Q1

2010

Quarterly Report to Shareholders

George Weston Limited

12 Weeks Ended March 27, 2010

Weston

FORWARD-LOOKING STATEMENTS

This Quarterly Report for George Weston Limited ("GWL") and its subsidiaries (collectively, the "Company"), including this Management's Discussion and Analysis ("MD&A"), contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, liquidity, obligations, results of operations, cash flows, performance, prospects and opportunities. Words such as "anticipate", "expect", "believe", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "should" and similar expressions, as they relate to the Company and its management, are intended to identify forward-looking statements. These forward-looking statements are not historical facts but reflect the Company's current expectations concerning future results and events.

These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including, but not limited to:

- the possibility that the Company's plans and objectives will not be achieved;
- changes in economic conditions including the rate of inflation or deflation;
- changes in consumer spending and preferences;
- heightened competition, whether from new competitors or current competitors;
- the availability and increased costs relating to raw materials, ingredients and utilities, including electricity and fuel;
- changes in the Company's or its competitors' pricing strategies;
- failure of the Company's franchised stores to perform as expected;
- risks associated with the terms and conditions of financing programs offered to the Company's franchisees;
- failure to realize sales growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including investments in the Company's information technology systems, supply chain investments and other cost reduction initiatives, or unanticipated results from these initiatives;
- the inability of the Company's information technology infrastructure to support the requirements of the Company's business;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess issues and to control shrink;
- failure to execute successfully and in a timely manner the Company's major initiatives, including the implementation of strategies and introduction of innovative and reformulated products or new and renovated stores;
- unanticipated results associated with the Company's strategic initiatives, including the impact of acquisitions or dispositions of businesses on the Company's future revenues and earnings;
- the inability of the Company's supply chain to service the needs of the Company's stores;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements which could lead to work stoppages;
- changes to the regulatory environment in which the Company operates;
- the adoption of new accounting standards and changes in the Company's use of accounting estimates;
- fluctuations in the Company's earnings due to changes in the value of stock-based compensation and equity derivative contracts relating to GWL and Loblaw Companies Limited ("Loblaw") common shares;
- changes in the Company's tax liabilities including changes in tax laws or future assessments;
- detrimental reliance on the performance of third-party service providers;
- public health events;
- risks associated with product defects, food safety and product handling;
- changes in interest and foreign currency exchange rates;
- the inability of the Company or its franchisees to obtain external financing;
- the inability of the Company to collect on its credit card receivables;
- any requirement of the Company to make contributions to its funded defined benefit pension plans in excess of those currently contemplated;
- the inability of the Company to attract and retain key executives; and
- supply and quality control issues with vendors.

These 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 Enterprise Risks and Risk Management section of the MD&A included in GWL's 2009 Annual Report. These forward-looking statements contained herein and in particular in the Report to Shareholders and MD&A reflect management's current assumptions regarding these risks and uncertainties and their respective impact on the Company.

Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this Quarterly Report. The Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

CONSOLIDATED RESULTS OF OPERATIONS

George Weston Limited's first quarter 2010 basic net earnings per common share from continuing operations were $0.25 compared to a basic net loss of $0.28 for the same period in 2009. Basic net earnings in the first quarter of 2009 were negatively impacted by a charge of $0.38 per common share related to the non-cash goodwill impairment in Weston Foods' biscuits, cookies, cones and wafers business. After excluding this charge and the impact of accounting for the forward sale agreement for 9.6 million Loblaw common shares, foreign exchange losses and the other notable items specifically identified below and in the Management's Discussion and Analysis ("MD&A"), the Company's performance in the first quarter of 2010 was strong compared to the first quarter of 2009.

Loblaw remains on track with its renewal program. Its major investment in information technology and supply chain will now start to ramp up and, as previously announced, is expected to negatively impact 2010 operating income. Weston Foods brand and product development efforts continue, while its continuing focus on plant and distribution optimization along with other ongoing cost reduction initiatives continue to ensure a low cost operating structure.

Net earnings for the first quarter of 2010 were $42 million, compared to $863 million in 2009. The decrease was primarily attributable to the net gain of $921 million ($883 million, net of tax) recorded in the first quarter of 2009 on the sale of the fresh bread and baked goods business in the United States ("U.S. fresh bakery business"). Basic net earnings per common share were $0.25 compared to $6.61 for the same period in 2009. The results and the gain on the sale of the U.S. fresh bakery business have been reflected separately as discontinued operations in the comparative results.

(unaudited) ($ millions except where otherwise indicated)	12 Weeks Ended **Mar. 27, 2010**	Mar. 28, 2009	Change
Sales	**$ 7,177**	$ 7,022	2.2%
Operating income	**$ 274**	$ 101	171.3%
Operating margin	**3.8%**	1.4%	
Interest expense and other financing charges	**$ 123**	$ 37	232.4%
Net earnings (loss) from continuing operations	**$ 42**	$ (27)	255.6%
Net earnings	**$ 42**	$ 863	(95.1%)
Basic net earnings (loss) per common share from continuing operations ($)	**$ 0.25**	$ (0.28)	189.3%
Basic net earnings per common share ($)	**$ 0.25**	$ 6.61	(96.2%)
EBITDA[1]	**$ 438**	$ 245	78.8%
EBITDA margin[1]	**6.1%**	3.5%	
Net debt[1]	**$ 690**	$ 491	40.5%

Sales in the first quarter of 2010 were $7.2 billion compared to $7.0 billion for the same period in 2009, an increase of 2.2%. The impact of foreign currency translation on the Weston Foods operating segment negatively impacted consolidated sales growth by approximately 0.5% for the first quarter of 2010.

(1) See non-GAAP financial measures on page 18.
(2) To be read in conjunction with "Forward-Looking Statements".

Operating income for the first quarter of 2010 was $274 million compared to $101 million in the same period in 2009. Consolidated operating margin for the first quarter of 2010 was 3.8% compared to 1.4% for the same period in 2009. Year-over-year changes in the following items together with additional factors outlined in the MD&A influenced the Company's operating income in the first quarter of 2010 compared to the same period in 2009:

- nil (2009 – a charge of $73 million) related to the non-cash goodwill impairment in Weston Foods' biscuits, cookies, cones and wafers business. The effect on basic net earnings per common share from continuing operations was nil (2009 – a charge of $0.38);

- a charge of $29 million (2009 – $96 million), of which $29 million (2009 – $62 million) related to foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin Holdings S.à r.l. ("Dunedin"), a subsidiary of GWL, and certain of its affiliates and nil (2009 – a charge of $34 million) related to the reversal of cumulative foreign currency translation losses. The effect on basic net earnings per common share from continuing operations was a charge of $0.22 (2009 – $0.67);

- a charge of $4 million (2009 – $23 million) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw. The effect on basic net earnings per common share from continuing operations was nominal (2009 – a charge of $0.12); and

- a nominal charge (2009 – income of $9 million) related to the commodity derivatives fair value adjustment at Weston Foods. The effect on basic net earnings per common share from continuing operations was nominal (2009 – income of $0.05).

Included in the foreign exchange loss reported in the first quarter of 2009 was a $48 million charge related to the conversion of U.S. $2.4 billion of cash and short term investments to approximately $3.0 billion Canadian dollars following the sale of the U.S. fresh bakery business. This loss was a result of the appreciation of the Canadian dollar relative to the U.S. dollar between the closing date of the sale and the dates on which the proceeds were converted to Canadian dollars.

Excluding the impact of the specific items noted above, operating income in the first quarter of 2010 improved compared to the same period in 2009, with growth at Loblaw and a slight improvement at Weston Foods after also excluding the impact of foreign currency translation. The improvement in operating income at Loblaw was primarily attributable to buying synergies, disciplined vendor management, a stronger Canadian dollar, improved inventory management and control label profitability. The positive impact of these factors was partially offset by incremental costs related to Loblaw's investment in information technology and supply chain. Weston Foods operating income was positively impacted in the first quarter of 2010 by the benefits realized from productivity improvements and other cost reduction initiatives and lower input costs, which were largely offset by higher restructuring charges and increased promotional spending.

Interest expense and other financing charges for the first quarter of 2010 increased by $86 million to $123 million from $37 million in the first quarter of 2009 primarily due to the non-cash charge of $41 million recorded in the first quarter of 2010 related to the fair value adjustment of Weston Holdings Limited's, a subsidiary of GWL, forward sale agreement for 9.6 million Loblaw common shares, compared to non-cash income of $40 million recorded in the first quarter of 2009. Excluding this fair value adjustment, interest expense and other financing charges increased by $5 million. The fair value adjustment of this forward sale agreement resulted in a basic net earnings per common share non-cash charge of $0.24 (2009 – non-cash income of $0.23).

The effective income tax rate decreased to 41.1% in the first quarter of 2010 compared to 84.4% in the first quarter of 2009. The decrease was primarily due to a decrease in foreign exchange losses which were not fully benefitted for tax purposes and the non-deductible reversal of the cumulative foreign currency translation loss recorded in the first quarter of 2009. The decrease was also impacted by the change in the proportion of taxable income earned across different tax jurisdictions.

Net Debt[1]

The Company's net debt[1] at the end of the first quarter of 2010 was $690 million compared to $299 million at year end 2009. The increase was primarily due to the seasonal increase in operating working capital at Loblaw.

OPERATING SEGMENTS

Weston Foods

Weston Foods sales for the first quarter of 2010 of $385 million decreased 11.9% compared to the same period in 2009. Foreign currency translation negatively impacted sales by approximately 7.8%. Of the remaining decline of 4.1%, approximately 3.5% was attributable to lower pricing across key product categories and approximately 0.6% was due to lower sales volumes.

Weston Foods operating income was $45 million in the first quarter of 2010 compared to a loss of $27 million in the same period in 2009. Operating margin was 11.7% for the first quarter of 2010 compared to negative 6.2% in 2009. Excluding the impact of the non-cash goodwill impairment in Weston Foods' biscuits, cookies, cones and wafers business, the effect of stock-based compensation net of equity derivatives and the commodity derivatives fair value adjustment, all of which are more fully described in the MD&A, and also foreign currency translation, Weston Foods operating income improved slightly when compared to the same period in 2009. Operating income was positively impacted by the benefits realized from productivity improvements and other cost reduction initiatives and lower input costs, which were largely offset by higher restructuring charges and increased promotional spending.

Loblaw

Loblaw sales for the first quarter of 2010 of $6,926 million increased 3.1% compared to the first quarter of 2009. Same-store sales in the quarter increased 0.3%. T&T Supermarket Inc. ("T&T") sales positively impacted Loblaw's sales by 2.0%. Sales and same-store sales growth were positively impacted by approximately 0.5% as a result of a labour disruption during the first quarter of 2009 in certain *Maxi* stores in Quebec. In the first quarter of 2010, sales growth in food was flat and in drugstore was modest, sales growth in apparel was strong while sales of other general merchandise declined significantly and gas bar sales increased significantly as a result of higher retail gas prices and strong volume growth. Loblaw experienced internal retail food price deflation compared to flat national food price inflation as measured by "The Consumer Price Index for Food Purchased from Stores". Loblaw's measure showed greater internal retail food price deflation in the first quarter of 2010 than in the fourth quarter of 2009 and was significantly lower than the internal retail food price inflation in the first quarter of 2009.

Loblaw operating income for the first quarter of 2010 was $258 million compared to $224 million in the same period in 2009, an increase of 15.2%. Loblaw operating margin was 3.7% for the first quarter of 2010 compared to 3.3% in the same period in 2009. Excluding the impact of the effect of stock-based compensation net of equity forwards, operating income improved, primarily attributable to buying synergies, disciplined vendor management, a stronger Canadian dollar, improved inventory management and control label profitability. The positive impact of these factors was partially offset by incremental costs related to Loblaw's investment in information technology and supply chain.

(1) See non-GAAP financial measures on page 18.

OUTLOOK[(1)]

The consolidated results of George Weston Limited will continue to reflect the operating performance of both the Weston Foods and Loblaw operating businesses for the remainder of 2010. In addition, the Company's results will be subject to earnings volatility caused by the impact of changes in U.S. foreign currency exchange rates on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates. Earnings volatility may also result from other non-operating factors including commodity prices and their impact on the Company's commodity derivatives, the Loblaw common share price and its impact on the forward sale agreement for 9.6 million Loblaw common shares and short term interest rates. The Company is continuing to assess strategic options for the deployment of its significant holdings of cash and short term investments.

Weston Foods expects satisfactory operating performance for the remainder of 2010. The Company is continuing its efforts to reduce costs through improved efficiencies and productivity and is focused on growing sales by optimizing product mix and product innovation to meet changing consumer buying preferences.

Loblaw remains on track with its renewal program and continues to be focused on driving sustainable performance. Significant investments in information technology and supply chain are planned for the two remaining years of Loblaw's five year turnaround plan. As previously announced, Loblaw expects these investments to negatively impact 2010 operating income.

[signed]

W. Galen Weston
Chairman and President

Toronto, Canada
May 10, 2010

(1) To be read in conjunction with "Forward-Looking Statements".

The following Management's Discussion and Analysis ("MD&A") for George Weston Limited ("GWL") and its subsidiaries (collectively, the "Company") should be read in conjunction with the Company's 2010 unaudited interim period consolidated financial statements and the accompanying notes on pages 26 to 36 of this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2009 and the related MD&A included in the Company's 2009 Annual Report. The Company's 2010 unaudited interim period consolidated financial statements and the accompanying notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. These unaudited interim period consolidated financial statements include the accounts of George Weston Limited and its subsidiaries and variable interest entities ("VIEs") that the Company is required to consolidate in accordance with Accounting Guideline 15, "Consolidation of Variable Interest Entities". A glossary of terms and ratios used throughout this Quarterly Report can be found beginning on page 114 of the Company's 2009 Annual Report. In addition, this Quarterly Report includes the following terms: "rolling year net debt[(1)] to EBITDA[(1)]", which is defined as net debt[(1)] divided by cumulative EBITDA[(1)] for the latest four quarters; "rolling year return on average net assets[(1)]", which is defined as cumulative operating income for the latest four quarters divided by average net assets[(1)]; "rolling year return on average common shareholders' equity", which is defined as cumulative net earnings available to common shareholders from continuing operations for the latest four quarters divided by average total common shareholders' equity; and "operating working capital" which is defined as the sum of accounts receivable, inventories and prepaid expenses and other assets less accounts payable and accrued liabilities.

The information in this MD&A is current to May 10, 2010, unless otherwise noted.

CONSOLIDATED RESULTS OF OPERATIONS

As disclosed previously, the fresh bread and baked goods business in the United States ("U.S. fresh bakery business") was sold on January 21, 2009. The results and the gain on the sale of the U.S. fresh bakery business have been reflected separately as discontinued operations in the comparative results.

Sales Sales for the first quarter of 2010 increased 2.2%, or $155 million, to $7.2 billion from $7.0 billion in the first quarter of 2009. The impact of foreign currency translation on the Weston Foods operating segment negatively impacted consolidated sales growth by approximately 0.5% for the first quarter of 2010. When compared to the same period last year, the Company's consolidated sales for the first quarter of 2010 were impacted by each of its reportable operating segments as follows:

- Negatively by 0.7% as a result of a sales decrease of 11.9% at Weston Foods. Foreign currency translation negatively impacted Weston Foods sales by approximately 7.8%. Of the remaining decline of 4.1%, approximately 3.5% was attributable to lower pricing across key product categories and approximately 0.6% was due to lower sales volumes.

- Positively by 3.0% due to sales growth of 3.1% at Loblaw. Same-store sales in the quarter increased 0.3%. T&T Supermarket Inc. ("T&T") sales positively impacted Loblaw's sales by 2.0%. Sales and same-store sales growth were positively impacted by approximately 0.5% as a result of a labour disruption during the first quarter of 2009 in certain *Maxi* stores in Quebec. In the first quarter of 2010, sales growth in food was flat and in drugstore was modest, sales growth in apparel was strong while sales of other general merchandise declined significantly and gas bar sales increased significantly as a result of higher retail gas prices and strong volume growth. Loblaw experienced internal retail food price deflation compared to flat national food price inflation as measured by "The Consumer Price Index for Food Purchased from Stores". Loblaw's measure showed greater internal retail food price deflation in the first quarter of 2010 than in the fourth quarter of 2009 and was significantly lower than internal retail food price inflation in the first quarter of 2009.

(1) See non-GAAP financial measures on page 18.

Operating Income Operating income for the first quarter of 2010 was $274 million compared to $101 million in the first quarter of 2009. Consolidated operating margin of 3.8% for the first quarter of 2010 increased compared to 1.4% for the same period in 2009. When compared to the same period last year, the Company's change in operating income for the first quarter 2010 was impacted positively by 71.3% due to an increase in operating income at Weston Foods, mainly due to a non-cash goodwill impairment charge recorded in the first quarter of 2009, and positively by 33.7% due to an increase in operating income at Loblaw. In addition, the reduction in foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin Holdings S.à r.l. ("Dunedin"), a subsidiary of GWL, and certain of its affiliates and the reversal of the cumulative foreign currency translation loss in the first quarter of 2009, positively impacted operating income growth by 66.3%.

The year-over-year change in the following items influenced operating income for the first quarter of 2010 compared to the first quarter of 2009:

- nil (2009 – a charge of $73 million) related to the non-cash goodwill impairment in Weston Foods' biscuits, cookies, cones and wafers business;
- a charge of $29 million (2009 – $96 million), of which $29 million (2009 – $62 million) related to foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates and nil (2009 – a charge of $34 million) related to the reversal of cumulative foreign currency translation losses;
- a charge of $4 million (2009 – $23 million) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw; and
- a nominal charge (2009 – income of $9 million) related to the commodity derivatives fair value adjustment at Weston Foods.

Included in the foreign exchange loss reported in the first quarter of 2009 was a $48 million charge related to the conversion of U.S. $2.4 billion of cash and short term investments to approximately $3.0 billion Canadian dollars following the sale of the U.S. fresh bakery business. This loss was a result of the appreciation of the Canadian dollar relative to the U.S. dollar between the closing date of the sale and the dates on which the proceeds were converted to Canadian dollars.

Excluding the impact of the specific items noted above, operating income for the first quarter of 2010 improved compared to the first quarter of 2009.

On April 22, 2010, Loblaw announced changes to its distribution network. A charge of approximately $30 million to $40 million is expected to be incurred in connection with the closure of a facility.

EBITDA(1) increased by $193 million to $438 million in the first quarter of 2010 compared to $245 million in the first quarter of 2009. EBITDA margin(1) for the first quarter of 2010 increased to 6.1% from 3.5% in 2009, positively impacted by the reduction in foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates and the reversal of the cumulative foreign currency translation loss in the first quarter of 2009, and higher EBITDA margins(1) at both Weston Foods, mainly due to the non-cash goodwill impairment charge recorded in the first quarter of 2009, and Loblaw.

Interest Expense and Other Financing Charges Interest expense and other financing charges for the first quarter of 2010 increased by $86 million to $123 million from $37 million in the first quarter of 2009. The increase was primarily the result of a non-cash charge of $41 million compared to non-cash income of $40 million in the first quarter of 2009 which was recorded in other financing charges, representing the fair value adjustment of Weston Holdings Limited's ("WHL"), a subsidiary of GWL, forward sale agreement for 9.6 million Loblaw common shares. The fair value adjustment of the forward contract is a non-cash item resulting from fluctuations in the market price of the underlying Loblaw common shares that WHL owns. WHL does not record any change in the market price associated with the Loblaw common shares it owns. Any cash paid under the forward contract could be offset by the sale of the Loblaw common shares. Excluding this fair value adjustment, interest expense and other financing charges increased by $5 million.

(1) See non-GAAP financial measures on page 18.

Income Taxes The effective income tax rate decreased to 41.1% in the first quarter of 2010 compared to 84.4% in the first quarter of 2009. The decrease was primarily due to a decrease in foreign exchange losses which were not fully benefitted for tax purposes and the non-deductible reversal of the cumulative foreign currency translation loss recorded in the first quarter of 2009. The decrease was also impacted by the change in the proportion of taxable income earned across different tax jurisdictions.

Net Earnings (Loss) from Continuing Operations Net earnings from continuing operations for the first quarter of 2010 were $42 million compared to a net loss from continuing operations of $27 million in the first quarter of 2009. Basic net earnings per common share from continuing operations for the first quarter of 2010 were $0.25 compared to a basic net loss per common share from continuing operations of $0.28 in the same period in 2009.

Basic net earnings per common share from continuing operations were affected in the first quarter of 2010 compared to the first quarter of 2009 by the following factors:

- a $0.24 per common share non-cash charge (2009 – non-cash income of $0.23) related to the accounting for WHL's forward sale agreement for 9.6 million Loblaw common shares;
- nil per common share (2009 – a charge of $0.38) related to the non-cash goodwill impairment in Weston Foods' biscuits, cookies, cones and wafers business;
- a $0.22 per common share charge (2009 – $0.67), of which $0.22 (2009 – $0.41) related to foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates and nil (2009 – charge of $0.26) related to the reversal of cumulative foreign currency translation losses;
- a nominal per common share charge (2009 – a charge of $0.12) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw; and
- a nominal per common share charge (2009 – income of $0.05) related to the commodity derivatives fair value adjustment at Weston Foods.

Discontinued Operations Net earnings from discontinued operations for the first quarter of 2009 were $890 million. Included in discontinued operations for the first quarter of 2009 was a gain on disposal of the U.S. fresh bakery business of $921 million ($883 million, net of tax).

Net Earnings Net earnings for the first quarter of 2010 were $42 million compared to $863 million in the same period in 2009. Basic net earnings per common share for the first quarter of 2010 were $0.25 compared to $6.61 in the first quarter of 2009, including net earnings from discontinued operations per common share of nil compared to $6.89 in the same period in 2009.

GWL's ownership of Loblaw was 62.5% as at the end of the first quarter of 2010 and as at year end 2009. GWL's ownership of Loblaw was 61.9% as at the end of the first quarter of 2009 and as at year end 2008. The increase in GWL's ownership was due to the Company's participation in the Loblaw Dividend Reinvestment Plan and Loblaw's repurchase of 1.7 million of its common shares during the fourth quarter of 2009.

REPORTABLE OPERATING SEGMENTS
Weston Foods

The Weston Foods operating segment achieved satisfactory financial results despite soft sales in the first quarter of 2010. Weston Foods sales were negatively impacted by foreign currency translation, lower pricing and lower sales volumes. After excluding the non-cash goodwill impairment charge recorded in the first quarter of 2009, the impact of stock-based compensation net of equity derivatives, the impact of the commodity derivatives fair value adjustment and also foreign currency translation, operating income in the first quarter of 2010 improved slightly compared to the same period in 2009. Operating income was positively impacted by the benefits realized from continuous improvement initiatives and lower input costs, which were largely offset by higher restructuring charges and increased promotional spending.

Sales Weston Foods sales for the first quarter of 2010 of $385 million decreased 11.9% compared to the same period in 2009. Foreign currency translation negatively impacted sales by approximately 7.8%. Of the remaining decline of 4.1%, approximately 3.5% was attributable to lower pricing across key product categories and approximately 0.6% was due to lower sales volumes.

The following sales analysis excludes the impact of foreign currency translation.

Fresh bakery sales decreased approximately 0.6% in the first quarter of 2010 compared to the same period in 2009, driven by lower pricing primarily due to increased promotional spending. Volume increased in the first quarter of 2010 due to the growth in the *Gadoua*, *D'Italiano* and *Wonder* brands, partially offset by the continued softness in the food service market and lower sales of private label products. The introduction of new products, such as *Gadoua MultiGo*, *Country Harvest Vitality,* and *Wonder Invisibles*, contributed positively to branded sales during the first quarter of 2010.

Frozen bakery sales decreased approximately 2.8% in the first quarter of 2010 compared to the same period in 2009. The sales decline in this category was due to lower pricing including increased promotional spending. Overall, volume in the first quarter of 2010 decreased slightly compared to the same period in 2009 due to decreases in certain product categories including the continued softness in the food service market and the loss of certain distributed products, partially offset by the positive impact of the timing of customer orders related to the Easter holiday.

Biscuit sales, principally wafers, ice-cream cones, cookies and crackers, decreased approximately 9.9% in the first quarter of 2010 compared to the same period in 2009, due to lower sales volumes and lower pricing in certain product categories. The volume decline was driven by softness in wafers and Girl Scout cookie sales in the first quarter of 2010 compared to the same period in 2009.

Operating Income Weston Foods operating income was $45 million in the first quarter of 2010 compared to a loss of $27 million in the same period in 2009. Operating margin was 11.7% for the first quarter of 2010 compared to negative 6.2% in the first quarter of 2009.

The year-over-year change in the following items influenced operating income for the first quarter of 2010 compared to the first quarter of 2009:
- nil (2009 – a charge of $73 million) related to the non-cash goodwill impairment in Weston Foods' biscuits, cookies, cones and wafers business;
- income of $5 million (2009 – a charge of $4 million) related to the effect of stock-based compensation net of equity derivatives; and
- a nominal charge (2009 – income of $9 million) related to the commodity derivatives fair value adjustment.

In addition, first quarter 2010 operating income was negatively impacted by foreign currency translation due to a stronger Canadian dollar relative to the U.S. dollar.

Weston Foods is exposed to commodity price fluctuations primarily as a result of purchases of certain raw materials, fuels and utilities. In accordance with the Company's risk management strategy, Weston Foods enters into commodity derivatives to reduce the impact of price fluctuations in forecasted raw material purchases over a specified period of time. These commodity derivatives are not acquired for trading or speculative purposes. Certain of these derivatives are not designated for financial reporting purposes as cash flow hedges of anticipated future raw material purchases, and accordingly hedge accounting does not apply. As a result, changes in the fair value of these derivatives, which include realized and unrealized gains and losses related to future purchases of raw materials, are recorded in operating income. Weston Foods recorded a charge of a nominal amount (2009 – income of $9 million) during the first quarter of 2010, related to the fair value adjustment of exchange traded commodity derivatives that were not designated within a hedging relationship. Despite the impact of accounting for these commodity derivatives on the Company's reported results, the derivatives have the economic impact of largely mitigating the associated risks arising from price fluctuations in the underlying commodities during the period that the commodity derivatives are held.

Weston Foods continuously evaluates 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. Restructuring activities related to these initiatives are ongoing. In the first quarter of 2010, a charge of $6 million (2009 – $2 million) was recorded in operating income related to restructuring activities. During the first quarter of 2010, Weston Foods approved a plan to close a fresh bakery manufacturing facility in Quebec as a result of the Company's inability to reach a satisfactory collective agreement with the union and recorded a charge of $6 million relating to employee termination benefits. The fixed assets relating to this facility, including land and building, are currently being evaluated and it is anticipated that accelerated depreciation charges up to $5 million will be recorded throughout the remainder of the year until the facility is closed, which is anticipated to be in the fourth quarter of 2010. A gain or loss on sale of the land and building will be recorded if and when the facility is sold. In addition, site closing and other exit costs of $3 million are anticipated and will be recorded as incurred.

Weston Foods operating income for the first quarter of 2010 was impacted by changes in the following items when compared to the same period in 2009: the non-cash goodwill impairment in Weston Foods' biscuits, cookies, cones and wafers business, the effect of stock-based compensation net of equity derivatives, the commodity derivatives fair value adjustment and also foreign currency translation. Excluding these specific items, operating income in the first quarter of 2010 improved slightly compared to the same period in 2009. Operating income was positively impacted by the benefits realized from productivity improvements and other cost reduction initiatives and lower input costs, which were largely offset by higher restructuring charges and increased promotional spending.

Gross margin, including the impact of the commodity derivatives fair value adjustment, increased slightly in the first quarter of 2010 compared to the same period in 2009.

EBITDA[(1)] increased by $72 million to $57 million in the first quarter of 2010 compared to negative $15 million in the first quarter of 2009, mainly due to the non-cash goodwill impairment charge recorded in the first quarter of 2009. EBITDA margin[(1)] increased in the first quarter of 2010 to 14.8% from negative 3.4% in the same period in 2009.

Loblaw

Sales Sales for the first quarter of 2010 increased by 3.1% to $6,926 million compared to $6,718 million in the first quarter of 2009.

The following factors explain the major components of the change in sales for the first quarter of 2010 compared to the same period in 2009:

- same-store sales growth of 0.3%;
- T&T sales positively impacted Loblaw's sales by 2.0%;
- sales and same-store sales growth were positively impacted by approximately 0.5% as a result of a labour disruption during the first quarter of 2009 in certain *Maxi* stores in Quebec. These stores reopened in the first quarter of 2009, except for 2 stores which were permanently closed;
- sales growth in food was flat and in drugstore was modest;
- sales growth in apparel was strong while sales of other general merchandise declined significantly due to lower discretionary consumer spending and reductions in assortment and square footage;
- gas bar sales increased significantly as a result of higher retail gas prices and strong volume growth;
- Loblaw experienced internal retail food price deflation compared to flat national food price inflation of 0.7% as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI"). CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores. Loblaw's measure showed greater internal retail food price deflation in the first quarter of 2010 than in the fourth quarter of 2009 and was significantly lower than the internal retail food price inflation in the first quarter of 2009; and
- during the first quarter of 2010, 2 stores were opened and 6 stores were closed, resulting in a net decrease of 0.1 million square feet or 0.1%. During the last four quarters, 40 stores were opened, including 17 acquired T&T stores, and 31 stores were closed, resulting in a net increase of 0.7 million square feet, or 1.3%.

(1) See non-GAAP financial measures on page 18.

Operating Income Operating income was $258 million for the first quarter of 2010 compared to $224 million in the same period in 2009, an increase of 15.2%. Operating margin was 3.7% for the first quarter of 2010 compared to 3.3% in the first quarter of 2009.

Gross profit increased by $106 million to $1,720 million in the first quarter of 2010 compared to $1,614 million in the first quarter of 2009. Gross profit as a percentage of sales was 24.8% in the first quarter of 2010 compared to 24.0% in the same period in 2009. The increase in gross profit and gross profit as a percentage of sales was primarily attributable to buying synergies, disciplined vendor management, a stronger Canadian dollar, improved inventory management and control label profitability.

The increase in operating income was primarily due to the increases in gross profit and gross profit as a percentage of sales partially offset by an increase in depreciation of $20 million. Included in operating income was a charge of $9 million (2009 – $19 million) related to the effect of stock-based compensation net of equity forwards and incremental costs of $28 million related to Loblaw's investment in information technology and supply chain.

EBITDA(1) increased by $54 million, or 15.2%, to $410 million in the first quarter of 2010 compared to $356 million in the first quarter of 2009. EBITDA margin(1) increased in the first quarter of 2010 to 5.9% from 5.3% compared to the same period in 2009. The increases in EBITDA(1) and EBITDA margin(1) were primarily due to the increases in gross profit and gross profit as a percentage of sales.

CONSOLIDATED FINANCIAL CONDITION

Financial Ratios The Company's net debt(1) to equity ratio at the end of the first quarter of 2010 was 0.10:1 compared to 0.07:1 at the end of the same period in 2009 and to 0.04:1 at year end 2009. The change in this ratio when compared to year end 2009 was primarily due to the increase in net debt(1) as discussed in the net debt(1) section below.

The rolling year net debt(1) to EBITDA(1) ratio was 0.4 times at the end of the first quarter of 2010 compared to 0.3 times at the end of the first quarter of 2009 and 0.2 times at year end 2009. The slight change in this ratio when compared to year end 2009 was primarily due to the increase in net debt(1) as discussed in the net debt(1) section below.

The interest coverage ratio in the first quarter of 2010 decreased to 2.1 times compared to 2.4 times in the first quarter of 2009. The decrease in the ratio in the first quarter of 2010 was primarily due to the increase in interest expense and other financing charges. Interest expense and other financing charges included a non-cash charge of $41 million (2009 – non-cash income of $40 million) recorded in the first quarter of 2010 related to the fair value adjustment of WHL's forward sale agreement for 9.6 million Loblaw common shares, which negatively impacted the change in the interest coverage ratio by approximately 2.2 times.

The Company's rolling year return on average net assets(1) at the end of the first quarter of 2010 was 10.7% compared to 10.1% at the end of the same period in 2009 and 9.3% at year end 2009. The Company's rolling year return on average common shareholders' equity was 2.5% at the end of the first quarter of 2010 compared to 9.7% at the end of the first quarter of 2009 and 1.5% at year end 2009.

Capital Securities Of the 12.0 million authorized non-voting Loblaw second preferred shares, Series A, 9.0 million were outstanding at the end of the first quarter of 2010.

Dividends on capital securities are presented in interest expense and other financing charges in the consolidated statements of earnings.

(1) See non-GAAP financial measures on page 18.

Outstanding Share Capital GWL's outstanding share capital is comprised of common shares and preferred shares. An unlimited number of common shares is authorized and 129.1 million common shares were outstanding at the end of the first quarter of 2010. Ten million preferred shares, Series I, are authorized and 9.4 million were outstanding, 10.0 million preferred shares, Series III, are authorized and 8.0 million were outstanding and 8.0 million preferred shares, Series IV and Series V, are authorized and were outstanding, in each case, at the end of the first quarter of 2010.

Subsequent to the end of the first quarter of 2010, GWL renewed its Normal Course Issuer Bid ("NCIB") to purchase on the Toronto Stock Exchange or enter into equity derivatives to purchase up to 5% of its common shares outstanding. GWL did not purchase any shares under its NCIB in the first quarter of 2010 or in 2009.

Dividends On March 15, 2010, preferred share dividends of $0.36 per share for the Series I preferred shares were paid as declared by GWL's Board of Directors. In addition, common share dividends of $0.36 per share and preferred share dividends of $0.32 per share for the Series III and Series IV preferred shares and dividends of $0.30 per share for the Series V preferred shares were declared and were paid subsequent to the end of the first quarter of 2010.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows used in Operating Activities of Continuing Operations First quarter 2010 cash flows used in operating activities of continuing operations were $241 million compared to $376 million in the same period in 2009. The decrease in cash flows used in operating activities of continuing operations was primarily due to the decrease in cash flows used in non-cash working capital at Loblaw.

Cash Flows from (used in) Investing Activities of Continuing Operations First quarter 2010 cash flows from investing activities of continuing operations were $162 million compared to cash flows used in investing activities of continuing operations of $806 million in the same period in 2009. The change in cash flows used in investing activities of continuing operations was primarily due to the change in cash flows used in short term investments, partially offset by PC Bank's repurchase of $90 million (2009 – nil) of co-ownership interest in securitized receivables from an independent trust in the first quarter of 2010. Capital investment for the first quarter of 2010 amounted to $151 million (2009 – $137 million). The Company expects to invest approximately $1 billion in capital expenditures in 2010.

Cash Flows used in Financing Activities of Continuing Operations First quarter 2010 cash flows used in financing activities of continuing operations were $34 million compared to $1 million in the same period in 2009. The increase in cash flows used in financing activities of continuing operations was primarily due to higher dividend payments in the first quarter of 2010 compared to the same period in 2009. Also included in first quarter 2009 cash flows were cash flows from short term debt at Loblaw, offset by the repayment of GWL's $250 million 5.9% Medium Term Notes ("MTN") and Loblaw's $125 million 5.75% MTN.

Net Debt[(1)] The Company's net debt[(1)] at the end of the first quarter of 2010 was $690 million compared to $299 million at year end 2009. The increase was primarily due to the seasonal increase in operating working capital at Loblaw.

Sources of Liquidity Dunedin and certain of its affiliates hold significant cash and short term investments denominated in Canadian and United States dollars. These funds are invested in highly liquid marketable short term investments consisting primarily of Canadian and United States government treasury bills and treasury notes, United States government sponsored debt securities, Canadian bank term deposits and corporate commercial paper.

Loblaw expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against its credit facility will enable it to finance its capital investment program and fund its ongoing business requirements, including working capital, pension plan funding and financial obligations over the next twelve months. In addition, given reasonable access to capital markets, Loblaw does not foresee any impediments in securing financing to satisfy its long term obligations.

(1) See non-GAAP financial measures on page 18.

PC Bank participates in bank supported and term securitization programs which provide the primary source of funds for the operation of its business. Under these securitization programs, a portion of the total interest in the credit card receivables is sold to independent trusts. During the first quarter of 2010, PC Bank repurchased $90 million (2009 – nil) of co-ownership interest in securitized receivables from an independent trust. The independent trusts' recourse to PC Bank's assets is limited to PC Bank's excess collateral (March 27, 2010 – $114 million; March 28, 2009 – $124 million; December 31, 2009 – $121 million) as well as standby letters of credit issued (March 27, 2010 – $103 million; March 28, 2009 – $116 million; December 31, 2009 – $116 million) on a portion of the securitized amount. A portion of the securitized receivables held by an independent trust facility was renewed for a 364-day term in the third quarter of 2009. In the absence of renewal or other securitization, Loblaw would be required to use its cash and short term investments or raise alternative financing by issuing additional debt or equity instruments. In the first quarter of 2009, one of these independent trusts filed a base shelf prospectus which permits it to issue up to $1.5 billion of notes over a 25 month period. Any issuance of notes is subject to the availability of credit markets.

Loblaw has traditionally obtained its long term financing primarily through a MTN program. Loblaw may also refinance maturing long term debt with MTN if market conditions are appropriate or it may consider other alternatives.

The following table sets out the current credit ratings of Loblaw:

	Dominion Bond Rating Service		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Commercial paper	R-2 (middle)	Stable	A-2	Stable
Medium term notes	BBB	Stable	BBB	Stable
Preferred shares	Pfd-3	Stable	P-3 (high)	Stable
Other notes and debentures	BBB	Stable	BBB	Stable

The rating organizations listed above base their credit ratings on quantitative and qualitative considerations. These credit ratings are forward-looking and are intended to give an indication of the risk that Loblaw will not fulfill its obligations in a timely manner.

Loblaw's and PC Bank's ability to obtain funding from external sources may be restricted by downgrades in Loblaw's current credit ratings should Loblaw's financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect Loblaw's access and ability to fund its financial and other liabilities. Loblaw mitigates these risks by maintaining appropriate levels of cash and short term investments, committed lines of credit and by diversifying its sources of funding and the maturity profile of its debt and capital obligations.

The Company (excluding Loblaw) expects that cash and cash equivalents, short term investments and future operating cash flows will enable it to finance its capital investment program and fund its ongoing business requirements, including working capital and pension plan funding over the next 12 months. The Company (excluding Loblaw) does not foresee any impediments in satisfying its long term obligations.

The following table sets out the current credit ratings of GWL:

	Dominion Bond Rating Service		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Commercial paper	R-2 (high)	Stable	A-2	Stable
Medium term notes	BBB	Stable	BBB	Stable
Preferred shares	Pfd-3	Stable	P-3 (high)	Stable
Other notes and debentures	BBB	Stable	BBB	Stable

The rating organizations listed above base their credit ratings on quantitative and qualitative considerations. These credit ratings are forward-looking and are intended to give an indication of the risk that GWL will not fulfill its obligations in a timely manner.

GWL's ability to obtain funding from external sources may be restricted by downgrades in its current credit ratings, should its financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect GWL's access and ability to fund its financial and other liabilities. The Company (excluding Loblaw) mitigates these risks by maintaining appropriate levels of cash and short term investments, committed lines of credit when required and by diversifying its sources of funding and the maturity profile of its debt and capital obligations.

Independent Funding Trusts Certain independent franchisees of Loblaw obtain financing through a structure involving independent trusts, which were created to provide loans to the independent franchisees to facilitate their purchase of inventory and fixed assets, consisting mainly of fixtures and equipment. These trusts are administered by a major Canadian chartered bank.

The gross principal amount of loans issued to Loblaw's independent franchisees by the independent trusts as at March 27, 2010 was $395 million (March 28, 2009 – $383 million; December 31, 2009 – $390 million), including $183 million (March 28, 2009 – $153 million; December 31, 2009 – $163 million) of loans payable by VIEs consolidated by the Company. Loblaw has agreed to provide credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trust of not less than 15% (March 28, 2009 – 15%; December 31, 2009 – 15%) of the principal amount of the loans outstanding at any time. As at March 27, 2010, $66 million (March 28, 2009 – $66 million; December 31, 2009 – $66 million) was outstanding as a standby letter of credit. The standby letter of credit has never been drawn upon. This credit enhancement allows the independent funding trust to provide financing to Loblaw's independent franchisees. As well, each independent franchisee provides security to the independent funding trust for its obligations by way of a general security agreement. In the event that an independent franchisee defaults on its loan and Loblaw has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trust would assign the loan to Loblaw and draw upon this standby letter of credit.

On April 30, 2010, the independent funding trust obtained commitments from the existing syndicate of third party lenders to renew and extend the $475 million revolving committed credit facility for a 364 day period, effective May 3, 2010. Terms and conditions will remain substantially the same. The financing structure requires further review to determine if there are implications with respect to the consolidation of VIEs.

Equity Derivative Contracts As at March 27, 2010, Glenhuron Bank Limited, a wholly owned subsidiary of Loblaw, had equity forward contracts to buy 1.5 million (March 28, 2009 – 4.8 million; December 31, 2009 – 1.5 million) Loblaw common shares at an average forward price of $66.58 (March 28, 2009 – $54.73; December 31, 2009 – $66.25) including $10.36 (March 28, 2009 – $9.86; December 31, 2009 – $10.03) per common share of interest expense. As at March 27, 2010 the interest and unrealized market loss of $42 million (March 28, 2009 – $113 million; December 31, 2009 – $48 million) was included in accounts payable and accrued liabilities.

Also as at March 27, 2010, GWL had equity swaps to buy 1.7 million (March 28, 2009 – 1.7 million; December 31, 2009 – 1.7 million) GWL common shares at an average forward price of $103.17 (March 28, 2009 – $103.17; December 31, 2009 – $103.17). As at March 27, 2010 the unrealized market loss of $55 million (March 28, 2009 – $76 million; December 31, 2009 – $61 million) was included in accounts payable and accrued liabilities.

Employee Future Benefit Contributions During the first quarter of 2010, the Company contributed $31 million (2009 – $25 million) to its funded defined benefit pension plans. The Company expects to contribute $120 million to these plans during 2010. The actual amount paid may vary from the estimate based on actuarial valuations being completed, market performance and regulatory requirements. The Company regularly monitors and assesses plan experience and the impact of changes in participant demographics, changes in capital markets and other economic factors that may impact funding requirements, employee future benefit costs and actuarial assumptions.

QUARTERLY RESULTS OF OPERATIONS

Under an accounting convention common to the food distribution industry, the Company follows a 52-week reporting cycle which periodically necessitates a fiscal year of 53 weeks. 2008 was a 53-week year. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration. The following is a summary of selected consolidated financial information derived from the Company's unaudited interim period consolidated financial statements for each of the eight most recently completed quarters. This information was prepared in accordance with Canadian GAAP.

Quarterly Financial Information (unaudited)

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
($ millions except where otherwise indicated)	**2010**	2009	2009	2008	2009	2008	2009	2008
Sales	**$ 7,177**	$ 7,022	$ 7,537	$ 8,050	$ 9,777	$ 9,879	$ 7,484	$ 7,324
Net earnings (loss) from continuing operations	**$ 42**	$ (27)	$ 79	$ 357	$ 71	$ 119	$ 4	$ 87
Net earnings	**$ 42**	$ 863	$ 82	$ 405	$ 86	$ 180	$ 4	$ 118
Net earnings (loss) per common share from continuing operations ($)								
Basic	**$ 0.25**	$ (0.28)	$ 0.53	$ 2.69	$ 0.44	$ 0.81	$ (0.05)	$ 0.60
Diluted	**$ 0.25**	$ (0.28)	$ 0.52	$ 2.69	$ 0.44	$ 0.81	$ (0.05)	$ 0.60
Net earnings (loss) per common share ($)								
Basic	**$ 0.25**	$ 6.61	$ 0.56	$ 3.06	$ 0.56	$ 1.29	$ (0.05)	$ 0.84
Diluted	**$ 0.25**	$ 6.61	$ 0.55	$ 3.06	$ 0.56	$ 1.29	$ (0.05)	$ 0.84

Quarterly sales for the last eight quarters were impacted by the following significant items:

- the acquisition of T&T by Loblaw in the third quarter of 2009;
- foreign currency exchange rates;
- seasonality and the timing of holidays;
- the additional week of operating results in the fourth quarter of 2008; and
- the sales of Weston Foods' dairy and bottling operations which was sold in the fourth quarter of 2008.

Quarterly net earnings for the last eight quarters were impacted by the following significant items:

- the non-cash goodwill impairment charge in Weston Foods' biscuits, cookies, cones and wafers business in the first quarter of 2009;
- accounting for WHL's forward sale agreement of 9.6 million Loblaw common shares;
- foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates, beginning in the first quarter of 2009;
- the reversal of the cumulative foreign currency translation loss associated with Dunedin and certain of its affiliates in the first quarter of 2009;
- the reversal of the cumulative foreign currency translation loss associated with the reduction in the Company's U.S. net investment in self-sustaining foreign operations in the fourth quarter of 2009;
- fluctuations in stock-based compensation net of equity derivatives of both GWL and Loblaw;
- the commodity derivatives fair value adjustment at Weston Foods;
- the incremental costs related to Loblaw's investment in information technology and supply chain;
- restructuring and other charges incurred by Weston Foods and Loblaw;
- the gain on sale of Weston Foods' U.S. fresh bakery business in the first quarter of 2009;
- the income of Weston Foods' dairy and bottling operations which was sold in the fourth quarter of 2008;
- the gain on disposal of Weston Foods' Canadian dairy and bottling operations, and the gain on sale of Loblaw's food service business in the fourth quarter of 2008;
- the income tax effect of the fair value adjustment of the Domtar (Canada) Paper Inc. shares, net of the remeasurement of the GWL 3% Exchangeable Debentures; and
- the gain on the redemption of the remaining outstanding GWL 3% Exchangeable Debentures and the sale of the Domtar (Canada) Paper Inc. shares in the second quarter of 2008.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is necessarily required to use judgment in evaluating controls and procedures.

On January 3, 2010 Loblaw successfully implemented the first phase of its Enterprise Resource Planning system. This implementation resulted in changes to the internal controls over financial reporting during the first quarter of 2010 for Loblaw's real estate and financial services divisions. The changes in controls have materially affected Loblaw's internal controls over financial reporting for these divisions impacting the following key areas: (1) general ledger, (2) accounts payable, (3) accounts receivable, (4) cash management, (5) capital planning, (6) projects management, and (7) fixed assets management. Except for the preceding changes, there was no change in the Company's internal control over financial reporting during the first quarter of 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ENTERPRISE RISKS AND RISK MANAGEMENT

Detailed descriptions of the operating and financial risks and risk management strategies are included in the Enterprise Risks and Risk Management Section on page 35 of the 2009 MD&A as well as note 28 to the audited annual consolidated financial statements, included in the Company's 2009 Annual Report. The following is an update to those enterprise risks and risk management strategies:

Labour Relations A majority of Loblaw's store level and distribution centre workforce is unionized. Renegotiating collective agreements may result in work stoppages or slowdowns, which could negatively affect the Company's financial performance, depending on their nature and duration. In 2010, 73 collective agreements affecting approximately 35,000 Loblaw colleagues will expire including the single largest agreement covering approximately 13,700 colleagues in Ontario. This agreement will expire in July, 2010. Loblaw has commenced negotiations for the renewal of these agreements. These negotiations are expected to continue through the second quarter of 2010. There can be no assurance as to the outcome of these negotiations or the timing of their completion. Loblaw will also continue to negotiate the 66 collective agreements carried over from prior years. Although the labour relations leadership team attempts to mitigate work stoppages and disputes through early negotiations, work stoppages or slowdowns remain possible.

Regulatory In April 2010 the Government of Ontario introduced proposed amendments to the regulation of generic prescription drug prices. Under the amendments, prices paid for generic drugs by the Province under Ontario's public drug plan would be reduced by 50% and the current system of drug manufacturers paying professional allowances to pharmacies would be substantially eliminated. The amendments also propose that the prices of generic drugs purchased out-of-pocket or through private employer drug plans would be reduced by more than 50% over the next three years. Although the impact is currently not expected to be material to the financial results or prospects for Loblaw as a whole, Loblaw continues to evaluate the potential impact of the proposed amendments on its business and is exploring opportunities to mitigate that impact. It is possible that the amendments in their final form, if enacted, or any other changes introduced to other provincial drug funding plans, could have a material impact on the financial results or prospects of the Company.

FUTURE ACCOUNTING STANDARDS

Business Combinations In January 2009, the CICA issued Section 1582, "Business Combinations", which will replace Section 1581 of the same title and issued Sections 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests". These standards will harmonize Canadian GAAP with International Financial Reporting Standards ("IFRS"). The amendments establish principles and requirements for determining how an enterprise recognizes and measures the fair value of certain assets and liabilities acquired in a business combination, including non-controlling interests, contingent consideration and certain acquired contingencies. The amendments also require that acquisition related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. The impact of implementing these amendments is currently being assessed.

International Financial Reporting Standards The Canadian Accounting Standards Board will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

Project Status

A detailed description of the Company's IFRS project structure and status is included in section 16 "Future Accounting Standards" on page 47 of the 2009 MD&A included in the Company's 2009 Annual Report. The IFRS conversion project is progressing according to the plan as outlined, and no significant changes have been made.

The information below is provided as an update to allow investors and others to obtain a better understanding of the possible effects on the Company's consolidated financial statements and operating performance measures. Readers are cautioned, however, that it may not be appropriate to use such information for any other purpose and the information is subject to change.

Changes in Accounting Policies and First-Time Adoption of IFRS

The Company continues to assess the aggregate effect of adopting IFRS, and the relevant changes in accounting policies. The changes identified below should not be regarded as a complete list of changes that will result from the transition to IFRS as it is intended to highlight those areas where significant progress has been made and that are believed to be most significant at this point in the project. The International Accounting Standards Board has significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements. Therefore, the Company's analysis of changes and accounting policy decisions have been made based on the accounting standards that are currently effective.

The adoption of IFRS will require the application of IFRS 1, "First Time Adoption of IFRS" ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of all IFRS effective at the reporting date, with the exception of certain mandatory exceptions and limited optional exemptions provided in the standard.

The Company is currently assessing the quantitative impact of the transitional adjustments on the consolidated financial statements as a result of changes in accounting policies as well as the certain IFRS 1 exceptions and exemptions, and provided preliminary indication as to the impact of certain standards, elections and exemptions in the 2009 MD&A. As further impacts are determined throughout 2010, updates to this information will be provided, including the following updates that were determined in the first quarter of 2010:

Securitization of Receivables International Accounting Standard ("IAS") 39, "Financial Instruments: Recognition and Measurement", contains criteria that are different from Canadian GAAP for the derecognition of financial assets and requires an evaluation of the extent to which an entity retains the risks and rewards of ownership. Under Canadian GAAP these financial assets qualify for sale treatment. The Company has determined that under IFRS certain securitized credit card receivables will not qualify for derecognition. The Company expects to record, upon implementation of IFRS, an increase in credit card receivables of approximately $1.2 billion before the provision for loan losses.

Under IAS 27, "Consolidated and Separate Financial Statements" and Standing Interpretations Committee 12, "Consolidation – Special Purpose Entities", consolidation is assessed using a control model. Under IFRS, Eagle Credit Card Trust, the independent trust that funds the purchase of asset interests from PC Bank through the issuance of notes, will be consolidated resulting in an increase of approximately $500 million of credit card receivables before the provision for loan losses.

Employee Benefits IAS 19, "Employee Benefits", provides a policy choice regarding recognition of actuarial gains and losses for defined benefit pension plans and post retirement benefit plans, permitting deferred recognition using the corridor method or immediate recognition in either equity or through earnings. Under Canadian GAAP the Company applies the corridor method. Upon adoption of IFRS the Company currently intends to recognize actuarial gains and losses immediately through equity for defined benefit pension plans and post retirement benefit plans and through earnings for post employment and long term disability benefit plans.

In addition, IFRS 1 provides an optional election, which the Company expects to apply, that will result in the recognition of all cumulative actuarial gains and losses through retained earnings on transition to IFRS. The Company's choice must be applied to all defined benefit pension plans and other benefit plans consistently. As a result of this election the Company expects to reclassify the unamortized net actuarial loss recorded on the December 31, 2009 Canadian GAAP consolidated balance sheet to retained earnings on transition to IFRS.

Foreign Currency IFRS 1 provides an optional election whereby cumulative translation gains or losses in accumulated other comprehensive loss can be reclassified to retained earnings on transition to IFRS. The Company currently expects to utilize this election by reclassifying the cumulative translation loss of $103 million recorded in accumulated other comprehensive loss at December 31, 2009 to retained earnings. Cumulative translation gains and losses will be recognized prospectively from the date of transition.

OUTLOOK[1]

The consolidated results of George Weston Limited will continue to reflect the operating performance of both the Weston Foods and Loblaw operating businesses for the remainder of 2010. In addition, the Company's results will be subject to earnings volatility caused by the impact of changes in U.S. foreign currency exchange rates on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates. Earnings volatility may also result from other non-operating factors including commodity prices and their impact on the Company's commodity derivatives, the Loblaw common share price and its impact on the forward sale agreement for 9.6 million Loblaw common shares and short term interest rates. The Company is continuing to assess strategic options for the deployment of its significant holdings of cash and short term investments.

Weston Foods expects satisfactory operating performance for the remainder of 2010. The Company is continuing its efforts to reduce costs through improved efficiencies and productivity and is focused on growing sales by optimizing product mix and product innovation to meet changing consumer buying preferences.

Loblaw remains on track with its renewal program and continues to be focused on driving sustainable performance. Significant investments in information technology and supply chain are planned for the two remaining years of Loblaw's five year turnaround plan. As previously announced, Loblaw expects these investments to negatively impact 2010 operating income by approximately $185 million over 2009.

ADDITIONAL INFORMATION

Additional information about the Company has been filed electronically with the Canadian securities regulatory authorities through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com.

This Quarterly Report includes selected information on Loblaw Companies Limited, a 62.5%-owned public reporting company with shares trading on the Toronto Stock Exchange. For information regarding Loblaw, readers should also refer to the materials filed by Loblaw with the Canadian securities regulatory authorities from time to time.

NON-GAAP FINANCIAL MEASURES

The Company uses the following non-GAAP measures: EBITDA and EBITDA margin, net debt, rolling year net debt to EBITDA, net debt to equity and rolling year return on average net assets. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below. These measures do not have a standardized meaning prescribed by Canadian GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with Canadian GAAP.

(1) To be read in conjunction with "Forward-Looking Statements".

EBITDA and EBITDA Margin The following table reconciles earnings from continuing operations before minority interest, income taxes, interest and depreciation and amortization ("EBITDA") to Canadian GAAP net earnings reported in the unaudited interim period consolidated statements of earnings for the twelve week periods ended as indicated. For each of its reportable operating segments, segment EBITDA is reconciled to segment operating income. EBITDA is useful to management in assessing the performance of the Company's ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

EBITDA margin is calculated as EBITDA divided by sales.

				12 Weeks Ended Mar. 27, 2010				12 Weeks Ended Mar. 28, 2009
($ millions)	**Weston Foods**	**Loblaw**	**Other[2]**	**Consolidated**	Weston Foods	Loblaw	Other[2]	Consolidated
Net earnings (loss) from continuing operations				**$ 42**				$ (27)
Add impact of the following:								
Minority interest				**47**				37
Income taxes				**62**				54
Interest expense and other financing charges				**123**				37
Operating income (loss)	**$ 45**	**$ 258**	**$ (29)**	**$ 274**	$ (27)	$ 224	$ (96)	$ 101
Depreciation and amortization[1]	**12**	**152**		**164**	12	132		144
EBITDA	**$ 57**	**$ 410**	**$ (29)**	**$ 438**	$ (15)	$ 356	$ (96)	$ 245

(1) Includes depreciation of $10 million (2009 – $11 million) included in cost of inventories sold.
(2) Operating income for the first quarter of 2010 includes a loss of $29 million (2009 – $62 million) related to foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates, which are integrated foreign subsidiaries for accounting purposes. Operating income for the first quarter of 2009 also includes the cumulative foreign currency translation loss of $34 million associated with Dunedin and certain of its affiliates, which was reversed from accumulated other comprehensive loss on the date of the sale of the U.S. fresh bakery business.

Equity The following table reconciles equity used in the net debt to equity ratio to Canadian GAAP measures reported in the unaudited interim period consolidated balance sheets as at the periods ended as indicated.

Equity is calculated as the sum of GWL capital securities and shareholders' equity as follows:

($ millions)	**Mar. 27, 2010**	Mar. 28, 2009	Dec. 31, 2009
Capital securities		$ 265	
Shareholders' equity	**$ 6,913**	7,007	$ 6,942
Equity	**$ 6,913**	$ 7,272	$ 6,942

Net Debt The following table reconciles net debt used in the net debt to equity and rolling year net debt to EBITDA ratios to Canadian GAAP measures reported as at the periods ended as indicated.

The Company calculates net debt as the sum of bank indebtedness, short term debt, long term debt, certain other liabilities and the fair value of the related financial derivatives less cash and cash equivalents, short term investments, security deposits and the fair value of the related financial derivatives. The Company believes this measure is useful in assessing the amount of financial leverage employed.

($ millions)	**Mar. 27, 2010**	Mar. 28, 2009	Dec. 31, 2009
Bank indebtedness	**$ 4**	$ 77	$ 2
Short term debt	**309**	847	300
Long term debt due within one year	**698**	39	343
Long term debt	**5,036**	5,317	5,377
Other liabilities	**36**		36
Fair value of financial derivatives related to the above	**(301)**	(297)	(327)
	5,782	5,983	5,731
Less:			
Cash and cash equivalents	**3,226**	3,304	3,368
Short term investments	**1,384**	1,564	1,538
Security deposits	**280**	598	348
Fair value of financial derivatives related to the above	**202**	26	178
	$ 5,092	$ 5,492	$ 5,432
Net debt	**$ 690**	$ 491	$ 299

Capital securities are excluded from the calculation of net debt. For the purpose of calculating net debt, the fair values of financial derivatives are not credit value adjusted in accordance with EIC 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". As at March 27, 2010, the credit value adjustment was a loss of $3 million (March 28, 2009 – $5 million; December 31, 2009 – $4 million).

Net Assets The following table reconciles net assets used in the rolling year return on average net assets ratio to Canadian GAAP measures reported on the consolidated balance sheets as at the periods ended as indicated. The Company believes the rolling year return on average net assets ratio is useful in assessing the return on productive assets.

Net assets is calculated as total assets less cash and cash equivalents, short term investments, security deposits, the fair value of Weston Holdings Limited's ("WHL"), a subsidiary of GWL, forward sale agreement for 9.6 million Loblaw common shares and accounts payable and accrued liabilities.

($ millions)	**Mar. 27, 2010**	Mar. 28, 2009
Canadian GAAP total assets	**$ 19,761**	$ 19,588
Less: Cash and cash equivalents	**3,226**	3,304
Short term investments	**1,384**	1,564
Security deposits	**280**	598
Fair value of WHL's forward sale agreement for 9.6 million Loblaw shares	**413**	445
Accounts payable and accrued liabilities	**3,253**	2,720
Net assets	**$ 11,205**	$ 10,957

Consolidated Statements of Earnings

(unaudited)

($ millions except where otherwise indicated)	12 Weeks Ended Mar. 27, 2010	Mar. 28, 2009
Sales	**$ 7,177**	$ 7,022
Operating Expenses		
Cost of inventories sold (note 10)	**5,319**	5,254
Selling, administrative and other expenses	**1,430**	1,461
Depreciation and amortization (note 10)	**154**	133
Goodwill impairment (note 11)		73
	6,903	6,921
Operating Income	**274**	101
Interest Expense and Other Financing Charges (note 5)	**123**	37
Earnings from Continuing Operations Before the Following:	**151**	64
Income Taxes (note 6)	**62**	54
	89	10
Minority Interest	**47**	37
Net Earnings (Loss) from Continuing Operations	**42**	(27)
Discontinued Operations (note 4)		890
Net Earnings	**$ 42**	$ 863
Net Earnings (Loss) per Common Share – Basic and Diluted ($)		
Continuing Operations (note 7)	**$ 0.25**	$ (0.28)
Discontinued Operations		$ 6.89
Net Earnings	**$ 0.25**	$ 6.61

See accompanying notes to the unaudited interim period consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

($ millions except where otherwise indicated)	12 Weeks Ended Mar. 27, 2010	Mar. 28, 2009
Share Capital		
Preferred Shares	**$ 817**	$ 817
Common Shares	**133**	133
Total Share Capital, Beginning and End of Period	**$ 950**	$ 950
Retained Earnings, Beginning of Period	**$ 6,084**	$ 5,282
Cumulative impact of implementing new accounting standards (note 2)		(4)
Net earnings	**42**	863
Dividends declared		
Per common share ($) – $0.36 (2009 – $0.36)	**(46)**	(46)
Per preferred share ($) – Series I – $0.36 (2009 – $0.36)	**(4)**	(4)
– Series III – $0.32 (2009 – $0.32)	**(3)**	(3)
– Series IV – $0.32 (2009 – $0.32)	**(2)**	(2)
– Series V – $0.30 (2009 – $0.30)	**(2)**	(2)
Retained Earnings, End of Period	**$ 6,069**	$ 6,084
Accumulated Other Comprehensive Loss, Beginning of Period	**$ (92)**	$ (322)
Cumulative impact of implementing new accounting standards (note 2)		(1)
Other comprehensive (loss) income	**(14)**	296
Accumulated Other Comprehensive Loss, End of Period (note 17)	**$ (106)**	$ (27)
Total Shareholders' Equity	**$ 6,913**	$ 7,007

See accompanying notes to the unaudited interim period consolidated financial statements.

Consolidated Statements of Comprehensive Income

(unaudited)

($ millions)	12 Weeks Ended Mar. 27, 2010	Mar. 28, 2009
Net earnings	**$ 42**	$ 863
Other comprehensive income, net of income taxes and minority interest		
Foreign currency translation adjustment	**(11)**	151
Reclassification of cumulative foreign currency translation loss to net earnings (note 17)		144
	(11)	295
Net unrealized (loss) gain on available-for-sale financial assets	**(3)**	4
Reclassification of net loss (gain) on available-for-sale financial assets to net earnings	**3**	(9)
		(5)
Net loss on derivatives designated as cash flow hedges	**(1)**	(3)
Reclassification of net (gain) loss on derivatives designated as cash flow hedges to net earnings	**(2)**	9
	(3)	6
Other comprehensive (loss) income	**(14)**	296
Total Comprehensive Income	**$ 28**	$ 1,159

See accompanying notes to the unaudited interim period consolidated financial statements.

Consolidated Balance Sheets

($ millions)	Mar. 27, 2010 (unaudited)	As at Mar. 28, 2009 (unaudited)	Dec. 31, 2009
ASSETS			
Current Assets			
Cash and cash equivalents (note 8)	**$ 3,226**	$ 3,304	$ 3,368
Short term investments	**1,384**	1,564	1,538
Accounts receivable (note 9)	**779**	749	851
Inventories (note 10)	**2,227**	2,336	2,210
Income taxes		39	
Future income taxes	**91**	60	87
Prepaid expenses and other assets	**141**	61	98
Total Current Assets	**7,848**	8,113	8,152
Fixed Assets	**8,994**	8,557	9,020
Goodwill and Intangible Assets (note 11)	**1,291**	1,077	1,296
Future Income Taxes	**60**	60	61
Other Assets	**1,568**	1,781	1,614
Total Assets	**$ 19,761**	$ 19,588	$ 20,143
LIABILITIES			
Current Liabilities			
Bank indebtedness	**$ 4**	$ 77	$ 2
Accounts payable and accrued liabilities	**3,253**	2,720	3,616
Income taxes	**67**		78
Short term debt (note 13)	**309**	847	300
Long term debt due within one year	**698**	39	343
Capital securities (note 15)		265	
Total Current Liabilities	**4,331**	3,948	4,339
Long Term Debt (note 14)	**5,036**	5,317	5,377
Future Income Taxes	**232**	277	269
Other Liabilities	**626**	576	617
Capital Securities (note 15)	**220**	219	220
Minority Interest	**2,403**	2,244	2,379
Total Liabilities	**12,848**	12,581	13,201
SHAREHOLDERS' EQUITY			
Share Capital	**950**	950	950
Retained Earnings	**6,069**	6,084	6,084
Accumulated Other Comprehensive Loss (note 17)	**(106)**	(27)	(92)
Total Shareholders' Equity	**6,913**	7,007	6,942
Total Liabilities and Shareholders' Equity	**$ 19,761**	$ 19,588	$ 20,143

Contingencies, commitments and guarantees (note 18).
Subsequent event (note 20).

See accompanying notes to the unaudited interim period consolidated financial statements.

Consolidated Cash Flow Statements
(unaudited)

($ millions)	12 Weeks Ended Mar. 27, 2010	Mar. 28, 2009
Operating Activities		
Net earnings from continuing operations before minority interest	**$ 89**	$ 10
Depreciation and amortization	**164**	144
Goodwill impairment (note 11)		73
Foreign exchange losses (note 19)	**29**	96
Future income taxes	**(40)**	(11)
Fair value adjustment of Weston Holdings Limited's forward sale agreement (note 5)	**41**	(40)
Change in non-cash working capital	**(515)**	(620)
Other	**(9)**	(28)
Cash Flows used in Operating Activities of Continuing Operations	**(241)**	(376)
Investing Activities		
Fixed asset purchases	**(151)**	(137)
Short term investments	**132**	(851)
Proceeds from fixed asset sales	**13**	5
Credit card receivables, after securitization (note 9)	**133**	229
Franchise investments and other receivables	**1**	(17)
Security deposits and other	**34**	(35)
Cash Flows from (used in) Investing Activities of Continuing Operations	**162**	(806)
Financing Activities		
Bank indebtedness		(15)
Short term debt	**9**	394
Long term debt - Issued	**25**	8
- Retired (note 14)	**(11)**	(385)
Dividends - To common shareholders	**(46)**	
- To preferred shareholders	**(11)**	(3)
Cash Flows used in Financing Activities of Continuing Operations	**(34)**	(1)
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	**(29)**	39
Cash Flows used in Continuing Operations	**(142)**	(1,144)
Cash Flows from Discontinued Operations (note 4)		3,002
Change in Cash and Cash Equivalents	**(142)**	1,858
Cash and Cash Equivalents, Beginning of Period	**3,368**	1,446
Cash and Cash Equivalents, End of Period	**$ 3,226**	$ 3,304

See accompanying notes to the unaudited interim period consolidated financial statements.

1. Summary of Significant Accounting Principles

Basis of Presentation The unaudited interim period consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods of application as those used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2009. Under Canadian GAAP, additional disclosure is required in annual financial statements and accordingly the unaudited interim period consolidated financial statements should be read together with the audited annual consolidated financial statements and the accompanying notes included in George Weston Limited's 2009 Annual Report.

Basis of Consolidation The unaudited interim period consolidated financial statements include the accounts of George Weston Limited ("GWL") and its subsidiaries (collectively, the "Company") with provision for minority interest. The Company's interest in the voting share capital of its subsidiaries is 100% except for Loblaw Companies Limited ("Loblaw"), which was 62.5% at the end of the first quarter of 2010, 61.9% at the end of the first quarter of 2009 and 62.5% at year end 2009. In addition, the Company consolidates variable interest entities ("VIEs") pursuant to the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15, "Consolidation of Variable Interest Entities", ("AcG 15"), that are subject to control by Loblaw on a basis other than through ownership of a majority of voting interest. AcG 15 defines a variable interest entity as an entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. AcG 15 requires the primary beneficiary to consolidate VIEs and considers an entity to be the primary beneficiary of a VIE if it holds variable interests that expose it to a majority of the VIEs' expected losses or that entitle it to receive a majority of the VIEs' expected residual returns or both. The Company has two reportable operating segments: Weston Foods and Loblaw.

Use of Estimates and Assumptions The preparation of the unaudited interim period consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the unaudited interim period consolidated financial statements and accompanying notes. These estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and activities that may be undertaken in the future. Actual results could differ from these estimates.

Certain estimates, such as those related to valuation of inventories, impairment of fixed assets, employee future benefits, goodwill and intangible assets and income taxes depend upon subjective or complex judgments about matters that may be uncertain, and changes in those estimates could materially impact the consolidated financial statements. Illiquid credit markets, volatile equity, foreign currency, energy markets and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Future Accounting Standards

Business Combinations In January 2009, the CICA issued Section 1582, "Business Combinations", which will replace Section 1581 of the same title, and issued Sections 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests". These standards will harmonize Canadian GAAP with International Financial Reporting Standards ("IFRS"). The amendments establish principles and requirements for determining how an enterprise recognizes and measures the fair value of certain assets and liabilities acquired in a business combination, including non-controlling interests, contingent consideration and certain acquired contingencies. The amendments also require that acquisition related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. The impact of implementing these amendments is currently being assessed.

Comparative Information

Certain prior year information has been reclassified to conform with the current year presentation.

2. Implementation of New Accounting Standards

Accounting Standards Implemented in 2009
Goodwill and Intangible Assets In November 2007, the CICA issued amendments to Section 1000, "Financial Statement Concepts", and AcG 11, "Enterprises in the Development Stage", issued a new Section 3064, "Goodwill and Intangible Assets" ("Section 3064") to replace Section 3062, "Goodwill and Other Intangible Assets", withdrew Section 3450, "Research and Development Costs" and amended EIC Abstract 27, "Revenues and Expenditures During the Pre-operating Period" to not apply to entities that have adopted Section 3064. These amendments, in conjunction with Section 3064, provide guidance for the recognition of intangible assets, including internally developed assets from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The Company implemented these requirements as at January 1, 2009, retroactively with restatement of the comparative periods.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities On January 20, 2009, the EIC issued Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The committee reached a consensus that a company's credit risk and the credit risk of its counterparties should be considered when determining the fair value of its financial assets and financial liabilities, including derivative instruments. The transitional provisions require the abstract to be applied retrospectively without restatement of prior periods. Financial assets and financial liabilities, including derivative instruments were remeasured as at January 1, 2009 to take into account the appropriate Company's credit risk and counterparty credit risk. As a result, a decrease in other assets of $12 million, a decrease in other liabilities of $4 million, a decrease in minority interest of $3 million, an increase net of income taxes and minority interest in accumulated other comprehensive loss of $1 million and a decrease in retained earnings net of income taxes and minority interest of $4 million were recorded on the consolidated balance sheet.

Financial Instruments – Disclosures In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures", to include additional disclosure relating to the measurement of fair value for financial instruments and liquidity risk. The amendment establishes a three level hierarchy that reflects the significance of the inputs used in fair value measurements on financial instruments. The amendment was implemented by the Company in 2009 and the additional disclosures are included in the notes to the audited annual consolidated financial statements included in the Company's 2009 Annual Report.

3. Business Acquisitions

In the first quarter of 2010, Loblaw finalized the purchase price allocation related to the acquisition of T&T Supermarket Inc. acquired in 2009 which resulted in a reduction of goodwill of $2 million (note 11).

4. Discontinued Operations

As part of the sale of the fresh bread and baked goods business in the United States ("U.S. fresh bakery business") in the first quarter of 2009 and typical of the normal process of selling a business, Dunedin Holdings S.à r.l. ("Dunedin") agreed to indemnify Grupo Bimbo in the event of inaccuracies in representations and warranties or if it fails to perform agreements and covenants provided for in the agreement of purchase and sale. The terms of the indemnification provisions vary in duration and may extend for an unlimited period of time. The indemnification provisions could result in future cash outflows and statement of earnings charges. The Company is unable to reasonably estimate its total maximum potential liability as certain indemnification provisions do not provide for a maximum potential amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time.

The results of discontinued operations presented in the comparative period consolidated statement of earnings were as follows:

($ millions)	12 Weeks Ended Mar. 28, 2009(1)
Sales	$ 143
Operating income	9
Gain on disposal(2)	921
Interest income and other financing charges(3)	(1)
Earnings before the following:	931
Income taxes	41
Earnings from discontinued operations	$ 890

(1) Reflects results of the U.S. fresh bakery business up to the date of sale, January 21, 2009 and the gain on disposal.
(2) Net of the reclassification of cumulative foreign currency translation loss of $110 million associated with the U.S. fresh bakery business that was previously reflected in accumulated other comprehensive loss (note 17).
(3) In calculating earnings from discontinued operations, no general interest expense has been allocated to these operations.

The cash flows from discontinued operations presented in the comparative period consolidated cash flow statement were as follows:

($ millions)	12 Weeks Ended Mar. 28, 2009(1)
Cash flows used in operations	$ (105)
Cash flows from investing	3,092
Cash flows from financing	15
Cash flows from discontinued operations	$ 3,002

(1) Reflects the proceeds received on the sale and the cash flows of the U.S. fresh bakery business up to the date of sale, January 21, 2009.

5. Interest Expense and Other Financing Charges

	12 Weeks Ended	
($ millions)	**Mar. 27, 2010**	Mar. 28, 2009
Interest on long term debt	**$ 88**	$ 85
Interest expense on financial derivative instruments	**2**	2
Other financing charges(1)	**37**	(45)
Net short term interest income	**(2)**	(5)
Interest income on security deposits		(2)
Dividends on capital securities	**3**	7
Capitalized to fixed assets	**(5)**	(5)
Interest expense and other financing charges	**$ 123**	$ 37

(1) Other financing charges for the first quarter of 2010 includes a non-cash charge of $41 million (2009 – non-cash income of $40 million) related to the fair value adjustment of Weston Holdings Limited's ("WHL"), a subsidiary of GWL, forward sale agreement for 9.6 million Loblaw common shares. The fair value adjustment of the forward contract is a non-cash item resulting from fluctuations in the market price of the underlying Loblaw common shares that WHL owns. WHL does not record any change in the market price associated with the Loblaw common shares it owns. Any cash paid under the forward contract could be offset by the sale of the Loblaw common shares. Also included in other financing charges is forward accretion income of $8 million (2009 – $9 million) and the forward fee of $4 million (2009 – $4 million), associated with WHL's forward sale agreement.

Interest on debt and dividends on capital securities paid in the first quarter of 2010 was $99 million (2009 – $121 million) and interest received on cash, short term investments and security deposits was $12 million (2009 – $28 million).

6. Income Taxes

The effective income tax rate decreased to 41.1% in the first quarter of 2010 compared to 84.4% in the first quarter of 2009. The decrease was primarily due to a decrease in foreign exchange losses which were not fully benefitted for tax purposes and the non-deductible reversal of the cumulative foreign currency translation loss recorded in the first quarter of 2009. The decrease was also impacted by the change in the proportion of taxable income earned across different tax jurisdictions.

Net income taxes paid in the first quarter of 2010 were $114 million (2009 – $170 million).

7. Basic and Diluted Net Earnings per Common Share from Continuing Operations

	12 Weeks Ended	
($ millions except where otherwise indicated)	**Mar. 27, 2010**	Mar. 28, 2009
Net earnings (loss) from continuing operations	**$ 42**	$ (27)
Prescribed dividends on preferred shares in share capital	**(10)**	(10)
Net earnings (loss) from continuing operations available to common shareholders	**$ 32**	$ (37)
Weighted average common shares outstanding (in millions)	**129.1**	129.1
Dilutive effect of stock-based compensation(1) (in millions)		
Diluted weighted average common shares outstanding (in millions)	**129.1**	129.1
Basic and diluted net earnings (loss) per common share from continuing operations ($)	**$ 0.25**	$ (0.28)

(1) Stock options outstanding with an exercise price greater than the average market prices of GWL's common shares are not included in the computation of diluted net earnings per common share from continuing operations. Accordingly, for the first quarter of 2010, 1,140,850 (2009 – 1,532,312) stock options, with a weighted average exercise price of $81.71 (2009 – $82.49) per common share, were excluded from the computation of diluted net earnings per common share from continuing operations.

8. Cash and Cash Equivalents

The components of cash and cash equivalents were as follows:

	As at		
($ millions)	**Mar. 27, 2010**	Mar. 28, 2009	Dec. 31, 2009
Cash	**$ 116**	$ 112	$ 294
Cash equivalents - short term investments with a maturity of 90 days or less:			
Bank term deposits	**1,253**	701	1,140
Government treasury bills	**1,344**	1,991	1,446
Government-sponsored debt securities	**211**	133	99
Corporate commercial paper	**248**	337	389
Foreign bonds	**54**	30	
Cash and cash equivalents	**$ 3,226**	$ 3,304	$ 3,368

As at March 27, 2010, March 28, 2009 and December 31, 2009, U.S. dollar $2,243 million, U.S. dollar $2,199 million and U.S. dollar $2,220 million (March 27, 2010 – $2,303 million; March 28, 2009 – $2,724 million; December 31, 2009 – $2,338 million), respectively, was included in cash and cash equivalents, short term investments and security deposits on the consolidated balance sheets.

In the first quarter of 2010, the Company recognized an unrealized foreign exchange loss of $58 million (2009 – gain of $72 million) as a result of translating its U.S. dollar denominated cash and cash equivalents, short term investments and security deposits, of which a loss of $29 million (2009 – gain of $39 million) related to cash and cash equivalents. Loblaw recognized an unrealized foreign exchange loss of $25 million (2009 – gain of $29 million) as a result of translating U.S. dollar denominated cash and cash equivalents, short term investments and security deposits, of which a loss of $11 million (2009 – gain of $14 million) related to cash and cash equivalents. The remaining unrealized foreign exchange loss of $33 million (2009 – gain of $43 million) includes a loss of $18 million (2009 – gain of $25 million) related to the translation of cash and cash equivalents held by GWL's foreign operations.

The Loblaw loss (2009 – gain) on cash and cash equivalents, short term investments and security deposits, was partially offset in operating income and other comprehensive (loss) income by the unrealized foreign exchange gain of $25 million (2009 – loss of $28 million) on the cross currency swaps.

During the first quarter of 2010, unrealized foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and cash equivalents and short term investments held by Dunedin and certain of its affiliates of $29 million (2009 – $14 million) were recognized in operating income with the balance recognized in other comprehensive (loss) income (note 19).

9. Accounts Receivable

The components of accounts receivable were as follows:

		As at	
($ millions)	**Mar. 27, 2010**	Mar. 28, 2009	Dec. 31, 2009
Credit card receivables	**$ 1,901**	$ 1,974	$ 2,128
Amount securitized	**(1,635)**	(1,775)	(1,725)
Net credit card receivables	**266**	199	403
Other receivables	**513**	550	448
Accounts receivable	**$ 779**	$ 749	$ 851

Credit Card Receivables From time to time, President's Choice Bank ("PC Bank"), a wholly owned subsidiary of Loblaw, securitizes certain credit card receivables by selling them to independent trusts that issue interest bearing securities. During the first quarter of 2010, PC Bank repurchased $90 million (2009 – nil) of the co-ownership interest in securitized receivables from an independent trust. A portion of the securitized receivables held by an independent trust facility was renewed for a 364 day term during the third quarter of 2009. The independent trusts' recourse to PC Bank's assets is limited to PC Bank's excess collateral as well as a standby letter of credit for $103 million (March 28, 2009 – $116 million; December 31, 2009 – $116 million) on a portion of the securitized amount.

Other Receivables Other receivables consist mainly of receivables from Loblaw's independent franchisees, associated stores and independent accounts, and receivables from Weston Foods customers.

10. Inventories

The components of inventories were as follows:

		As at	
($ millions)	**Mar. 27, 2010**	Mar. 28, 2009	Dec. 31, 2009
Raw materials and supplies	**$ 34**	$ 39	$ 36
Finished goods	**2,193**	2,297	2,174
Inventories	**$ 2,227**	$ 2,336	$ 2,210

Cost of inventories sold includes $10 million (2009 – $11 million) of depreciation in the first quarter of 2010.

For inventories recorded as at March 27, 2010, Loblaw recorded $9 million (March 28, 2009 – $11 million) as an expense for the write-down of inventories below cost to net realizable value.

11. Goodwill and Intangible Assets

($ millions)	Weston Foods	Loblaw	Mar. 27, 2010 Total	As at Mar. 28, 2009	Dec. 31, 2009
Goodwill, beginning of period	**$ 92**	**$ 1,103**	**$ 1,195**	$ 1,116	$ 1,116
Goodwill, acquired during the period		**1**	**1**		156
Adjusted purchase price allocation (note 3)		**(2)**	**(2)**		
Goodwill impairment(1)				(73)	(73)
Impact of foreign currency translation	**(1)**		**(1)**	5	(4)
Goodwill, end of period	**91**	**1,102**	**1,193**	1,048	1,195
Trademarks and brand names	**13**	**51**	**64**	13	64
Other intangible assets	**5**	**29**	**34**	16	37
Goodwill and intangible assets	**$ 109**	**$ 1,182**	**$ 1,291**	$ 1,077	$ 1,296

(1) Weston Foods reorganized its remaining operations subsequent to the disposition of the U.S. fresh bakery business in the first quarter of 2009 resulting in a write-down of goodwill related to the biscuits, cookies, cones and wafers business.

12. Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was $51 million (2009 – $49 million) for the first quarter of 2010. The total net benefit plan cost included costs for the Company's defined benefit pension and other benefit plans, defined contribution pension plans and multi-employer pension plans.

13. Short Term Debt

Included in short term debt are GWL's Series B debentures, due on demand, of $309 million (March 28, 2009 – $273 million; December 31, 2009 – $300 million) as at March 27, 2010. Also included in short term debt as at March 28, 2009 was $574 million which was drawn on Loblaw's credit facility.

14. Long Term Debt

As at March 27, 2010, March 28, 2009 and December 31, 2009, U.S. dollar $300 million (March 27, 2010 – $308 million; March 28, 2009 – $370 million; December 31, 2009 – $316 million) of Loblaw fixed rate notes was recorded in long term debt on the consolidated balance sheets.

During the first quarter of 2009, GWL's $250 million 5.90% medium term note ("MTN") due February 5, 2009 and Loblaw's $125 million 5.75% MTN due January 22, 2009 matured and were repaid.

15. Capital Securities

On April 1, 2009, the 10.6 million GWL 5.15% non-voting preferred shares, Series II, which were presented as capital securities and included in current liabilities, were redeemed for cash of $25.00 per share, or $265 million in aggregate, plus accrued and unpaid dividends to but excluding April 1, 2009.

Of the 12.0 million authorized non-voting Loblaw second preferred shares, Series A, 9.0 million were outstanding at the end of the first quarter of 2010.

Dividends on capital securities are presented in interest expense and other financing charges in the consolidated statements of earnings.

16. Stock-Based Compensation

The following table summarizes the Company's cost recognized in operating income related to its stock-based compensation plans, restricted share unit plans and GWL's and Glenhuron Bank Limited's ("Glenhuron") equity derivatives:

	12 Weeks Ended	
($ millions)	**Mar. 27, 2010**	Mar. 28, 2009
Stock option plans / share appreciation right plan expense	**$ 13**	
Restricted share unit plan expense	**3**	$ 2
Equity derivative contracts (income) loss	**(12)**	21
Net stock-based compensation expense	**$ 4**	$ 23

Stock Option Plan The following is a summary of GWL's stock option and share appreciation right plan activity and Loblaw's stock option plan activity:

	GWL 12 Weeks Ended		Loblaw 12 Weeks Ended	
Number of Options/Rights	**Mar. 27, 2010**	Mar. 28, 2009	**Mar. 27, 2010**	Mar. 28, 2009
Outstanding options/rights, beginning of period	**1,761,345**	1,616,344	**9,207,816**	7,892,660
Granted	**168,851**	230,430	**2,478,570**	2,640,846
Exercised	**(9,718)**	(16,025)	**(299,780)**	(9,652)
Forfeited/cancelled	**(333,033)**	(3,300)	**(1,551,343)**	(324,600)
Outstanding options/rights, end of period	**1,587,445**	1,827,449	**9,835,263**	10,199,254
Share appreciation value paid ($ millions)			**$ 2**	

During the first quarter of 2010, GWL and Loblaw granted stock options with exercise prices of $69.51 (2009 – $59.56) and $36.35 (2009 – $30.99) per common share, respectively.

The share appreciation value paid by GWL in the first quarter of 2010 and paid by GWL and Loblaw in the first quarter of 2009 was nominal.

At the end of the first quarter of 2010, GWL outstanding stock options represented approximately 1.2% (2009 – 1.3%) of GWL's issued and outstanding common shares. Loblaw's outstanding stock options represented approximately 3.6% (2009 – 3.7%) of its issued and outstanding common shares. The number of stock options outstanding was within the Companies' guidelines of 5% of the total number of outstanding shares.

Restricted Share Unit ("RSU") Plan The following is a summary of GWL's and Loblaw's RSU plan activity:

	GWL 12 Weeks Ended		Loblaw 12 Weeks Ended	
Number of Awards	**Mar. 27, 2010**	Mar. 28, 2009	**Mar. 27, 2010**	Mar. 28, 2009
RSUs, beginning of period	**152,555**	151,769	**973,351**	829,399
Granted	**47,478**	61,677	**371,256**	425,093
Cancelled	**(228)**	(1,104)	**(83,005)**	(18,022)
Cash settled	**(33,510)**	(58,214)	**(163,692)**	(182,314)
RSUs, end of period	**166,295**	154,128	**1,097,910**	1,054,156
RSUs cash settled ($ millions)	**$ 2**	$ 4	**$ 6**	$ 6

Equity Derivative Contracts As at March 27, 2010, Glenhuron had equity forward contracts to buy 1.5 million (March 28, 2009 – 4.8 million; December 31, 2009 – 1.5 million) Loblaw common shares at an average forward price of $66.58 (March 28, 2009 – $54.73; December 31, 2009 – $66.25) including $10.36 (March 28, 2009 – $9.86; December 31, 2009 – $10.03) per common share of interest expense. As at March 27, 2010, the interest and unrealized market loss of $42 million (March 28, 2009 – $113 million; December 31, 2009 – $48 million) was included in accounts payable and accrued liabilities.

Also as at March 27, 2010, GWL had equity swaps to buy 1.7 million (March 28, 2009 – 1.7 million; December 31, 2009 – 1.7 million) GWL common shares at an average forward price of $103.17 (March 28, 2009 – $103.17; December 31, 2009 – $103.17). As at March 27, 2010 the unrealized market loss of $55 million (March 28, 2009 – $76 million; December 31, 2009 – $61 million) was included in accounts payable and accrued liabilities.

17. Accumulated Other Comprehensive Loss

The following tables provide further detail regarding the composition of accumulated other comprehensive loss:

	12 Weeks Ended Mar. 27, 2010			
($ millions)	Foreign currency translation adjustment	Available-for-sale assets	Cash flow hedges	Total
Balance, beginning of period	$ (103)	$ (3)	$ 14	$ (92)
Foreign currency translation adjustment	(11)			(11)
Net unrealized loss on available-for-sale financial assets(1)		(3)		(3)
Reclassification of loss on available-for-sale financial assets(2)		3		3
Net loss on derivatives designated as cash flow hedges(3)			(1)	(1)
Reclassification of gain on derivatives designated as cash flow hedges(4)			(2)	(2)
Balance, end of period	$ (114)	$ (3)	$ 11	$ (106)

(1) Net of income taxes of nil and minority interest of $1 million.
(2) Net of income taxes of nil and minority interest of $1 million.
(3) Net of income taxes recovered of $1 million and minority interest of $1 million.
(4) Net of income taxes recovered of $1 million and minority interest of $1 million.

The change in the foreign currency translation adjustment in the first quarter of 2010 of $11 million resulted from the appreciation of the Canadian dollar relative to the U.S. dollar.

($ millions)	12 Weeks Ended Mar. 28, 2009 Foreign currency translation adjustment	Available-for-sale assets	Cash flow hedges	Total
Balance, beginning of period	$ (334)	$ 10	$ 2	$ (322)
Cumulative impact of implementing new accounting standards[(1)] (note 2)			(1)	(1)
Foreign currency translation adjustment	151			151
Reclassification of cumulative foreign currency translation loss to net earnings	144			144
Net unrealized gain on available-for-sale financial assets[(2)]		4		4
Reclassification of gain on available-for-sale financial assets[(3)]		(9)		(9)
Net loss on derivatives designated as cash flow hedges[(4)]			(3)	(3)
Reclassification of loss on derivatives designated as cash flow hedges[(5)]			9	9
Balance, end of period	$ (39)	$ 5	$ 7	$ (27)

(1) Net of income taxes of $1 million and minority interest of $1 million.
(2) Net of income taxes of nil and minority interest of $3 million.
(3) Net of income taxes of nil and minority interest of $5 million.
(4) Net of income taxes of $2 million and minority interest of $1 million.
(5) Net of income taxes of nil and minority interest of $2 million.

The change in the foreign currency translation adjustment in the first quarter of 2009 of $151 million resulted primarily from the depreciation of the Canadian dollar relative to the U.S. dollar in the period prior to the sale of the U.S. fresh bakery business, partially offset by the appreciation of the Canadian dollar thereafter.

The Company also reversed a cumulative foreign currency translation loss of $144 million in the first quarter of 2009, of which $34 million was recorded in operating income and $110 million was included in the results of discontinued operations (note 4).

18. Contingencies, Commitments and Guarantees

Guarantees – Independent Funding Trusts Certain independent franchisees of Loblaw obtain financing through a structure involving independent trusts, which were created to provide loans to the independent franchisees to facilitate their purchase of inventory and fixed assets, consisting mainly of fixtures and equipment. The trusts are administered by a major Canadian chartered bank.

The gross principal amount of loans issued to Loblaw's independent franchisees outstanding as at March 27, 2010 was $395 million (March 28, 2009 – $383 million; December 31, 2009 – $390 million) including $183 million (March 28, 2009 – $153 million; December 31, 2009 – $163 million) of loans payable by VIEs consolidated by Loblaw. Based on a formula, Loblaw has agreed to provide credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trust equal to approximately 15% (March 28, 2009 – 15%; December 31, 2009 – 15%) of the principal amount of the loans outstanding at any point in time, $66 million (March 28, 2009 – $66 million; December 31, 2009 – $66 million) as at March 27, 2010. The standby letter of credit has not been drawn upon.

On April 30, 2010, the independent funding trust obtained commitments from the existing syndicate of third party lenders to renew and extend the $475 million revolving committed credit facility for a 364 day period, effective May 3, 2010. Terms and conditions will remain substantially the same. The financing structure requires further review to determine if there are implications with respect to the consolidation of VIEs.

Standby Letters of Credit Standby letters of credit for the benefit of independent trusts with respect to the credit card receivables securitization program of PC Bank have been issued by major Canadian chartered banks. These standby letters of credit could be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables. Loblaw has agreed to reimburse the issuing banks for any amount drawn on the standby letters of credit. The aggregate gross potential liability under these arrangements, which represents 9% (March 28, 2009 – 9%; December 31, 2009 – 9%) on a portion of the securitized credit card receivables amount, is approximately $103 million (March 28, 2009 – $116 million; December 31, 2009 – $116 million) (see note 9).

Legal Proceedings The Company is the subject of various legal proceedings and claims that arise in the ordinary course of business. The outcome of all of these proceedings and claims is uncertain. However, based on information currently available, these proceedings and claims, individually and in the aggregate, are not expected to have a material impact on the Company.

19. Segment Information

The Company has two reportable operating segments: Weston Foods and Loblaw. The accounting policies of the reportable operating segments are the same as those described herein and in the Company's 2009 Annual Report. The Company measures each reportable operating segment's performance based on operating income. Neither reportable operating segment is reliant on any single external customer.

	12 Weeks Ended	
($ millions)	**Mar. 27, 2010**	Mar. 28, 2009
Sales		
Weston Foods	**$ 385**	$ 437
Loblaw	**6,926**	6,718
Intersegment	**(134)**	(133)
Consolidated	**$ 7,177**	$ 7,022
Operating Income		
Weston Foods	**$ 45**	$ (27)
Loblaw	**258**	224
Other(1)	**(29)**	(96)
Consolidated	**$ 274**	$ 101

	As at	
($ millions)	**Mar. 27, 2010**	Mar. 28, 2009
Total Assets		
Weston Foods	**$ 1,564**	$ 1,908
Loblaw	**14,925**	13,954
Other(2)	**3,272**	3,726
Consolidated	**$ 19,761**	$ 19,588

(1) Operating income for the first quarter of 2010 includes a loss of $29 million (2009 – $62 million) related to foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates, which are integrated foreign subsidiaries for accounting purposes. Operating income for the first quarter of 2009 also includes the cumulative foreign currency translation loss of $34 million associated with Dunedin and certain of its affiliates, which was reversed from accumulated other comprehensive loss on the date of the sale of the U.S. fresh bakery business (note 17).

(2) Other includes cash and cash equivalents and short term investments held by Dunedin and certain of its affiliates.

20. Subsequent Event

On April 22, 2010, Loblaw announced changes to its distribution network. A charge of approximately $30 million to $40 million is expected to be incurred in connection with the closure of a facility.

Corporate Profile

George Weston Limited is a Canadian public company, founded in 1882, engaged in food processing and distribution. The Company has two reportable operating segments: Loblaw and Weston Foods, and holds cash and short term investments. 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 drugstore, general merchandise and financial products and services. The Weston Foods operating segment is a leading fresh and frozen baking company in Canada and is engaged in frozen baking and biscuit manufacturing in the United States.

Trademarks

George Weston Limited and its subsidiaries own a number of trademarks. These trademarks are the exclusive property of George Weston Limited and its subsidiary companies. Trademarks where used in this report are in italics.

Shareholder Information

Registrar and Transfer Agent

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100 University Avenue	Toll free: 1-800-564-6253
Toronto, Canada	Fax: (416) 263-9394
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To change your address or eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare Investor Services Inc.

Investor Relations

Shareholders, security analysts and investment professionals should direct their requests to Mr. Geoffrey H. Wilson, Senior Vice President, Financial Control and Investor Relations, at the Company's Executive Office or by e-mail at investor@weston.ca.

Additional financial information has been filed electronically with the Canadian securities regulatory authorities in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR). The Company holds an analyst call shortly following the release of its quarterly results. This call will be archived in the Investor Zone section of the Company's website.

This Quarterly Report includes selected information on Loblaw Companies Limited, a 62.5%-owned public reporting subsidiary company with shares trading on the Toronto Stock Exchange. For information regarding Loblaw, readers should also refer to the materials filed by Loblaw with the Canadian securities regulatory authorities from time to time. These filings are also maintained at Loblaw's corporate website at www.loblaw.ca.

First Quarter Conference Call and Webcast

George Weston Limited will host a conference call as well as an audio webcast on Tuesday, May 11, 2010 at 11:00 a.m. (EST). To access via tele-conference, please dial (647) 427-7450. The playback will be made available two hours after the event at (416) 849-0833, passcode: 68867175#. To access via audio webcast, please visit the "Investor Zone" section of www.weston.ca. Pre-registration will be available.

Annual Meeting

The George Weston Limited Annual Meeting of Shareholders will be held on Thursday, May 13, 2010 at 11:00 a.m. (EST) at The Royal Conservatory, TELUS Centre for Performance and Learning, Koerner Hall, 273 Bloor Street West, Toronto, Ontario, Canada. To access via tele-conference, please dial (647) 427-7450. The playback will be available two hours after the event at (416) 849-0833, passcode 66276892#. To access via audio webcast, please visit the "Investor Zone" section of www.weston.ca. Pre-registration will be available.

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