branded houseware products. A *PC Home Insider's Report* was issued in 2006 that featured over 100 items for the home including the kitchen, bed and bath, and home décor. In 2006, Loblaw distributed six issues of the *Insider's Report* that reached over 10 million homes.

Loblaw also provides gas bars adjacent to a number of its stores and has increased its gas bar presence in eastern Canada over the past three years.

Financial Services

The strength of the Loblaw's control label program has also enabled Loblaw to expand its *President's Choice* brand to financial services. Since its launch in 1998, the number of customers using *President's Choice Financial* services has grown and the range of products and services now available includes chequing and savings accounts, mortgages, RRSPs, loans and lines of credit. These services are provided by the direct banking division of a major Canadian chartered bank. *President's Choice Bank*, a subsidiary of Loblaw, launched the *President's Choice Financial MasterCard®* in March 2001 throughout Canada except Quebec, where it was launched in February 2004. As at December 30, 2006, approximately \$1.25 billion of credit card receivables had been securitized and \$321 million of receivables were held by *President's Choice Bank*.

Loblaw offers *PC Financial* auto and home insurance through its subsidiary *PC Financial Insurance Agency Inc.* in select Canadian markets including Ontario (launched in 2004), Quebec and Alberta (both launched in 2005). In 2005, Loblaw introduced two additional insurance products through *PC Financial Insurance Agency Inc.* to its auto and home insurance offerings. *PC Financial* pet insurance for dogs and cats, which is underwritten by *SecuriCan General Insurance Company*, is currently available in each Province and Territory except for Quebec and New Brunswick. *PC Financial* travel insurance, which is underwritten by *American Home Assurance Company*, is currently available in all Provinces and Territories except for Quebec.

In late 2005, Loblaw introduced the *PC Mobile* line of prepaid cellular phone services and related accessories. *PC Mobile* services are provided in conjunction with *Bell Mobility®*.

Further information on trends affecting Loblaw and Loblaw's strategies can be found in the Loblaw MD&A, which is incorporated by reference.

IV. DESCRIPTION OF THE BUSINESS

Weston Foods

Weston Foods is a significant participant in the North American baking industry with certain assets in the Ontario dairy industry.

Principal Products

Weston Foods produces a variety of fresh, frozen (raw dough, pre-proofed, par-baked and fully baked) and specialty bakery products including: breads, dough, rolls, bagels, English muffins, tortillas, doughnuts, cakes, sweet goods, pies, crackers and other baked goods. Weston Foods is also a provider of control label products to retailers and consumer food companies, a supplier of ice cream cones and sandwich wafers to the dairy industry and a supplier of *Girl Scout* cookies.

The Ontario dairy operation is a processor of fluid milk and shelf stable milk based products with two production facilities in Ontario. In addition, the dairy operations distribute numerous products under the *Neilson* brand including juices, drinks, yogurt, sour cream, dips and butter in several combinations of sizes and flavours.

Weston Foods bakery operations have operated in a challenging marketplace, impacted by consumers' demands for healthy and nutritious products and for "on-the-go" and "handheld" convenience formats that can be consumed away from the home. Weston Foods has been proactive in meeting these demands by developing a range of healthy lifestyle products such as whole grain and wheat offerings, portion controlled servings, products containing Omega-3 and *Dairy Oh!* milk enriched with DHA. Additionally, new product offerings from Weston Foods have focused on providing healthier alternatives to mainstream brands including *Wonder+* and *Weston Plus*.

Production Facilities

Weston Foods has developed from one small bakery in 1882 to the current network of production facilities located predominately in Canada and the eastern and midwest United States with a growing presence in the southeast United States. Production facilities for Weston Foods are located in Canada and the United States as follows:

<u>CANADA</u>		<u>UNITED STATES</u>	
<u>Province</u>	<u>Number of Locations</u>	<u>State</u>	<u>Number of Locations</u>
Ontario	13	Pennsylvania	10
Quebec	9	New York	5
Alberta	4	Wisconsin	2
Saskatchewan	3	California	2
Nova Scotia	2	Florida	2
British Columbia	2	Indiana	2
One location for each of Manitoba and Newfoundland and Labrador	<u>2</u>	Virginia	1
	35	One location for each of: Connecticut, Maryland, South Dakota, Georgia, Washington, North Carolina	<u>6</u> 30

Distribution to Consumers

Weston Foods sells its products through a variety of customer channels within the North American food retailing market including many national and regional supermarkets, mass merchandisers, drug stores, wholesale and club stores and convenience store chains, food service distributors and outlets as well as other food retailing customers, and devotes a considerable amount of effort in building and maintaining consumer brand awareness.

Weston Foods distributes most of its fresh bakery and fresh dairy products through direct store delivery route systems. Frozen and other specialty bakery products as well as shelf stable dairy products are distributed primarily through warehouse channels using a combination of owned and outsourced fleet facilities. Weston Foods continues to explore opportunities to create distribution efficiencies, including the use of cross-docking facilities and the optimization of its depot and route networks.

No single customer, other than Loblaw, accounts for a significant portion of Weston Foods sales. For the two most recently completed fiscal years, sales by Weston Foods to Loblaw amounted to \$823 million and \$814 million, respectively.

Competitive Conditions

The North American bakery industry is both mature and competitive. Management regularly reviews and monitors operating plans and results, including market share. When necessary, they modify their operating strategies including restructuring of production facilities, reviewing prices and adjusting product offerings to reflect consumer trends, including those related to health or nutritional concerns, repositioning of brands and/or marketing programs to take into account competitive activity. Weston Foods is one of the leading suppliers of bakery and dairy products in each of the major markets in which it operates and the development of its key brands and their related consumer awareness is a significant competitive advantage for Weston Foods.

In 2004, one of Weston Foods' major competitors in the United States, Interstate Bakeries, filed for Chapter 11 bankruptcy protection. At present, Interstate remains under bankruptcy protection. As a result of the difficult sales environment being experienced by United States traditional food retailers, coupled with the continuing cost pressures being experienced by the industry, Weston Foods anticipates that competitive business restructuring will continue in 2007. Although the outcome and the impact, if any, on the Company's consolidated financial results from this anticipated restructuring is uncertain, Weston Foods will closely monitor the United States food retail market and, if required, adjust its strategies and programs as necessary. The industry has seen significant consolidation over the last decade and the Company expects this to continue.

Brands

Weston Foods' brands provide it with a strategic advantage over its competitors. Its premium and popular brands, including *Arnold*, *Country Harvest*, *D'Italiano*, *Entenmann's*, *Freihofer's*, *Gadoua*, *Maier's*, *Neilson*, *Stroehmann*, *Thomas'*, *Weston*, and *Wonder*, provide Weston Foods with strong core brands and product lines that enhance consumer loyalty, trusted as they are for quality, great taste and freshness. Weston Foods brand strength and diversity are vital to its long-term growth. Weston Foods aims to expand its brands by leveraging its brand equity and trust to meet consumer's ever-changing needs, and provide a point of differentiation and credibility for new product introductions.

Raw Materials

Wheat, flour, sugar, vegetable oil, and cocoa are the primary ingredients for bakery products. These ingredients are readily available in sufficient quantities. There are numerous sources of supply for these ingredients. In order to minimize the effect of fluctuations in the prices of its important raw materials, forward contracts with suppliers or financial contracts such as exchange traded commodity futures contracts, are used to partially hedge the cost of anticipated purchases of certain raw materials. Nonetheless, the prices of these items are subject to fluctuations.

As a fluid milk processor, the Ontario dairy operation receives raw milk through Ontario's milk marketing board (Dairy Farmers of Ontario). In the event of a milk shortage, raw milk that would otherwise have been used for other purposes would be redesignated and made available for the fluid milk system.

Intellectual Property

It is the practice of the Company to register or otherwise protect its intellectual property, including trademarks, brand names and patents, in all jurisdictions in which it operates. Trademarks and brand names used in Weston Foods are important assets to the Company and are defended vigorously. They provide Weston Foods with a competitive advantage and accordingly management spends considerable effort supporting the Company's key brand names. The trademarks of the Company and its subsidiaries when used in this Annual Information Form are presented in *italics*.

Key brand names used by Weston Foods include *Arnold, Country Harvest, D'Italiano, Entenmann's, Freihofer's, Gadoua, Maier's, Neilson, Stroehmann, Thomas', Weston, and Wonder*. All fluid products are produced under *Neilson* trade marks – *Neilson, Neilson Trutaste, Neilson Trucalcium, Dairy Oh!* and *Moojo*. Weston Foods has an exclusive licensing agreement with Cadbury to use the following brand names on dairy beverages: Caramilk®, Jersey Milk™ and Crispy Crunch®, some of Canada's leading chocolate bars. In addition, Weston Foods has an exclusive manufacturing, sales and distribution agreement with Nestlé Canada for Nesquik®, Coffee Crisp® and Rolo® shakes, and Coffee-mate® liquid whitener. Also, Weston Foods has agreements with Weight Watchers International in both Canada and the United States with respect to the manufacturing, sale and distribution of baked products under its brands.

Seasonality

Operations, specifically inventory levels, sales volumes and sales mix, are impacted to some degree by certain holiday periods throughout the year and the summer months. Management continuously monitors the impact holidays and weather may have on its operations and adjusts inventory levels and production and delivery schedules as required.

Employees

Weston Foods has approximately 16,400 full and part time employees in the bakery and dairy operations, the majority of whom are covered by various collective agreements, almost all of which are negotiated independently on a plant by plant or unit by unit basis, typically for terms of three or more years. No single agreement is of predominant importance to overall operations.

Environmental and Health and Safety Matters

Weston Foods has environmental, health and workplace safety programs in place and has established policies and procedures aimed at ensuring compliance with applicable environmental legislative requirements. To this end, Weston Foods employs environmental risk assessments and audits using internal and external resources together with employee awareness programs throughout its operating locations.

Weston Foods endeavours to be socially and environmentally responsible, and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound environmental stewardship and ecological considerations. Environmental protection requirements do not and are not expected to have an adverse effect on Weston Food's financial performance. The Environmental, Health and Safety Committee of the Board of Directors of Weston receives regular reporting from management addressing current and potential future issues, identifying new regulatory concerns and related communication efforts. Weston Foods dedicated Environmental Affairs staff work closely with the operations to help ensure that corporate requirements are met.

Food Safety and Public Health

Weston Foods is subject to potential liabilities connected with its business operations, including potential exposures associated with product defects, food safety and product handling. Such liabilities may arise in relation to the manufacturing, preparation, storage, distribution and display of products and with respect to Weston Foods contract manufactured products, in relation to the production, packaging and design of such products.

Weston Foods sales are generated from food products and Weston Foods could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns in connection with certain food products. Such an event could negatively affect Weston Foods financial performance. Procedures are in place to manage such events, should they occur. These procedures identify risks, provide clear communication to employees and consumers and ensure that potentially harmful products are expeditiously removed from inventory. The ability of these procedures to address such an event is dependent on their successful execution. Food safety related liability exposures are insured by Weston Foods' insurance program. In addition, the Company has food safety procedures and programs, which address safe food handling and preparation standards. Weston Foods endeavours to employ best practices for the storage and distribution of food products and also actively supports consumer awareness of safe food handling and consumption.

Weston Foods strives to ensure its brands and its brands have informative nutritional labelling so that today's health conscious consumer can make informed choices.

Research and Development and New Products

Weston Foods' product development teams have developed important proprietary formulas, recipes and technological expertise. In addition, from time to time, Weston Foods enters into strategic relationships with other food processing or branded companies to leverage off each other's expertise or brands.

In 2006, Weston Foods continued to address consumer demand for healthier, better-for-you products which still taste great by focusing on the global trends of whole grains, Omega-3 and fibre. Weston Foods responded by improving *Country Harvest* bagels such that they are made with 100% whole grain and a source of Omega-3 to compliment the *Country Harvest* bread line introduced in 2005. The *Wonder* brand has further expanded to reach children with the launch of *Wonder+* which offers the same great *Wonder* taste with the goodness of whole wheat.

In the United States, a new 100% whole wheat bread, *Arnold Double Fibre*, was launched in 2005 under the *Whole Grain Classics* brand. *Wonder* 100% whole wheat breads were also improved to add the germ back to the whole wheat flour, making these breads also 100% whole grain. Weston Foods improved offering of Weight Watchers brand products includes a multigrain variety and the remaining varieties were converted to 100% whole wheat. In the United States, Weight Watchers 100% whole wheat bread, traditional grains bread, bagels and English muffins were successfully launched nationally.

During 2005 in the United States, Weston Foods introduced a new and expanded range of products including *Enten-minis* single serving, hand-held cake product in the fresh-baked sweet goods category and *Thomas' Squares* Bagelbread, *Thomas' Hearty Grains* English Muffins, *Thomas' Mini Bagels* and *Dutch Country* Family Grain breads in the fresh baked category.

In 2006, the Canadian dairy operations launched three new products in a shelf stable format: *The Ultimate Chocolate Milk*, *The Ultimate French Vanilla Milk* and Lactose Free Chocolate Milk. Its unique

“freshness bottle” protects it from impurities which can cause milk to spoil and allows it to be safely stored at room temperature for months with no loss of taste or nutrients.

Foreign Operations

Weston Foods production facilities are located across Canada and mainly in the eastern part of the United States. Approximately 67% of Weston Foods sales are in the United States. Any significant economic or competitive pressures, including currency fluctuations in the United States dollar relative to the Canadian dollar, would impact consolidated Weston Foods results. The Company has several wholly-owned foreign subsidiaries which act as holding companies for certain assets.

Further information on Weston Foods business can be found in the MD&A, which information is incorporated herein by reference and available at www.weston.ca.

Loblaw

Operations

Loblaw is Canada’s largest food distributor and a leading provider of general merchandise, drugstore and financial products and services. Loblaw is committed to providing consumers across the country with a one-stop destination in meeting their food and everyday household needs. For 50 years, Loblaw has supplied the Canadian market with innovative products and services through corporate, franchised and associated stores. Corporate owned store banners include *Atlantic Superstore*, *Dominion* (in Newfoundland and Labrador), *Extra Foods*, *Loblaws*, *Maxi*, *Maxi & Cie*, *Provigo*, *Real Canadian Superstore* and *Zehrs* and wholesale outlets operating as *Cash & Carry*, *Presto* and *The Real Canadian Wholesale Club*. Loblaw’s franchised and associated stores operate under the trade names *Atlantic SaveEasy*, *Fortinos*, *no frills*, *SuperValu*, *Valu-mart* and *Your Independent Grocer*. The store network is supported by 26 Company-operated and 2 third-party warehouse facilities located across Canada, as well as temporary storage facilities when required.

In addition, Loblaw makes available to consumers *President’s Choice Financial* services and products, including the *President’s Choice Financial MasterCard®*, and *PC Financial* auto, home, travel and pet insurance, *PC Mobile* phone service, as well as a loyalty program known as *PC* points.

Geographic and Banner Summary

For the recently completed year, Loblaw operated across Canada as set out below:

	Corporate Stores	Franchised Stores	Associated Stores	Independent Accounts	Warehouses
Newfoundland and Labrador	16	7	10	483	2
Prince Edward Island	5	3	1	129	-
Nova Scotia	36	21	1	526	2
New Brunswick	22	23	6	276	2
Quebec	251	21	330	2,763	4
Ontario	171	262	14	98	6
Manitoba	25	5	36	864	1
Saskatchewan	33	14	24	669	2
Alberta	69	4	12	1,514	5
Northwest Territories	2	-	1	1	-
Yukon	1	2	-	-	-
British Columbia	41	43	16	-	2
Total	672	405	451	7,323	26

The following table sets out the distribution of Loblaw's store formats and the banners associated with each format.

	Corporate Stores	Franchised Stores	Associated Stores
Superstore			
Atlantic Superstore	53		
Dominion* (in Newfoundland and Labrador)	14		
The Real Canadian Superstore	97		
Great Food			
Atlantic SaveEasy	1	44	7
Fortinos		20	
Loblaws	91		
Provigo	80	21	4
SuperValu	1	15	7
Valu-mart		57	11
Your Independent Grocer		50	1
Zehrs	50		
Other	2	37	282
Hard Discount			
Extra Foods	79	27	
Maxi	96		
Maxi & Cie	16		
No Frills		134	
Wholesale			
Cash & Carry	35		139
Presto	20		
The Real Canadian Wholesale Club	37		
Total	672	405	451

*Trademark used under license

The average store size at year end 2006 for corporate stores and franchised stores was 57,400 and 27,400 square feet, respectively. The average store size for both corporate stores and franchised stores has increased by 7.1% and 5.4% respectively over the last three years as Loblaw has generally moved to larger store formats.

Whenever practical, Loblaw follows a strategy of purchasing land for future store locations. At year end 2006, Loblaw owned 72% of the real estate on which its corporate stores are located, as well as various properties under development or held for future development. Loblaw's owned properties are essentially unencumbered, with only \$23 million in mortgage debt on total fixed assets including real estate, having a net book value of approximately \$8 billion at year end 2006. The total square footage of the corporate stores is approximately 38.6 million square feet.

A significant portion of Loblaw stores are owned and operated by independent franchisees. Franchisees enter into agreements with Loblaw that generally require the franchisee to purchase inventory from the company and pay certain fees in exchange for services provided by Loblaw and for the right to use certain trademarks owned by Loblaw. Services available to the franchisees by Loblaw include store set-up, marketing support, accounting, employee development and pension and benefit administration. Independent franchisees generally lease the land and store building from Loblaw and, if eligible, may obtain financing through a structure involving independent trusts to facilitate the purchase of the majority of their inventory and fixed assets, consisting mainly of fixtures and equipment.

Competitive Conditions

The retail industry in Canada is a changing and competitive market. Consumer needs drive industry changes, which are impacted by changing demographic and economic trends such as changes in disposable income, ethnic diversity, nutritional awareness and time availability. Over the past several years, consumers have demanded more choice, value and convenience.

Loblaw competes with non-traditional competitors as well as traditional supermarkets. Recent industry changes include the expansion of non-traditional competitors, such as mass merchandisers, warehouse clubs, drugstores, limited assortment stores, discount stores, convenience stores, and specialty stores, all of which continue to increase their offerings of products typically associated with traditional supermarkets. Over the past several years, there has been an increase in the number of retail outlets that traditionally exclusively featured food, general merchandise or drugstore items that now offer a selection of all these items, resulting in what is commonly referred to in the industry as “channel blurring”. This evolution of the retail landscape presents a number of issues for traditional grocers: the need to reposition conventional supermarkets to either expand or, conversely, better focus their offerings; the reality of lower prices offered by discount retailers; and the need to reduce operating and labour costs in order to maintain earnings in light of lower prices and increased competition.

Although much work is to be done to successfully implement the strategies described above, the Company believes that its competitive position in Canada remains strong. Loblaw focuses and will continue to focus on the value proposition of its banners and ensuring the right format is in the right market. In addition, its strong and innovative control label offering promotes customer loyalty and allows pricing flexibility with respect to national brands.

Customers

Loblaw is not dependent upon a small number of customers or any single customer.

Products and Services

Loblaw has developed a successful line of control label products and services that are sold or made available in its corporate, franchised and associated stores and are available on a limited basis to certain independent customers. Loblaw’s experienced product development team works closely with third-party vendors in developing and manufacturing products for its control label brands.

There are currently over 7,900 control label products marketed by Loblaw under brand names including *President’s Choice*, *PC*, *President’s Choice Organics*, *President’s Choice Blue Menu*, *President’s Choice Mini Chefs*, *no name*, *Joe Fresh Style*, *Club Pack*, *GREEN*, *EXACT*, *Teddy’s Choice* and *Life@Home*. In 2006, over 2,000 new control label products were introduced including 1,400 general merchandise products.

In recent years a selection of general merchandise items has been developed under the *PC* and *Life@Home* brands as part of the expansion into general merchandise departments. These products are sourced world-wide and cater to all areas of the home including bed, bath, kitchen, home decor and outdoor living.

In March of 2006, the *Joe Fresh Style* brand of adult apparel was launched in 40 stores with positive customer response. By the end of the year *Joe Fresh Style* apparel was in almost 100 stores in all regions of Canada. To facilitate this launch, Loblaw redesigned the *Joe Fresh Style* shopping environment with wide aisles, a central cash desk and fitting rooms. New fixtures and a signing program were also introduced. Loblaw is pursuing the continued expansion of the *Joe Fresh Style* brand by expanding the number of stores in which it is available as well as launching children's wear and accessories in 2007.

Loblaw offers *President's Choice Financial* banking services and products, which are provided by the direct banking division of a major Canadian chartered bank.

The *President's Choice Financial* MasterCard® is offered throughout Canada by President's Choice Bank. Third-party service providers process credit card transactions and provide a call centre (services/support) in addition to credit and fraud monitoring for the *President's Choice Financial* MasterCard®.

Loblaw offers *PC Financial* auto and home insurance through its subsidiary *PC Financial Insurance Agency Inc.* to select Canadian markets including Ontario (launched in 2004), Quebec and Alberta (both launched in 2005). *PC Financial* pet insurance for dogs and cats, which is underwritten by SecuriCan General Insurance Company, is currently available in each Province and Territory except for Quebec and New Brunswick. *PC Financial* travel insurance, which is underwritten by American Home Assurance Company, is currently available in all Provinces and Territories except for Quebec.

The use of many of the products and services offered through *President's Choice Financial* allows customers to earn *PC* points through a loyalty program which are redeemable towards free groceries and other rewards.

Loblaw has introduced the *PC Mobile* line of prepaid cellular phone services and related accessories. *PC Mobile* services are provided in conjunction with Bell Mobility®.

Intellectual Property

Loblaw has established procedures to register or otherwise protect its intellectual property including the trademarks used in its store-trading or banner names and those associated with its control label programs. Store-trading or banner names are associated with specific retail concepts and are important to both corporate store and franchised store operations. Franchisees use the banner names associated with their franchised program pursuant to licensing arrangements. Loblaw's trademarks used in connection with its control label program are discussed under the section "Products and Services". Other intellectual property of Loblaw includes domain names, packaging designs and product formulations and specifications. The intellectual property rights associated with and used in connection with Loblaw's business are important assets and are defended vigorously.

Supply Chain

Loblaw's supply chain is responsible for the flow of goods and information between its vendors and suppliers and Loblaw distribution centres and ultimately to its stores. In some cases, certain goods flow directly to Loblaw stores from the vendors. Loblaw continuously evaluates its methods of distribution including its relationship with vendors and suppliers, technology, facilities and modes of transportation. When appropriate, Loblaw implements changes to its supply chain infrastructure to ensure a continued reliable and cost efficient system.

Loblaw's supply chain and distribution network is comprised of a total of 26 owned and leased warehouses and distribution centres. Third-party logistics services are also used, including those in connection with a dedicated general merchandise warehouse and distribution centre located in Pickering, Ontario. Loblaw uses various modes of transportation including its own trucking fleet and third-party common carriers, railways and ships. Loblaw is not dependent on any one third-party transport provider.

Over the past several years, Loblaw has faced challenges with respect to its supply chain and in particular with on-shelf availability. These challenges are being addressed in part by ensuring that Loblaw's supply chain operates as a single national function, focusing on end to end supply chain effectiveness including effective forecasting, delivery, receiving and replenishment.

A new food distribution center in Ajax, Ontario is scheduled to open in 2008.

Seasonality

Loblaw's operations as they relate to food, specifically inventory levels, sales volume and product mix, are impacted to some degree by certain holiday periods in the year. Certain general merchandise offerings are subject to more seasonal fluctuations.

Foreign Operations

Glenhuron Bank Limited, a wholly owned indirect subsidiary of Loblaw with operations in Barbados, is engaged in financial services including cash management and treasury-related services. Loblaw is not dependent on these operations.

Employees

As of December 30, 2006, Loblaw and its franchisees together employ over 139,000 full-time and part-time employees. A significant majority of Loblaw's store level and distribution centre employees are unionized.

Lending

In the course of providing the *President's Choice Financial MasterCard®* to its customers, President's Choice Bank grants credit to its customers with the intention of increasing the loyalty of those customers and the Company's profitability. Board approved risk management policies provide governance and oversight to effectively manage and control existing or potential credit risks. In order to minimize the associated credit risk, President's Choice Bank employs stringent credit scoring techniques, actively monitors the credit card portfolio and reviews techniques and technology that can improve the effectiveness of its collection process. In addition, these receivables are dispersed among a large, diversified group of credit card customers.

Environmental and Health and Safety Matters

Loblaw has environmental, health and workplace safety programs in place and has established policies and procedures aimed at ensuring compliance with applicable environmental legislative requirements. To this end, Loblaw employs environmental risk assessments and audits using internal and external resources together with employee awareness programs throughout its operating locations.

Loblaw endeavours to be socially and environmentally responsible, and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound environmental

stewardship and ecological considerations. Environmental protection requirements do not and are not expected to have a material effect on Loblaw's financial performance. The Environmental, Health and Safety Committee of the Board of Directors receives regular reporting from management addressing current and potential future issues, identifying new regulatory concerns and related communication efforts. Loblaw's dedicated Environmental Affairs staff work closely with the operations to help ensure corporate requirements are met.

Community Support

Acting with its employees, Loblaw supports and contributes to local organizations through its various operating divisions by sponsoring numerous charitable fundraising activities and initiating work experience programs for the physically and developmentally challenged. Loblaw operates *President's Choice* Children's Charity which is dedicated to helping children who are physically or developmentally challenged.

Food Safety and Labelling

Loblaw is subject to potential liabilities connected with its business operations, including potential exposures associated with product defects, food safety and product handling. Such liabilities may arise in relation to the storage, distribution and display of products and, with respect to Loblaw's control label products, in relation to the production, packaging and design of products.

A majority of Loblaw's sales are generated from food products and Loblaw could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns in connection with certain food products. Such an event could negatively affect Loblaw's financial performance. Procedures are in place to manage such events, should they occur. These procedures identify risks, provide clear communication to employees and consumers and are aimed at ensuring that potentially harmful products are expeditiously removed from inventory. The ability of these procedures to address such events is dependent on their successful execution. Food safety related liability exposures are insured by Loblaw's insurance program. In addition, Loblaw has food safety procedures and programs, which address safe food handling and preparation standards. Loblaw endeavours to employ best practices for the storage and distribution of food products and also actively supports consumer awareness of safe food handling and consumption.

Loblaw strives to ensure its control label products have informative nutritional labelling so that today's health conscious consumer can make informed choices.

Further information on Loblaw's business can be found in the Loblaw MD&A which is incorporated herein by reference and available at www.loblaw.ca.

V. PRIVACY AND ETHICS

The Company is committed to managing its activities in an ethical and proper manner in all respects. The Company has adopted a Code of Business Conduct setting out the Company's expectations for the ethical and appropriate behaviour of all its directors and employees. In addition, the Company has established an Ethics and Business Conduct Committee to monitor compliance with the Code of Business Conduct and deal with conduct and ethics issues as they arise. The Company also has a Privacy Policy that sets out the Company's commitment of protecting the privacy of personal information.

The Company encourages reporting of unethical conduct and has established a toll-free anonymous response line, which can be used by employees to report suspected accounting internal control or auditing irregularities and unethical behaviour impacting the Company.

Loblaw has adopted a Vendor Code of Conduct which sets out Loblaw's expectations of its vendor community in the areas of social, environmental and legal/compliance.

VI. OPERATING AND FINANCIAL RISKS AND RISK MANAGEMENT

Each year, the Company performs an Enterprise Risk Assessment ("ERA") that identifies the key risks facing the Company and evaluates the risk management effectiveness for each of these risks. The assessment is primarily carried out through interviews with senior management, who assess the potential impact of risks and the likelihood that a negative impact will occur. The results of the ERA are used to prioritize risk management activities, allocate resources effectively and inform overall business direction. The Audit Committee receives a report on the ERA.

A description of the risks identified by the ERA and other risks and risk management strategies are included in the MD&A on pages 39 through 45 of Weston's 2006 Financial Report, included in its Annual Report and relating to Loblaw in the Loblaw MD&A on pages 27 through 33 of the Loblaw 2006 Financial Report, included in its Annual Report. Both the MD&A and the Loblaw MD&A are incorporated herein by reference.

Further information on the Company's business can be found in the MD&A. This information is incorporated herein by reference.

VII. CAPITAL STRUCTURE AND MARKET FOR SECURITIES

Capital Structure

The capital structure of Weston is composed of common shares and preferred shares.

Common Shares

As of December 31, 2006, there were 129,074,526 common shares outstanding and 1,018 registered common shareholders. There are an unlimited number of authorized common shares with voting rights of one vote per common share. The holders of common shares are entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company, to receive any dividend declared by the Company and to receive the remaining property of the Company upon dissolution.

Preferred Shares – Series I

As of December 31, 2006, there were 9,400,000 5.80% non-voting Preferred Shares, Series I outstanding, which entitle the holder to a fixed cumulative preferred cash dividend of \$1.45 per share per annum. Weston 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
On or after December 15, 2007 at \$25.75
On or after December 15, 2008 at \$25.50
On or after December 15, 2009 at \$25.25
On or after December 15, 2010 at \$25.00

At any time after issuance, Weston may, at its option, give the holder of these preferred shares the right, at the option of the holder, to convert the holder's preferred shares into preferred shares of a further series designated by Weston on a share-for-share basis on a date specified by Weston. Upon liquidation, dissolution or winding up of Weston, each Preferred Share, Series I holder, in preference to any payments to be made to holders of common shares, is entitled to \$25.00 per share plus an amount equal to all dividends accrued thereon. Preferred Share Series I holders are not entitled to any further distribution of the assets of Weston.

Preferred Shares – Series II

As of December 31, 2006, there were 10,600,000 5.15% non-voting Preferred Shares, Series II outstanding which entitle the holder to a fixed cumulative preferred cash dividend of \$1.2875 per share per annum. On or after April 1, 2009, Weston 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 Weston's common shares determined by dividing \$25.00 by the greater of \$2.00 and 95% of the then current market price of Weston's common shares. At any time after issuance, Weston may, at its option, give the holder of these preferred shares the right, at the option of the holder, to convert the holder's preferred shares into preferred shares of a further series designated by Weston on a share-for-share basis on a date specified by Weston. Upon liquidation, dissolution or winding up of Weston, each Preferred Share, Series II holder, in preference to any payments to be made to holders of common shares, is entitled to \$25.00 per share plus an amount equal to all dividends accrued thereon. Preferred share Series II holders are not entitled to any further distribution of the assets of Weston.

Preferred Shares – Series III

As of December 31, 2006, there were 8,000,000 5.20% non-voting Preferred Shares, Series III outstanding, which entitle the holder to a fixed cumulative preferred cash dividend of \$1.30 per share per annum. On or after July 1, 2010, Weston may, at its option, redeem for cash these outstanding preferred shares, in whole or in part, as follows:

On or after July 1, 2010 at \$26.00 per share
On or after July 1, 2011 at \$25.75 per share
On or after July 1, 2012 at \$25.50 per share
On or after July 1, 2013 at \$25.25 per share
On or after July 1, 2014 at \$25.00 per share

At any time after issuance, Weston may, at its option, give the holder of these preferred shares the right, at the option of the holder, to convert the holder's preferred shares into preferred shares of a further series designated by Weston on a share-for-share basis on a date specified by Weston. Upon liquidation, dissolution or winding up of Weston, each Preferred Share, Series III holder, in preference to any payments to be made to holders of common shares, is entitled to \$25.00 per share plus an amount equal to all dividends accrued thereon. Preferred share Series III holders are not entitled to any further distribution of the assets of Weston.

Preferred Shares – Series IV

As of December 31, 2006, there were 8,000,000 5.20% non-voting Preferred Shares, Series IV outstanding, which entitle the holder to a fixed cumulative preferred cash dividend of \$1.30 per share per

annum. On or after October 1, 2010, Weston may, at its option, redeem for cash these outstanding preferred shares, in whole or in part, as follows:

On or after October 1, 2010 at \$26.00 per share
On or after October 1, 2011 at \$25.75 per share
On or after October 1, 2012 at \$25.50 per share
On or after October 1, 2013 at \$25.25 per share
On or after October 1, 2014 at \$25.00 per share

Preferred Shares – Series V

As of December 31, 2006, there were 8,000,000 4.75% non-voting Preferred Shares, Series V outstanding, which entitle the holder to a fixed cumulative preferred cash dividend of \$1.1875 per share per annum. On or after July 1, 2011, Weston may, at its option, redeem for cash these outstanding preferred shares, in whole or in part, as follows:

On or after July 1, 2011 at \$26.00 per share
On or after July 1, 2012 at \$25.75 per share
On or after July 1, 2013 at \$25.50 per share
On or after July 1, 2014 at \$25.25 per share
On or after July 1, 2015 at \$25.00 per share

At any time after issuance, Weston may, at its option, give the holder of these preferred shares the right, at the option of the holder, to convert the holder's preferred shares into preferred shares of a further series designated by Weston on a share-for-share basis on a date specified by Weston. Upon liquidation, dissolution or winding up of Weston, each Preferred Share, Series V holder, in preference to any payments to be made to holders of common shares, is entitled to \$25.00 per share plus an amount equal to all dividends accrued thereon. Preferred share Series V holders are not entitled to any further distribution of the assets of Weston.

As of December 31, 2006, there were 58 registered preferred shareholders and all outstanding preferred shares were available for public trading.

Trading Price and Volume

The Weston common shares and preferred shares are listed and posted for trading on The Toronto Stock Exchange under the share symbols "WN", "WN.PR.A", "WN.PR.B" and "WN.PR.C", "WN.PR.D", and "WN.PR.E" respectively.

The monthly high and low trading prices and the average daily volume by month for the Company's common shares for the year ended December 31, 2006, are as follows:

Month	Common Shares		
	High (\$ per common share)	Low (\$ per common share)	Avg. Daily Vol. by Month (in shares)
January	90.55	80.15	134,924
February	88.80	81.46	93,701
March	89.25	83.50	77,136
April	88.25	81.55	77,565
May	88.10	82.15	68,095
June	84.59	79.23	106,157
July	82.50	74.26	80,840
August	79.50	72.21	129,456
September	79.75	70.92	139,266
October	72.25	69.05	138,263
November	73.25	69.15	124,476
December	77.98	71.13	120,096

The monthly high and low trading prices and the average daily volume by month for Preferred Shares, Series I, II, III, IV, and V for the year ended December 31, 2006, are as follows:

Month	Preferred Shares Series I			Preferred Shares Series II			Preferred Shares Series III		
	High (\$ per preferr ed share)	Low (\$ per preferred share)	Avg. Daily Vol. by Month (in shares)	High (\$ per preferred share)	Low (\$ per preferred share)	Avg. Daily Vol. by Month (in shares)	High (\$ per preferred share)	Low (\$ per preferred share)	Avg. Daily Vol. by Month (in shares)
January	27.09	25.90	2,999	27.42	26.85	9,810	26.59	26.10	4,106
February	26.77	26.00	5,104	27.30	26.82	4,801	26.39	26.04	4,377
March	26.36	25.90	4,199	27.70	26.31	9,662	26.53	26.00	12,693
April	26.20	25.78	5,516	27.00	26.30	4,660	26.20	25.12	19,841
May	26.29	25.81	4,108	26.65	26.26	3,147	25.80	25.10	5,529
June	26.50	25.96	3,176	26.74	26.11	5,138	25.90	25.35	12,787
July	26.24	25.56	5,265	26.75	25.55	2,288	25.63	25.30	4,101
August	26.40	25.84	8,686	26.40	25.95	1,380	26.09	25.23	5,359
September	26.35	26.00	8,403	26.55	26.20	12,768	26.41	25.75	12,142
October	26.30	26.10	8,504	26.88	26.20	8,054	26.40	26.00	7,596
November	26.30	26.01	4,227	27.19	26.50	1,741	26.79	26.20	5,715
December	26.20	25.76	3,915	27.05	26.20	2,012	27.08	26.00	12,731

Month	Preferred Shares Series IV			Preferred Shares Series V		
	High (\$ per preferred share)	Low (\$ per preferred share)	Avg. Daily Vol. by Month (in shares)	High (\$ per preferred share)	Low (\$ per preferred share)	Avg. Daily Vol. by Month (in shares)
January	26.48	26.01	4,912			
February	26.46	25.90	5,363			
March	26.37	26.00	6,014			
April	26.26	25.30	7,970	25.10	24.15	7,791
May	25.93	25.15	6,632	24.89	23.97	17,834
June	25.85	25.21	9,115	24.34	23.91	43,808
July	25.61	25.16	3,782	24.15	23.86	25,657
August	26.07	25.16	4,632	24.80	23.96	22,577
September	26.23	25.86	3,706	24.85	24.30	32,366
October	26.50	25.96	7,112	24.95	24.65	13,800
November	26.90	26.15	5,891	25.25	24.82	22,210
December	26.94	26.16	6,363	25.35	25.06	12,323

The debentures and medium term notes (“MTN”) of Weston and Loblaw are not listed or quoted on a recognized exchange.

Credit Ratings (Canadian Standards)

As at December 31, 2006, Weston’s credit ratings for its securities are as follows:

	<u>Dominion Bond Rating Service</u>	<u>Standard & Poor’s</u>
Commercial Paper	R-1 (low)	A-1 (low)
Medium Term Notes	A (low)	BBB+
Exchangeable Debentures	BBB (high)	
Preferred Shares	Pfd-2 (low)	P-2 (low)
Other Notes and Debentures	A (low)	BBB+

During the fourth quarter of 2006, Weston’s long term corporate credit and preferred share ratings were downgraded by Standard & Poor’s (“S&P”) to “BBB+” from “A-”, and to “P-2 (low)” from “P-2”, respectively and the commercial paper rating was confirmed at “A-1 (low)”. The Company was removed from CreditWatch with negative implications and the outlook was changed to “stable”.

During the third quarter of 2006, Loblaw’s MTN and debentures were downgraded by Dominion Bond Rating Service (“DBRS”) to “A” from “A (high)” and the commercial paper rating was confirmed at “R-1 (low)”. In both cases the trend was changed to “stable” from “negative”. During the fourth quarter of 2006, Loblaw’s long term credit and commercial paper ratings were downgraded by S&P to “A-” from “A” and to “A-1 (low)” from “A-1 (mid)”, respectively. Loblaw was removed from CreditWatch with negative implications and the outlook was changed to “stable”.

Subsequent to year end, DBRS placed Weston’s MTN, debentures, commercial paper and preferred share ratings Under Review with negative implications; and S&P placed the Company’s long term corporate credit, commercial paper and preferred share ratings on CreditWatch with negative implications.

Also subsequent to year end, DBRS placed Loblaw's MTN and debentures Under Review with negative implications and at the same time, confirmed Loblaw's commercial paper rating at its current level with a "stable" trend; and S&P placed Loblaw's long term corporate credit and commercial paper ratings on CreditWatch with negative implications.

The rating organizations base the ratings on quantitative and qualitative considerations which are relevant for Weston. These ratings are intended to give an indication of the risk that Weston will not fulfill its obligations in a timely manner. These ratings are not recommendations to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

A definition of the categories of each rating has been obtained from the respective rating organization's website and is outlined below:

Dominion Bond Rating Service

Commercial Paper

Rating: R-1 (low)

Short-term debt rated R-1 is of satisfactory credit quality. The overall strength and outlook for key liquidity, debt and profitability ratios is not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry.

Long Term Debt (Medium Term Notes, Other Notes and Debentures)

Rating: A (low)

Long-term debt rated "A" is of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than that of "AA" rated entities. While "A" is a respectable rating, securities in this category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher-rated securities.

Exchangeable Debentures

Rating: BBB (high)

Long-term debt rated "BBB" is of adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adversities present that reduce the strength of the entity and its rated securities.

Preferred Shares

Rating: Pfd-2 (low)

A preferred share rated "Pfd-2" is of satisfactory credit quality. Protection of dividends and principal is still substantial, but earnings, the balance sheet, and coverage ratios are not as strong as Pfd-1 rated companies. Generally, "Pfd-2" ratings correspond with companies whose senior bonds are rated in the "A" category.

Some DBRS rating categories are appended with one of three rating trends - "Positive", "Stable", or "Negative". The rating trend helps to give the investor an understanding of DBRS's opinion regarding the outlook for the rating in question. However, the investor must not assume that a positive or negative trend necessarily indicates that a rating change is imminent. Ratings which are "Under Review" will be qualified with one of the following three provisional statements: "negative implications", "positive implications", or "developing implications". These qualifications indicate DBRS's preliminary evaluation of the impact on the credit quality of the security/issuer. Although the three provisional statements may

provide some guidance to subscribers, situations and potential rating implications may vary widely and DBRS's final rating conclusion may depart from its preliminary assessment. For each of these three provisional statements, further due diligence has to be completed in order to determine the applicable rating. In this respect, and while the previous rating may no longer be appropriate and can no longer be relied upon to gauge credit quality, the three provisional statements are an attempt to provide initial guidance as to possible rating outcomes after the due diligence process has been completed and DBRS has finalized its view.

Standard & Poor's

Commercial Paper

Rating: A-1 (low):

A short-term obligation rated 'A-1' is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

Long Term Debt (Medium Term Notes and Other Notes and Debentures)

Rating: BBB+:

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Preferred Shares

Rating: P-2 (low):

A preferred share rated 'P-2' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to meet its financial commitments.

A S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or CreditWatch action. A negative outlook means that a rating may be lowered.

An S&P CreditWatch highlights the potential direction of a short- or long-term rating. It focuses on identifiable events and short-term trends that cause ratings to be placed under special surveillance by S&P analytical staff. These may include mergers, recapitalizations, voter referendums, regulatory action, or anticipated operating developments. Ratings appear on CreditWatch when such an event or a deviation from an expected trend occurs and additional information is necessary to evaluate the current rating. A listing, however, does not mean a rating change is inevitable, and whenever possible, a range of alternative ratings will be shown. CreditWatch is not intended to include all ratings under review, and rating changes may occur without the ratings having first appeared on CreditWatch. The "positive" designation means that a rating may be raised; "negative" means a rating may be lowered; and "developing" means that a rating may be raised, lowered, or affirmed.

VIII. DIVIDENDS

The declaration and payment of dividends are at the discretion of the Board. Weston's common share dividend policy is to maintain a common dividend payment equal to approximately 20% to 25% of the

prior year's adjusted basic net earnings per common share¹ from continuing operations, giving consideration to the year end cash position, future cash flow requirements and investment opportunities.

Restrictions

Under its 12.70% Promissory Note due November 8, 2030, Weston is restricted from paying cash dividends on its common shares if a measurement of the Company's shareholder's equity falls below certain predetermined levels. To date, Weston has never been restricted from paying cash dividends by reason of not satisfying this requirement and does not anticipate that it will be unable to satisfy this restriction in the future.

The amount of cash dividends declared per common and preferred shares for each of the three most recently completed years is as follows:

Dividends declared per share (\$)	<u>2006</u>	<u>2005</u>	<u>2004</u>
Common shares	1.44	1.44	1.44
Preferred shares Series I	1.45	1.45	1.45
Preferred shares Series II	1.29	1.29	1.29
Preferred shares Series III	1.30	0.92	N/A
Preferred shares Series IV	1.30	0.54	N/A
Preferred shares Series V	0.83	N/A	N/A

Subsequent to year end 2006, the Board of Directors declared a quarterly dividend of 0.36 cents per common share, payable April 1, 2007.

IX. DIRECTORS AND OFFICERS

The following list of Directors and Officers is current to March 15, 2007.

Directors

<u>Name, Province and Country of Residence</u>	<u>Principal Occupation</u>	<u>Director Since</u>
W. Galen Weston, O.C. ^{1*} Ontario, Canada	Chairman and President, George Weston Limited	1967
A. Charles Baillie ^{2*3} Ontario, Canada	Corporate Director	2003
Robert J. Dart Ontario, Canada	Vice Chairman, Wittington Investments, Limited (holding company)	1994
Peter B. M. Eby ^{1,2,3*} Ontario, Canada	Corporate Director	2000
Phillip W. Farmer ^{2,5} Florida, U.S.	Corporate Director	2003
Anne L. Fraser ^{5*} British Columbia, Canada	Corporate Director	1995
Anthony R. Graham ^{1,3,4*} Ontario, Canada	President, Wittington Investments, Limited	1996

¹ See Non-GAAP Financial Measures, "Adjusted Basic Net Earnings per Common Shares," on page 54 of the MD&A.

<u>Name, Province and Country of Residence (continued)</u>	<u>Principal Occupation</u>	<u>Director Since</u>
Mark Hoffman ^{4,5} London, England	Chairman, Cambridge Research Group (technology transfer and investment company)	1975
Allan L. Leighton London, England	Deputy Chairman, George Weston Limited and Deputy Chairman, Loblaw Companies Limited	2006
John C. Makinson, CBE ² London, England	Chairman and Chief Executive Officer, The Penguin Group (international media company)	2000
J. Robert S. Prichard, O.C., O.Ont ^{3,4} Ontario, Canada	President and Chief Executive Officer, Torstar Company (media and newspaper company)	2000
M. D. Wendy Rebanks ^{4,5} Ontario, Canada	Corporate Director	1994

* Chairman of Committee

1. Executive Committee

2. Audit Committee

3. Governance, Human Resource, Nominating and Compensation Committee

4. Pension and Benefits Committee

5. Environmental, Health and Safety Committee

6. Mr. Leighton was appointed to the Board in 2000 and resigned on March 10, 2006 and was re-appointed on September 19, 2006

All directors hold office until the close of the next annual meeting of the shareholders of the Company or until their successors are duly elected or appointed.

Officers

<u>Name, Province and Country of Residence</u>	<u>Principal Occupation</u>
W. Galen Weston, O.C. Ontario, Canada	Chairman and President
Richard P. Mavrincac ¹ Ontario, Canada	Chief Financial Officer
Gordon A.M. Currie Ontario, Canada	Executive Vice President, Secretary & General Counsel
Robert A. Balcom Ontario, Canada	Senior Vice President, Assistant Secretary
Roy R. Conliffe Ontario, Canada	Senior Vice President, Labour Relations

**Name, Province and Country
of Residence (continued)**

Principal Occupation

Louise M. Lacchin
Ontario, Canada

Senior Vice President, Finance

Robert G. Vaux¹
Ontario, Canada

Senior Vice President, Corporate Development

Geoffrey H. Wilson
Ontario, Canada

Senior Vice President, Investor Relations and
Public Affairs

1. The Company announced that Mr. Mavrincac will be stepping down as Chief Financial Officer effective May 16, 2007 and will be replaced by Mr. Vaux.

All the foregoing directors and executive officers have held their present occupations or other positions with the same or associated companies or organizations for the past five years except: Mr. Gordon A.M. Currie, who prior to September 2005 was Senior Vice President and General Counsel of Centrica North America and prior to that a partner at Blake, Cassels & Graydon LLP; Mr. A. Charles Baillie, who was formerly Chairman of the Board of Toronto Dominion Bank and previously Chairman and Chief Executive Officer of Toronto Dominion Bank and Mr. Phillip W. Farmer was Chairman, President and Chief Executive Officer of Harris Company located in Melbourne, Florida.

As at December 31, 2006, Mr. W. Galen Weston beneficially owned, directly or indirectly, 80,720,448 common shares or 62.5% of the issued and outstanding common shares of the Company. Other directors and senior officers of the Company, as a group, beneficially owned directly or indirectly or exercised control over approximately 603,397 common shares or 0.5% of the issued and outstanding common shares of the Company.

Mr. A. Charles Baillie, a director of the Company, is a director of Dana Corporation which filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code on March 3, 2006. Dana's European, South American, Asian-Pacific, Canadian and Mexican subsidiaries are not included in the Chapter 11 filing.

X. LEGAL PROCEEDINGS

In the ordinary course of its business, the Company is named as a defendant in legal actions or may commence legal actions against third parties. Currently, there is one significant action in which Loblaw and Weston are named as defendants, which is described below.

Subsequent to year end, Weston and Loblaw were served with an action brought by certain beneficiaries of a multi-employer pension plan in the Superior Court of Ontario. In their claim against the employers and the trustees of the multi-employer pension plan, the plaintiffs claim that assets of the multi-employer pension plan have been mismanaged. Loblaw is one of the employers affected by the action. One billion dollars of damages are claimed in the action against a total of 17 defendants. In addition, the plaintiffs are seeking to have a representative defendant appointed for the employers of the members of the pension plan. The action is framed as a representative action on behalf of all of the beneficiaries of the multi-employer pension plan. The action is at a very early stage and Weston and Loblaw intend to vigorously defend it. Statements of Defence have not yet been filed.

XI. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Company's majority shareholder, Wittington Investments, Limited, and its affiliates are related parties. It is the Company's policy to conduct all transactions and settle all balances with related parties on normal terms and conditions.

Related party transactions between the Company and its related parties include real estate and income tax matters. Further information on related party transactions can be found on page 45 of the MD&A, which information is incorporated by reference.

XII. TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar of the Company is Computershare Investor Services Inc. and they are located in Toronto, Canada.

XIII. EXPERTS

The Company's auditors are KPMG LLP, who has prepared the Auditor's Report to Shareholders in respect of our audited annual consolidated financial statements. KPMG LLP is independent of the Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

XIV. AUDIT COMMITTEE INFORMATION

The Audit Committee Charter as approved by the Company's Board of Directors on March 10, 2006 is included in Appendix A. The members of the Audit Committee are indicated above. All members of the Audit Committee are independent and financially literate (as those terms are defined in Multilateral Instrument 52-110 of the Canadian Securities Administrators) and have the following education and experience which is relevant to their roles as Audit Committee Members:

Mr. Baillie is a former Chairman and Chief Executive Officer of Toronto Dominion Bank. He obtained an M.B.A from Harvard Business School and is a Fellow of the Institute of Canadian Bankers.

Mr. Eby is a former Vice-Chairman and Director of Nesbitt Burns Inc. He obtained a B.Comm from University of Toronto and an M.B.A. from University of California-Berkeley.

Mr. Farmer is the retired Chairman, President and Chief Executive Officer of Harris Corporation. He obtained a B.Sc. from Duke University.

Mr. Makinson is Chairman and Chief Executive Officer of the Penguin Group and former Group Finance Director of Pearson plc. He obtained a B.A. from Cambridge University.

XV. EXTERNAL AUDIT FEES

The aggregate fees of KPMG LLP for professional services rendered for the audit of the Company's financial statements and other services for the fiscal years 2006 and 2005 are as follows:

	2006	2005
	\$(000's)	\$(000's)
Audit fees ⁽¹⁾	3,947	3,755
Audit-related fees ⁽²⁾	1,570	1,514
Tax consultant fees ⁽³⁾	179	71
All other fees ⁽⁴⁾	228	111
Total Fees	\$5,924	\$5,451

(1) Audit fees include fees for services related to the audit of the Company's consolidated financial statements.

(2) Audit-related fees include assurance and related services that are performed by the Company's auditor. These services include accounting consultations in connection with the review of quarterly reports to shareholders, audit of pension plans, comfort letters and the interpretation of accounting and financial reporting standards.

(3) Tax consultant fees include fees for assistance with tax planning, including commodity tax issues.

(4) Other fees related to risk management, labour relations, internal control compliance, legislative and/or regulatory compliance.

The Audit Committee charter provides that the Audit Committee shall pre-approve the retaining of the auditor for any non-audit service. The Audit Committee may delegate to one or more members the authority to pre-approve the retaining of the auditor for any non-audit service to the extent permitted by law.

XVI. ADDITIONAL INFORMATION

1. Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company securities, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's Management Proxy Circular for the Annual and Special Meeting of shareholders to be held May 16, 2007. Additional financial information is also provided in the Company's consolidated financial statements and MD&A for its most recently completed financial year.
2. Additional information of the Company has been filed on the System for Electronic Document Analysis and Retrieval ("SEDAR"). The Company's internet address is www.weston.ca.
3. Additional information of Loblaw Companies has been filed on SEDAR and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator for Loblaw's subsidiary, President's Choice Bank. Loblaw's internet address is www.loblaw.ca.

APPENDIX “A”

GEORGE WESTON LIMITED

AUDIT COMMITTEE CHARTER

1. RESPONSIBILITY

The Audit Committee is responsible for assisting the Board of Directors of the Company (“Board”) in fulfilling its oversight responsibilities in relation to:

- the integrity of the Company’s financial statements;
- the Company’s compliance with legal and regulatory requirements as they relate to the Company’s financial statements;
- the qualifications, independence and performance of the Company’s external auditor (the “Auditor”);
- internal control over financial reporting and disclosure controls and procedures;
- the performance of the Company’s internal audit function; and
- performing the additional duties set out in this Charter or otherwise delegated to the Audit Committee by the Board.

2. MEMBERS

The Board shall appoint a minimum of three directors to be members of the Audit Committee. The members of the Audit Committee shall be selected by the Board on recommendation of the Governance, Employee Development, Nominating and Compensation Committee of the Company, and shall be selected based upon the following, to the extent that the following are required under applicable law:

- each member shall be an independent director; and
- each member shall be financially literate.

For the purpose of this Charter, the terms “independent” and “financially literate” shall have the respective meanings attributed thereto in Multilateral Instrument 52-110 *Audit Committees*, as the same may be amended from time to time.

3. CHAIR

Each year, the Board shall appoint one member to be Chair of the Audit Committee. If, in any year, the Board does not appoint a Chair, the incumbent Chairman shall continue in office until a successor is appointed. The Board shall adopt and approve periodically a position description for the Chair which sets out his or her role and responsibilities.

4. TENURE

Each member shall hold office until his or her term as a member of the Audit Committee expires or is terminated.

5. QUORUM, REMOVAL AND VACANCIES

A majority of the Audit Committee's members shall constitute a quorum. Any member may be removed and replaced at any time by the Board. The Board shall fill vacancies in the Audit Committee by appointment from among the members of the Board. If a vacancy exists on the Audit Committee, the remaining members may exercise all its powers so long as a quorum remains in office.

6. DUTIES

The Audit Committee shall have the duties set out below as well as any other duties that are specifically delegated to the Audit Committee by the Board.

(a) Appointment and Review of Auditor

The Auditor is ultimately accountable to the Audit Committee as representatives of the shareholders. The Audit Committee has direct responsibility for overseeing the work of the Auditor. Accordingly, the Audit Committee shall evaluate and be responsible for the Company's relationship with the Auditor. Specifically, the Audit Committee shall:

- select, evaluate and nominate the Auditor to be proposed for appointment or reappointment, as the case may be, by the shareholders;
- review the Auditor's engagement letter;
- at least annually, obtain and review a report by the Auditor describing:
 - the Auditor's internal quality-control procedures; and
 - any material issues raised by the most recent internal quality-control review, peer review, review by any independent oversight body such as the Canadian Public Accountability Board or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the Auditor and the steps taken to deal with any issues raised in these reviews.

(b) Confirmation of Independence of Auditor

At least annually, and before the Auditor issues its report on the annual financial statements, the Audit Committee shall:

- ensure that the Auditor submits a formal written statement describing all relationships between the Auditor and the Company;
- discuss with the Auditor any disclosed relationships or services that may affect the objectivity and independence of the Auditor; and

- obtain written confirmation from the Auditor that it is objective and independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs.

(c) Rotation of Engagement Partner/Lead Partners

The Audit Committee shall, after taking into account the opinions of management, evaluate the performance of the Auditor and the engagement partner/lead partners and shall rotate the engagement partner/lead partners when required or necessary.

(d) Pre-Approval of Non-Audit Services

The Audit Committee shall pre-approve the retaining of the Auditor for any non-audit service, provided that no approval shall be provided for any service that is prohibited under the rules of the Canadian Public Accountability Board or the Independence Standards of the Canadian Institute of Chartered Accountants. Before the retaining of the Auditor for any non-audit service, the Audit Committee shall consider the compatibility of the service with the Auditor's independence. The Audit Committee may pre-approve the retaining of the Auditor for the engagement of any non-audit services by establishing policies and procedures to be followed prior to the appointment of the Auditor for the provision of such non-audit services. In addition, the Audit Committee may delegate to one or more members the authority to pre-approve the retaining of the Auditor for any non-audit service to the extent permitted by applicable law.

(e) Communications with Auditor

The Audit Committee shall meet privately with the Auditor as frequently as the Audit Committee feels is appropriate for the Audit Committee to fulfil its responsibilities (which shall not be less frequently than quarterly) to discuss any items of concern to the Audit Committee or the Auditor, such as:

- matters that will be referred to in the Auditor's management letter;
- whether or not the Auditor is satisfied with the quality and effectiveness of the financial recording procedures and systems;
- the extent to which the Auditor is satisfied with the nature and scope of the Auditor's examination.

(f) Review of Audit Plan

The Audit Committee shall review a summary of the Auditor's audit plan in advance for each audit.

(g) Review of Audit Fees

The Audit Committee has the direct responsibility for approving the Auditor's fee. In approving the Auditor's fee, the Audit Committee should consider, among other things, the number and nature of reports issued by the Auditors, the quality of the internal controls, the size, complexity and financial condition of the Company and the extent of internal audit and other support provided by the Company to the Auditor.

(h) Review of Annual Audited Financial Statements

The Audit Committee shall review the annual audited financial statements, together with the Auditor's report thereon, before recommending them for approval by the Board, to assess whether or not they present fairly in all material respects in accordance with GAAP the financial condition, results of operations and cash flows of the Company. The Audit Committee shall also review the MD&A relating to the annual audited financial statements.

In conducting their review, the Audit Committee should:

- discuss the annual audited financial statements and MD&A with management and the Auditor;
- consider the quality of, and not just the acceptability of, the accounting principles applied, the reasonableness of management's judgments and estimates that have a significant effect upon the financial statements, and the clarity of the disclosures in the financial statements;
- discuss with the Auditor its report which addresses:
 - all critical accounting policies and practices to be used;
 - all alternative treatments of financial information within GAAP that have been discussed with management of the Company, ramifications of the use of alternative disclosures and treatments, and the treatment preferred by the Auditors; and
 - other material written communication between the Auditor and management of the Company, such as any management letter or schedule of unadjusted differences;
- discuss any analyses prepared by management and the Auditor that set out significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP;
- discuss the effect of off-balance sheet transactions, arrangements, obligations (including contingent liabilities) and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Company's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues and expenses;
- consider any changes in accounting practices or policies and their impact on financial statements of the Company;
- discuss with management, the Auditor and, if necessary, legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position of the Company, and the manner in which these matters have been disclosed in the financial statements;
- discuss with management and the Auditor correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies;
- discuss with the Auditor any special audit steps taken in light of any material weaknesses in internal control;
- discuss with the Auditor any difficulties encountered in the course of the audit work, including any restrictions on the scope of their procedures and access to requested

information, accounting adjustments proposed by the Auditor that were not applied (because they were immaterial or otherwise), and significant disagreements with management;

- consider any other matter which in its judgment should be taken into account in reaching its recommendation to the Board concerning the approval of the financial statements;
- satisfy itself that appropriate accounting policies and practices have been selected and applied consistently; and
- satisfy itself that management has established appropriate procedures to comply with applicable legislation for the remittance of taxes, pension monies and employee remuneration.

(i) Review of Interim Financial Statements

The Audit Committee shall also engage the Auditor to review the interim financial statements prior to the Audit Committee's review of such financial statements. The Audit Committee should discuss the interim financial statements and related MD&A with management and the Auditor and, if satisfied that the interim financial statements present fairly in all material respects in accordance with GAAP the financial condition, results of operations and cash flows, approve the interim financial statements and review the related MD&A on behalf of the Board.

(j) Other Financial Information

The Audit Committee shall review any earnings releases, as well as the nature of any financial information and earnings guidance provided to analysts and rating agencies in accordance with the Company's disclosure policy. In addition, the Audit Committee shall satisfy itself that adequate procedures are in place for the review of the public disclosure of information extracted or derived from the Company's financial statements and must periodically assess the adequacy of those procedures.

(k) Review of Prospectuses and Other Regulatory Filings

The Audit Committee shall review all other financial statements of the Company that require approval by the Board before they are released to the public, including, without limitation, financial statements for use in prospectuses or other offering or public disclosure documents and financial statements required by regulatory authorities. The Audit Committee shall review the Annual Information Form of the Company prior to its filing.

(l) Review of Related Party Transactions

The Audit Committee shall review all material proposed related party transactions that are not dealt with by a "special committee" of "independent directors" pursuant to securities law rules.

(m) Review of Internal Audit Function

The Audit Committee shall review the mandate of the internal audit function, the budget, planned activities and organizational structure of the internal audit function to ensure that it is independent of management and has sufficient resources to carry out its mandate.

The members shall meet privately with the senior officer in charge of internal audit as frequently as the Audit Committee feels is appropriate for the Audit Committee to fulfil its responsibilities, which shall not be less frequently than quarterly, to discuss any areas of concern to the Audit Committee or to the senior officer in charge of internal audit to confirm that:

- significant resolved and any unresolved issues between auditors and management have been brought to its attention;
- the principal risks of the Company's businesses have been identified by management and appropriate policies and systems have been implemented to manage these risks; and
- the integrity of the Company's internal control and management information systems are satisfactory.

(n) Relations with Management

The members shall meet privately with management as frequently as the Audit Committee feels is appropriate to fulfil its responsibilities, which shall not be less frequently than quarterly, to discuss any areas of concern to the Audit Committee or management.

(o) Oversight of Internal Control over Financial Reporting and Disclosure Controls and Procedures

The Audit Committee shall review with the assistance of management the adequacy of the internal control over financial reporting that have been adopted by the Company.

The Audit Committee shall review with the assistance of management the effectiveness of the controls and procedures that have been adopted to ensure the disclosure of all material information about the Company and its subsidiaries that is required to be disclosed under applicable law or the rules of those exchanges on which securities of the Company are listed or quoted. The Audit Committee shall receive regular reports from the Company's Disclosure Committee with respect to the Company's system of disclosure controls and procedures. The Audit Committee shall also review no less than annually the Company's Disclosure Policy.

(p) Legal Compliance

The Audit Committee shall review with legal counsel any legal matters that may have a significant effect on the Company's financial statements. The Audit Committee should review with legal counsel material inquiries received from regulators and governmental agencies. The Audit Committee shall review with a representative of the Code of Conduct Committee any material matters arising from any known or suspected violation of the Company's Code of Conduct and any material concerns regarding questionable accounting or auditing matters raised through the Company's ethics response line.

(q) Risk Management

The Audit Committee shall meet periodically with management to discuss the Company's policies with respect to risk assessment and management.

(r) Taxation Matters

The Audit Committee shall review the status of taxation matters of the Company.

(s) Hiring Policies

The Audit Committee shall review and approve the Company's hiring policies regarding partners and professional employees of the present and former external auditor of the issuer.

7. COMPLAINTS PROCEDURE

The Audit Committee shall monitor the effectiveness of the Company's procedures for the receipt, retention and follow-up of complaints received by the Company regarding accounting, internal controls, disclosure controls or auditing matters and for the confidential, anonymous submission of concerns by employees of the Company regarding accounting, internal controls, or auditing matters. The Committee shall review with management periodic reports in this regard.

8. REPORTING

The Audit Committee shall report to the Board on:

- the Auditor's independence;
- the performance of the Auditor and the Audit Committee's recommendations regarding the reappointment or termination of the Auditor;
- the performance of the internal audit function;
- the adequacy of the Company's internal control over financial reporting and disclosure controls and procedures;
- the Audit Committee's review of the annual and interim financial statements of the Company and any GAAP reconciliation, including any issues with respect to the quality or integrity of the financial statements, and shall recommend whether or not the Board should approve the financial statements and any GAAP reconciliation;
- the Audit Committee's review of the annual and interim MD&A;
- the Audit Committee's review of the Annual Information Form;
- the Company's compliance with legal and regulatory matters to the extent they affect the financial statements of the Company; and
- all other material matters dealt with by the Audit Committee.

9. REVIEW AND DISCLOSURE

This Charter should be reviewed by the Audit Committee at least annually and be submitted to the Governance, Human Resource, Nominating and Compensation Committee for consideration with such amendments as the Audit Committee proposes and for recommendation to the Board for approval with such further amendments as the Governance, Human Resource, Nominating and Compensation Committee proposes.

This Charter shall be posted on the Company's Web site.

10. FREQUENCY OF MEETINGS

The Audit Committee shall meet at least five times annually.

11. RETENTION OF EXPERTS

The Audit Committee may engage such special legal, accounting or other experts, without Board approval and at the expense of the Company, as it considers necessary to perform its duties.