George Weston Limited
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George Weston Limited Annual Report 2002

Doing what we do best

Weston

Key Initiatives

Concentrate on core products and markets

Focus on lower operating and administrative costs

Introduce innovative new products and services

Continue strategic capital investment

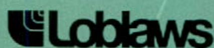
Build upon our strong brand equity

One Great Baker

Fisheries

- **Fresh Farmed Salmon Facilities**

North America	45
Chile	13



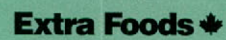
Chile

Weston Foods

- **Baking Facilities**
  North America 66
- **Dairy Facilities**
  Canada 2

Food Distribution

Corporate	632
Franchised	406
Associated	659
Independent	7,069



Corporate Profile

George Weston Limited ("Weston") is a broadly based Canadian company founded in 1882 and is one of North America's largest food processing and distribution companies. Weston has three reportable operating segments: Weston Foods, Food Distribution and Fisheries. The Weston Foods segment is primarily engaged in the baking and dairy industries within North America. The Food Distribution segment, which is operated by Loblaw Companies Limited ("Loblaw"), the largest food distributor in Canada, concentrates on food retailing while increasing its offering of non-food products and services. The Fisheries segment is primarily engaged in the hatching, growing and processing of fresh farmed salmon in North America and Chile.

Weston seeks long term, stable growth in its operating segments through continuous capital investment supported by a strong balance sheet, thereby providing sustainable returns to its shareholders through a combination of common share appreciation and dividends. Weston strives to be the best in each of its reportable operating segments.

In order to be successful in delivering long term value and to fulfill its long term objectives of security and growth, the Company employs various operating strategies. The Weston Foods segment concentrates on brand development, low operating costs and maintaining a broad customer base, with the objective of being the best provider of bakery solutions and fresh dairy products to its customers. The Food Distribution segment concentrates on food retailing, with the objective of providing Canadian consumers with the best in one-stop shopping for everyday household needs. The Fisheries segment concentrates on new product development and building on its strong brand equity, with the objective of producing and delivering top quality Atlantic fresh farmed salmon products to the North American market.

Weston is committed to creating value for its shareholders and to participating along with its more than 142,000 employees in supporting the communities in which it operates.

At Weston, we are committed to the things that we know well. Our business is not about taking high risks, but simply focusing on *doing what we do best.*

Planning and Strategy – *to satisfy the changing needs of the consumer and our customers in the most proactive manner while providing long term growth and returns to our shareholders*

Building Brands – *to enhance an already well-positioned core brand portfolio with more and ever improving products*

Production and Facilities – *to take measured strategic steps to improve operations and facilities for both the Company and its employees*

Sales and Marketing – *to improve the effectiveness of our sales and marketing initiatives in order to increase awareness and availability of our brands*

Supply Chain – *to provide the highest possible service levels and product freshness at the lowest possible cost*

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For the years ended December 31 ($ millions except where otherwise indicated)	2002	2001
Operating Results		
Sales	27,446	24,661
EBITDA (2)	2,185	1,871
Operating income	1,678	1,440
Interest expense	238	221
Net earnings	690	582
Cash Flow		
Cash flows from operating activities	1,323	961
Capital investment	1,397	1,330
Per Common Share ($)		
Basic net earnings	5.05	4.42
Basic earnings before goodwill charges and unusual items (2)	5.05	4.28
Dividend rate at year end	.96	.80
Cash flows from operating activities	9.88	7.31
Book value	29.43	25.84
Market value at year end	90.25	103.40
Financial Ratios		
EBITDA margin	8.0 %	7.6 %
Operating margin	6.1 %	5.8 %
Net earnings before unusual items margin	2.5 %	2.1 %
Return on average total assets	11.5 %	11.9 %
Return on average common shareholders' equity	18.3 %	18.4 %
Interest coverage	7.1:1	6.5:1
Net debt to equity	1.09:1	1.58:1
Net debt (excluding Exchangeable Debentures) to equity	1.00:1	1.47:1
Reportable Operating Segments		
Weston Foods		
Sales (3)	4,792	3,412
Operating income	409	313
Operating margin	8.5 %	9.2 %
Return on average total assets	9.3 %	10.9 %
Food Distribution		
Sales	23,082	21,486
Operating income	1,295	1,128
Operating margin	5.6 %	5.2 %
Return on average total assets	13.6 %	13.3 %
Fisheries		
Sales (3)	219	396
Operating loss	(26)	(1)
Operating margin	(11.9)%	(0.3)%
Return on average total assets	(8.5)%	(0.3)%

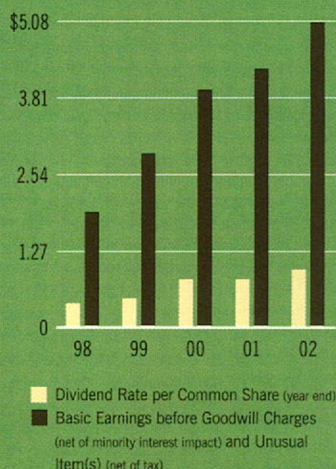
(1) For financial definitions and ratios refer to the Glossary of Terms on page 70.

(2) See Supplementary Financial Information on page 41.

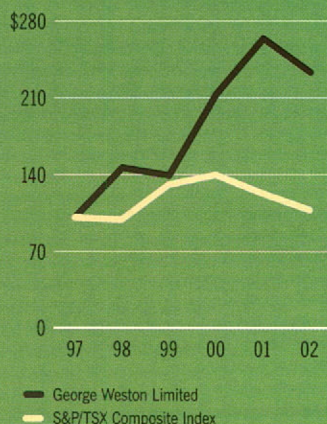
(3) Includes intersegment sales.

I am very pleased to report that 2002 was another excellent year of progress for George Weston Limited. Sales exceeded $27 billion, representing an improvement of more than 11%. Operating income increased to $1.7 billion from $1.4 billion in 2001, a 17% improvement, with operating margin increasing to 6.1% from 5.8% in 2001. Basic net earnings per common share increased 18% to $5.05 from last year's $4.28 on a comparable basis.

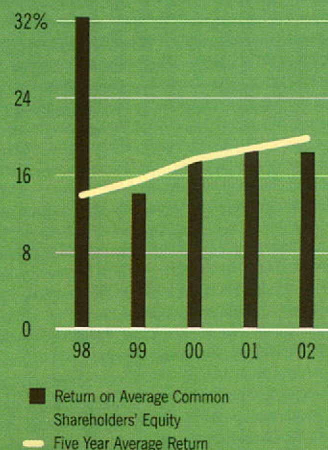
Basic Earnings before Goodwill Charges and Unusual Item(s) and Dividend Rate per Common Share
($)



Total Return on $100 Investment
(includes dividend reinvestment)
($)



Return on Average Common Shareholders' Equity
(%)



W. Galen Weston
Chairman and President

W. Galen Weston

These results were achieved in a challenging economic environment and are a testament to a highly capable and motivated management team. Our focus, as always, is on the two pillars: quality products and customer satisfaction. These two, when supported by best-in-class facilities, will deliver over time increased shareholder value.

In order to provide shareholders with a better view of management's operational focus, the Company revised its reportable operating segments into two core segments: Weston Foods, encompassing baking and dairy operations within North America, and Food Distribution, represented by the Company's 61% ownership of Loblaw Companies Limited; and one non-core segment, Fisheries. In prior years, the Company reported Weston Foods and Fisheries as one segment, Food Processing.

Weston Foods sales increased 40% to $4.8 billion with operating income increasing 31% to $409 million. Both of these results were dramatically strengthened by the newly acquired *Thomas'*, *Entenmann's*, *Arnold* and *Freihofer's* brands. Weston Foods is now a market leader in its field not only in Canada but also in the Northeast United States and parts of the Midwest and South. Our current focus in the United States is to integrate facilities, improve product quality and direct our sales efforts on our core and growing customer base. We believe that through outstanding execution across our 68 production facilities and approximately 6,000 delivery routes, we can respond appropriately to a changing retail environment, provide the best products and service and continue to expand our business across a chosen territory. To date, the integration of the United States fresh and frozen bakery operations, encompassing George Weston Bakeries, Stroehmann Bakeries, Maplehurst Bakeries and Interbake Foods, is progressing well and remains on target. In Canada, the fresh and frozen baking and dairy operations maintained their strong momentum of sales and earnings growth. Sales increased in all regions of Canada with the continued focus on a low operating cost environment and the penetration of key brands such as *Wonder*, *D'Italiano* and *Country Harvest*.

Weston's Food Distribution segment is operated by Loblaw Companies Limited, Canada's largest and most successful food distribution company. Loblaw enjoyed another highly successful year in 2002 with total sales up 7%, same-store sales up 4.6% and net earnings up 20% on a comparable basis. A strong capital investment program continues to support growth. During 2002, over $1.0 billion was invested in the business, helping to fund the opening of 75 new locations across Canada, resulting in a net increase of more than 2 million square feet of retail space. Loblaw continued to build new large stores and add to its existing non-food offerings, including housewares and home accessories. In addition, a number of high-quality and competitively priced general merchandise items under the *PC* label were introduced and several gas bars were opened in Eastern Canada. The *President's Choice* brand continues to expand, together with other control labels such as *President's Choice Organics*, *Club Pack*, *no name* and *President's Choice Financial*, providing value for money, uniqueness and customer loyalty.

Fisheries, the non-core segment of our business, hatches, grows and processes fresh farmed salmon in North America and Chile. In this segment, our executives managed through a difficult year, with sales 45% below last year and an operating loss of $26 million compared to a loss of $1 million in 2001, which included the results of the Fisheries operations disposed of during the fourth quarter of 2001. The dramatic decrease in world market prices for fresh farmed salmon over the past year impacted sales and produced operating losses, despite our ability to increase tonnage and maintain a competitive cost position within the industry. Although fresh salmon market prices showed signs of improvement during the latter half of 2002 and demand remains buoyant, a return to profitability for the Fisheries segment is dependent upon further price improvements.

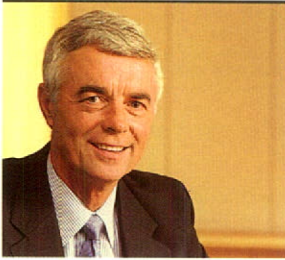
George Weston Limited has a long-standing record for the highest standards in ethical business conduct. This is endemic in the quality and attitude of the experienced business leaders that form our management teams and is reinforced and monitored by an experienced and diligent Board of Directors. Together at Weston and Loblaw, we strive for a culture which encourages dynamic growth balanced by realism, good judgment and integrity.

In summary, 2002 was another successful and exciting year for our Company. The growth in earnings and cash flow further reinforced our financial position and strengthened our platform for the future. While consumer confidence in the United States is currently fragile and corporate restructurings in the food industry are taking place around us, we look forward to our future with confidence. On behalf of the Board of Directors and shareholders, I would like to thank our many dedicated employees for their commitment and our loyal customers and all with whom we do business for their continued support.

W. Galen Weston
Chairman and President

The experience and skills of the Company's senior operating management team are critical to its success. The key members of this management team shown below have been employed by the Company, on average, for 28 years. Over this time, they have developed in-depth knowledge of the industries in which we operate and gained the experience necessary to successfully lead their respective operating divisions into the future.

Gary J. Prince – President



Gary joined the Company in 1974 and served in various capacities within Weston Foods Canada. From 1992 to 1994, Gary served as the President of Weston Foods Canada and in 1995 he joined Stroehmann Bakeries in the United States as President. In 1996, Gary was appointed President of all the Weston Foods United States operations and was most recently responsible for the Bestfoods Baking acquisition.

Ralph A. Robinson – President

As President of Weston Foods Canada, Ralph is in charge of our bakery and dairy operations. He has served in a variety of positions in his 28 year career with the Company, starting in the Finance area. Ralph was appointed President of Neilson Dairy in 1989 and assumed the responsibility for the bakery operations in 1994. Ralph holds a B.Sc. from McGill University and an MBA from York University.

John A. Lederer – President

John became President of Loblaw Companies Limited effective January 1, 2001. He joined Loblaw in 1976 and spearheaded the development and implementation of a newly formed discount division, No Frills. In succeeding years, he assumed additional merchandising and operational responsibility throughout Loblaw including overseeing the reorganization and integration of Provigo Inc., acquired in 1998. John received his Bachelor of Arts in Economics from York University. He is a board member of the Food Marketing Institute and founder of the *President's Choice* Children's Charity.

Fraser J. Walsh – President

Fraser has been part of the Company's fishing and fish processing business for over 30 years. Fraser's focus on creating results through leadership and team building has led the Fisheries segment, Heritage Salmon – one of the leading suppliers of fresh Atlantic salmon to the North American market – to become a fully integrated company with operations on the east coast (New Brunswick and Maine), the west coast (British Columbia) and South America (Chile). Fraser is currently a director of The New Brunswick Salmon Growers Association, the Canadian Aquaculture Industry Alliance and the Huntsman Marine Science Centre and is a Member of the Professional Engineers of New Brunswick. Fraser holds a B.Sc. in electrical engineering from the University of New Brunswick.

Weston Foods

Gary J. Prince
51 and 29 years
President, United States

Raymond A. Baxter
58 and 15 years
Interbake Foods

Don C. Berman
55 and 22 years
Greenwich Market Area

Robert Chernoff
41 and 17 years
Information Systems

Steven A. Cucinotta
51 and 7 years
Business Development

Paul D. Durlacher
51 and 13 years
Maplehurst Bakeries

Anthony M. Gavin
43 and 20 years
Marketing Services and New Business Development

Richard M. Lee
43 and 9 years
Taxation

Antonio L. Leta
46 and 11 years
Stroehmann Bakeries

John C. Lorenzen
52 and 10 years
Corporate Development

Charles W. Loschmann
55 and 27 years
Operations

Louis A. Minella
46 and 5 years
Labour Relations

Fred F. Penny
47 and 22 years
Entenmann's

Bill Petersen
53 and 29 years
Finance

Peter E. Rollins
48 and 19 years
Albany Market Area

Shelly W. Seligman
45 and 17 years
General Counsel

John A. Speaker
50 and 3 years
Midwest Market Area

Carl H. Taylor
49 and 15 years
Human Resources and Integration

Richard A. Turici
61 and 37 years
Southeast Market Area

Ralph A. Robinson
54 and 28 years
President, Canada

Lorena M. Ferino
39 and 16 years
Information Technology and Systems

Pieter J. Fontein
48 and 14 years
Corporate Development

Wayne W. Greer
46 and 2 years
Food Service

Chuck T. Gyles
52 and 7 years
Human Resources and Labour Relations

Edward J. Holik
44 and 14 years
Baking Operations

Craig R. Hutchison
37 and 1 year
Marketing

John T. Koster
60 and 36 years
Business Development

Maria Liang
49 and 13 years
Finance and Logistics

Judith A. McCrie
47 and 9 years
Dairy Operations

Henry Penner
53 and 1 year
Manufacturing

Kevin C. Tracey
45 and 15 years
National Sales

Food Distribution

John A. Lederer
47 and 26 years
President,
Loblaw Companies Limited

David K. Bragg
54 and 19 years
Real Estate

Paul Clark
45 and 3 years
Marketing

Roy R. Conliffe
52 and 21 years
Labour Relations

Carmen Fortino
44 and 18 years
Ontario Operations

Stewart E. Green
58 and 26 years
General Counsel

David R. Jeffs
45 and 24 years
Western and Non-Food Operations

Violet Konkle
49 and 9 years
Atlantic Operations

Richard P. Mavrinac
50 and 20 years
Treasury, Tax, Risk Management and Investor Relations

Bernard J. McDonell
48 and 9 years
Quebec Operations

Paul D. Ormsby
51 and 20 years
Supply Chain, Information Technology, Food Sourcing and Procurement

Donald G. Reid
53 and 23 years
President's Choice Bank

Pietro Satriano
40 and 1 year
Control Label Development

Stephen A. Smith
45 and 17 years
Financial Control and Reporting, Human Resources and Loss Prevention

Fisheries

Fraser J. Walsh
55 and 32 years
President, Heritage Salmon

Gordon J. Dixon
37 and 4 years
Finance

William A. Drope
46 and 9 years
Chile Operations

Ken D. Hirtle
57 and 24 years
Sales and Marketing

Ted A. Needham
59 and 13 years
West Coast Operations

William D. Robertson
42 and 14 years
East Coast Operations

Gary V. Wadden
45 and 1 year
Human Resources

Targeted investment. Our new baguette line in Mississauga, Ontario, represents state-of-the-art technology and will help to deliver increased sales in this fast growing product category.

Planning and Strategy

Careful strategic planning and the successful execution of our operating and financial strategies are critical to our future success.

Good strategic planning requires that we set our operating and financial goals clearly and demands that we answer the questions of how. How do we satisfy the changing needs of our consumers and customers for quality and convenient products and services? How do we do this in the most cost-effective and efficient manner? How do we provide sustainable long term growth and returns to our shareholders? These are some of the things we believe we do best and we do this by having a disciplined approach to strategic planning, through strategic acquisitions and the careful execution of our operating and financial strategies.

Significant acquisitions, such as Bestfoods Baking in 2001 and Provigo in 1998, in combination with niche acquisitions provide sales growth along with anticipated synergies. Acquisitions such as these increased the Company's variety of products and brands, which enhances the breadth of our offerings and provides the Company with access to new market areas in which to grow.

The Company continuously reviews its operating and financial strategies and when necessary will modify these to ensure continued organic growth. Evidence of the Company's strong organic growth can be seen in the Weston Foods 2002 expansion of the *Thomas'* product line

to Canada, the addition of Weston Foods production capacity of artisan style bakery products, and the continued introduction by Food Distribution of new product lines and service expansions such as *PC* general merchandise and gas bars. Strategic planning also involves the determination to exit a particular market or close a particular facility to ensure the most appropriate strategic deployment of the Company's assets.

In spite of a dramatically changing environment, our strategic position within our chosen industries and geography has never been stronger.

In response to a growing consumer trend for specialty entertaining products, Weston Foods makes a wide assortment of delicious artisan style breads and rolls using old world baking traditions and recipes.

A major North American player. Our growing North American brands such as *D'Italiano*, *Entenmann's* and *Thomas'* satisfy consumers for breakfast, lunch and dinner and provide an exciting growth opportunity for the Company.

Building Brands

Our brands are a vital strategic component of our future growth and provide the Company with a significant competitive advantage.

As a result, we will continue to do what we believe we do best by investing behind our brands including strong marketing programs and advertising to stimulate sales. Building our brands also means rationalizing or simplifying our product lines to ensure we focus on the most appropriate product mix.

The 2001 Bestfoods Baking acquisition significantly expanded our brand offerings. Weston Foods' core brands now include *D'Italiano*, *Entenmann's* and *Thomas'* in North America, *Country Harvest*, *Neilson*, *Weston* and *Wonder* in Canada and *Arnold*, *Freihofer's*, *Maier's* and *Stroehmann* in the United States. Many of Weston Foods' brands have been used by families for generations and all enjoy a tradition of trusted quality, great taste and freshness.

Food Distribution's control label program includes well known brands such as *President's Choice*, *PC*, *President's Choice Organics*, *no name*, *Club Pack*, *GREEN*, *TOO GOOD TO BE TRUE* and *EXACT*. With the introduction of *PC* general merchandise and *President's Choice Financial* services, Food Distribution has proven that strong brand equity can be successfully extended to other products and services.

Fisheries, through its *Heritage* brand, continues to be a leader in the development of innovative and consumer-friendly salmon products.

Country Harvest offerings lead the growing grain based product segment within breads and bagels. In 2002, *Country Harvest* sunflower and flax bread and bagels were introduced in Canada with great success and advertising focused on the great taste of *Country Harvest* breads and bagels promising that *"wholesome never tasted better."*

Our dedicated new doughnut production facility in Carlisle, Pennsylvania. Completed during the last 12 months, this facility has strengthened our position in the doughnut product category within the Northeast United States.

Production and Facilities

Low cost, streamlined production environments and facilities are critical to our success in the North American food industry.

We believe that taking measured strategic steps to improve our operations and facilities is what we do best. One of our operating strategies is to focus on ongoing cost reduction initiatives to ensure a low cost operating structure.

In Weston Foods these initiatives include reducing complexity by operating dedicated production facilities; eliminating waste across our 68 production facilities; applying technology and automation to improve process applications; focusing on labour strategies; and continuous capital investment decision making, which may involve closing higher cost facilities. Over the past five years we have invested over $700 million in Weston Foods' production facilities and supporting infrastructure. This capital investment strategically positioned production facilities across North America, expanded product lines and brand offerings and increased production capacity and efficiency. During 2002, two baking facilities were certified for the production of organic breads, rolls and tortillas, and capacity was added to support the production of artisan style bread products – both of which allow Weston Foods to meet the changing demands of our consumers.

Food Distribution's continued commitment to improving operating efficiencies, including controlling retail shrink and labour management,

helps to ensure our continued success in the food distribution industry. Food Distribution's multi-banner approach allows it to serve a greater diversity of consumers, compete more effectively on price and meet the needs of individual markets by positioning specific offerings in each market. Operating across Canada through a combination of corporately owned and franchised stores of varying sizes and layouts enhances Food Distribution's operational flexibility.

Fisheries operates hatcheries, ocean pens and state-of-the-art processing plants and focuses on "best practice" initiatives to ensure low operating costs.

Operating a balanced portfolio of banners and store formats across Canada, Food Distribution seeks to maximize its market share on a market-by-market basis and to satisfy its customers' everyday needs.

Products that appeal to all consumers and customers. *Thomas'* products have been making breakfast better for over 100 years and have evolved from a one-category brand of English muffins to a multi-category portfolio including the recent successful introduction of fresh waffles.

Sales and Marketing

Our sales and marketing efforts are strategically focused on our core brands.

This focus ensures that all efforts are concentrated on products and services that have the greatest potential for growth and/or are consistently steady performers. We believe that improving the effectiveness of our sales and marketing initiatives and meeting or exceeding our customer service expectations is what we do best.

Weston Foods focuses on its core customers, building upon its position with alternate retail channels and building on its strong brand equity in order to continually meet the changing needs of its consumers. A factor in the success of Weston Foods' operations is its ability to provide consistently reliable service levels. Weston Foods has worked diligently to build its service reputation, and service improvement continues to be a priority. The continued focus on distribution route realignment, seven day service, extended shelf life, sales mix management and order cycle improvement initiatives will help to strengthen Weston Foods' service reputation in the future.

Food Distribution continues to develop its control label program for its food and non-food offerings. During 2002, Food Distribution launched a refreshed *Insider's Report* with a continued emphasis on its *President's Choice* offerings. Food Distribution's marketing is driven by its operating strategy of focusing on food but serving the consumer's everyday needs. Whether it be the 2002 launch of its *PC* general merchandise line, the expansion of pharmacies, photo developing and *President's Choice Financial* services, or the introduction of gas bars in Eastern Canada and new departments such as *homefresh*, *bed & bath*, *cook & table* and *electronics for less*, Food Distribution will continue to deliver a unique shopping experience to Canadian consumers.

Fisheries continues to build on its sales and marketing success in the Canadian retail market as well as chosen entries into the food service and private label markets within the United States.

Our *Neilson* brand continues to be number one in Ontario, Canada delivering the highest quality milk. In 2002, the value added product segment including lactose free and *Trutaste* fluid milk products experienced strong growth.

Consistently offering fresh products and reliable service levels.

To be successful in the North American food industry, we must anticipate and deliver what customers and consumers want at the lowest possible price.

Supply Chain

Our product distribution systems provide both our consumers and customers with superior on-shelf service and product freshness.

An operating focus of the Company is optimizing its supply chain processes including transportation, warehousing and inventory management. We believe the active management of our supply chain processes is one of the things we do best, and improving the efficiency of our product distribution systems is still a significant opportunity for us.

Weston Foods has an industry-leading direct store distribution system. The flexibility of this system allows selling and delivery efforts to be tailored in order to continually meet changing market conditions as well as consumer shopping patterns. Our direct store distribution system has a strong reputation for providing consistently reliable service levels, assuring consumers the freshest products. Significant progress has been realized from the integration of Bestfoods Baking and there are more consolidation opportunities to come.

Food Distribution actively manages its supply chain processes in order to minimize costs, position its operations against low cost competitors and provide consumers with fresh in-stock offerings. An efficient transportation process – whether inbound from its vendors or outbound from its distribution centres to its stores and customers – is key to our success.

Fisheries concentrates on being one of the best suppliers of fresh farmed Atlantic salmon products by having fully integrated operations, ensuring the reliability of its supply and the quality and shelf life of its products.

By working together, the *President's Choice* development team and Weston Foods have produced fruitful results. Thanks to advanced microwave packaging and specially developed dough, consumers can now enjoy fresh-baked fruit pies with an old-fashioned golden crust in just 15 minutes.

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The following Management's Discussion and Analysis ("MD&A") for George Weston Limited should be read in conjunction with the consolidated financial statements and the related notes on pages 42 to 65 of this Annual Report. A Glossary of Terms used throughout this Annual Report can be found on page 70.

Forward-Looking Statements

This Annual Report, including this MD&A, contains certain forward-looking statements. Such statements relate to, among other things, sales growth, the integration of operations of acquired businesses, the expansion and growth of the Company's business, future capital expenditures and the Company's business strategies. Forward-looking statements are subject to inherent uncertainties and risks including but not limited to: general industry and economic conditions, changes in the Company's relationships with its suppliers, pricing pressures and other competitive factors, the availability and cost of raw materials, fuels and utilities, the results of the Company's ongoing efforts to improve cost effectiveness, the rates of return on the Company's pension plan assets, changes in the regulatory requirements affecting the Company's business and the availability and terms of financing. Other risks are outlined in the Operating and Financial Risks and Risk Management sections of this MD&A. Consequently, actual results and events may vary significantly from those included, contemplated or implied by such statements.

Overview

George Weston Limited and its subsidiaries (the "Company" or "Weston") is a broadly based Canadian company, which has been participating in the food processing and distribution industry for over 120 years. The Company has two core reportable operating segments, Weston Foods and Food Distribution, and one non-core reportable operating segment, Fisheries. The Weston Foods segment is primarily engaged in the baking and dairy industries within North America. The Food Distribution segment, which is operated by Loblaw Companies Limited ("Loblaw"), Canada's largest food distributor, concentrates on food retailing and is increasing its offering of non-food products and services. The Fisheries segment is primarily engaged in the hatching, growing and processing of fresh farmed salmon in North America and Chile.

Vision

Weston seeks long term, stable growth in its operating segments through continuous capital investment supported by a strong balance sheet, thereby providing sustainable returns to its shareholders through a combination of common share appreciation and dividends. Weston strives to be the best in each of its reportable operating segments.

Operating and Financial Strategies

In order to be successful in delivering long term value and to fulfill its long term objectives of security and growth, the Company employs various operating and financial strategies, which minimize its exposure to risk. Although a few of them may carry some short term risk, the Company employs these various strategies in order to achieve its long term vision. Each of the Company's reportable operating segments has its own risk profile and operating risk management strategy.

Weston Foods' operating strategies include:

- focusing on core brands, products, customers and markets,
- the focused development of products to maximize market share and penetration,
- ongoing cost reduction initiatives to ensure a low cost operating structure,
- targeted acquisitions to broaden market penetration and expand geographic presence, and
- continuous capital investment to strategically position production facilities across North America, expand product lines and increase production capacity and efficiency.

Food Distribution's operating strategies include:

- using the cash flow generated in its business to invest in its future,
- owning its real estate, where possible, to maximize flexibility for product and business opportunities in the future,
- using a multi-format approach to maximize market share over the longer term,
- focusing on food but serve the consumer's everyday needs,
- creating customer loyalty and enhancing price competitiveness through a superior control label program, and
- constantly striving to improve its value proposition.

Fisheries' operating strategies include:

- the development of innovative value-added products,
- building upon its strong brand equity, and
- ongoing cost reduction initiatives to ensure low operating costs.

D'Italiano bread and rolls lead the Italian bread and roll segment. Consumers love the taste and larger size of *D'Italiano* crustini and sausage rolls. *D'Italiano* breads are great for sandwiches or as a side dish with any meal. *D'Italiano* products are "l'autentico."

The Company's financial strategies include:

- maintaining a strong balance sheet,
- using financial instruments to minimize the risks and costs of its financing and operating activities,
- reinvesting cash flow in the business, and
- maintaining liquidity and access to capital markets.

The Company believes that if it successfully implements and executes its various operating and financial strategies, plans and programs and continues to focus on "doing what we do best", it will continue to be well positioned to provide sustainable returns to its shareholders.

Key Performance Indicators

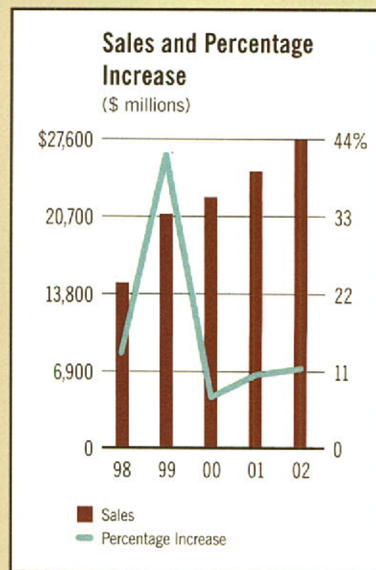
The Company continuously reviews and monitors its activities and key performance indicators, which it believes are critical to measuring whether the implementation of its operating and financial strategies are successful. Some of the Company's key operating performance indicators include: market share, new product development, customer service ratings, and operating and administrative cost management including productivity improvements and waste reduction. Some of the Company's key financial performance indicators are set out below.

Key Financial Performance Indicators	2002	2001
Sales growth	11.3%	10.4%
Basic net earnings per common share growth (1)	18.0%	8.9%
Net debt (excluding Exchangeable Debentures) to equity ratio	1.00:1	1.47:1
Return on average common shareholders' equity	18.3%	18.4%
Common dividend payout ratio	24.0%	21.9%

(1) Basic net earnings per common share adjusted to exclude unusual items and goodwill charges. See Supplementary Financial Information found on page 41.

Consolidated Results of Operations

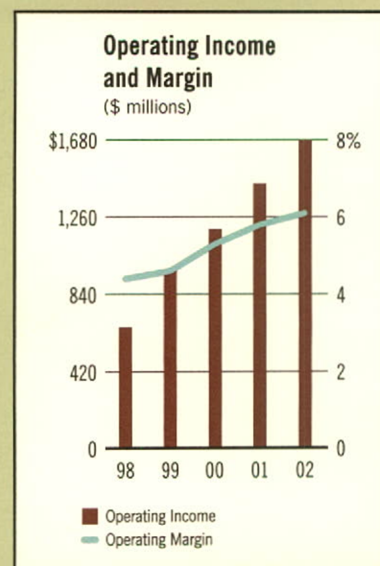
Sales Sales increased $2.7 billion, or 11.3%, to $27.4 billion from $24.7 billion in 2001. Excluding the impact of the 2001 Bestfoods Baking (renamed George Weston Bakeries) acquisition, sales increased 6.3%. Weston Foods 2002 sales, after adjusting for the 2001 George Weston Bakeries acquisition, increased 4.1% reflecting volume and dollar growth in core products and markets. Food Distribution 2002 sales increased 7.4% as a result of strong same-store sales growth and its continuous capital investment in retail square footage. Fisheries 2002 sales declined 44.7% compared to 2001, which included the results of the Connors canned sardine and seafood processing operations disposed of in 2001. Sales for the continuing fresh farmed salmon operations were impacted by depressed fresh salmon market prices and were essentially flat.



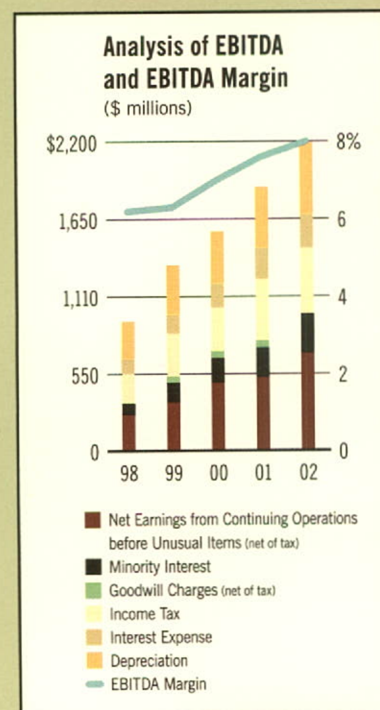
Arnold breads are a premium product line made with wholesome ingredients and deliver variety to the consumer: from creamy white buttery breads to 100% whole wheat, natural or crunchy grainy textures. *Arnold* products deliver a taste and experience you'll always enjoy!

Operating Income Operating income increased $238 million, or 16.5%, to $1.7 billion, including a $32 million compensation cost ($19 million plus the $13 million fair value impact of the equity swaps and forwards) relating to the new Canadian accounting standard for stock-based compensation and other stock-based payments, which was implemented in 2002. Excluding this cost, operating income increased 18.8% over 2001. Weston Foods operating income increased 30.7% reflecting the inclusion of a full year's George Weston Bakeries results in 2002. Food Distribution operating income increased 14.8%. Fisheries continued to experience difficulties as operating losses increased to $26 million from $1 million in 2001.

Operating margin improved to 6.1% from 5.8% in 2001. EBITDA (see Supplementary Financial Information found on page 41) margin improved to 8.0% from 7.6% in 2001. Consolidated margins continued to improve due to better overall product mix management, a continued focus on administrative cost control and operating efficiencies, the synergies from the George Weston Bakeries integration realized as anticipated and volume growth in core products.



Interest Expense Interest expense consists primarily of interest on short and long term debt, the amortization of deferred financing costs, the interest impact of interest rate, currency and equity derivative agreements and interest income earned on short term investments. In 2002, interest expense increased $17 million, or 7.7%, to $238 million from $221 million in 2001. Net long term interest increased $44 million, or 18.2%, to $286 million from $242 million in 2001, as a result of an increase in average long term debt levels offset by the $77 million (2001 – $22 million) net positive interest impact of the Company's and Loblaw's interest rate, currency and equity derivative agreements. Weighted average long term debt levels increased by $1.5 billion in 2002, primarily as a result of refinancing the George Weston Baking acquisition financing from short term to long term debt. Net short term interest income increased to $18 million, mainly because of an increase in average net short term investment levels. During 2002, the Company completed the repayment of the short term unsecured credit facility used to finance the 2001 George Weston Bakeries acquisition and, as a result, moved from a net short term debt position to a net short term investment position. Food Distribution capitalizes interest incurred on debt related to real estate properties under development. During 2002, $30 million (2001 – $27 million) of interest expense was capitalized to these fixed assets.



The 2002 weighted average interest rate of fixed long term debt (excluding capital lease obligations and the Exchangeable Debentures) was 6.9% (2001 – 7.0%) and the weighted average term to maturity was 16 years (2001 – 16 years). The 2003 interest expense is expected to increase slightly due to higher average net borrowing levels.

The Company believes that if it successfully implements and executes its various operating and financial strategies, plans and programs and continues to focus on "doing what we do best", it will continue to be well positioned to provide sustainable returns to its shareholders.

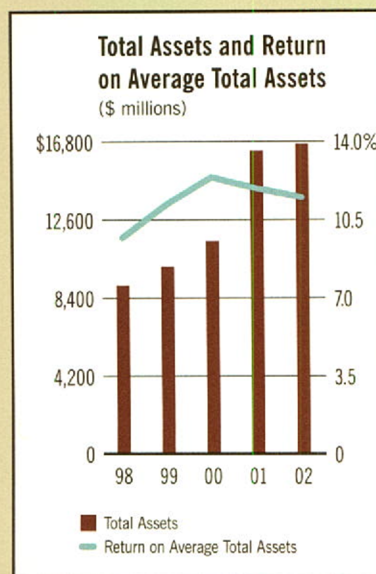
Income Taxes The Company's effective income tax rate decreased in 2002 to 32.6% compared to 35.2% in 2001, partially as a result of declining Canadian federal and provincial income tax rates. This decrease was also a result of the income tax impact of fair valuing Loblaw's equity forwards and the impact of the new Canadian accounting standard that provides for the discontinuance of goodwill amortization, which together resulted in a decrease of approximately 2% in the Company's 2002 effective income tax rate. The 2003 effective income tax rate is expected to decline in accordance with previously announced federal and provincial budgetary income tax rate reductions.

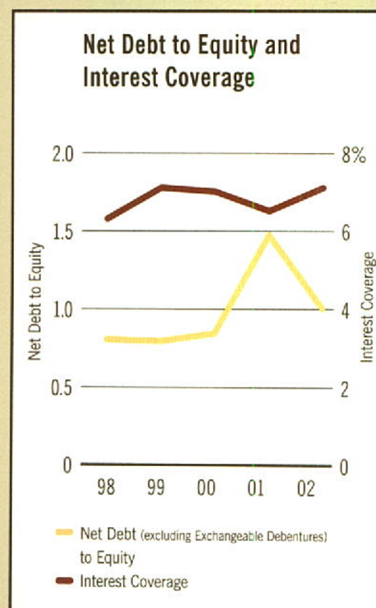
Net Earnings The Company's net earnings increased $108 million, or 18.6%, to $690 million from $582 million in 2001 due to the factors described herein. Basic net earnings per common share increased 63 cents, or 14.3%, to $5.05 from $4.42 in 2001. After adjusting the 2001 basic net earnings per common share to exclude unusual items and goodwill charges, basic net earnings per common share increased 77 cents, or 18.0%, over last year's $4.28 (see Supplementary Financial Information found on page 41).

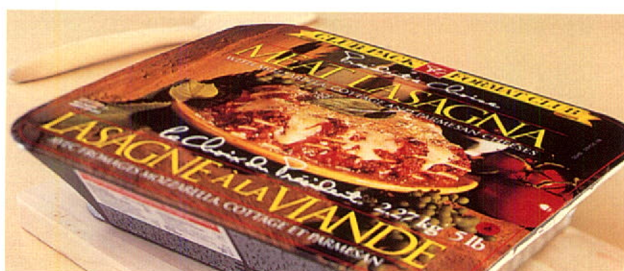
Consolidated Financial Condition

Financial Ratios In 2002, the Company maintained a consistent financial position as measured by its strong financial ratios, balance sheet and cash flow. This position is expected to continue in 2003. The Company's 2002 return on average total assets of 11.5% declined slightly compared to the 2001 return of 11.9%. This return was negatively impacted by the 2002 stock-based compensation cost and the difficult year for Fisheries. After adjusting operating income for these two factors, the return was consistent with 2001. The Company expects this return to improve slightly in 2003 as the George Weston Bakeries integration continues and anticipated synergies are realized.

The Company's 2002 net debt to equity ratio (excluding the Exchangeable Debentures) was 1:1 compared to the 2001 ratio of 1.47:1. As expected, a combination of the proceeds realized from the disposition of the western portion of Bestfoods Baking, the refinancing of debt through the issuance of preferred shares and the 2002 earnings growth returned this ratio to the Company's internal guideline of a 1:1 ratio. The 2003 ratio is expected to improve slightly as retained earnings growth is expected to exceed debt financing requirements.



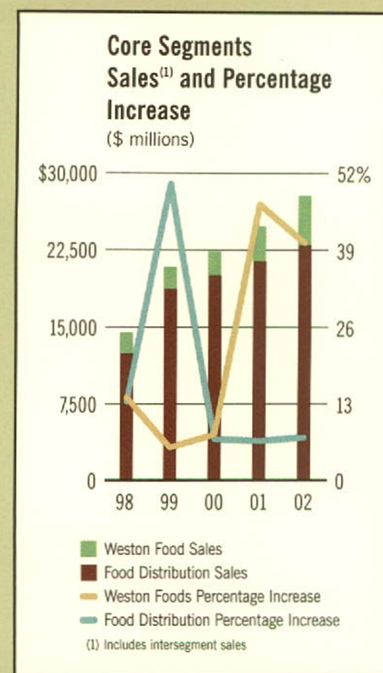




Food Distribution's tradition of quality and convenience continues through products like this meat lasagna. Made with a sauce containing 25% meat, this original member of the *Club Pack* pasta range helps families enjoy more time together by simplifying meal preparation.

The Company's 2002 return on average common shareholders' equity was 18.3% compared to the 2001 return of 18.4%. After adjusting for the stock-based compensation cost and the difficult year for Fisheries, this return improved slightly over the prior year. The five year average return on common shareholders' equity was 20.1%.

The 2002 interest coverage ratio improved to 7.1 times compared to 6.5 times in 2001 mainly due to improved earnings and the net positive interest impact of the Company's and Loblaw's interest rate, currency and equity derivative agreements.



Common Dividends The Company's common dividend policy is to maintain a common dividend payment equal to approximately 20% to 25% of the prior year's normalized basic net earnings per common share, giving consideration to the year end cash position, future cash flow requirements and investment opportunities. During 2002, the Company's Board of Directors (the "Board") declared quarterly dividends of 24 cents per common share. The annualized dividend per common share of 96 cents was equal to 24.0% of the 2001 normalized basic net earnings per common share and within the Company's common dividend policy range. Subsequent to year end, the Board declared a quarterly dividend of 30 cents per common share, payable April 1, 2003, which represented a 25.0% increase in the dividend rate per common share.

Results of Reportable Operating Segments

Weston Foods Operating Results

($ millions except where otherwise indicated)	2002	2001	Change
Sales	$ 4,792	$ 3,412	40.4%
Operating income	$ 409	$ 313	30.7%
Operating margin	8.5%	9.2%	
EBITDA	$ 553	$ 416	32.9%
EBITDA margin	11.5%	12.2%	
Return on average total assets	9.3%	10.9%	

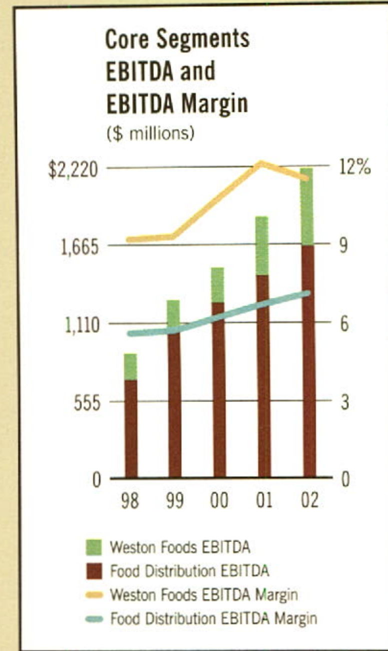
Sales Weston Foods sales increased 40.4% to $4.8 billion from $3.4 billion in 2001, reflecting the inclusion of an additional 30 weeks of George Weston Bakeries' results in 2002. Excluding the impact of the 2001 George Weston Bakeries acquisition, sales for the Weston Foods base operations increased 4.1% in 2002.

The Canadian operations continued its momentum of sales growth for the year, while sales for the United States operations were impacted by the sluggish sales environment in the the United States food retail market. The fresh baking operations in Canada achieved solid volume and dollar growth and sales volume in the United States was up slightly at a time when the industry was flat. The fresh baking operations sales growth was due to:

- growth with core customers including Loblaw,
- continued strategic positioning with alternate retail format channels,

Weston Foods will continue to focus on building its core brands, products, customers and markets while developing new lines of innovative products, rationalizing product lines and improving sales mix management.

- strong promotional spending to support volume growth,
- the rationalization of a number of lower volume products, and
- better than expected results from the *Thomas'* products rolled out into Canada.



The volume growth also reflects the strength of the Company's core fresh brands, particularly *D'Italiano*, *Entenmann's* and *Thomas'* in North America, *Country Harvest*, *Weston* and *Wonder* in Canada and *Arnold*, *Freihofer's*, *Maier's* and *Stroehmann* in the United States. During 2002, our *Wonder* brand was revitalized with new packaging, which created greater shelf presence. Our *Country Harvest* brand continues to lead the grain-based bread and bagel segments with new varieties and our *D'Italiano* brand continues to lead the growing Italian bread and roll category with outstanding products. Our *Weston* brand has a long heritage of providing excellent products. Considerable progress was made with the United States fresh bakery products, particularly *Entenmann's* products, which achieved modest sales volume growth after experiencing declining volume for a number of years.

The Canadian frozen baking operations experienced good sales growth. New products, such as the successful *President's Choice* microwaveable fruit pie line and the *Moulin Rouge* baguette, which was awarded the Grocery Industry's Grand Prix award for best new bakery product, and growth with core customers were the main contributors to the Canadian frozen bakery sales growth. The United States frozen baking operations experienced softness throughout the year as weakness within the traditional supermarket retail channel was offset by volume growth with alternate retail format channels.

The United States specialty baking operations had its most successful year ever. 2002 private label sales were strong compared to 2001 due to focusing and aligning operations with its core customers. The Canadian dairy operations experienced good sales growth due to growth in the value-added product segment, specifically *Neilson Trutaste* fluid milk products, creams, lactose free products and egg nog, and growth with core customers.

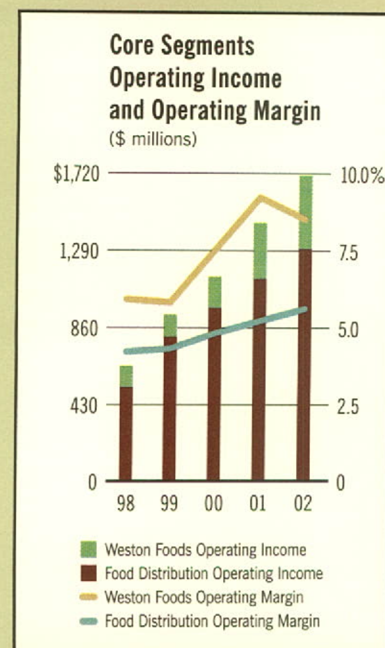
In 2003, Weston Foods will continue to:

- build upon its core brands, products, customers and markets,
- provide strong marketing support to its core brands and products,
- concentrate on more effective and efficient selling methods including the rationalization of product lines and sales mix management,
- develop and expand new lines of innovative bakery products,
- develop unique, value-added products in its dairy operations,
- leverage its increased North American scale as a result of the 2001 strategic acquisition of George Weston Bakeries, and
- position itself with alternate retail format channels while maintaining its position with major retailers.

The Company anticipates that these initiatives will generate additional sales growth in 2003; however, the rate of growth will depend on improvements in the United States food retail sales environment and overall consumer confidence trends.

In 2002, our *Freihofer's* product line celebrated 90 years of providing its consumers a full assortment of fresh bread, rolls and cake products and is recognized for outstanding product quality.

Operating Income Weston Foods operating income increased 30.7% to $409 million from $313 million in 2001. Operating margin declined to 8.5% from 9.2% in 2001 and EBITDA margin also declined to 11.5% from 12.2% in 2001. While the George Weston Bakeries integration is on target and the anticipated synergies are being realized, margins were negatively impacted by the 2002 stock-based compensation cost as well as increased pension costs. Weston Foods margins continue to compare favourably with and exceed those of its major North American industry peers.



Weston Foods continued its momentum of earnings growth in 2002 and operating income increased as a result of:

- continued sales growth with core customers,
- a focus on lower operating costs including eliminating waste in its operations,
- applying technology to improve process applications and to enhance efficiencies,
- making strategic capital investment decisions to increase productivity, support growth and close higher cost facilities, and
- a niche facility acquisition in its frozen operations, which reduced distribution costs.

Fresh and frozen capacity constraints, which caused some logistical inefficiencies in Canada, were addressed during 2002 and new fresh and frozen baking capacity will be fully operational in 2003, which is expected to reduce operational costs.

A year and a half after the George Weston Bakeries acquisition, the integration and restructuring are proceeding as planned. The Company completed the planned disposition of the western portion of Bestfoods Baking in 2002, which allowed the Company to concentrate on its remaining core operations. The Company's main initiatives have been to simplify and streamline operations to remove any unnecessary complexity and costs (including focusing on reducing distribution costs), to integrate product strategies across the Weston Foods segment and to strategically invest capital in existing and new facilities and close higher cost facilities. As a result of these initiatives, by year end 2002 the Company had realized approximately one third of the synergies and cost savings it expects to achieve from this acquisition.

Weston Foods' 2002 return on average total assets was 9.3% compared to 10.9% in 2001. This return was negatively impacted by the 2002 stock-based compensation cost as well as increased pension costs. The Company expects this return to improve slightly in 2003 as the George Weston Bakeries integration continues and anticipated synergies are realized.

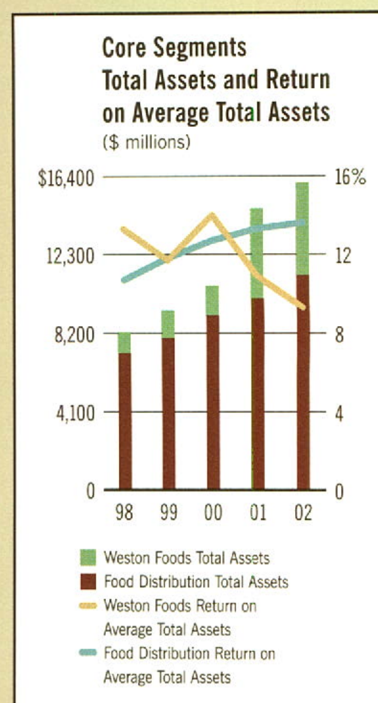
In 2003, the Company expects that the above initiatives along with the integration process will support operating income growth and that operating margins will remain stable.

Weston Foods will continue to leverage its increased North American scale as a result of the 2001 strategic acquisition of George Weston Bakeries, with continuous capital investment to strategically position production facilities across North America, improve the efficiency of existing facilities and increase production capacity where growth opportunities exist.

Food Distribution Operating Results
($ millions except where otherwise indicated)

	2002	2001	Change
Sales	$ 23,082	$ 21,486	7.4%
Operating income	$ 1,295	$ 1,128	14.8%
Operating margin	5.6%	5.2%	
EBITDA	$ 1,649	$ 1,443	14.3%
EBITDA margin	7.1%	6.7%	
Return on average total assets	13.6%	13.3%	

Sales Food Distribution sales increased 7.4% to $23.1 billion from $21.5 billion in 2001. All regions across the country experienced sales growth, overcoming the effects of Food Distribution's intensified lower pricing in Quebec and a minimal impact from the Ontario Fortinos strike, as well as slower sales growth in the second quarter of 2002 attributable to a two week strike in the Saskatchewan Superstore business and unseasonable weather in Ontario and Quebec. Food Distribution's lower pricing in Quebec continues to yield increasing volumes in that region. The increase in sales resulted from a 4.6% same-store sales growth and a 6.9% increase in net retail square footage related to the opening of 75 new corporate and franchised stores and the closure of 58 stores. Food Distribution's strategy of significant annual capital investment has proven successful and is reflected in the strong sales and same-store sales growth experienced over the past few years. National food price inflation remained low during 2002, while 2001 sales growth included some impact from food price inflation early in 2001 (principally in meat and fresh fruits and vegetables).



Food Distribution's control label program, which includes *President's Choice, PC, President's Choice Organics, no name, Club Pack, GREEN, TOO GOOD TO BE TRUE* and *EXACT*, provided sales growth. Control label sales reached $4.9 billion in 2002 and penetration, measured as control label sales as a percentage of Food Distribution's retail sales, increased to 23.6% from 21.9% in 2001. Food Distribution introduced approximately 1,000 new control label products in 2002, including 100 new *PC* general merchandise products.

Food Distribution continues to position itself in the general merchandise and gas bar categories in Eastern Canada, building on its success in Western Canada. Food Distribution expects that the continued capital investment in its store network, the expansion of non-food/general merchandise offerings, the opening of additional gas bars and the ongoing introduction of new control label products will generate continued sales growth.

Our *Heritage* products make it easy for consumers to purchase salmon by attractively packaging and conveniently labelling each tray with simple cooking instructions and nutritional information. The best before date guarantees freshness and the *Heritage* brand provides an assurance of premium quality Atlantic salmon.

Operating Income Food Distribution's operating income in 2002 increased $167 million, or 14.8%, reaching $1.3 billion, including a $14 million compensation cost ($21 million less the $7 million fair value impact of its equity forwards) relating to the new Canadian accounting standard for stock-based compensation and other stock-based payments implemented in 2002. Gross margins strengthened and operating margin improved to 5.6% from 5.2% in 2001. All regions across the country realized earnings improvements over 2001. EBITDA margin improved to 7.1% from 6.7% in 2001 and compares favourably with Food Distribution's North American industry peers. Margins continue to improve as a result of better overall sales mix management at the store level, the continued focus on administrative cost control and operating efficiencies (including a focus on controlling retail shrink and retail labour management), reduced product costs as a result of buying synergies and the maturing of stores opened during the past few years. Food Distribution expects continued operating income growth over each of the next few years consistent with recent history as a result of a combination of continued sales increases, a continued focus on the Food Distribution initiatives described above, the optimization of its supply chain and logistics opportunities and the continued rollout of *President's Choice Financial* services and products.

Food Distribution's 2002 return on average total assets was 13.6% compared to 13.3% in 2001. This return continues to increase after accounting for the significant capital investment activity over the last few years.

Fisheries Operating Results
($ millions except where otherwise indicated)

	2002	2001	Change
Sales	$ 219	$ 396	(44.7)%
Operating income	$ (26)	$ (1)	n/a
Operating margin	(11.9)%	(0.3)%	
EBITDA	$ (17)	$ 12	n/a
EBITDA margin	(7.8)%	3.0 %	
Return on average total assets	(8.5)%	(0.3)%	

n/a – change not relevant

Sales Fisheries sales declined 44.7% to $219 million from $396 million in 2001, which included the results of the Connors canned sardine and seafood processing operations that were disposed of during the fourth quarter of 2001. After adjusting for this disposition, the Fisheries base operations sales were essentially flat. Fisheries sales continue to be impacted by depressed fresh salmon market prices and excess capacity leading to excess supply of product, particularly related to Chilean producers. Prices have shown signs of improvement over 2002; however, supply volatility continues to impact pricing and sales growth.

Operating Income Fisheries operating loss of $26 million compared to a loss of $1 million in 2001, which included the results of the Fisheries operations that were disposed of during the fourth quarter of 2001. After adjusting for these dispositions, the Fisheries base operations continued to experience operating losses due to the ongoing softness in fresh salmon market prices. Fisheries results were also negatively impacted by disease issues during the year, which the Company is continuing to monitor and manage. The Fisheries base operations margins and return on total assets were also impacted by the factors noted above. During 2003, although price improvements are expected to continue, a return to profitability for the Fisheries segment, which will be closely monitored, is highly dependent upon further price improvements.

Food Distribution believes that to be successful in the Canadian food distribution industry it must provide consumers with the best in one-stop shopping and continually introduce innovative products and convenient services that meet their everyday household needs.

Liquidity and Capital Resources

Major Cash Flow Components

($ millions)

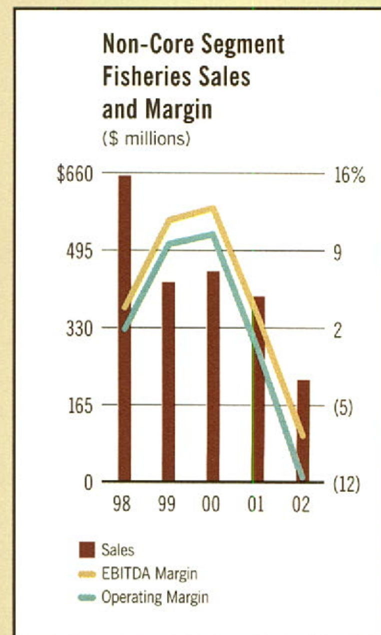
	2002	2001	Change
Cash flows from operating activities	$ 1,323	$ 961	37.7 %
Cash flows used in investing activities	$ (334)	$ (4,032)	(91.7)%
Cash flows (used in) from financing activities	$ (575)	$ 2,962	n/a

n/a – change not relevant

Sources of Liquidity The Company obtains its short term financing through a combination of cash generated from operating activities, cash, cash equivalents, short term investments, bank indebtedness and commercial paper programs. The Company's cash, cash equivalents and short term investments, as well as $277 million in uncommitted credit facilities and $300 million in committed credit facilities extended by several banks, support the Company's $500 million commercial paper program. Loblaw's cash, cash equivalents and short term investments, as well as $845 million in operating lines of credit extended by several banks, support its $1.2 billion commercial paper program. The Company's and Loblaw's commercial paper borrowings generally mature less than three months from the date of issuance although the term can be up to 364 days.

Securitization of credit card receivables provides President's Choice Bank ("PC Bank"), a wholly owned subsidiary of Loblaw, with an additional source of funds for the operation of its business. Under PC Bank's securitization program, a portion of the total interest in the credit card receivables is sold to an independent Trust. PC Bank securitized $244 million (2001 – $112 million) of credit card receivables during 2002. Additional information on PC Bank's credit card receivables and securitization is set out in Note 8 to the consolidated financial statements.

The Company obtains its long term financing primarily through Medium Term Note ("MTN") programs. The Company plans to refinance existing long term debt as it matures and may obtain additional long term financing for other operating uses or strategic reasons.



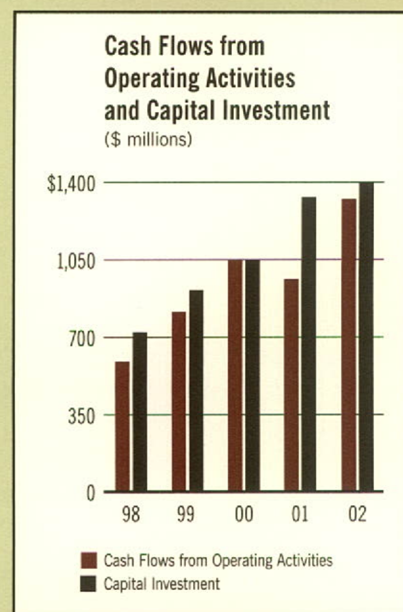
In the normal course of business, the Company enters into certain arrangements such as providing comfort letters to third party lenders in connection with financing activities, including the financing obtained by certain franchisees (with no recourse liability to the Company), and establishing standby letters of credit. These arrangements are for varying terms. The aggregate gross potential liability related to the Company's standby letters of credit is approximately $460 million (2001 – $438 million) against which the Company has $583 million (2001 – $588 million) in credit facilities available to draw on. Loblaw has provided a guarantee, on behalf of PC Bank, to MasterCard International Incorporated for U.S. $50 million (2001 – U.S. $12 million) relating to PC Bank's obligations to meet its settlement commitments arising from its credit card program.

For over 90 years, *Maier's* quality breads have been available to consumers. The success of *Maier's* products continues today with its famous Italian-style bread and *Maier's Country* line of variety breads.

The Company has the following sources from which it can fund its 2003 cash requirements: cash, cash equivalents, short term investments, bank indebtedness, cash flows generated from operating activities, commercial paper programs, MTN programs and additional credit card receivables securitization from future growth in the PC Bank operations. In 2003, the Company anticipates no difficulty in obtaining long term financing in view of its current credit ratings and its past experience in the capital markets.

Credit Ratings (Canadian Standards)	Dominion Bond Rating Service ("DBRS")	Standard & Poor's ("S&P")
Commercial paper	R-1 (low)	A-1 (low)
Medium term notes	A (low)	A–
Exchangeable debenture	BBB (high)	
Preferred shares	Pfd-2 (low)	P-2
Other notes and debentures	A (low)	A–

Cash Flows from Operating Activities 2002 cash flows from operating activities increased $362 million, or 37.7%, to $1.3 billion compared to $961 million in 2001. The increase mainly resulted from improved net earnings before depreciation and amortization and an increase in non-cash income taxes. The depreciation increase reflects the Company's continuing commitment to invest for growth across all reportable operating segments. The increase in non-cash income taxes primarily reflects an increase in the difference between income tax depreciation over accounting depreciation, mainly a result of a full year's inclusion of George Weston Bakeries. During 2002, increased investment in non-cash working capital, principally inventory, by Food Distribution was offset by improved working capital management in other reportable operating segments. The 2002 working capital position was $278 million compared to a deficiency of $593 million in 2001. The change in the working capital position was mainly due to a decrease in net short term borrowings (principally as a result of refinancing the unsecured short term credit facility to long term debt), an increase in inventory levels and an increase in credit card receivables due to an increase in the number of accounts (net of securitization) offset by the 2002 disposition of the western portion of Bestfoods Baking.



The 2003 cash flows from operating activities are expected to increase at a rate consistent with operating earnings growth (excluding the impact of the acquisition restructuring and other charges which are not considered part of normal operations) and are expected to fund a significant portion of the Company's anticipated 2003 capital investment activity.

Cash Flows used in Investing Activities 2002 cash flows used in investing activities were $334 million compared to $4.0 billion in 2001. Adjusting for the 2001 George Weston Bakeries acquisition and the 2002 disposition of the western portion of Bestfoods Baking, cash flows used in investing activities were relatively stable.

Food Distribution's strategy of significant capital investment has proven successful and is reflected in strong sales and same-store sales growth. Over the past three years, sales growth and same-store sales growth have averaged 7.1% and 4.5%, respectively.

Capital investment reached $1.4 billion (2001 – $1.3 billion), reflecting the Company's continuing commitment to maintain and renew its asset base and invest for growth across North America. Weston Foods' capital investment was $311 million (2001 – $188 million). The capital was directed towards two plant expansions, the construction of two new plants, two facility acquisitions and facility betterments and upgrades. Weston Foods' capital investment benefited all of its operations to varying degrees and strengthened its processing and distribution capabilities. Food Distribution's capital investment was $1.1 billion (2001 – $1.1 billion). Approximately 80% of its capital investment was for new stores, renovations or expansions and the remainder was for its distribution network, information systems and other infrastructure that support store growth. Food Distribution's continued capital investment activity benefited all regions to varying degrees and strengthened its existing store base. Food Distribution continued to roll out its new enlarged store layout, which is designed to accommodate a greater selection of general merchandise products. Food Distribution's capital investment program increased net retail square footage by 6.9% over 2001, which includes the impact of store openings and closures during the year. The 75 (2001 – 61) new franchised and corporate stores added 2.6 million square feet of retail space (2001 – 1.9 million), net of 58 (2001 – 62) store closures. The 2002 average corporate store size increased 5% to 48,900 square feet (2001 – 46,400) and the average franchised store size increased 2% to 23,400 square feet (2001 – 22,900). Fisheries' capital investment was $7 million (2001 – $34 million), the majority of which was directed towards updated feeding system technology and equipment.

The Company expects to continue its capital investment pace in 2003. Capital investment in 2003 is estimated at $1.6 billion (approximately $300 million for Weston Foods, $1.3 billion for Food Distribution and $10 million for Fisheries). Weston Foods' 2003 capital investment will focus on the integration of George Weston Bakeries, the completion of a new facility and plant expansion in eastern Canada and routine capital upgrades across the segment. Food Distribution plans to open, expand or renovate more than 160 corporate and franchised stores throughout Canada. Fisheries' 2003 capital investment will focus on routine capital upgrades.

Cash Flows used in/from Financing Activities 2002 cash flows used in financing activities was $575 million compared to cash flows from financing activities of $3.0 billion in 2001. During 2002, the Company or Loblaw completed the following financing activities:

- issued $600 million of MTN,
- issued 10.6 million Preferred Shares, Series II for net proceeds of $260 million,
- issued $33 million of Series B Debentures,
- repaid the $1.4 billion remaining balance on the short term unsecured credit facility,
- redeemed the $61 million Series 8 Debentures,
- repaid the $10 million BA Range Note as it matured,
- Loblaw purchased for cancellation, pursuant to its Normal Course Issuer Bid ("NCIB"), 309,000 of its common shares for $17 million, and
- the Company purchased for cancellation, pursuant to its NCIB, 327,400 of its common shares for $33 million.

During 2001, the Company or Loblaw completed the following financing activities:

- issued $1.5 billion of MTN,
- issued $466 million of Series A Debentures,
- issued 9.4 million Preferred Shares, Series I for net proceeds of $228 million,
- obtained a $2.8 billion short term unsecured credit facility used to finance the George Weston Bakeries acquisition,
- repaid $1.4 billion of the short term unsecured credit facility,
- repaid $100 million of MTN and $100 million of Provigo Inc. Debentures as they matured,

With 370 in-store pharmacies and more than 1,000 pharmacists across Canada, Food Distribution's time-pressed customers appreciate the convenience of having their prescriptions filled while they shop for groceries and purchase all their health care needs.

- redeemed $50 million of Series 5 Debentures,
- Loblaw purchased for cancellation, pursuant to its NCIB, 12,600 of its common shares for $1 million, and
- the Company purchased for cancellation, pursuant to its NCIB, 8,100 of its common shares for $1 million.

See Notes 13 and 15 to the consolidated financial statements for the terms and details of the debt and share capital transactions.

At year end 2002, the Company had $100 million of MTN available to issue under its 2001 $1.5 billion Base Shelf Prospectus and Loblaw had $700 million of MTN available to issue under its 2001 $1.5 billion Base Shelf Prospectus. Subsequent to year end 2002, the Company issued $100 million of 6.69% MTN due 2033 and Loblaw issued $200 million of 6.54% MTN due 2033.

The Company intends to renew its NCIB to purchase on the Toronto Stock Exchange or enter into equity derivatives to purchase up to 5% of its common shares outstanding. The Company believes that the market price of its common shares could be such that their purchase may be an attractive and appropriate use of funds in light of potential benefits to remaining shareholders. During 2002, the Company entered into equity swaps to buy 800,000 of its common shares, at an average forward price of $115.01 with an initial term of six years, pursuant to its NCIB. Subsequent to year end, the Company entered into equity swaps to buy 886,700 of its common shares, at an average forward price of $92.49 with an initial term of six years, pursuant to its NCIB.

Operating Risks and Risk Management

In the normal course of its business, the Company's reportable operating segments are exposed to operating risks that have the potential to affect its operating results. Each segment has its own operating and risk management strategies, which help to minimize these operating risks.

Commodity Prices Weston Foods operating results are directly impacted by fluctuations in the price of commodities such as wheat, flour, sugar, vegetable oil and cocoa. In order to minimize the effect of these fluctuations on current operating results and to lessen the resulting uncertainty of future financial results, the Company hedges certain of its anticipated commodity purchases to manage its current and anticipated exposure to fluctuations in commodity prices. During 2002, the Company entered into commodity future or option contracts, which limit price fluctuations on certain commodities for approximately six months, on average, into 2003.

Pension, Post-Retirement and Post-Employment Benefits In order to measure the obligations and expenses of pension, post-retirement and post-employment benefit plans, the Company is required to set various actuarial assumptions including a long term estimate of the expected rate of return on plan assets, the discount rate and the growth rate of health care costs. Because these assumptions are forward-looking and longer term in nature, actual results may differ.

The following table outlines the 2003 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses. The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities in each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce certain sensitivities. The impact of such changes is mitigated through the amortization of actuarial gains or losses in accordance with Canadian generally accepted accounting principles ("GAAP").

Fisheries, through its *Heritage* product line, continues to leverage its strong brand equity with its customers and to be the leader in the development of innovative and consumer-friendly salmon products.

($ millions except where otherwise indicated)	Pension Benefit Plans: Accrued Benefit Obligation	Pension Benefit Plans: Benefit Expense	Other Benefit Plans: Accrued Benefit Obligation	Other Benefit Plans: Benefit Expense
Expected long term rate of return on plan assets		8.0%		
Impact of: 1% increase		$ (10)		
1% decrease		$ 10		
Discount rate	6.6%	6.6%	6.4%	6.4%
Impact of: 1% increase	$ (164)	$ (21)	$ (36)	$ (5)
1% decrease	$ 187	$ 28	$ 42	$ 6
Growth rate of health care costs (1)			9.0%	9.0%
Impact of: 1% increase			$ 34	$ 7
1% decrease			$ (30)	$ (6)

(1) Trending to 5.0% in 2010 and remaining at that level thereafter.

For 2003, the Company has assumed an 8.0% (2002 – 8.0%) expected long term rate of return on plan assets based on the plan asset mix and the active management of its plan assets. At year end 2002, the Company's defined benefit pension plan assets had a 10 year annualized return of 9.0%.

Over the past three years, the poor performance in the financial markets combined with interest rates at 40 year lows have negatively impacted the funding of the Company's defined benefit pension plans. During 2002, the Company contributed $20 million (2001 – $10 million) to its defined benefit pension plans. During 2003, the Company expects to contribute approximately $86 million to these plans. In addition, contributions are also made to various multi-employer benefit plans providing pension benefits in which approximately 52% of the Company employees participate.

Electricity Prices In 2002, the Government of Ontario, Canada deregulated the supply of electricity. In order to minimize the risk of higher electricity prices, the Board approved the Company's entry into a three year initial term electricity forward purchase contract, which expires May 2005. This contract maintains a portion of the Company's electricity costs at approximately 2001 rates.

Seasonality The Company's operations, specifically inventory levels, sales volumes and product mix, are impacted to some degree by certain holiday periods throughout the year. Each of the Company's reportable segments continuously monitors the impact holidays may have on its operations and adjusts inventory levels and production and delivery schedules as required. As Food Distribution increases its offering of general merchandise it may increase the number of seasonal products offered and, therefore, its operations may be more subject to seasonal fluctuations.

Industry Changes in the North American food industry are driven by consumer needs. The industry is impacted by changing demographic and economic trends such as changes in disposable income, increasing ethnic diversity, nutritional awareness and time availability. Over the last several years, consumers have demanded more quality, value and convenience.

Brownberry products, led by wide pan sandwich breads, natural breads and the introduction of *Brownberry Dutch Country* sliced breads in the premium segment, also include premium buns, rolls, bagels, croutons and stuffing products.

All operating segments continuously evaluate the markets they operate in and will enter new markets and review acquisitions, such as the 2001 George Weston Bakeries acquisition, when opportunities arise. With any acquisition, there is inherent risk related to the Company's ability to integrate the acquired business and to achieve the anticipated operating improvements. The Company will also exit a particular market and reallocate assets elsewhere when there is a strategic advantage in doing so.

Weston Foods' strategy to operate on a North American scale, as supported by the 2001 George Weston Bakeries acquisition, allows the Company to effectively manage and minimize its exposure to industry risk.

Food Distribution pursues a strategy of enhancing profitability on a market-by-market basis by using a multi-format approach. By operating across Canada through corporate stores, franchised stores and associated stores as well as servicing independent accounts, Food Distribution strategically minimizes and balances its exposure to industry risk.

Fisheries operates hatcheries, ocean pens and processing plants in three strategic geographic areas – the east coast of Canada and the United States, the west coast of Canada and southern Chile – to minimize its exposure to industry risk.

Competitive The Company regularly reviews and monitors operating plans and results including market share in its reportable operating segments. When necessary, the segments will modify their operating strategies including relocating production facilities or stores, reviewing pricing and adjusting product offerings, brand positioning and/or marketing programs to take into account competitive activity. A significant competitive advantage the Company has developed is its brands. All segments focus on brand development and building upon their core brand equity.

Weston Foods' brands provide it with a strategic advantage over its competitors. Its premium and popular brands, including *Arnold, Country Harvest, D'Italiano, Entenmann's, Freihofer's, Maier's, Neilson, Stroehmann, Thomas', Weston* and *Wonder*, provide Weston Foods with strong core brands and product lines that enhance consumer loyalty, trusted as they are for quality, great taste and freshness. As a result of softness in the United States food retail market, the Company anticipates that there will be significant competitive business restructuring in 2003. Although the outcome and the impact, if any, on the Company's consolidated financial results from this anticipated restructuring is uncertain, the Company will closely monitor the United States food retail market and, if required, adjust its strategies and programs as necessary.

Food Distribution's control label program, which includes *President's Choice, PC, President's Choice Organics, no name, Club Pack, GREEN, TOO GOOD TO BE TRUE* and *EXACT*, enhances customer loyalty by offering superior value and provides some protection against national brand pricing strategies. Recently, Food Distribution has seen the introduction of non-traditional competitors, such as mass merchandisers and warehouse clubs, who continue to increase their offerings of products typically associated with supermarkets. In order to compete effectively and efficiently, Food Distribution is developing and operating new departments and services that complement the traditional supermarket layout as well as enhancing its non-food product and service offerings. Food Distribution maintains a significant portfolio of owned retail real estate and, whenever practical, pursues a strategy of purchasing sites for future store locations. This enhances Food Distribution's operating flexibility.

Weston Foods' brands, including *Arnold, Country Harvest, D'Italiano, Entenmann's, Freihofer's, Maier's, Neilson, Stroehmann, Thomas', Weston* and *Wonder*, provide Weston Foods with strong core brands and product lines that enhance consumer loyalty, trusted as they are for quality, great taste and freshness.

Fisheries' product innovation is its strategic point of differentiation from its competitors. Fisheries, through its *Heritage* product line, continues to leverage its strong brand equity with its customers and to be a leader in the development of innovative and consumer-friendly salmon products.

Labour The Company has good relations with its employees and unions and, although it is possible, does not anticipate any unusual difficulties in renegotiating agreements. The Company, however, is willing to accept the short term costs of labour disruption in order to negotiate competitive labour costs and operating conditions for the longer term. Low cost, non-union competitors continue to be a threat to Food Distribution's cost structure.

Leadership Development The experience and skills of the Company's management team are critical to its growth initiatives and strategies. It is imperative that the Company continually develop its employees. Therefore, the Company supports leadership development initiatives that ensure its ability to sustain good execution in the long term by building strong leaders throughout all levels of its operations.

Insurance The Company effectively limits its exposure to risk through a combination of appropriate levels of self-insurance and the purchase of an integrated insurance program. Insurance is arranged on a multi-year basis with reliable, financially stable insurance companies as rated by A.M. Best Company, Inc. The integrated insurance program will expire at the end of 2003. The Company is actively working with the current insurance providers to negotiate a multi-year program, as well as evaluating alternatives with other insurance providers. The Company combines comprehensive loss prevention programs and the active management of claims handling and litigation processes by using internal professionals and external technical expertise to reduce and manage the risk it retains.

Food Safety The Company has for many years had food safety programs and procedures that proactively minimize food safety risks to the consumer. Food safety programs address safe food handling and preparation standards, ensure co-packing arrangements and suppliers of food product adhere to safe standards, and that best practices are in place for storage and distribution of food product. The Company is also intensifying the campaign for consumer awareness on safe food handling and consumption. In addition, procedures are in place to manage food crises, should they occur, which identify risks, ensure that communication with consumers is clear, immediate and precise, and ensure that potentially harmful products are removed from inventory immediately.

Environmental, Health and Safety The Company has effective environmental programs in place and has established policies aimed at ensuring compliance with all applicable environmental legislative requirements. To this end, the Company has initiated environmental risk assessments and audits using internal and external resources, as well as using communication tools to raise awareness among employees throughout its operating segments.

The Company endeavours to be socially and environmentally responsible, and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with environmental stewardship and ecological considerations. Environmental committees throughout the Company meet regularly to monitor and ensure the maintenance of responsible operations. Environmental protection requirements do not and are not expected to have a material effect on the Company's consolidated financial condition or results of operations. The Company has a health and safety program designed to address health and wellness, workplace safety and compliance with internal and regulatory guidelines for occupational health and safety. This health and safety program is subject to compliance audits. Environmental risk assessments and compliance audits for health and safety are used as an effective means of identifying current and potential risks. The results show that there are no significant issues or risks to report. The Environmental, Health and Safety Committee of the Board receives reports which review outstanding issues, identify new legislative concerns and outline related communication efforts.

Moulin Rouge baguettes, made with flour imported from France, won the Grocery Industry's Grand Prix award for best new bakery product. Our *Moulin Rouge* brand expanded its offering to other popular varieties including European Sourdough and a Parisian loaf made using the original baguette recipe.

Third Party Service Providers *President's Choice Financial* services are provided by Amicus Bank, a member of the CIBC group of companies. PC Bank uses third party service providers to process credit card transactions, to operate call centres and to monitor credit and fraud for the *President's Choice Financial* MasterCard. In order to minimize operating risk, PC Bank and Loblaw actively manage and monitor their relationship with all third party service providers. PC Bank has developed a vendor management policy, approved by its Board of Directors, and provides its Board with regular reports on vendor management and risk assessment.

In addition, Food Distribution's control label products are manufactured under contract by third party vendors. The vendors are held to high standards of quality.

Financial Risks and Risk Management

In the normal course of its business, the Company is exposed to financial risks that have the potential to affect its operating results. These risks and the Company's risk management strategies are discussed below.

The Company maintains treasury centres that operate under policies and guidelines approved by the Board, covering funding, investing, foreign exchange, equity and interest rate management. The Company's policies and guidelines prevent it from using any financial instrument for speculative purposes. Risks relating to the Company's financing activities include changes in interest rates, foreign currency exchange rates and the market price of the Company's and Loblaw's common shares. The Company uses financial instruments to minimize the risks and costs associated with its financing activities and its stock-based compensation plans. See Note 17 to the consolidated financial statements for detailed information on the Company's financial instruments.

Counterparty The successful completion of a financial transaction depends on the ability of both parties to meet their financial commitments under the contract. The Company has sought to minimize potential counterparty risk and losses by implementing a policy which allows such transactions only with counterparties that have at a minimum an A rating by S&P or DBRS, placing risk adjusted limits on its exposure to any single counterparty and having master netting agreements with its counterparties. These netting agreements allow for the legal right to settle different transactions with the same counterparty on a net basis.

Credit The Company's exposure to credit risk relates mainly to PC Bank's credit card receivables. PC Bank manages the *President's Choice Financial* MasterCard and the *PC* points loyalty program. PC Bank grants credit to its customers on the *President's Choice Financial* MasterCard with the intention of increasing the loyalty of Food Distribution customers and Food Distribution profitability. In order to minimize the associated credit risk, PC Bank employs credit scoring techniques which are considered leading in the industry, actively monitors its credit card portfolio and reviews techniques and technology that can improve the effectiveness of its collection process.

Foreign Exchange The Company enters into currency derivative agreements to manage its current and anticipated exposure to fluctuations in foreign currency exchange rates. These agreements limit the Company's exposure to foreign currency exchange rate fluctuations on the Company's United States dollar denominated net investment in self-sustaining foreign operations, on Loblaw's United States dollar denominated net assets, principally cash, cash equivalents and short term investments and/or on United States dollar denominated commitments or anticipated transactions.

Food Distribution has more than 5,000 control label products, marketed under the brand names *President's Choice*, *PC*, *President's Choice Organics*, *no name*, *Club Pack*, *GREEN*, *TOO GOOD TO BE TRUE* and *EXACT*, which enhance customer loyalty by offering superior value and provide some protection against national brand pricing strategies.

Interest Rate The Company enters into interest rate derivative agreements to manage its current and anticipated exposure to fluctuations in interest rates and market liquidity. On an ongoing basis, the Company monitors market conditions and the impact of interest rate fluctuations on its fixed/floating interest rate exposure mix. The cross currency basis swaps entered into by the Company have an embedded interest rate component and are therefore sensitive to interest rate fluctuations.

Common Stock Market Price The Company enters into equity derivative agreements to manage its current and anticipated exposure to fluctuations in the market prices of the Company's and Loblaw's common shares. These agreements change in value as the market price of the underlying common shares changes and provide a partial offset to fluctuations in the Company's stock-based compensation cost or an offset to any repayment risk associated with the Series A, 7.00% and Series B Debentures issued by the Company.

Accounting Standards and Disclosure Changes Implemented in 2002

As of the fourth quarter, the Company amended its reportable operating segments. In light of the full year's inclusion of George Weston Bakeries' results in 2002 and in order to provide shareholders with an enhanced view of senior management's operational focus and the way that senior management organizes the Company to make operating decisions and assess performance, the Company determined that it has three reportable operating segments: Weston Foods, Food Distribution and Fisheries. The Company views Weston Foods and Food Distribution as core segments and Fisheries as a non-core segment. In prior years, the Company reported Weston Foods and Fisheries as one segment, Food Processing.

In July 2001, the Company implemented the new Canadian accounting standard Section 3062 "Goodwill and Intangible Assets" for the acquisition of George Weston Bakeries and effective January 1, 2002, the Company implemented this standard prospectively for all goodwill and intangible assets that existed prior to July 1, 2001. Under Section 3062, goodwill is no longer amortized but instead the carrying value of goodwill must be tested annually for impairment. In addition, the amortization of intangible assets is no longer required unless the intangible asset has a limited life, in which case it will be amortized over its estimated useful life. Intangible assets not subject to amortization must be tested annually for impairment. During the fourth quarter of 2002, the Company performed the annual goodwill and intangible assets impairment tests and determined that there was no impairment to the carrying value of the goodwill or the intangible assets. If this new standard had been applied to 2001 results, net earnings would have increased by $37 million, which includes a $16 million minority interest impact, and basic net earnings per common share would have increased 28 cents. See Notes 1 and 10 to the consolidated financial statements for additional information.

Effective January 1, 2002, the Company implemented the new Canadian accounting standard Section 3870 "Stock-based Compensation and Other Stock-based Payments". The cumulative effect of implementation was a decrease to retained earnings of $55 million ($125 million less future income tax recoverable of $28 million, the $32 million fair value impact of Loblaw's equity forwards and a $10 million minority interest impact). This decrease includes the Company's portion of Loblaw's decrease to its retained earnings of $25 million ($80 million less future income tax recoverable of $23 million and the $32 million fair value impact of its equity forwards). See Notes 1 and 16 to the consolidated financial statements for additional information.

Our *Stroehmann* brand, known for its king-size white bread, also produces *Dutch Country* potato bread, one of the best-selling brands of soft variety breads. *D'Italiano* Italian bread and rolls continues to be one of Weston Foods' most successful brands.

Future Accounting Standards

The Canadian Institute of Chartered Accountants (the "CICA") issued several new accounting pronouncements, some of which are being revised, which the Company will be required to adopt in the future. The Company closely monitors changes in accounting standards and is assessing the impact, if any, on its consolidated financial statements of the following pronouncements:

- Accounting Guideline 14 – "Disclosure of Guarantees". This guideline requires a guarantor to disclose significant information about guarantees it has provided, without regard to the probability that the guarantor will have to make any payments under those guarantees and is in addition to the requirements under Section 3290, "Contingencies". This guideline is effective for interim and annual periods beginning on or after January 1, 2003 and will be implemented in the first quarter of 2003.

- Section 3063 – "Impairment of Long-Lived Assets" and revised Section 3475 – "Disposal of Long-Lived Assets and Discontinued Operations". Section 3063 establishes standards for the recognition, measurement, presentation and disclosure of the impairment of long-lived assets that are held for use and is effective for fiscal years beginning on or after April 1, 2003. The Company intends to implement Section 3063 in the first quarter of 2004. The revised Section 3475 establishes the criteria for recognition, measurement, presentation and disclosure of the disposal of long-lived assets including the presentation and disclosure of discontinued operations and is applicable for disposal activities initiated after May 1, 2003.

- Accounting Guideline 13 – "Hedging Relationships". This guideline addresses the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. This guideline is being reviewed by the CICA and will be reissued. The effective implementation date was deferred to fiscal years beginning on or after July 1, 2003.

- Draft Accounting Guideline – "Consolidation of Special Purpose Entities" ("SPE"). This draft guideline establishes the principles for determining when an entity should consolidate the activities of an SPE in its consolidated financial statements. This draft guideline is being reviewed by the CICA and is expected to be reissued.

- Exposure Draft amending Section 3870 – "Stock-based Compensation and Other Stock-based Payments". The proposed amendments would require the recognition of an expense for all employee stock-based compensation transactions and eliminate the current option to disclose the pro forma effect of such transactions on net earnings and basic net earnings per common share in the notes to the consolidated financial statements. These amendments would be effective for fiscal years beginning on or after January 1, 2004.

Outlook

The Company had another successful year in 2002, maintaining a consistent financial position and good cash flow generation, while continuing its $1.4 billion annual capital investment program. Management believes the financial strength of the Company and the strategic deployment of its financial resources will allow for the continued successful implementation of the Company's operating and financial strategies. While the United States consumer is showing signs of stress, management is confident that 2003 will be another successful year for the Company.

The Company has established a solid platform from which it can generate additional value for consumers and shareholders. As a measure of the Company's success, over the past five years Weston's common share price appreciation has yielded an average annual 18.3% return and the annual return on common shareholders' equity has averaged 20.1%.

Quarterly Financial Information

The following is a summary of selected quarterly financial information. Each quarter represents a 12 week period, except the third quarter, which represents a 16 week period.

($ millions except where otherwise indicated)		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Sales	**2002**	**$ 5,998**	**$ 6,324**	**$ 8,509**	**$ 6,615**	**$ 27,446**
	2001	$ 5,118	$ 5,572	$ 7,788	$ 6,183	$ 24,661
EBITDA	**2002**	**$ 415**	**$ 495**	**$ 619**	**$ 656**	**$ 2,185**
	2001	$ 326	$ 407	$ 542	$ 596	$ 1,871
Operating income	**2002**	**$ 302**	**$ 380**	**$ 463**	**$ 533**	**$ 1,678**
	2001	$ 235	$ 314	$ 405	$ 486	$ 1,440
Interest expense	**2002**	**$ 61**	**$ 56**	**$ 72**	**$ 49**	**$ 238**
	2001	$ 46	$ 42	$ 81	$ 52	$ 221
Income taxes	**2002**	**$ 84**	**$ 106**	**$ 128**	**$ 151**	**$ 469**
	2001	$ 68	$ 92	$ 114	$ 161	$ 435
Net earnings	**2002**	**$ 108**	**$ 161**	**$ 190**	**$ 231**	**$ 690**
	2001	$ 75	$ 124	$ 143	$ 240	$ 582
Earnings Per Common Share ($)						
Basic						
Net earnings	**2002**	**$ .80**	**$ 1.18**	**$ 1.37**	**$ 1.70**	**$ 5.05**
	2001	$ .57	$ .94	$ 1.09	$ 1.82	$ 4.42
Earnings before goodwill charges, net of minority interest impact	**2002**	**$ .80**	**$ 1.18**	**$ 1.37**	**$ 1.70**	**$ 5.05**
	2001	$ .63	$ 1.01	$ 1.17	$ 1.88	$ 4.70
Diluted						
Net earnings	**2002**	**$ .79**	**$ 1.17**	**$ 1.36**	**$ 1.70**	**$ 5.02**
	2001	$ .56	$ .94	$ 1.08	$ 1.80	$ 4.37
Earnings before goodwill charges, net of minority interest impact	**2002**	**$ .79**	**$ 1.17**	**$ 1.36**	**$ 1.70**	**$ 5.02**
	2001	$ .62	$ 1.01	$ 1.16	$ 1.86	$ 4.65

Supplementary Financial Information

The Company included information on EBITDA and basic earnings per common share before goodwill charges and unusual items because it believes certain readers of this Annual Report use these measures as a means of measuring financial performance. The terms do not have a standardized meaning prescribed by Canadian GAAP and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies. These measures should not be construed as alternatives to cash from operations or other earnings and liquidity measures as determined in accordance with Canadian GAAP.

The following tables reconcile EBITDA to the Canadian GAAP measures reported in the Consolidated Statements of Earnings.

				2002
($ millions)	Weston Foods	Food Distribution	Fisheries	Consolidated
Operating income	$ 409	$ 1,295	$ (26)	$ 1,678
Depreciation	144	354	9	507
EBITDA	$ 553	$ 1,649	$ (17)	$ 2,185

				2001
($ millions)	Weston Foods	Food Distribution	Fisheries	Consolidated
Operating income	$ 313	$ 1,128	$ (1)	$ 1,440
Depreciation	103	315	13	431
EBITDA	$ 416	$ 1,443	$ 12	$ 1,871

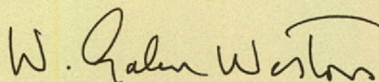
The following table reconciles basic earnings per common share before goodwill charges and unusual items to basic net earnings per common share reported in the Consolidated Statements of Earnings.

($ millions except where otherwise indicated)	2002	2001
Net earnings available to common shareholders	$ 666	$ 581
Goodwill charges (net of minority interest impact and tax)		37
Unusual items (net of tax)		(55)
Adjusted earnings available to common shareholders	$ 666	$ 563
Weighted average common shares outstanding (in millions)	131.9	131.5
Basic net earnings per common share ($)	$ 5.05	$ 4.42
Basic earnings per common share before goodwill charges and unusual items ($)	$ 5.05	$ 4.28

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

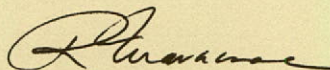
To provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced, management maintains a system of internal controls reinforced by the Company's standards of conduct and ethics set out in written policies. Internal auditors, who are employees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

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



W. Galen Weston
Chairman and President

Toronto, Canada
March 7, 2003



Richard P. Mavrinac
Chief Financial Officer

To the Shareholders of George Weston Limited:

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

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

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

KPMG LLP

Chartered Accountants

Toronto, Canada
March 7, 2003

Consolidated Statements of Earnings

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

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

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Retained Earnings

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

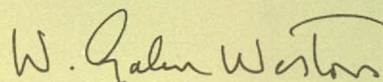
	2002	2001
Retained Earnings, Beginning of Year	$ 3,260	$ 2,801
Impact of implementing new accounting standard (note 1 – Stock-Based Compensation)	(55)	
Net earnings	690	582
Premium on common shares purchased for cancellation (note 15)	(33)	(1)
Stock option plan cash payments (note 16)		(12)
Net subsidiary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

See accompanying notes to the consolidated financial statements.

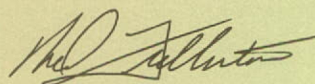
As at December 31 ($ millions)	2002	2001
Assets		
Current Assets		
Cash and cash equivalents (note 7)	$ 1,157	$ 743
Short term investments (note 7)	398	518
Accounts receivable (note 8)	964	863
Inventories	1,994	1,780
Business held for sale (note 4)		934
Future income taxes (note 5)	144	168
Prepaid expenses and other assets	48	54
Total Current Assets	4,705	5,060
Fixed Assets (note 9)	7,053	6,249
Goodwill and Intangible Assets (note 10)	3,988	3,980
Future Income Taxes (note 5)	43	129
Other Assets (note 11)	874	869
Total Assets	$ 16,663	$ 16,287
Liabilities		
Current Liabilities		
Bank indebtedness	$ 61	$ 152
Commercial paper	715	466
Accounts payable and accrued liabilities	3,344	3,407
Income taxes	164	179
Short term bank loans (notes 4 & 13)	33	1,367
Long term debt due within one year (note 13)	110	82
Total Current Liabilities	4,427	5,653
Long Term Debt (note 13)	5,391	4,908
Future Income Taxes (note 5)	146	122
Other Liabilities (note 14)	728	601
Minority Interest	1,589	1,377
Total Liabilities	12,281	12,661
Shareholders' Equity		
Share Capital (note 15)	609	305
Retained Earnings	3,712	3,260
Cumulative Foreign Currency Translation Adjustment	61	61
Total Shareholders' Equity	4,382	3,626
Total Liabilities and Shareholders' Equity	$ 16,663	$ 16,287

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board



W. Galen Weston
Director



R. Donald Fullerton
Director

For the years ended December 31 ($ millions)	2002	2001
Operating Activities		
Net earnings before minority interest	$ 971	$ 794
Depreciation and amortization	507	488
Unusual items (notes 3 & 4)		(63)
Future income taxes	137	56
Change in non-cash working capital	(212)	(217)
Acquisition restructuring and other charges, including income tax recoveries	(107)	(76)
Other	27	(21)
Cash Flows from Operating Activities	1,323	961
Investing Activities		
Fixed asset purchases	(1,397)	(1,330)
Short term investments	120	(100)
Proceeds from fixed asset sales	69	52
Business acquisitions (note 4)		(2,794)
Business dispositions (note 3)	960	330
Franchise investments, other receivables and credit card receivables	(111)	(148)
Other	25	(42)
Cash Flows used in Investing Activities	(334)	(4,032)
Financing Activities		
Bank indebtedness	(91)	3
Commercial paper	249	(237)
Short term bank loans (notes 4 & 13) – Issued	33	2,788
– Retired	(1,367)	(1,421)
Long term debt (note 13) – Issued	600	2,006
– Retired	(78)	(253)
Share capital (note 15) – Issued	304	229
– Retired	(33)	(1)
Subsidiary share capital – Issued (note 16)	2	
– Retired (note 4)	(17)	(1)
Dividends – To shareholders	(141)	(105)
– To minority shareholders	(51)	(52)
Other	15	6
Cash Flows (used in) from Financing Activities	(575)	2,962
Change in Cash and Cash Equivalents	414	(109)
Cash and Cash Equivalents, Beginning of Year	743	852
Cash and Cash Equivalents, End of Year	$ 1,157	$ 743

See accompanying notes to the consolidated financial statements.

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

1. Summary of Significant Accounting Policies

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

Basis of Consolidation

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

Fiscal Year

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

Revenue Recognition

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

Earnings Per Share ("EPS")

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

Cash, Cash Equivalents and Bank Indebtedness

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

Short Term Investments

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

Credit Card Receivables

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

Allowance for Credit Losses

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

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

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

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

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

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

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

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

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

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

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

Financial Derivative Instruments

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

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

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

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

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

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

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

Income Taxes

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

Pension, Post-Retirement and Post-Employment Benefits

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

Stock-Based Compensation

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

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

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

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

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

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

Use of Estimates and Assumptions

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

Comparative Information

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

2. Interest Expense

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

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

3. Business Dispositions ($)

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

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

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

4. Business Acquisitions

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

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

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

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

Other Acquisitions

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

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

5. Income Taxes

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

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

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

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

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

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

6. Basic and Diluted Net Earnings per Common Share

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

7. Cash, Cash Equivalents and Short Term Investments

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

8. Credit Card Receivables

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

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

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

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

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

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

9. Fixed Assets

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

10. Goodwill and Intangible Assets

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

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

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

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

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

11. Other Assets

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

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

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

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

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

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

The significant annual weighted average actuarial assumptions were as follows:

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

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

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

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

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

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

13. Long Term Debt

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

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

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

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

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

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

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

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

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

14. Other Liabilities

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

15. Share Capital

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

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

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

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

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

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

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

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

16. Stock-Based Compensation ($)

Stock Option Plan

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

Loblaw Stock Option Plan

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

Share Appreciation Right Plan

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

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

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

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

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

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

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

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

Deferred Share Units

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

Loblaw Employee Share Ownership Plan ("ESOP")

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

17. Financial Instruments

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

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

Cross Currency Basis Swaps

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

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

Interest Rate Swaps

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

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

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

Equity Swaps and Forwards ($)

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

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

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

Electricity Forward Purchase Contract

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

Counterparty Risk

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

Fair Value of Financial Instruments

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

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

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

18. Contingencies and Commitments

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

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

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

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

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

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

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

19. Related Party Transactions

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

20. Segment Information

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

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

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

The Company operates primarily in Canada and the United States.

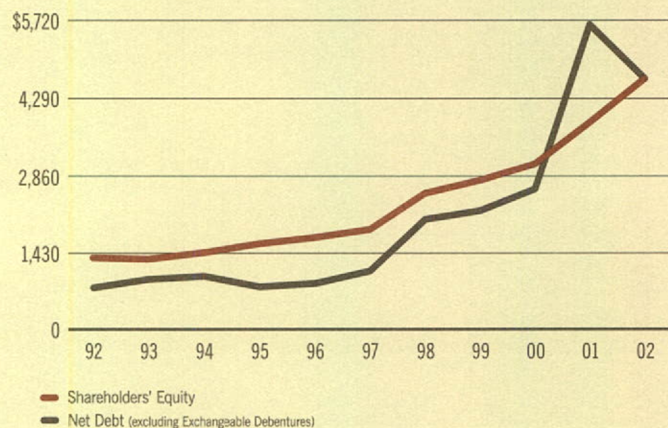
	2002	2001
Sales (excluding intersegment)		
Canada	$ 23,650	$ 22,071
United States	3,796	2,590
Consolidated	$ 27,446	$ 24,661
Fixed Assets and Goodwill		
Canada	$ 7,635	$ 6,891
United States	2,765	2,697
Consolidated	$ 10,400	$ 9,588

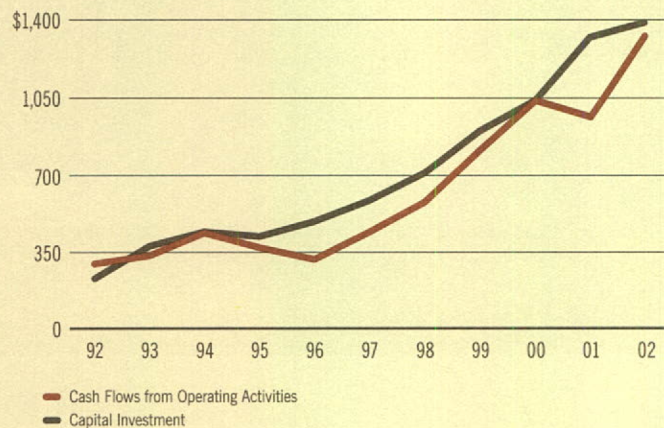
(1) Excludes the $367 (2001 – $368) investment in Domtar common shares, which is effectively hedged as a result of issuing the 3% Exchangeable Debentures (see Note 13).

Consolidated Information – Continuing Operations (1)

For the years ended December 31 ($ millions except where otherwise indicated)	2002	2001	2000	1999
Operating Results				
Sales	27,446	24,661	22,344	20,851
EBITDA	2,185	1,871	1,557	1,319
Operating income	1,678	1,440	1,189	969
Interest expense	238	221	171	136
Net earnings	690	582	481	351
Financial Position				
Working capital	278	(593)	(173)	(147)
Fixed assets	7,053	6,249	4,896	4,204
Goodwill	3,347	3,339	2,073	1,923
Total assets	16,663	16,287	11,421	10,049
Net debt	4,755	5,714	2,828	2,446
Shareholders' equity	4,382	3,626	2,904	2,618
Cash Flow				
Cash flows from operating activities	1,323	961	1,045	812
Capital investment	1,397	1,330	1,047	911
Per Common Share ($)				
Basic net earnings	5.05	4.42	3.66	2.67
Basic earnings before goodwill charges and unusual item(s)	5.05	4.28	3.93	2.87
Dividend rate at year end	.96	.80	.80	.48
Cash flows from operating activities	9.88	7.31	7.95	6.17
Capital investment	10.59	10.11	7.96	6.92
Book value	29.43	25.84	22.09	19.98
Market value at year end	90.25	103.40	84.10	55.25
Financial Ratios				
EBITDA margin (%)	8.0	7.6	7.0	6.3
Operating margin (%)	6.1	5.8	5.3	4.6
Net earnings before unusual items margin (%)	2.5	2.1	2.2	1.6
Return on average total assets (%)	11.5	11.9	12.4	11.2
Return on average common shareholders' equity (%)	18.3	18.4	17.4	14.0
Interest coverage	7.1	6.5	7.0	7.1
Net debt to equity	1.09	1.58	.97	.93
Net debt (excluding Exchangeable Debentures) to equity	1.00	1.47	.84	.79
Cash flows from operating activities to net debt	.28	.17	.37	.33
Price/net earnings ratio at year end	17.9	23.4	23.0	20.7
Market/book ratio at year end	3.1	4.0	3.8	2.8

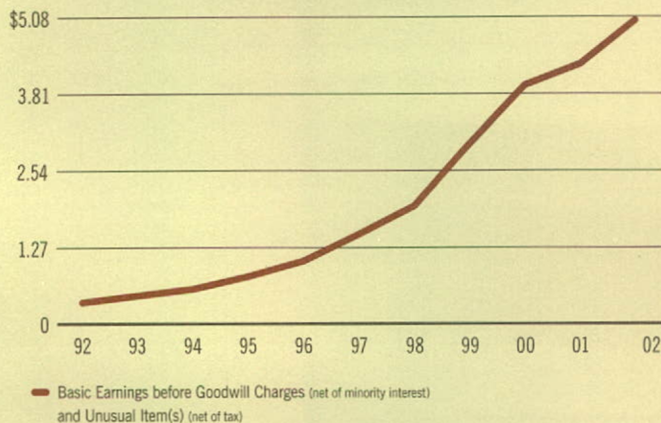
(1) For financial definitions and ratios refer to the Glossary of Terms on page 70.



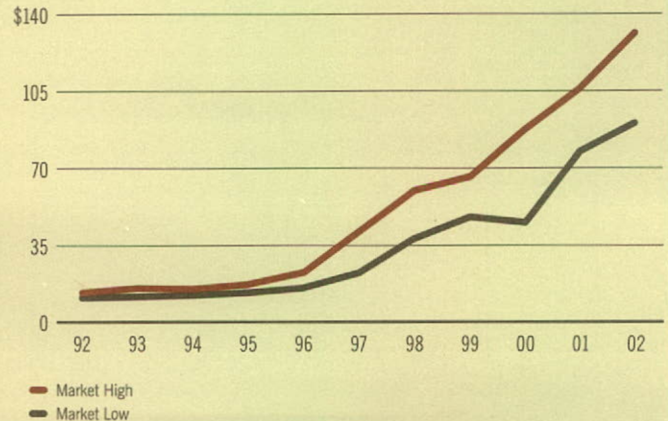


1998	1997	1996	1995	1994	1993	1992
14,726	12,975	11,815	12,046	12,242	11,404	11,167
917	738	623	596	524	427	395
655	517	432	396	324	253	228
104	73	84	102	106	90	100
670	197	194	97	71	11	44
(410)	77	97	125	(26)	44	138
3,839	3,321	2,901	2,672	2,677	2,462	2,129
1,587	83	85	76	84	96	96
9,036	5,878	5,441	5,122	4,787	4,459	3,995
2,295	1,022	804	743	929	874	727
2,389	1,756	1,615	1,506	1,353	1,238	1,262
588	452	327	381	448	344	307
720	595	499	431	452	387	239
5.05	1.47	1.41	.69	.50	.08	.31
1.91	1.49	1.03	.78	.57	.45	.34
.40	.33	.29	.27	.23	.23	.23
4.43	3.37	2.37	2.69	3.18	2.45	2.20
5.43	4.43	3.61	3.05	3.21	2.76	1.71
18.14	13.16	11.87	10.66	9.58	8.81	9.03
58.50	40.67	22.28	16.75	14.08	13.00	12.25
6.2	5.7	5.3	4.9	4.3	3.7	3.5
4.4	4.0	3.7	3.3	2.6	2.2	2.0
1.7	1.5	1.2	.8	.6	.5	.4
9.7	10.4	9.5	8.9	7.5	6.4	6.2
32.3	11.7	12.4	6.8	5.5	.9	3.5
6.3	7.1	5.1	3.9	3.1	2.8	2.3
.96	.58	.50	.49	.69	.71	.58
.80	.58	.50	.49	.69	.71	.58
.26	.44	.41	.51	.48	.39	.42
10.1	22.4	12.9	12.5	17.0	185.7	43.2
3.2	3.1	1.9	1.6	1.5	1.5	1.4

Basic Earnings before Goodwill Charges and Unusual Item(s)
($)



Common Share Market Value Range
($)



Segment Information – Continuing Operations (1)

For the years ended December 31 ($ millions except where otherwise indicated)	2002	2001	2000	1999
Operating Results				
Sales				
Weston Foods	4,792	3,412	2,322	2,151
Food Distribution	23,082	21,486	20,121	18,783
Fisheries	219	396	449	427
Intersegment	(647)	(633)	(548)	(510)
Consolidated	27,446	24,661	22,344	20,851
EBITDA				
Weston Foods	553	416	248	200
Food Distribution	1,649	1,443	1,251	1,069
Fisheries	(17)	12	58	50
Consolidated	2,185	1,871	1,557	1,319
Operating Income (Loss)				
Weston Foods	409	313	174	125
Food Distribution	1,295	1,128	968	803
Fisheries	(26)	(1)	47	41
Consolidated	1,678	1,440	1,189	969
Financial Position				
Fixed Assets				
Weston Foods	1,412	1,265	629	581
Food Distribution	5,587	4,931	4,174	3,549
Fisheries	54	53	93	74
Discontinued Operations				
Consolidated	7,053	6,249	4,896	4,204
Total Assets				
Weston Foods	4,837	4,693	1,542	1,448
Food Distribution	11,167	9,972	9,096	7,919
Fisheries	292	320	415	314
Discontinued Operations				
Consolidated (2)	16,296	14,985	11,053	9,681
Cash Flow				
Capital Investment				
Weston Foods	311	188	80	90
Food Distribution	1,079	1,108	943	802
Fisheries	7	34	24	19
Consolidated	1,397	1,330	1,047	911
Financial Ratios				
EBITDA Margin (%)				
Weston Foods	11.5	12.2	10.7	9.3
Food Distribution	7.1	6.7	6.2	5.7
Fisheries	(7.8)	3.0	12.9	11.7
Consolidated	8.0	7.6	7.0	6.3
Operating Margin (%)				
Weston Foods	8.5	9.2	7.5	5.8
Food Distribution	5.6	5.2	4.8	4.3
Fisheries	(11.9)	(0.3)	10.5	9.6
Consolidated	6.1	5.8	5.3	4.6
Return on Average Total Assets (%)				
Weston Foods	9.3	10.9	14.0	11.7
Food Distribution	13.6	13.3	12.7	11.8
Fisheries	(8.5)	(0.3)	12.9	10.9
Consolidated	11.5	11.9	12.4	11.2

(1) For financial definitions and ratios refer to the Glossary of Terms on page 70.

(2) Consolidated total assets exclude the following: 2002 – $367 (1998 to 2001 – $368) investment in Domtar common shares; 2001 – $934 business held for sale.

1998	1997	1996	1995	1994	1993	1992
2,035	1,782	1,709	1,927	2,008	1,830	1,685
12,497	11,008	9,848	9,854	10,000	9,356	9,262
652	617	665	684	658	584	542
(458)	(432)	(407)	(419)	(424)	(366)	(322)
14,726	12,975	11,815	12,046	12,242	11,404	11,167
187	150	112	94	66	66	54
705	569	478	452	408	324	301
25	19	33	50	50	37	40
917	738	623	596	524	427	395
121	87	55	34	16	27	15
522	424	358	325	272	201	185
12	6	19	37	36	25	28
655	517	432	396	324	253	228
540	470	481	523	483	455	448
3,194	2,093	1,738	1,491	1,603	1,414	1,231
105	106	106	102	95	93	89
	652	576	556	496	500	361
3,839	3,321	2,901	2,672	2,677	2,462	2,129
1,086	705	698	792	728	794	738
7,132	3,857	3,566	3,210	3,044	2,726	2,507
450	473	410	387	373	348	343
	843	767	733	642	591	407
8,668	5,878	5,441	5,122	4,787	4,459	3,995
107	56	91	107	110	56	63
599	517	390	307	326	315	169
14	22	18	17	16	16	7
720	595	499	431	452	387	239
9.2	8.4	6.6	4.9	3.3	3.6	3.2
5.6	5.2	4.9	4.6	4.1	3.5	3.2
3.8	3.1	5.0	7.3	7.6	6.3	7.4
6.2	5.7	5.3	4.9	4.3	3.7	3.5
5.9	4.9	3.2	1.8	0.8	1.5	0.9
4.2	3.9	3.6	3.3	2.7	2.1	2.0
1.8	1.0	2.9	5.4	5.5	4.3	5.2
4.4	4.0	3.7	3.3	2.6	2.2	2.0
13.3	12.5	7.4	4.5	2.1	3.6	2.1
10.7	14.0	13.4	12.2	10.3	8.4	8.5
2.7	1.4	4.9	9.9	10.2	7.3	7.9
9.7	10.4	9.5	8.9	7.5	6.4	6.2

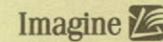
Operating Terms	Definition
Control label	A brand and associated trademark owned by Food Distribution for use in connection with its own products and services.
Conversion	A store that changes from one Food Distribution banner to another Food Distribution banner.
Corporate stores sales per average square foot	Sales through corporate stores divided by the average corporate store square footage at year end.
Major expansion	Expansion of a store that results in an increase in square footage that is greater than 25% of the initial square footage of the store.
Minor expansion	Expansion of a store that results in an increase in square footage that is less than or equal to 25% of the initial square footage of the store.
New store	A newly constructed store, conversion or major expansion.
Renovation	Capital investment in a store that results in no change to the store square footage.
Same-store sales	Retail sales from the same physical location for stores in operation in that location in both years being compared but excluding sales from stores that have undergone a conversion or major expansion in the year.

Financial Terms and Ratios	Definition
Basic earnings before goodwill charges and unusual items per common share	Net earnings available to common shareholders before goodwill charges (net of minority interest impact and tax) and unusual items (net of tax) divided by the weighted average number of common shares outstanding during the year (see page 41 for further explanation).
Basic earnings before goodwill charges per common share	Net earnings available to common shareholders before goodwill charges (net of minority interest impact and tax) divided by the weighted average number of common shares outstanding during the year.
Basic net earnings per common share	Net earnings available to common shareholders divided by the weighted average number of common shares outstanding during the year.
Book value per common share	Common shareholders' equity divided by the number of common shares outstanding at year end.
Capital investment	Fixed asset purchases.
Capital investment per common share	Capital investment divided by the weighted average number of common shares outstanding during the year.
Cash flows from operating activities per common share	Cash flows from operating activities less preferred dividends paid divided by the weighted average number of common shares outstanding during the year.
Cash flows from operating activities to net debt	Cash flows from operating activities divided by net debt.
Common shareholders' equity	Total shareholders' equity less preferred shares outstanding.
Diluted earnings before goodwill charges per common share	Net earnings available to common shareholders before goodwill charges (net of minority interest impact and tax) divided by the weighted average number of common shares outstanding during the year minus the dilutive impact of outstanding stock option grants at year end.
Diluted net earnings per common share	Net earnings available to common shareholders divided by the weighted average number of common shares outstanding during the year minus the dilutive impact of outstanding stock option grants at year end.
Dividend rate per common share at year end	Dividends per common share declared in the fourth quarter multiplied by four.
EBITDA	Operating income plus depreciation (see page 41 for further explanation).
EBITDA margin	EBITDA divided by sales.
Gross margin	Sales less cost of sales divided by sales.
Interest coverage	Operating income divided by interest expense.
Market/book ratio at year end	Market price per common share at year end divided by book value per common share at year end.
Net debt	Bank indebtedness, commercial paper, short term bank loan, long term debt due within one year, long term debt and debt equivalents less cash, cash equivalents and short term investments.
Net debt (excluding Exchangeable Debentures) to equity	Net debt excluding Exchangeable Debentures divided by total shareholders' equity.
Net debt to equity	Net debt divided by total shareholders' equity.
Net earnings before unusual items margin	Net earnings before unusual items (net of tax) divided by sales.
Normalized basic net earnings per common share	Net earnings before unusual items (net of tax) divided by weighted average common shares outstanding at year end.
Operating margin	Operating income divided by sales.
Price/net earnings ratio at year end	Market price per common share at year end divided by basic net earnings per common share for the year.
Return on average common shareholders' equity	Net earnings available to common shareholders divided by average common shareholders' equity.
Return on average total assets	Operating income divided by average total assets excluding cash, cash equivalents, short term investments and business held for sale.
Weighted average common shares outstanding	The number of common shares outstanding determined by relating the portion of time within the year that the common shares were outstanding to the total time in that year.
Working capital	Total current assets less total current liabilities.

George Weston Limited and its subsidiaries (the "Company" or "Weston") is committed to improving the quality of life in the communities it serves, and believes that the Company should participate with its employees in supporting community organizations.

Contributions to community organizations are made by operating divisions, as well as by Loblaw Companies Limited, George Weston Limited and The W. Garfield Weston Foundation (the "Foundation"), a private Canadian foundation associated with the Weston group of companies.

Our support is shared across Canada and is directed mainly toward education, specialized medical research, conservation and community projects. Weston is one of many Canadian corporations that recognize and support the goals of the "IMAGINE" campaign. As a member of the "IMAGINE" Caring Company program, Weston is committed to contributing a minimum of 1% of pre-tax profits (cash and in-kind) to charitable organizations in Canada and encouraging employee volunteerism.



A Caring Company

The following are a few of the organizations we are proud to have supported in 2002:

Boys and Girls Clubs of Canada
Across Canada

Fundy Arena
Black's Harbour, New Brunswick

Phoenix Youth Programs
Halifax, Nova Scotia

Local Food Banks
Across Canada

Quebec Cystic Fibrosis Foundation
Montreal, Quebec

Montreal Children's Hospital Foundation
Montreal, Quebec

Fondation du Centre Hospitalier Régional de l'Outaouais
Hull, Quebec

Junior Achievement of Canada
Across Canada

Grace General Hospital
Winnipeg, Manitoba

United Way of Regina
Regina, Saskatchewan

Alzheimer Society of Canada
Across Canada

Compassion House Foundation
Calgary, Alberta

The Salvation Army
Across Canada

Hope House
Saanichton, British Columbia

Central Okanagan Emergency Shelter Society
Kelowna, British Columbia

The Foundation has worked with The Nature Conservancy of Canada to protect Canada's unique natural heritage in some of the most endangered areas across the country. In addition, the Foundation partners with the Canadian Merit Scholarship Foundation to give scholarships to outstanding students entering university and community college who combine academic promise with character, leadership potential and a commitment to their community.

We are delighted to recognize and congratulate the Canadian Merit Scholarship Foundation, all its scholarship recipients, and, in particular, the following National Award winners of our Garfield Weston Merit Scholarships for colleges and universities in 2002:

Amanda Alemany
Espanola, ON

Ashling Amato
Courtice, ON

Alexandre Béland
Ottawa, ON

Nathalie Bissonnette
Welland, ON

Renée Brand
Fort Erie, ON

Mandy Brenton
Belleville, ON

Jasmine Cadenhead
Crystal Beach, ON

Daniel Carew
Fenelon Falls, ON

Kenneth Culleton
Summerside, PE

Michelle Cunningham
Petrolia, ON

Andrea Dart
Trenton, ON

Joshua Davies
Kenora, ON

Melanie Derynck
Rosemère, QC

Geneviève Desforges
Fournier, ON

Kiet Do
Winnipeg, MB

Kaitlin Dupuis
Petrolia, ON

Leona Emberson
Caledonia, ON

Annamaria Enenajor
Toronto, ON

Rebecca Gates
Lantzville, BC

Faizal Haji
Brampton, ON

Candace Harding
Bethany, ON

Kelly Hatfield
Mississauga, ON

Jonathan Hoddenbagh
Three Hills, AB

Lindsey Horsfield
Hunter River, PE

Trevor Jimenez
Ancaster, ON

Mark Jurista
Kamloops, BC

Michelle Keeling
Clarksburg, ON

Marcella Kranenburg
Lucknow, ON

Matthew Kutryk
Beauvallon, AB

Barry Leipsic
Winnipeg, MB

Stephanie MacKaracher
Orillia, ON

Jody Marshall
North Delta, BC

Jared McFadden
Kincardine, ON

Nicole Miller
Jarvis, ON

Jessica Nichols
Sarnia, ON

Gary Ng
Winnipeg, MB

Barbara O'Rielly
St. Brendan's, NL

Jennifer Osborne
Courtenay, BC

Kaya Payne
St. John's, NL

Matthew Pettifer
Kamloops, BC

Catherine Pickell
Dunnville, ON

Kristine Rasmussen
Merritt, BC

Carsten Rübeling
Rocky Mountain House, AB

Dana Schindel
Surrey, BC

Victoria Scilley
Kingston, ON

J. Cheryl Sy
Surrey, BC

Mark Taylor
Saskatoon, SK

Meera Varghese
London, ON

Cheryl Wardell
Indian River, ON

Nathaniel Wittmeier
Brandon, MB

Megan Woodman
Haliburton, ON

Kimberly Woodroff
Lake Country, BC

Summary of Corporate Governance Practices

The Board of Directors (the "Board") and management of George Weston Limited (the "Company") believe that sound corporate governance practices will contribute to the effective management of the Company and its achievement of strategic and operational plans, goals and objectives. The Company's approach to corporate governance is in compliance with the Guidelines for Corporate Governance adopted by the Toronto Stock Exchange ("TSX") in 1995 (the "TSX Guidelines"). The TSX published proposed amendments to the TSX Guidelines in November, 2002 which have not yet been adopted.

The Company seeks to attain high standards of corporate governance and believes that it has adopted "best practices" in developing its approach to corporate governance. The Governance and Compensation Committee continues to monitor the proposed amendments to the TSX Guidelines and other changes to applicable laws to ensure that its commitment to exemplary corporate governance practice is maintained. A report with specific reference to each of the TSX Guidelines as modified by the November, 2002 proposed amendments is contained in the Company's Management Proxy Circular.

Board of Directors

Independence

The Board has reviewed the factual circumstances and relationships of each director to determine whether he or she is related or unrelated within the meaning of the TSX Guidelines as modified by the November, 2002 proposed amendments.

A majority of the Board after appointment at the Company's annual meeting in May, 2003 will be unrelated and independent. The Board believes this reflects the interest of all shareholders.

Responsibilities and Duties

The Board, directly and through its committees, supervises the management of the business and affairs of the Company with the goal of enhancing long term shareholder value. The Board has adopted a formal mandate and makes major policy decisions, delegates to management the authority and responsibility in day-to-day affairs and reviews management's performance and effectiveness. The Board's expectations of management are communicated directly to management and through committees of the Board.

The Board approves the Company's operating budgets which take into account the opportunities and risks of the business. Members of the Board attend an annual all-day strategy session with management to discuss and review the Company's strategic plans and opportunities. Through the Audit Committee, the Board oversees the Company's risk management framework and ensures the integrity of the Company's internal control and management information systems. Through the Governance and Compensation Committee, the Board oversees succession planning and compensation for senior management.

At each Board meeting, the Board meets without management present, to ensure that the Board is able to discharge its responsibilities independently of management. In appropriate circumstances, a director can retain an outside advisor with the approval of the Chairman of the Governance and Compensation Committee.

The Board is also responsible for having in place a process that ensures the effectiveness and accountability of the Board as a whole as well as the committees of the Board. Through the Governance and Compensation Committee, the Board assesses the performance of directors and the adequacy and form of compensation paid to directors. Each year, the Governance and Compensation Committee benchmarks directors' compensation against major Canadian public companies in order to ensure that their compensation reflects the responsibilities involved in being a director.

The Board requires that management seek directors' review and approval of:

- strategic corporate direction and corporate performance objectives;
- multi-year and annual business, capital and operating plans and budgets;
- material capital expenditures, acquisitions and divestitures, and restructurings; and
- investment outside of the ordinary business.

These matters are in addition to those matters which are required by law to receive Board consideration and approval.

The Board regularly receives reports on the operating activities of the Company, as well as timely reports on certain non-operational matters, including insurance, pensions, corporate governance, health and safety and treasury matters.

Code of Business Conduct

The Company has a Code of Business Conduct applicable to all officers, directors and employees. In accordance with the Code of Business Conduct requirements, the Audit Committee receives regular compliance reports.

Committee Structure and Mandates

There are five committees of the Board: Audit Committee, Governance and Compensation Committee, Pension Committee, Environmental, Health and Safety Committee and Executive Committee. With the exception of the Executive Committee, all of these committees are comprised solely of non-management directors. The Board believes that the composition of its committees ensures that they operate independently from management such that shareholders' interests are protected. Each of the committees has a formal charter established by the Board which is reviewed annually. The committee memberships of the directors are listed in the Company's Management Proxy Circular.

The following is a brief summary of the committees' responsibilities:

Audit Committee

The Audit Committee, whose members are all financially literate and which includes at least one individual with accounting or related financial experience, is responsible for:

- recommending the appointment of the external auditor;
- reviewing the arrangements for and scope of the audit by the external auditor;
- reviewing the independence of the external auditor;
- considering the adequacy of the systems of internal accounting controls and reviewing any proposed corrective actions;
- reviewing and monitoring the Company's policies relating to ethics and conflicts of interests;
- reviewing the integrity of the Company's management and information systems;
- establishing a procedure for the receipt, retention and follow up of complaints regarding the Company's accounting, internal controls and auditing matters;
- reviewing and monitoring the Company's internal audit function;
- discussing and reviewing with management and the external auditor the Company's annual and interim consolidated financial statements, key reporting matters and Management's Discussion and Analysis;
- approving the Company's annual and interim consolidated financial statements and Management's Discussion and Analysis; and
- reviewing and approving the audit fees paid to the external auditor and pre-approval of non-audit related fees to the external auditors.

Governance and Compensation Committee

The Governance and Compensation Committee is responsible for:

- identifying candidates for membership on the Board;
- assisting in educating directors and assessing their performance on an ongoing basis;
- shaping the Company's approach to corporate governance and recommending to the Board corporate governance principles to be followed by the Company; and
- discharging the Board's responsibilities relating to compensation and succession planning of the Company's senior executives.

Pension Committee

The Pension Committee is responsible for:

- reviewing the performance of the Company's and its subsidiaries' pension funds;
- reviewing and recommending managers for the fund's portfolio;
- reviewing the performance of pooled pension fund managers; and
- reviewing and approving the funding assumptions of, the funded status of, and amendments to the Company's and its subsidiaries' pension plans.

Environmental, Health and Safety Committee

The Environmental, Health and Safety Committee is responsible for reviewing and monitoring environmental, health and safety policies, procedures, practices and compliance.

Executive Committee

The Executive Committee possesses all of the powers of the Board except the power to declare common dividends and certain other powers specifically reserved by applicable law to the Board. The Executive Committee only acts when it is not practical for the full Board to meet.

Disclosure Policy

The Governance and Compensation Committee has reviewed and adopted a disclosure policy, which provides for interaction with analysts, shareholders and the public to ensure compliance with regulatory requirements and disclosure of information on a timely basis to all shareholders.

A complete corporate governance report is contained in the Company's Management Proxy Circular.

Board of Directors

W. Galen Weston
O.C., B.A., LL.D. [1*]
Chairman and President, George Weston Limited; Chairman and Director, Loblaw Companies Limited; Chairman, Holt, Renfrew & Co., Limited, Brown Thomas Group Limited; President, The W. Garfield Weston Foundation; Director, Associated British Foods plc, Canadian Imperial Bank of Commerce, Advisory Board of Columbia University.

Robert J. Dart
B.Comm., F.C.A. [1,2,3]
Vice Chairman, Wittington Investments, Limited; Former President, Wittington Investments, Limited; Former Senior Tax Partner, Price Waterhouse Canada; Director, Loblaw Companies Limited, Holt, Renfrew & Co., Limited, Brown Thomas Group Limited, Canadian Arthritis Network.

Peter B. M. Eby
B.Comm., M.B.A. [2,3]
Former Vice Chairman and Director, Nesbitt Burns Inc.; Former Executive, Nesbitt Burns Inc. and its predecessor companies; Former Chairman, Olympic Trust; Director, Westfair Foods Ltd., Leon's Furniture Limited, TD Waterhouse Inc. U.S. Family of Funds.

Anne L. Fraser
B.Sc., LL.D. [5*]
Education Consultant, University of Victoria; Associate Governor, Dalhousie University; Associate, Faculties of Management, Education, Engineering and Fine Arts, University of Calgary; Director, Loblaw Companies Limited, Neuroscience Canada Foundation, Bamfield Marine Research Centre, Pier 21 Society.

R. Donald Fullerton
B.A. [2*,3*]
Retired Chairman and Chief Executive Officer, Canadian Imperial Bank of Commerce; Director, Canadian Imperial Bank of Commerce, Asia Satellite Telecommunications Holdings Ltd., Hollinger Inc., Westcoast Energy Inc., Partner Communications Company Ltd.

Anthony R. Graham [1,3,4*]
President and Director, Wittington Investments, Limited; President and Chief Executive Officer, Sumarria Inc.; Former Vice Chairman and Director, National Bank Financial; Chairman and Director, President's Choice Bank; Director, Loblaw Companies Limited, Holt, Renfrew & Co., Limited, Power Corporation, Power Financial Corporation, Provigo Inc., Graymont Ltd.

Mark Hoffman
A.B., B.A., M.A., M.B.A. [4,5]
Chairman, Cambridge Research Group, Guinness Flight Venture Capital Trust plc; Director, Millipore Corporation, Advent International Corporation, Hermes Focus Asset Management Limited.

Allan L. Leighton [4]
Chairman, Royal Mail plc, Wilson Connolly Ltd., lastminute.com plc, Cannons Ltd.; Former President and Chief Executive Officer, Wal-Mart Europe; Former Chief Executive, Asda Stores Ltd.; Deputy Chairman, Leeds Sporting plc; Director, BSKYB plc, Dyson Ltd.

John C. Makinson
B.A., CBE [2]
Chairman and Chief Executive Officer, The Penguin Group; Former Group Finance Director, Pearson plc; Former Managing Director, Financial Times Newspaper.

J. Robert S. Prichard
O.C., O.Ont. [5]
President and Chief Executive Officer, Torstar Corporation; President Emeritus, University of Toronto; Director or Trustee of various corporations and organizations including Torstar Corporation, Bank of Montreal, Onex Corporation, Four Seasons Hotels, Historica.

M.D. Wendy Rebanks
B.A. [4,5]
Treasurer, The W. Garfield Weston Foundation; Trustee, American Museum Trustee Association, University of Toronto Art Centre; Director, The Canadian Merit Scholarship Foundation.

(1) Executive Committee
(2) Audit Committee
(3) Governance and Compensation Committee
(4) Pension Committee
(5) Environmental, Health and Safety Committee
* Chairman of Committee

Corporate Officers

W. Galen Weston, O.C.
62 and 31 years
Chairman and President

Richard P. Mavrinac
50 and 20 years
Chief Financial Officer

Roy R. Conliffe
52 and 21 years
Senior Vice President, Labour Relations

Stewart E. Green
58 and 26 years
Senior Vice President, Secretary and General Counsel

Louise M. Lacchin
45 and 19 years
Senior Vice President, Finance

Donald G. Reid
53 and 23 years
Senior Vice President

Robert G. Vaux
54 and 5 years
Senior Vice President, Corporate Development

Robert A. Balcom
41 and 9 years
Vice President, Assistant Secretary

Manny DiFilippo
43 and 11 years
Vice President, Risk Management and Internal Audit Services

J. Bradley Holland
39 and 9 years
Vice President, Taxation

Michael N. Kimber
47 and 18 years
Vice President, Legal Counsel

Garfield R. Mitchell
44 and 9 years
Vice President, Community Affairs

Lucy J. Paglione
43 and 19 years
Vice President, Pension and Benefits

Rolando Sardellitti
35 and 8 years
Vice President, Controller

Geoffrey H. Wilson
47 and 16 years
Vice President, Industry and Investor Relations

Ann Marie Yamamoto
42 and 16 years
Vice President, Systems Audit and Information Technology

Lisa R. Swartzman
32 and 9 years
Treasurer

Marian M. Burrows
48 and 24 years
Assistant Secretary

Walter H. Kraus
40 and 14 years
Director, Environmental Affairs

Patrick MacDonell
33 and 7 years
Assistant Treasurer

Includes age and years of service

Executive Office

George Weston Limited
22 St. Clair Avenue East
Toronto, Canada
M4T 2S7
Tel: 416.922.2500
Fax: 416.922.4395
www.weston.ca

Stock Exchange Listing and Symbols

The Company's common and preferred shares are listed on the Toronto Stock Exchange and trade under the symbols: "WN", "WN.PR.A" and "WN.PR.B".

Common Shares

At year end 2002, there were 132,279,822 common shares outstanding, 1,234 registered common shareholders and 49,585,843 common shares available for public trading.

The average 2002 daily trading volume of the Company's common shares was 89,121.

Preferred Shares

At year end 2002, there were 9,400,000 preferred shares Series I outstanding, 10,600,000 preferred shares Series II outstanding and 72 registered preferred shareholders. All outstanding preferred shares were available for public trading.

The average 2002 daily trading volume of the Company's preferred shares was:
Series I: 14,345
Series II: 26,785

Common Dividend Policy

It is the Company's policy to maintain a stable dividend payment equal to approximately 20% to 25% of the prior year's normalized basic net earnings per common share.

Common Dividend Dates

The declaration and payment of quarterly dividends are made subject to approval by the Board of Directors. The anticipated record and payment dates for 2003 are:

Record Date	Payment Date
March 15	April 1
June 15	July 1
Sept. 15	Oct. 1
Dec. 15	Jan. 1

Normal Course Issuer Bid

The Company has a Normal Course Issuer Bid on the Toronto Stock Exchange.

Value of Common Shares

For capital gains purposes, the valuation day (December 22, 1971) cost base for the Company, adjusted for the 4 for 1 stock split (effective May 27, 1986) and the 3 for 1 stock split (effective May 8, 1998), is $1.50 per share. The value on February 22, 1994 was $13.17 per share.

Registrar and Transfer Agent

Computershare Trust Company of Canada
100 University Avenue
Toronto, Canada
M5J 2Y1
Tel: 416.981.9633
Toll Free: 1.800.663.9097
Fax: 416.981.9800
Toll Free Fax: 1.888.453.0330

To change your address or eliminate multiple mailings, or for other shareholder account inquiries, please contact Computershare Trust Company of Canada.

General Counsel

Borden Ladner Gervais LLP
Toronto, Canada

Independent Auditors

KPMG LLP
Chartered Accountants
Toronto, Canada

Annual Meeting

The George Weston Limited Annual Meeting of Shareholders will be held on Wednesday, May 7, 2003 at 11:00 a.m. at the Metro Toronto Convention Centre, Constitution Hall, Toronto, Canada.

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.

Investor Relations

Shareholders, security analysts and investment professionals should direct their requests to Mr. Geoffrey H. Wilson, Vice President, Industry and Investor Relations at the Company's Executive Office.

Additional financial information has been filed electronically with various securities regulators in Canada through SEDAR.

This Annual Report includes selected information on Loblaw Companies Limited, a 61% owned public reporting company with shares trading on the Toronto Stock Exchange.

Ce rapport est disponible en français.

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