Today

George Weston Limited
Annual Report 2003

Weston

Weston at a Glance

Corporate Profile

George Weston Limited ("Weston") is a Canadian public 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, 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 to shareholders and to fulfill its long term objectives of security and growth, Weston 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 145,000 employees in supporting the communities in which it operates.

Weston at a Glance

Our network of production facilities and retail stores spans North America, supporting our strong portfolio of national and regional brands and banners.

Weston Foods

Food Distribution

Fisheries

Canadian Breast Cancer Foundation®

$29

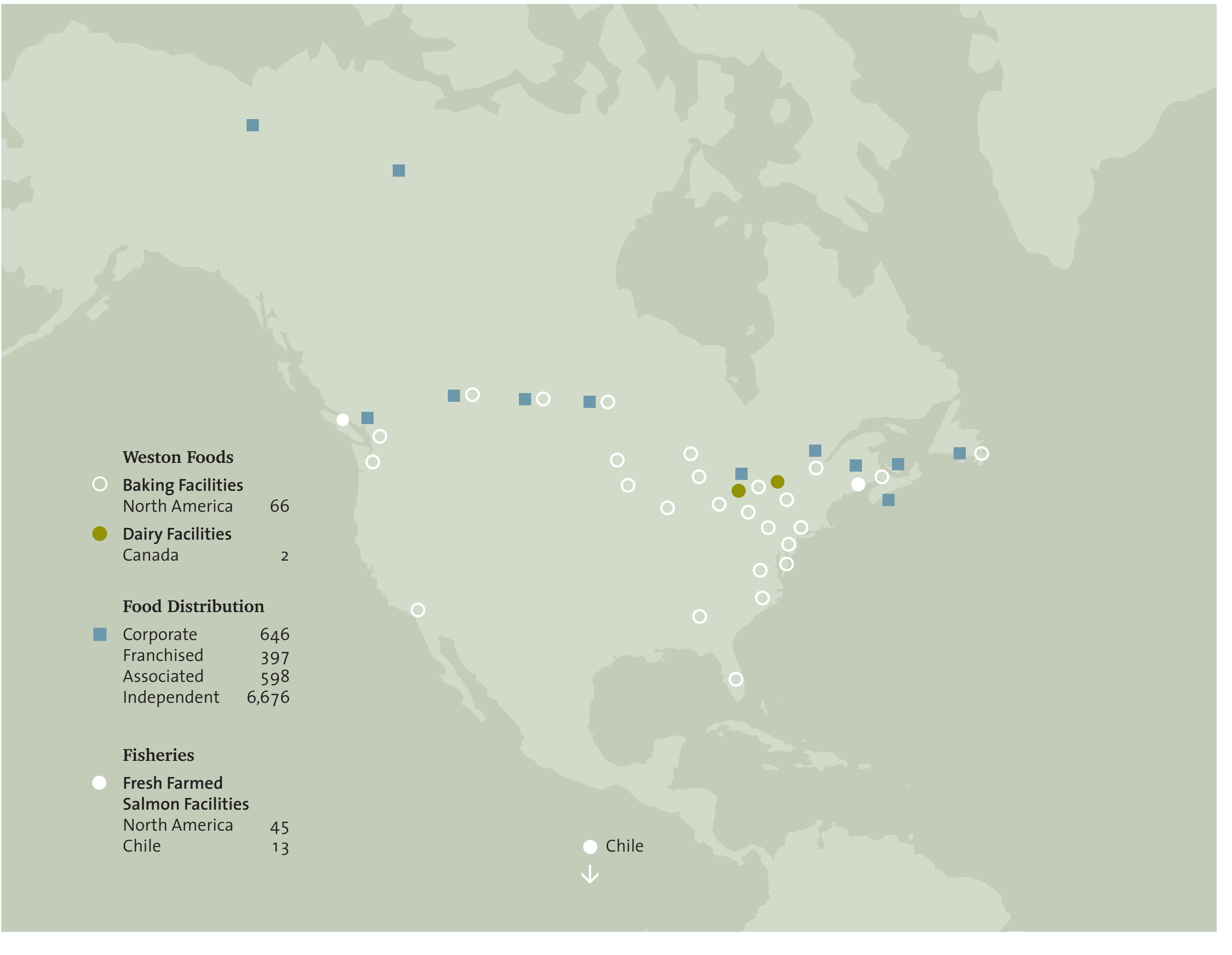
billion sales exceeded

A Harvest of Hope

In the fall of 2003, Weston Bakeries supported the Canadian Breast Cancer Foundation through the "A Harvest of Hope" promotion with a donation made for every purchase of a *Country Harvest* product. Finding a delicious source of soy has never been easier – or felt so good – than with *Country Harvest* whole wheat soy bread and bagels.

Top of the class

At more than $29 billion in sales, George Weston Limited is once again one of the largest revenue-producing companies in Canada.



Tomorrow

Our goal is to deliver what consumers want, not necessarily what we make today. Through innovation we provide products, services and brands that are more relevant to the consumer and through our low cost operating structure we are able to deliver them at superior value. Through consistent execution of our strategies, our skilled employees continue to drive long term growth and returns for our shareholders.

Financial Highlights (1)

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

	2003	2002
Operating Results		
Sales	**29,198**	27,446
EBITDA (2, 3)	**2,358**	2,185
Operating income (3)	**1,812**	1,678
Interest expense	**266**	238
Net earnings	**792**	690
Cash Flows		
Cash flows from operating activities	**1,283**	1,340
Capital investment	**1,509**	1,397
Per Common Share ($)		
Basic net earnings	**5.80**	5.05
Dividend rate at year end	**1.20**	.96
Cash flows from operating activities	**9.52**	10.01
Book value	**30.71**	29.43
Market value at year end	**103.71**	90.25
Financial Ratios		
EBITDA margin	**8.1 %**	8.0 %
Operating margin	**6.2 %**	6.1 %
Net earnings margin	**2.7 %**	2.5 %
Return on average total assets (2)	**12.0 %**	11.8 %
Return on average common shareholders' equity	**19.4 %**	18.3 %
Interest coverage	**6.8:1**	7.1:1
Net debt (2) to equity	**1.23:1**	1.09:1
Net debt (excluding Exchangeable Debentures) (2) to equity	**1.15:1**	1.00:1
Reportable Operating Segments		
Weston Foods		
Sales (4)	**4,523**	4,792
Operating income (3)	**374**	409
Operating margin	**8.3 %**	8.5 %
Return on average total assets (2)	**9.0 %**	9.2 %
Food Distribution		
Sales	**25,220**	23,082
Operating income (3)	**1,458**	1,295
Operating margin	**5.8 %**	5.6 %
Return on average total assets (2)	**13.7 %**	13.6 %
Fisheries		
Sales (4)	**190**	219
Operating loss	**(20)**	(26)
Operating margin	**(10.5)%**	(11.9)%
Return on average total assets (2)	**(7.1)%**	(8.5)%

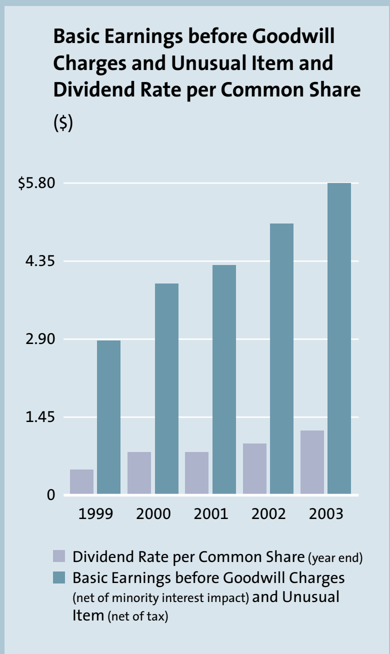
(1) For financial definitions and ratios refer to the Glossary on page 94.
(2) See Supplementary Financial Information beginning on page 59.
(3) 2003 includes restructuring and other charges of $60 made up of a $35 charge recognized by Weston Foods and a $25 charge recognized by Food Distribution (see note 2 to the consolidated financial statements).
(4) Includes intersegment sales.

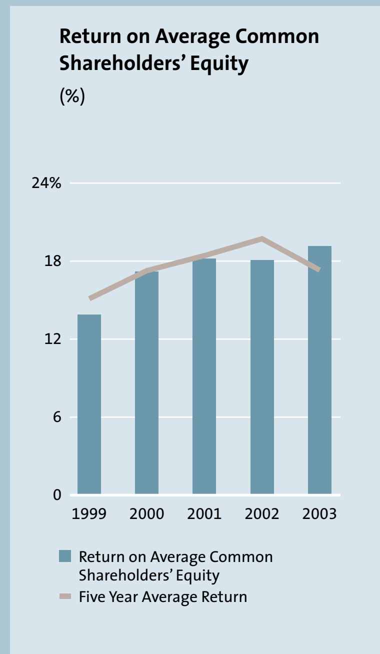
Report to Shareholders

I am pleased to report to you that 2003 was another successful year for George Weston Limited. Sales increased 6% to $29.2 billion and operating income increased 8% to $1.8 billion for the year. Basic net earnings per common share increased 15% to $5.80 from the $5.05 reported in 2002.

Excellent results in Canada by both Weston Foods and Loblaw Companies Limited were difficult to duplicate in the present operating environment in the United States baking sector, which remains challenging.

Weston Foods sales decreased 6% to $4.5 billion, with foreign currency translation negatively impacting sales by approximately 9%. Operating income was 9% behind 2002, including the impacts of foreign currency translation, the restructuring charge of $35 million recognized in 2003 and net stock-based compensation cost, which negatively impacted operating income by approximately 11%. On a comparable basis, both sales and operating income improved over 2002. Our continuing focus in the United States is to streamline facilities, improve productivity in both manufacturing and distribution, direct product development toward 'healthy' products and grow our sales through our core retail and fast-growing alternate format customer base. In Canada, our positive sales and earnings





trends continued in both the bakery and dairy businesses, fuelled by innovative promotional programs and successful new product launches. Our brands throughout North America remain strong and widely recognized for quality and service. We continue to invest in these brands to position our Company as the most efficient bakery and dairy business in North America.

Weston's Food Distribution segment, operated by 62%-owned Loblaw Companies Limited, continued its strong performance trend as Canada's leading and most successful food distributor. Sales for the year were up 9.3% to $25 billion, with same-store sales growth of 4.6% and an operating income increase of 13% to $1.5 billion. A further investment of $1.3 billion was made to prepare the Company for future growth. Excellent progress was made in a number of important areas during the year: in the way the company is organized; in its store models; in the assortment of food and general merchandise offerings; in support services; and in its relationship with organized labour. As a result, Loblaw remains well positioned to address Canadian consumers' changing preferences, to meet their food and everyday household needs and to grow sales and earnings at attractive levels for shareholders.

Fisheries, a separately run segment of our business, hatches, grows and processes fresh farmed salmon in North America and Chile. This market continues to suffer from a global oversupply situation, which has impacted salmon market prices. Sales for the year decreased 13% to $190 million and we experienced an operating loss of $20 million compared to a loss of $26 million last year. Salmon is an important source of Omega-3 fatty acids and remains part of one of nature's healthiest food groups. A return to profitability for this segment continues to be dependent on further price improvements.

George Weston Limited has an experienced and highly motivated leadership team – all of whom are to be congratulated for yet another year in which sales and earnings achieved highly satisfactory levels in a competitive market environment. Our financial team has worked diligently to fulfill new and complex governance-related challenges. Our capable Board of Directors has been further strengthened with the addition of two experienced independent business leaders, Charles Baillie and Phillip Farmer, as well as a fourth generation of the Weston family, Galen Weston, Jr.

We are excited by the challenges of 2004 and look forward with confidence to another year of measurable financial progress. On behalf of the Board of Directors and shareholders, I want to thank our loyal customers for their continued support and our more than 145,000 dedicated employees for their enthusiasm and commitment.

W. Galen Weston

Chairman and President

Operating Directory

The experience and skills of the Company's senior operating management team are critical to its success. The key members of this management team have been employed by the Company, on average, for 29 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 with Weston Foods Canada. From 1992 to 1994, Gary served as 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 Weston Foods United States operations. Gary is Chairman of the American Bakers Association and a member of the Board of Directors of Students In Free Enterprise.

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 29-year career with the Company, starting in the Finance area. Ralph was appointed President of Neilson Dairy in 1989 and assumed 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 B.A. 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 more than 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 farmed 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 in 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.

Operating Directory

(Includes age and years of service)

Weston Foods

Gary J. Prince
52 and 30 years
President, United States

Raymond A. Baxter
59 and 16 years
Interbake Foods

Robert Chernoff
42 and 18 years
Information Systems

Steven A. Cucinotta
52 and 8 years
Business Development

Anthony M. Gavin
44 and 21 years
Southeast Market Area

Richard M. Lee
44 and 10 years
Taxation

Antonio L. Leta
47 and 12 years
Stroehmann Bakeries

John C. Lorenzen
53 and 11 years
Corporate Development

Louis A. Minella
47 and 6 years
Labour Relations

Fred F. Penny
48 and 23 years
Entenmann's

Bill Petersen
54 and 30 years
Finance

Peter E. Rollins
49 and 20 years
Greenwich Market Area

Shelly W. Seligman
46 and 18 years
General Counsel

John A. Speaker
51 and 4 years
Midwest Market Area

Carl H. Taylor
50 and 16 years
Human Resources
and Integration

David G. Winiger
44 and 13 years
Maplehurst Bakeries

Ralph A. Robinson
55 and 29 years
President, Canada

Lorena M. Ferino
40 and 17 years
Information Technology
and Systems

Pieter J. Fontein
49 and 15 years
Corporate Development

Wayne W. Greer
47 and 3 years
Food Service

Chuck T. Gyles
53 and 8 years
Human Resources and
Labour Relations

Edward J. Holik
45 and 15 years
Baking Operations

Craig R. Hutchison
38 and 2 years
Marketing

John T. Koster
61 and 37 years
Business Development

Maria Liang
50 and 14 years
Finance and Logistics

Judith A. McCrie
48 and 10 years
Dairy Operations

Henry Penner
54 and 2 years
Manufacturing

Kevin C. Tracey
46 and 16 years
National Sales

Food Distribution

John A. Lederer
48 and 27 years
President,
Loblaw Companies Limited

David K. Bragg
55 and 20 years
Real Estate

Roy R. Conliffe
53 and 22 years
Labour Relations

Carmen Fortino
45 and 19 years
Ontario Operations

Stewart E. Green
59 and 27 years
General Counsel

David R. Jeffs
46 and 25 years
Western Operations and
Non-Food Sourcing
and Procurement

Violet Konkle
50 and 10 years
Atlantic Operations

Richard P. Mavrinac
51 and 21 years
Treasury, Tax, Risk
Management and
Investor Relations

Bernard J. McDonell
49 and 10 years
Quebec Operations

Paul D. Ormsby
52 and 21 years
Supply Chain, Information
Technology, Food Sourcing
and Procurement

Donald G. Reid
54 and 24 years
President's Choice Bank

Pietro Satriano
41 and 2 years
Control Label Development

Stephen A. Smith
46 and 18 years
Financial Control and
Reporting, Employee
Development and Services
and Loss Prevention

Fisheries

Fraser J. Walsh
56 and 33 years
President, Heritage Salmon

Gordon J. Dixon
38 and 5 years
Finance

William A. Drope
47 and 10 years
Chile Operations

Ken D. Hirtle
58 and 25 years
Sales and Marketing

Ted A. Needham
60 and 14 years
West Coast Operations

William D. Robertson
43 and 15 years
East Coast Operations

Gary V. Wadden
46 and 2 years
Human Resources

Today at Weston we have the people, the products and the processes to deliver results. From our strong brands and offerings to our leading food retail network, we are committed to providing consumers with quality products and services at great value. Our position in the industries in which we operate is well established, with a proven track record of excellence.

Tomorrow we will capitalize on the opportunities open to us as a result of the strategies we have put into action. We will continue to grow and evolve with our customers, providing new and innovative products to meet their evolving needs. As well, we will build on the strength of our low cost operating structure by continuing to reduce non-value added costs and by reinvesting in the value proposition for all of our stakeholders.

Natural alternatives for a healthier lifestyle

Loblaw's *Natural Value* department offers consumers a selection of healthy, nutritious alternative foods, vitamins and supplements, along with home remedies. It's a one-stop shop for all health food needs, including an assortment of our very own *President's Choice Organics* products.

Giving consumers what they want

Weston Foods has joined Atkins Nutritionals, Inc. in an exclusive North American agreement to market reduced carbohydrate bakery products. Recently launched Atkins-endorsed bakery products, under the *Arnold* and *Brownberry Carb Counting* brands, have met with enthusiastic support from both consumers and our customers.

Satisfying consumers' everyday needs

By providing a wide range of food, general merchandise and specialty service offerings within many of the Food Distribution's store formats and banners, its stores have become one-stop destinations for many of its consumers. We continue to position ourselves to meet the needs of the value-oriented consumer, as shown by the recent launch of this *Loblaws The Real Canadian Superstore* in Ontario and the continued alignment with discount retailers by our Weston Foods business.

Customers/Consumers

At Weston, we are consumer-focused. Through our products and services, we are committed to satisfying the ever-changing needs of consumers. We continue to be well positioned to meet consumers' growing demand for value. A relentless pursuit to improve our value proposition is our guiding principle.

1,500
new products

Superior control label program
Food Distribution's superior control label program, which introduced approximately 1,500 new products in 2003, creates consumer loyalty and enhances price competitiveness across food and general merchandise categories alike.

Fresh financial thinking
President's Choice Financial offers great value and convenience through an assortment of unique financial services. Consumers enjoy the rewards of no fee daily banking and the *President's Choice Financial* MasterCard by earning *PC* points, which are redeemable towards groceries, travel and other exciting rewards.

Good to go

With consumer trends shifting toward health and convenience, we are meeting this demand by delivering easily transportable single serve products with freshness guaranteed. We are developing these types of products both through the extension of our own brands and by partnering with other strategic national brands, such as Nesquik®, one of the top three milkshake brands that Neilson exclusively distributes in Canada.

(® Licensee Nestlé Canada Inc.)

Delivering alternatives

The *President's Choice Organics* line is Loblaw's response to the growing demand for competitively priced, great-tasting organic alternatives. These products can be found in many departments in Loblaw's stores and consumers can be assured that they are certified organic, meeting standards of practice set out by the National Standards of Canada on Organic Agriculture.

Leveraging the strength of our brands

The *Thomas'* brand, which is more than 100 years old, has evolved from a one-category brand to a multi-category portfolio, including mini bagels, toasting breads and new *Crispy Cranny* waffles.

Brands

No matter what the occasion, we have the brands and products to satisfy consumer needs today. The strength of our brands has allowed us to extend our consumer offerings into non-food products and services. Tomorrow, new product development will allow us to continue our tradition of producing great-quality products.

Putting a face on favourites

The *Wonder Wacki* brand, in Outrageous Orange and Punky Purple, was the summer BBQ hit of 2003. *Wonder Wacki* products had their own mascot, Moe, who showed up at more than 150 community events and store openings. Moe even walked in the Calgary Stampede parade, where people in the stands recognized him.

Health and heritage

Heritage Salmon frozen Atlantic salmon portions provide a convenient and healthy meal solution at a great value. Heritage has recently launched the first certified organic Atlantic salmon product from the Americas. Both products contain Omega-3 fatty acids, which are linked to reducing the risk of heart disease.

Product innovation

Weston Foods invested in leading-edge aseptic bottling technology to build advantage with consumer-preferred brands offering high impact bottle shapes and graphics. This breakthrough makes it possible to expand availability of premium milk and healthful beverages through ambient channels. This installation was the first aseptic bottling line approved under proposed new federal standards in Canada.

Our recipe for success

Weston Foods employs its capital investment to lower costs and eliminate waste through process control and automation, customizing product-focused facilities and utilizing robotic technology whereby products are evaluated by camera and hand-picked for packaging based on a predetermined measure of quality. Weston Foods also continues to invest in new bread and rolls capacity in Canada, as is evidenced by our new facility in Gatineau, Quebec.

Quality on demand

Weston Foods has installed a state-of-the-art, high-speed *Little Bites* production line in its Albany, New York cake production facility. This equipment improves quality and lowers overall manufacturing costs while significantly increasing capacity to meet growing sales projections.

Operations

Flawless daily execution is a fundamental principle of our business. Our ongoing commitment to streamlined and focused production, low cost operation and waste elimination is key to delivering continued success in the future.

$1.7 billion

Best practice makes perfect

Food Distribution made good progress in its initiative to nationalize the supply chain, procurement and information technology functions in support of its retail operations. Under the leadership of an experienced senior management team, best practices in these and other areas are being shared and implemented across the organization.

An eye to the future

Weston continues its commitment to maintain and renew its asset base and to invest in growth across North America. Capital investment for 2004 is expected to be approximately $300 million for Weston Foods and $1.4 billion for Food Distribution.

Delivering on taste and tradition

This *City Bakery* display includes the new and exciting artisan bread and roll line-up distributed through in-store retail bakery channels. *City Bakery* products are made by combining old-world baking traditions with modern flavours, including ciabatta, good hearth baguettes, garlic sticks, muesli and a unique Canadian name – sasquatch bread.

An integrated network

Through our direct to store delivery network and our direct to warehouse drop system, Weston Foods is able to meet the needs of the various customer channels it services. We continue to explore opportunities to create efficiencies in our distribution network, including the use of cross-docking facilities and the maximization of our depot and route network. Food Distribution is moving toward a more integrated, national network of distribution facilities that better supports the continued growth of the business and ensures that consumers' everyday needs are being served.

Distribution automation

Investing in a flexible distribution system within our bakeries enables us to meet the needs of the various customer channels we service. Basket-handling technology within our facilities facilitate the efficient handling and shipment of products.

Distribution

The flexibility of the Company's distribution system today allows us to respond to changing market conditions as well as consumer shopping patterns. As we align with such changes, our focus will be on route and warehouse optimization and technological advancements to ensure a worry-free source of supply for our customers.

More than
6,000 routes &
65,000 deliveries per day

Reaching far and wide

Weston Food's daily commitment to flawless execution across our 68 production facilities and more than 6,000 fresh bakery delivery routes, involving more than 65,000 daily customer deliveries, combines with maintaining and strengthening our leading consumer brands to position our business well to respond to any changes in the industries in which we operate.

Filling up on fresh ideas

Fill your gas tank and grocery cart in one convenient time-saving trip! Loblaw gas bars enhance the one-stop shopping experience and offer exceptional value to its customers with cash-back vouchers that can be redeemed in its stores.

In your community

Loblaw's community rooms are available for meetings, get-togethers and children's parties. In *"Upstairs at…"* Loblaw offers a variety of cooking classes hosted by its chefs, as well as informative lifestyle seminars. It's Loblaw's way of staying in touch with the community and helping its customers live well.

Product leadership

In 2004, Neilson Dairy launched an incredible new brand – *Dairy Oh!* fresh milk with DHA, the Omega-3 fatty acid that supports the development of the brain, eyes and nerves. The Neilson *Dairy Oh!* brand is the world's first fresh milk with DHA. Neilson has exclusive Canadian rights to this University of Guelph patented technology. The *Dairy Oh!* brand will add to our premium milk category sales. It addresses growing demand by Canadian families for natural, healthful products that can be easily incorporated into their lives.

Hands-on leadership

The Weston Foods segment employs leading manufacturing processes such as Integrated Process Management ("IPM"), which uses statistics to manage manufacturing processes. The use of IPM significantly increases the consistency of production quality and drives process decision-making at the line operator level, freeing up management time to spend on further value-added activities.

Leadership

Be it our people, products, processes or brands, at Weston we strive to be leaders in all that we do.

52 & 29
years

On the cutting edge of consumer choice
The *President's Choice Easy-Carve Turkey* was voted "best new product in the world" in 2002 by SIAL, the International Food Products Exhibition – another fine example of leading product innovation.

Leading with experience
As indicated by the average number of years of our senior leadership, both in age and time with the company, our management team has tenure, experience and skill. The proven ability to execute is a key characteristic of this team and is critical to our success today as well as to the planning and execution of strategies for tomorrow.

Corporate Governance

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 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").

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, Human Resource, Nominating and Compensation Committee (the "Governance Committee") continues to monitor the TSX Guidelines and other changes to applicable laws to ensure that its commitment to exemplary corporate governance practices is maintained. A report with specific reference to each of the TSX Guidelines is contained in the Company's Management Proxy Circular.

Board of Directors

Independence

The Governance Committee reviews the circumstances and relationships of each director to determine whether he or she is related or unrelated within the meaning of the TSX Guidelines.

A majority of the Board are unrelated and independent. The Board believes this benefits the interests 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, delegating 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 assesses the integrity of the Company's internal control over financial reporting and management information systems. Through the Governance 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 may retain an outside advisor with the approval of the Chairman of the Governance 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 that of the committees of the Board. Through the Governance Committee, the Board assesses the performance of directors and the adequacy and form of compensation paid to them. Each year, the Governance Committee benchmarks directors' compensation against that of their peers in other 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 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 Board has adopted a Code of Business Conduct applicable to all directors, officers and employees. The Audit Committee receives regular compliance reports.

Committee Structure and Mandates

There are five committees of the Board: the Audit Committee; the Governance Committee; the Pension and Benefits Committee; the Environmental, Health and Safety Committee; the Executive Committee. With the exception of the Executive Committee, all of these committees are comprised solely of non-management directors. As well, the Audit Committee is comprised solely of independent and unrelated directors. The Board believes that the composition of its committees ensures that they operate independently of 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 include 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 interest;
- 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;
- reviewing and approving the audit fees paid to the external auditor and pre-approving the non-audit related fees to the external auditors; and
- reviewing the proposed risks of the Company's business.

Governance, Human Resource, Nominating and Compensation Committee

The Governance 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 and Benefits 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 portfolios;
- reviewing the performance of pooled pension fund managers;
- reviewing and approving the funding assumptions of, the funded status of and amendments to the Company's and its subsidiaries' pension plans; and
- receiving reports regarding level, type and cost of employee benefit 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 acts only when it is not practical for the full Board to meet.

Disclosure Policy

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

Management's Discussion and Analysis

Contents

The following Management's Discussion and Analysis ("MD&A") for George Weston Limited ("Weston") should be read in conjunction with the consolidated financial statements and the accompanying notes on pages 63 to 89 of this Annual Report. The consolidated financial statements and the accompanying notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. A Glossary of terms and ratios used throughout this Annual Report can be found on page 94. Throughout this MD&A, Weston and its subsidiaries are collectively referred to as the "Company". The information in this MD&A is current to March 11, 2004, unless otherwise noted.

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 and ingredients, 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 in, contemplated by or implied by such statements. In evaluating forward-looking statements, readers should specifically consider the various factors which could cause actual events or results to differ materially from such forward-looking statements.

OVERVIEW

Weston is a Canadian public company, founded in 1882, that participates in the food processing and distribution industry. 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 and its subsidiaries ("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

The Company 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 price appreciation and dividends.

The Company believes that to be successful over the long term, it must deliver on what its customers and consumers want, today and in the future. The Company also believes that it must provide consumers with the best in one-stop shopping and continually introduce innovative products and convenient services that meet consumers' everyday household needs.

Looking ahead, the Company plans to achieve these goals in the long term by:

- providing customers with the best bakery and dairy solutions in North America,
- focusing on its trusted and quality brands,
- offering the highest quality fresh products,
- continuing to offer its compelling value proposition and food assortment,
- leading in the development of unique, high quality control label products and services,
- developing powerful and compelling non-food offerings,
- delivering sustainable growth through distinct but integrated approaches to the marketplace, and
- providing a great place to work and grow.

Management's Discussion and Analysis

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 that 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,
- focusing on the development of products to maximize market share and penetration,
- ongoing cost reduction initiatives to ensure a low cost operating structure,
- simplifying and removing complexity from manufacturing processes,
- targeting strategic acquisitions and relationships to broaden market penetration and expand geographic presence, and
- continuous capital investment to strategically position production facilities across North America, to support growth and to enhance productivity and efficiencies.

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 serving the consumer's everyday household 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:

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

The Company's financial strategies include:

- maintaining a strong balance sheet,
- minimizing the risks and costs of its operating and financing activities, which include the use of financial instruments,
- 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 flawless execution, it will be well positioned to continue to provide sustainable returns to its shareholders.

KEY PERFORMANCE INDICATORS

The Company reviews and monitors its activities and key performance indicators which it believes are important to measuring whether the implementation of its operating and financial strategies are successful.

Some of the Company's key financial performance indicators and results against those indicators are set out below.

Key Financial Performance Indicators	2003	2002
Sales growth	**6.4%**	11.3%
Basic net earnings per common share growth	**14.9%**	14.3%
Net debt (excluding Exchangeable Debentures) (1) to equity ratio	**1.15:1**	1.00:1
Return on average common shareholders' equity	**19.4%**	18.3%
Common dividend payout ratio	**23.8%**	24.0%

(1) See Supplementary Financial Information beginning on page 59.

In addition, the Company has key operating performance indicators that include but are not limited to: market share, new product development, customer service ratings and operating and administrative cost management including productivity improvements and waste reduction.

OVERALL FINANCIAL PERFORMANCE

Consolidated Results of Operations

($ millions except where otherwise indicated)	2003	2002	2001
Sales	**$ 29,198**	$ 27,446	$ 24,661
Net earnings	**$ 792**	$ 690	$ 582
Net earnings per common share ($):			
Basic	**$ 5.80**	$ 5.05	$ 4.42
Diluted	**$ 5.78**	$ 5.02	$ 4.37

The Company has achieved strong sales and net earnings growth over the past two years while operating in dynamic and competitive industries. In 2003, consolidated sales increased 6.4% to $29.2 billion from $27.4 billion in 2002, including the positive impact of reporting an additional week of results in 2003 (a 53-week year). In 2002, consolidated sales increased 11.3% from $24.7 billion in 2001. Consolidated net earnings increased $102 million, or 14.8%, to $792 million in 2003 from $690 million in 2002. In 2002, consolidated net earnings increased $108 million, or 18.6%, from $582 million in 2001.

The following discussion details the factors and trends that have impacted the Company's financial performance over the past two fiscal years.

Basic net earnings per common share growth of 14.9% in 2003 was in line with consolidated net earnings growth. Basic net earnings per common share growth of 14.3% in 2002 resulted from consolidated net earnings growth of 18.6% offset by the impact of increased preferred share dividends in 2002 as a result of Weston's issuance of preferred shares in the last quarter of 2001 and the first half of 2002.

Ending the fiscal year for sales and related activities on the Saturday closest to December 31 periodically results in the Company reporting on a 53-week year; this occurred in 2003.

The Company's consolidated financial statements are expressed in Canadian dollars but a significant portion of its Weston Foods business is carried on in United States dollars through its investment in self-sustaining foreign operations in the United States ("U.S. net investment"). Changes in the exchange rate for United States dollars will affect the

Company's sales, net earnings and the value of the Company's assets and liabilities on its consolidated balance sheet, either positively or negatively as a result of translating the U.S. net investment into Canadian dollars. In 2002, the United States dollar exchange rate remained relatively stable. However, in 2003, due to the significant appreciation in the Canadian dollar relative to the United States dollar, sales, net earnings and the value of the Company's net assets were negatively impacted as a result of foreign currency translation.

Over the past two years, Weston Foods has emerged as one of the largest North American baked-goods companies in terms of sales and its 2001 acquisition of the Bestfoods Baking Company (renamed George Weston Bakeries) complemented its existing United States bakery operations and provided it with a portfolio of strong and valued brands. During this period, sales have been positively impacted by its focus on penetrating new sales channels, particularly with alternate format retailers and the introduction of new and innovative products. This sales growth was offset by decreased sales to traditional food retailers in the United States who continue to experience a difficult sales environment as consumer shopping patterns have evolved. The pricing environment in the North American baking industry was and continues to remain challenging, particularly in the United States. However, Weston Foods has been able to mitigate the effect of certain cost increases by raising prices on selected items, particularly in Canada. Weston Foods has maintained its strong sales and profit position relative to its competitors and has moderated industry-wide cost increases by focusing on low cost operations and streamlining manufacturing processes. However, ongoing industry cost pressures will continue to challenge operating income growth and margins in 2004.

Food Distribution sales growth has been reasonably consistent over the past two years, notwithstanding the impact of the 53rd week in 2003. Food Distribution sales may be influenced by a number of factors, including changes in net retail square footage, same-store sales, inflation, expansion into new services and/or departments and the activities of competitors. Over the past two years Food Distribution has invested more than $1 billion in capital annually, resulting in an increase in net retail square footage of approximately 4.5 million square feet or 12%. In addition to the net increase in retail square footage, corporate store sales per average square foot rose from $566 in 2001 to $591 in 2003. The amount of new net retail square footage and the timing of store openings and closures within any given year may vary; however, there have not been significant variances in the annual increase in weighted average retail square footage. The weighted average increase in net retail square footage was 5.6% in 2003 and 6.2% in 2002. Growth in same-store sales was 4.6% in 2002 and 4.6% in 2003 on an equivalent 53-week basis and inflation over this period has been low. In addition, in its pursuit of improving its value proposition, Food Distribution has invested in lower prices establishing price leadership in specific markets. Consistent with its strategy of focusing on food but serving the consumer's everyday household needs, Food Distribution has also expanded its non-food offerings over the last two years, which has resulted in non-food retail sales growth at approximately twice the rate of food retail sales growth in 2003. Competitor activity varies by market and any negative effect on Food Distribution sales from this activity may be caused by increased price competition and the addition of retail square footage by competitors in markets in which Food Distribution operates. While the impact of competitor activity has varied within markets over the past two years, it has not caused significant variation in overall sales growth. Initiatives to reduce retail operating costs have been successful in the areas of inventory shrinkage and labour efficiency, and complement similar cost minimizing initiatives within the warehouse and distribution network and administrative functions. Food Distribution's capital investment program has resulted in new larger stores replacing older smaller stores, which dampened short term earnings growth as sales developed and leveraged lower variable costs off the new fixed cost base.

In 2001, the Connors canned sardine business was sold and over the past two years the remaining fresh farmed salmon business within Fisheries has experienced a challenging environment as world fresh salmon market prices have declined due to industry excess supply conditions. In 2003, average fresh farmed salmon market prices have shown an improvement over 2002, however, a return to profitability is dependent on further price increases.

The following analysis details factors that have impacted the Company's consolidated sales and net earnings over the past two years.

Sales The Company's 2003 consolidated sales were impacted by each of its reportable operating segments as follows:

- Negatively by 1.0% due to a sales decline of 5.6% at Weston Foods, primarily due to the negative impact of foreign currency translation partially offset by the positive impact of the additional week.

- Positively by 7.8% due to sales growth of 9.3% at Food Distribution. The Food Distribution sales growth, inclusive of the effects of the investment in lower pricing, resulted from the 53rd week and increased same-store sales and net retail square footage, but was negatively impacted by a delay in new store construction.

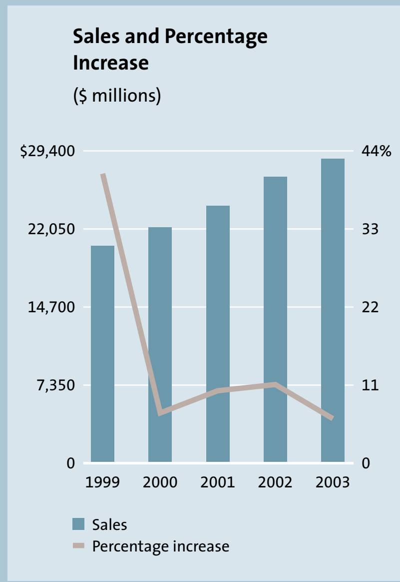
- Marginally due to a sales decline of 13.2% at Fisheries, primarily due to decreased harvest volumes as a result of the timing of harvests in 2003 compared to 2002, partially offset by improved fresh farmed salmon market prices.

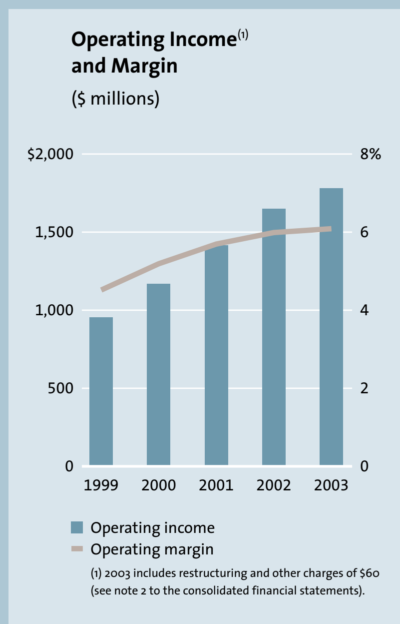
The Company's 2002 consolidated sales were impacted by each of its reportable operating segments as follows:

- Positively by 5.6% due to sales growth of 40.4% at Weston Foods, primarily due to the full-year impact of the 2001 acquisition of George Weston Bakeries. The inclusion of an additional 30 weeks of George Weston Bakeries in 2002 increased consolidated sales by approximately 5%.

- Positively by 6.5% due to sales growth of 7.4% at Food Distribution, which experienced sales growth in all regions, overcoming the effects of intensified lower pricing activity in Quebec, the effects of strikes in the *Fortinos* and in the Saskatchewan *The Real Canadian Superstore* ("RCSS") businesses, and unseasonable weather in Ontario and Quebec. An increase in same-store sales and net retail square footage also contributed to the increase in Food Distribution sales.

- Marginally due to a sales decline of 44.7% at Fisheries compared to 2001, which included the results of the Connors canned sardine and seafood processing operations disposed of in 2001. After adjusting for this disposition, sales of Fisheries' continuing fresh farmed salmon operations were essentially flat over 2001.





Management's Discussion and Analysis

Operating Income The Company's 2003 consolidated operating income increased $134 million, or 8.0%, to $1.8 billion from $1.7 billion in 2002. The Company's 2002 consolidated operating income increased $238 million, or 16.5%, to $1.7 billion from $1.4 billion in 2001.

The Company's 2003 consolidated operating income was impacted by each of its reportable operating segments as follows:

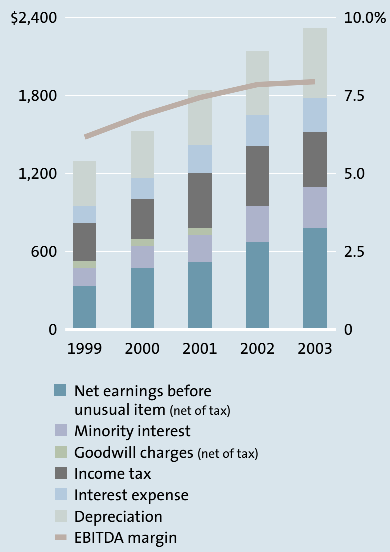
- Negatively by 2.1% due to an operating income decline of 8.6% at Weston Foods, primarily due to the inclusion of a restructuring charge of $35 million recognized as a result of the closure of two bakery facilities in Canada and the continuing rationalization of certain bakery production lines in the United States. In addition, Weston Foods' 2003 operating income was negatively impacted by foreign currency translation as a result of the significant appreciation of the Canadian dollar relative to the United States dollar.

- Positively by 9.7% due to an operating income increase of 12.6% at Food Distribution, primarily due to higher sales offset by a $25 million charge recognized as a result of the voluntary early retirement offer accepted by Ontario employees affected by the new RCSS labour arrangement.

- Marginally due to lower operating losses at Fisheries, primarily due to improvements in fresh salmon market prices.

The Company's 2003 consolidated operating margins improved to 6.2% from 6.1% in 2002, and consolidated EBITDA (see Supplementary Financial Information beginning on page 59) margins improved to 8.1% from 8.0% in 2002. Consolidated margins continued to improve in 2003 due in part to a continued focus on administrative cost control and operating efficiencies, the maturing of new stores opened in the past few years in Food Distribution, the realized synergies from the George Weston Bakeries integration and reduced net stock-based compensation cost, partially offset by the negative impact of foreign currency translation in Weston Foods and the negative impact of the restructuring and other charges noted above.

Analysis of EBITDA[1, 2] and EBITDA Margin
($ millions)



(1) 2003 includes restructuring and other charges of $60 (see note 2 to the consolidated financial statements).
(2) See Supplementary Financial Information beginning on page 59.

The Company's 2002 consolidated operating income was impacted by each of its reportable operating segments as follows:

- Negatively by the consolidated $32 million net stock-based compensation cost relating to the new Canadian accounting standard for stock-based compensation and other stock-based payments, which was implemented in 2002.

- Positively by 6.7% due to Weston Foods' operating income increase of 30.7%, primarily due to the inclusion of a full year of George Weston Bakeries results in 2002.

- Positively by 11.6% due to Food Distribution's operating income increase of 14.8%, primarily due to higher sales and improved operating margins.

- Negatively by 1.7% due to higher operating losses in Fisheries, which continued to experience difficulties as operating losses increased to $26 million from $1 million in 2001.

The Company's 2002 consolidated operating margins improved to 6.1% from 5.8% in 2001, and consolidated EBITDA margins improved to 8.0% from 7.6% in 2001. Consolidated margins continued to improve in 2002 due to better overall product mix management, a continued focus on administrative cost control and operating efficiencies, the realized synergies as anticipated from the George Weston Bakeries integration 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. Food Distribution capitalizes interest incurred on debt related to real estate properties under development.

In 2003, interest expense increased $28 million, or 11.8%, to $266 million from $238 million in 2002. The increase is explained as follows:

- Net long term interest expense increased $7 million, or 2.4%, to $293 million from $286 million in 2002 as a result of the impact of the 53rd week combined with an increase in average long term debt levels offset by the $104 million (2002 – $77 million) net positive interest impact of the Company's interest rate, currency and equity derivative agreements.

- Net short term interest expense of $6 million from interest income of $18 million in 2002 due to higher average short term Canadian borrowing levels and lower average short term United States investment rates.

- During 2003, $33 million (2002 – $30 million) of interest expense was capitalized to fixed assets.

In 2002, interest expense increased $17 million, or 7.7%, to $238 million from $221 million in 2001. The increase is explained as follows:

- 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 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 Bakeries acquisition financing from short term to long term debt.

- Net short term interest income of $18 million compared to interest expense of $6 million in 2001, mainly because of an increase in average net short term investment levels. In 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.

- During 2002, $30 million (2001 – $27 million) of interest expense was capitalized to fixed assets.

The 2003 weighted average interest rate of fixed long term debt (excluding capital lease obligations and the Exchangeable Debentures) was 6.8% (2002 – 6.9%) and the weighted average term to maturity was 16 years (2002 – 16 years). The 2004 interest expense is expected to increase due to higher weighted average debt levels and lower positive impact of the Company's interest rate, currency and equity derivative agreements.

Management's Discussion and Analysis

Income Taxes The Company's 2003 effective income tax rate decreased to 27.8% compared to 32.6% in 2002. The decrease is due in part to the declining Canadian federal income tax rate and the income tax impact of fair valuing Loblaw's equity forwards. The decrease was also the result of the favourable resolution of an income tax issue, previously accrued for by the Company, which related to the disposition of the Company's forest products business in 1998. The reversal of this accrual resulted in a reduction of $34 million to the income tax provision and a decrease of 2.2% in the Company's effective income tax rate in 2003. The decrease was partially offset by an adjustment to future income tax balances caused by the increase in corporate income tax rates by the Ontario provincial government. In 2003, the Ontario government enacted a 1.5% increase in corporate income tax rates from 12.5% in 2003 to 14% in 2004, and repealed the scheduled 2004 to 2006 income tax rate reductions of 1.5% per annum. The adjustment to the future income tax balances resulted in a $7 million charge to future income tax expense in 2003.

The Company's 2002 effective income tax rate decreased 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.

The Company's 2004 effective income tax rate is expected to be reasonably consistent with the 2003 effective tax rate before the positive impact of the $34 million accrual reversal discussed above. However, the effective income tax rate may differ if the allocation of taxable income across the various tax jurisdictions changes.

Net Earnings Changes in the Company's net earnings over the past two years were impacted by the discussion detailed above. In addition, the Company implemented two new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") that impacted the financial information and performance over the past two years.

During the first quarter of 2002, the Company prospectively implemented Section 3062, "Goodwill and Other Intangible Assets", which no longer requires the amortization of goodwill but does require the carrying value of goodwill to be tested annually, at a minimum, for impairment. If this standard had been applied to 2001 results, net earnings would have increased by $37 million and basic net earnings per common share would have increased by $0.28 net of the impact on minority interest. Also during the first quarter of 2002, the Company implemented Section 3870, "Stock-based Compensation and Other Stock-Based Payments", retroactively without restatement of the prior period consolidated financial statements. As a result of implementing Section 3870, costs related to employee stock options that allow for settlement in shares or in the share appreciation value in cash at the option of the employee are recognized as compensation cost in operating income. This compensation cost is partially offset by the fluctuation in the fair value of the equity derivative contracts entered into by Weston and Loblaw.

In 2001, the Company's net earnings included a net unusual gain of $63 million ($55 million after tax) relating to its sale of Loblaw common shares offset by the loss on sale of the Connors canned sardine and seafood processing operations and a restructuring charge related to the integration of George Weston Bakeries, which was acquired in that year.

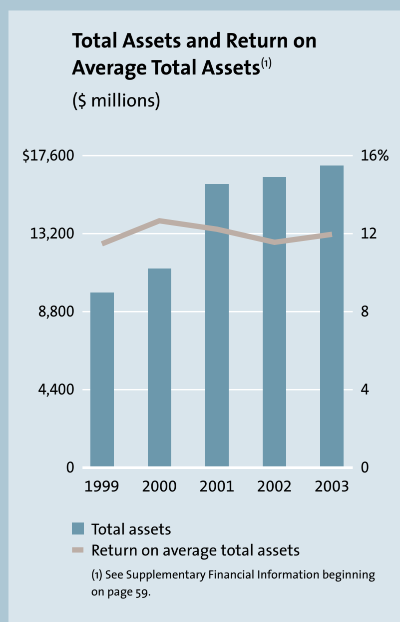
Minority interest did not have a significant impact on the Company's net earnings growth rates over the past two years as Weston's ownership of Loblaw has not significantly changed over this period.

Consolidated Financial Condition

($ millions except where otherwise indicated)	2003	2002	2001
Total assets	$ 17,338	$ 16,683	$ 16,287
Total long term debt (excluding amount due within one year)	$ 5,832	$ 5,391	$ 4,908
Dividends declared per share ($) – Common share	$ 1.20	$ .96	$ .80
– Preferred share:			
– Series I	$ 1.45	$ 1.49	
– Series II	$ 1.29	$ .93	

The Company's total assets have increased over the past two years. Fixed assets have grown as a result of the capital investment program net of annual depreciation. Food Distribution inventory level growth parallels that of the growth in new stores and the necessary supply chain inventory investment to support new stores. Food Distribution's inventory turns of non-food are lower than those of food, resulting in somewhat higher aggregate levels of investment in inventory as the non-food business is developed. Food Distribution's accounts receivable from franchised stores, associated stores and independent accounts have grown consistently with that business. A substantial portion of credit card receivables of President's Choice Bank ("PC Bank"), a wholly owned subsidiary of Loblaw, is sold to an independent trust and the unsecuritized balance has increased by $99 million since 2001. In 2003, the Company's total assets were negatively impacted by the translation of the Company's U.S. net investment due to the significant strengthening of the Canadian dollar relative to the United States dollar. In 2002, the Company's total assets were impacted by the sale of the western portion of George Weston Bakeries and the proceeds of approximately $950 million were used to repay the short term unsecured credit facility used to purchase George Weston Bakeries.

Although cash flows from operating activities have covered a large portion of the funding requirements for the Company over the past two years, external funding was also required. The amount of fixed rate debt issued in any given year is intended to continue to preserve the Company's liquidity needs.



Cash flows from operating activities cover a large portion of the Company's funding requirements. Over the past two years, the Company's funding requirements resulted primarily from:

- the capital investment program,
- defined benefit pension plan contributions,
- non-cash working capital requirements, and
- purchases of Weston and Loblaw common shares pursuant to their respective Normal Course Issuer Bids ("NCIB").

In 2003, as a result of the significant strengthening of the Canadian dollar relative to the United States dollar, the change in the cumulative foreign currency translation adjustment decreased shareholders' equity by $253 million. This net change was due to the negative impact of translating the Company's U.S. net investment, partially offset by the realized gain on the cross currency basis swaps terminated during the year that were previously used to hedge the U.S. net investment (see note 19 to the consolidated financial statements).

Management's Discussion and Analysis

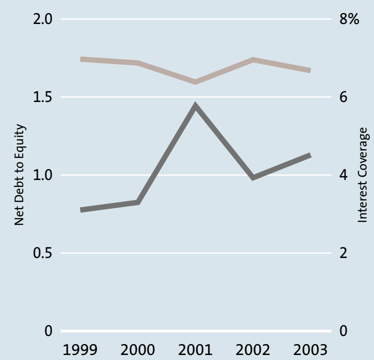
Financial Ratios In 2003, the Company maintained a consistent financial position as measured by its financial ratios, balance sheet and cash flow. This position is expected to continue in 2004.

The Company's 2003 return on average total assets (see Supplementary Financial Information beginning on page 59) of 12.0% increased compared to the 2002 return of 11.8%. This return increased after accounting for the significant capital investment and business acquisitions over the past few years. The Company's 2002 return on average total assets of 11.8% declined slightly compared to the 2001 return of 12.3%. The 2002 return was negatively impacted by the 2002 stock-based compensation cost and the difficult year experienced by Fisheries.

The Company's 2003 return on average common shareholders' equity of 19.4% increased compared to the 2002 return of 18.3%. This increase is mainly due to higher net earnings and the repurchase for cancellation of Weston's common shares in 2003. The Company's 2002 return on average common shareholders' equity was 18.3% compared to the 2001 return of 18.4%. This slight decrease in 2002 was due to the impact of the stock-based compensation cost and the difficult year experienced for Fisheries. The five year average return on common shareholders' equity was 17.5%.

The Company's 2003 net debt (excluding the Exchangeable Debentures) (see Supplementary Financial Information beginning on page 59) to equity ratio was 1.15:1 compared to the 2002 ratio of 1.00:1. The increase in this ratio resulted partially from the decrease in United States denominated cash, cash equivalents and short term investments resulting from foreign currency translation and the decrease in shareholders' equity resulting from the translation of the Company's U.S. net investment. Both of these decreases were due to the significant appreciation of the Canadian dollar relative to the United States dollar in 2003. Increased funding requirements, primarily due to defined benefit pension plan contributions and working capital along with the purchase for cancellation of Weston common shares, also negatively impacted the net debt to equity ratio in 2003. The 2004 ratio is expected to improve as a result of retained earnings growth offset by a marginal increase in debt levels. The Company's 2002 net debt (excluding the Exchangeable Debentures) to equity ratio was 1.00:1 compared to the 2001 ratio of 1.47:1 as a result of a combination of the proceeds realized from the disposition of the western portion of George Weston Bakeries, the refinancing of debt through the issuance of preferred shares and the Company's 2002 net earnings growth.

Net Debt[1] to Equity and Interest Coverage



(1) See Supplementary Financial Information beginning on page 59.

The 2003 interest coverage ratio declined to 6.8 times compared to 7.1 times in 2002 due mainly to higher interest expense. 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 interest rate, currency and equity derivative agreements.

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 2003, Weston's Board of Directors (the "Board") declared quarterly common dividends of $0.30 per common share, quarterly preferred dividends of $0.36 per preferred share, Series I and quarterly preferred dividends of $0.32 per preferred share, Series II. The 2003 annualized dividend per common share of $1.20 was equal to 23.8% of the 2002 normalized basic net earnings per common share and within Weston's common dividend policy range. Subsequent to year end, the Board declared a quarterly dividend of $0.36 per common share, payable April 1, 2004.

Outstanding Share Capital The Company's outstanding share capital is comprised of common shares and preferred shares. An unlimited number of common shares is authorized and, at year end, 129,433,442 common shares were outstanding. An unlimited number of preferred shares Series I and Series II are authorized and, at year end, 9,400,000 preferred shares Series I and 10,600,000 preferred shares Series II were outstanding. For preferred shares Series I and Series II holders, Weston may at any time after issuance, 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 Weston on a share-for-share basis on a date specified by Weston. In addition, for preferred shares Series II holders, on or after July 1, 2009, these outstanding preferred shares are convertible, at the option of the holder, into a number of Weston's common shares determined by dividing $25.00 by the greater of $2.00 and 95% of the then current market price of Weston's common shares. Further information on the Company's outstanding share capital is set out in note 16 to the consolidated financial statements. Subsequent to year end, Weston purchased for cancellation 587,200 of its common shares for $59 million, pursuant to its NCIB.

RESULTS OF REPORTABLE OPERATING SEGMENTS

The following discussion details the 2003 results of operations of each of the Company's reportable operating segments.

Weston Foods Operating Results

($ millions except where otherwise indicated)	2003	2002	Change
Sales	**$ 4,523**	$ 4,792	(5.6)%
Operating income (1)	**$ 374**	$ 409	(8.6)%
Operating margin	**8.3%**	8.5%	
EBITDA (1, 2)	**$ 518**	$ 553	(6.3)%
EBITDA margin	**11.4%**	11.5%	
Return on average total assets (2)	**9.0%**	9.2%	

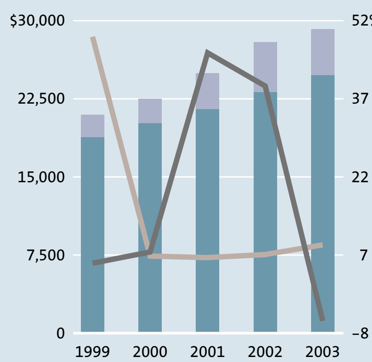
(1) 2003 includes restructuring and other charges of $35. See note 2 to the consolidated financial statements.

(2) See Supplementary Financial Information beginning on page 59.

Sales Weston Foods sales decreased 5.6% to $4.5 billion from $4.8 billion in 2002. The additional week of operating results in 2003 positively impacted sales by approximately 2%. Overall volume improved 2% in 2003 compared to 2002, inclusive of the 53rd week. A significant portion of Weston Foods' business is carried on through its U.S. net investment and as a result of translating the U.S. net investment, Weston Foods sales were negatively impacted by approximately 9%, due to the significant appreciation in the Canadian dollar relative to the United States dollar in 2003.

Core Segments Sales[1] and Percentage Increase

($ millions)



(1) Includes intersegment sales.

Sales growth in 2003 has been affected by two important consumer trends:

- In many of Weston Foods' geographic markets, particularly in the United States, consumer shopping patterns are shifting toward alternate format retail channels over traditional retail food stores. Weston Foods has responded by continuing its focus on serving all customer channels with a worry-free source of supply while improving its position with alternate format retailers. Throughout 2003, the difficult sales environment experienced by traditional food retailers in the United States negatively impacted Weston Foods' sales growth. This decline was partially offset with the introduction of new and expanded product offerings and increased sales with alternate format retailers. In 2004, Weston Foods expects the difficult sales environment to continue with traditional food retailers in the United States.

- Consumers are increasingly demanding healthier, more convenient products that can be consumed away from the home. Weston Foods has responded with the introduction of convenient "On the Go" hand-held products as well as the production and development of no cholesterol, no trans fat, reduced fat and organic products. In addition, with the increased popularity of lower carbohydrate ("low-carb") diets across North America, Weston Foods has developed low-carb products across many of its popular brands that have been well received by customers and consumers. This included entering into an exclusive North American agreement to market reduced carbohydrate bakery products with Atkins Nutritionals, Inc. The consumer trend toward low-carb products has had an industry-wide negative impact on the sales of traditional white sliced bread, which remains an important category for Weston Foods. This overall industry decline is somewhat offset by the favourable sales mix opportunities related to the whole grain and premium categories, which have shown positive growth as consumers shift their consumption. Weston Foods has participated in this premium category growth in 2003.

The impact of rationalizing low volume products as part of the ongoing effort to streamline and focus manufacturing had a negative impact on volume in 2003. Offsetting this negative impact was the launch of several innovative new products, including *Country Harvest* whole wheat soy breads, *PC* baguette, *City Bakery* artisan breads, *Wonder Wacki*, *Thomas' Crispy Cranny* waffles, *Thomas'* mini bagels as well as low-carb breads and bagels including *Thomas' Carb Counting* bagels and Atkins-endorsed *Arnold* breads. In 2004, Weston Foods expects to continue to introduce innovative new products and continue to extend the *Thomas'* and *Entenmann's* brands into Canada. The Canadian dairy operations continued their sales momentum in 2003, with continued growth in the value-added category, favourable sales mix management and the successful launch of Nestlé® branded beverages, which Weston Foods exclusively manufactures and distributes in Canada.

In 2004, Weston Foods will continue to execute its operational plans and strategies that are in place today as it believes they will provide sustainable sales growth over the longer term. These long term strategies include:

- building on its core brands, products, customers and markets,
- providing continued marketing support to its core brands and products,
- concentrating on more effective and efficient selling methods including the optimization of its direct-to-store delivery network and sales mix management,
- developing and expanding new lines of innovative bakery products in response to consumer demand,
- developing value-added products in its dairy operations,
- leveraging its North American scale and brand strength,
- improving its position with alternate format retail channels while maintaining its position with major traditional food retailers, and
- expanding its fresh baked goods production capabilities in North America for branded and private label production.

Operating Income Weston Foods operating income decreased $35 million, or 8.6%, to $374 million from $409 million in 2002, including the restructuring charge of $35 million for the closure of two bakery facilities in Canada and the rationalization of fresh bakery production lines in the United States, reflecting Weston Foods' continuing strategy to streamline and focus its production capacity. In addition, the negative impact of foreign currency translation combined with the positive impact of lower net stock-based compensation cost (net of the equity derivatives) negatively impacted Weston Foods operating income by approximately 2% in 2003. Operating margin for the year decreased to 8.3% from 8.5% in 2002 and EBITDA margin for the year decreased to 11.4% from 11.5% in 2002, both including the negative impact of the restructuring charge discussed above. In addition, operating income for the year was positively impacted by sales volume growth, the realization of the anticipated synergies from the integration of George Weston Bakeries and the ongoing focus on lower operating costs, partially offset by higher commodity, energy and defined benefit pension plan costs.

2003 was a challenging year for Weston Foods as it experienced cost pressures on its operating margins as a result of increases in:

- defined benefit pension and health and welfare benefit costs,
- core ingredients including wheat, oil and cocoa, and
- energy costs including fuel and natural gas.

Weston Foods moderated these cost pressures on its margins through the execution of its operating strategies, specifically through:

- leveraging existing capacity where possible to support sales growth with core customers,
- realizing synergies from the integration of its United States fresh and frozen bakery operations,
- closing higher cost facilities,
- focusing on lower operating costs including eliminating waste and streamlining manufacturing operations,
- applying technology to improve process applications and to enhance efficiencies, and
- making strategic capital investment decisions to increase productivity and support growth, such as the capital investment in the Albany, New York facility to produce hand held baked goods, which reduces cost while adding capacity for a growing product line.

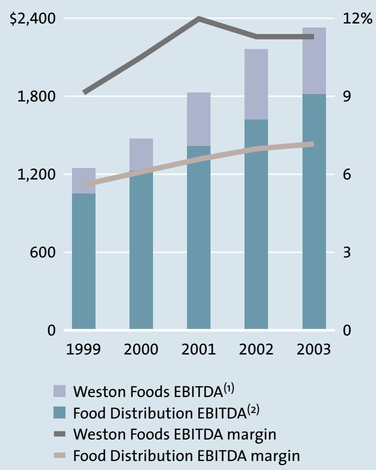
Core Segments Operating Income and Operating Margin

($ millions)

(1) 2003 includes restructuring and other charges of $35 (see note 2 to the consolidated financial statements).
(2) 2003 includes restructuring and other charges of $25 (see note 2 to the consolidated financial statements).

Core Segments EBITDA[3] and EBITDA Margin

($ millions)



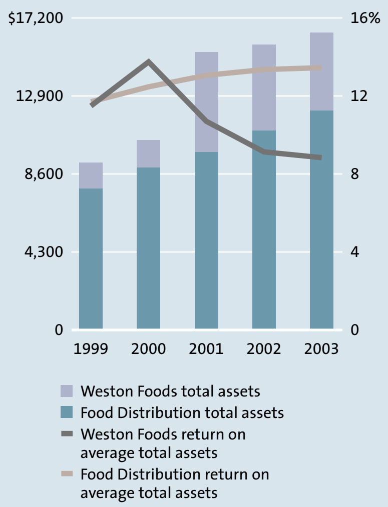
(1) 2003 includes restructuring and other charges of $35 (see note 2 to the consolidated financial statements).
(2) 2003 includes restructuring and other charges of $25 (see note 2 to the consolidated financial statements).
(3) See Supplementary Financial Information beginning on page 59.

Management's Discussion and Analysis

The integration of George Weston Bakeries within Weston Foods' existing United States operations was substantially completed by the end of 2003, and anticipated synergies have been achieved. Weston Foods expects further operational efficiencies in the latter half of 2004 as a result of the restructuring charge discussed above. These restructuring plans are in line with Weston Foods' strategy of reducing complexity to ensure an efficient and low cost operating environment.

Weston Foods will continue to focus on strengthening its competitive advantage as the business realigns its customer base and improves its manufacturing and distribution assets. However, the difficult food retail market in the United States and the ongoing industry-wide cost pressures faced by Weston Foods will continue to challenge sales and operating income growth as well as margins throughout 2004.

Core Segments Total Assets and Return on Average Total Assets[1]
($ millions)



(1) See Supplementary Financial Information beginning on page 59.

Food Distribution Operating Results

($ millions except where otherwise indicated)	2003	2002	Change
Sales	**$ 25,220**	$ 23,082	9.3%
Operating income (1)	**$ 1,458**	$ 1,295	12.6%
Operating margin	**5.8%**	5.6%	
EBITDA (1, 2)	**$ 1,851**	$ 1,649	12.2%
EBITDA margin	**7.3%**	7.1%	
Return on average total assets (2)	**13.7%**	13.6%	

(1) 2003 includes restructuring and other charges of $25. See note 2 to the consolidated financial statements.
(2) See Supplementary Financial Information beginning on page 59.

Food Distribution enjoyed another strong year in 2003 with sales growth of 9.3% and operating income growth of 12.6%. These results were attained while operating in a highly competitive industry. The retail industry continues to change, with the distinction between traditional grocer, mass merchant and discount retailer blurring, as each expands into the areas of food and non-food to drive sales growth and to meet changing consumer needs. New products have been and continue to be developed in response to varying nutritional and dietary preferences. In addition, food safety has become a priority for food retailers and consumers alike. Food Distribution monitors and responds to these changing forces while moving ahead in the execution of its operating strategies.

Sales Sales increased 9.3% to $25.2 billion from $23.1 billion in 2002. All regions across the country experienced sales growth, inclusive of the effects of Food Distribution's investment in lower pricing and the delay of new store construction in Ontario pending the completion of negotiations with several unions during the third quarter of 2003.

The increase in Food Distribution sales resulted from:

- sales for the 53rd week, which accounted for 2% of growth,
- 4.6% same-store sales growth on an equivalent 53-week basis, some of which related to the renovation or minor expansion of 87 stores,
- an increase in non-food sales at approximately twice the rate of food sales at the retail level, and
- an increase of 4.7% in net retail square footage related to the opening of 63 new corporate and franchised stores and the closure of 61 stores. The weighted average net retail square footage increased 5.6%, and exceeds the absolute increase due to the timing of the store activity. In 2003, the increase in the weighted average net retail square footage reflects the full year benefit of the 1.6 million of net retail square footage added in the latter half of 2002.

National food price inflation remained low throughout 2003. Warehouse case movement and retail item count, which are indicators of volume, increased over 2002.

Control label retail sales reached $5.6 billion in 2003 while penetration, measured as control label retail sales as a percentage of Food Distribution's retail sales, increased to 24.2% from 23.6% in 2002. Food Distribution introduced approximately 1,500 new control label products in 2003, including 500 new *PC* general merchandise products. 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, EXACT* and *Life@Home*, provides additional sales growth potential.

Food Distribution expects that the following initiatives, coupled with continued pricing investment where appropriate, will generate continued sales growth over each of the next few years:

- continued capital investment in its store network including the 2004 planned opening, expansion or renovation of more than 160 corporate and franchised stores across Canada,
- expansion of non-food offerings, and
- ongoing introduction of new control label products.

Operating Income Food Distribution operating income increased $163 million, or 12.6%, to $1.5 billion from $1.3 billion in 2002. Operating margin improved to 5.8% from 5.6% in 2002. EBITDA margin improved to 7.3% from 7.1% in 2002 and compares favourably with North American industry peers. All regions realized earnings improvements over 2002.

Gross margins in 2003 remained relatively flat in comparison to 2002. The investment in lower selling prices was partially offset by sales mix, reduced product costs and improvement in inventory shrinkage.

In 2003, operating income included a $25 million charge relating to the voluntary early retirement offer made to Ontario employees affected by the new labour arrangement for RCSS. As part of a long term labour strategy to establish a competitive framework for the RCSS concept in Ontario, certain employees in Ontario received a voluntary early retirement offer. At year end 2003, 541 employees had accepted the voluntary early retirement offer, resulting in the charge to operating income. Subsequent to year end, an additional 94 employees had accepted the voluntary early retirement offer, which will result in an additional charge of $2 million to operating income in the first quarter of fiscal 2004.

Food Distribution operating income for 2003 was further impacted by the following:

- an increase in net defined pension and other benefit plan expense,
- the negative impact related to the labour disruption in Newfoundland and Labrador,
- a decrease in net stock-based compensation cost, and
- the incremental 53rd week in fiscal year 2003, which contributed positively to operating income.

Operating margins improved from the continued focus on administrative cost control and operating efficiencies, including a focus on controlling retail labour management, and the maturing of new stores opened during the past few years.

Food Distribution expects operating income to grow at rates slightly below those of the past several years. The investment in pricing is expected to continue, offset by a continued focus on cost initiatives, as well as the following:

- reduction in the variations of store models across the country, where appropriate, to obtain a more consistent and cost effective merchandising thrust,
- optimization of Food Distribution's warehouse and distribution network, information systems and procurement functions, and
- continued rollout of *President's Choice Financial* services and products and *President's Choice Financial* MasterCard as well as personal auto and home insurance offered under the *PC Financial* Insurance brand, which was introduced in the fall of 2003 to selected markets, with an expanded rollout planned throughout 2004 and 2005.

Fisheries Operating Results

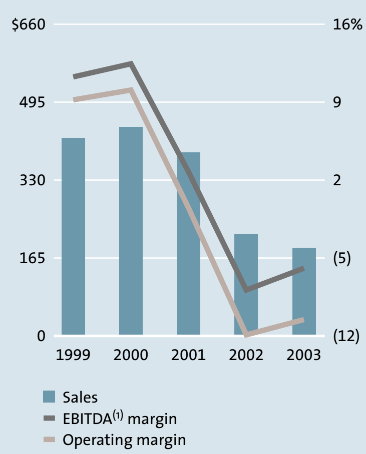
($ millions except where otherwise indicated)		**2003**		2002	Change
Sales	$	**190**	$	219	(13.2)%
Operating income	$	**(20)**	$	(26)	23.1 %
Operating margin		**(10.5)%**		(11.9)%	
EBITDA (1)	$	**(11)**	$	(17)	35.3 %
EBITDA margin		**(5.8)%**		(7.8)%	
Return on average total assets (1)		**(7.1)%**		(8.5)%	

(1) See Supplementary Financial Information beginning on page 59.

Sales Fisheries sales declined 13.2% to $190 million from $219 million in 2002 primarily due to lower harvest volumes as a result of the timing of harvests this year compared to last year, partially offset by improved salmon market prices. Although market prices improved in 2003, supply volatility continues to be a major factor impacting pricing and sales growth.

Operating Income Fisheries experienced an operating loss of $20 million compared to a loss of $26 million in 2002 primarily due to the ongoing softness in fresh salmon market prices. Although average prices have improved and the level of operating losses decreased compared to last year, average prices remained below levels required to return Fisheries to a profitable position during 2003. In addition, Fisheries results were also negatively impacted in 2003 by continuing inventory

Fisheries Sales and Margin
($ millions)



(1) See Supplementary Financial Information beginning on page 59.

disease issues and an inventory loss as a result of extremely cold weather on the east coast of North America. The Fisheries operating income margins and return on average total assets were also impacted by the factors noted above. Price improvements are expected to continue in 2004, however a return to profitability for the Fisheries segment, which will be closely monitored, is highly dependent upon further price improvements.

LIQUIDITY AND CAPITAL RESOURCES

Major Cash Flow Components

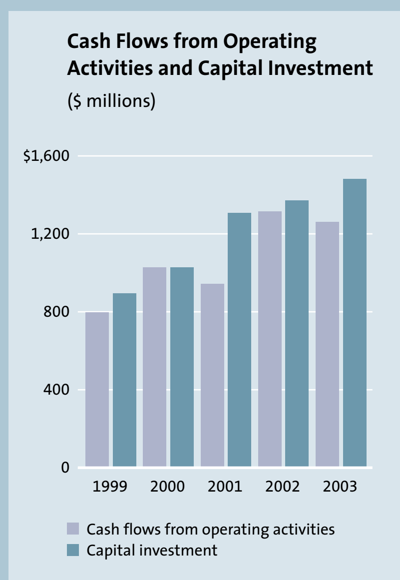
($ millions)	2003	2002	Change
Cash flows from operating activities	**$ 1,283**	$ 1,340	(4.3)%
Cash flows used in investing activities	**$ (1,375)**	$ (356)	n/a
Cash flows from (used in) financing activities	**$ 137**	$ (594)	n/a

n/a – change not relevant

Cash Flows from Operating Activities Cash flows from operating activities decreased slightly in 2003 from 2002 due to increased funding requirements, primarily due to defined benefit pension plan contributions and non-cash working capital, resulting principally from a reduction in total accounts payable outstanding at year end and an increase in non-food inventory by Food Distribution.

The Company's 2004 cash flows from operating activities are expected to increase at a rate consistent with net earnings growth and are expected to fund a large portion of the Company's anticipated 2004 funding requirements, including its planned capital investment activity of approximately $1.7 billion.

Cash Flows used in Investing Activities Cash flows used in investing activities in 2003 were $1.4 billion compared to $356 million in 2002. During 2003, as a result of the significant strengthening of the Canadian dollar the Company terminated currency derivatives that were identified as a hedge against its exposure to currency exchange rate fluctuations primarily resulting from the acquisition of George Weston Bakeries in 2001. Also in 2003, the Company terminated interest rate derivatives that were related to these currency derivatives. In respect of both transactions, the Company received, and included in cash flows used in investing activities, cash proceeds of $338 million ($317 million on termination of the currency derivatives and $21 million on termination of the interest rate derivatives), which were used to purchase common shares of Weston and repay short term debt (see notes 16 and 18 to the consolidated financial statements). Cash flows used in investing activities in 2002 were impacted by proceeds of $960 million, primarily from the disposition of the western portion of George Weston Bakeries received in 2002.



Management's Discussion and Analysis

Capital investment reached $1.5 billion (2002 – $1.4 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 $231 million (2002 – $311 million). The capital was directed toward the construction of one new plant, significant facility additions, facility betterments and the upgrade of production lines and distribution assets. Weston Foods' capital investment benefited all of its operations to varying degrees and strengthened its processing and distribution capabilities. Food Distribution's capital investment amounted to $1.3 billion (2002 – $1.1 billion). Approximately 80% (2002 – 80%) of Food Distribution's capital investment was for new stores, renovations or expansions and the remainder was primarily directed toward its warehouse and distribution network, information systems and other infrastructure required to support store growth. Food Distribution's continued capital investment activity benefited all regions in varying degrees and strengthened its existing store base. Some of the new, larger stores replaced older, smaller, less efficient stores that did not offer the broad range of products and services demanded by today's consumer. Food Distribution's 2003 corporate and franchised store capital investment program, which includes the impact of store openings and closures, resulted in an increase in net retail square footage of 4.7% over 2002. During 2003, 63 (2002 – 75) new corporate and franchised stores were opened and 87 (2002 – 84) underwent renovation or minor expansion. The 63 new stores added 1.9 million square feet of retail space (2002 – 2.6 million), net of 61 (2002 – 58) store closures. The 2003 average corporate store size increased 3% to 50,500 square feet (2002 – 48,900) and the average franchised store size increased 4% to 24,400 square feet (2002 – 23,400). The increase in net retail square footage in 2003 was impacted by a delay in new store construction in the third quarter pending the completion of negotiations with several unions. Fisheries' capital investment was $7 million (2002 – $7 million), the majority of which was directed toward routine capital maintenance.

The Company expects to continue its capital investment level in 2004. Capital investment in 2004 is estimated at $1.7 billion (approximately $300 million for Weston Foods and $1.4 billion for Food Distribution). Weston Foods' 2004 capital investment will focus on new fresh bakery facilities in Canada and the United States as well as streamlining production and distribution assets to be more efficient. Food Distribution plans to open, expand or renovate more than 160 corporate and franchised stores throughout Canada in a geographic investment pattern similar to that of 2003 and is expected to result in a net increase of approximately 3.2 million square feet. Fisheries' 2004 capital investment will focus on routine capital upgrades.

Cash Flows from/used in Financing Activities Cash flows from financing activities were $137 million in 2003 compared to cash flows used in financing activities of $594 million in 2002. During 2003, Weston and Loblaw completed the following financing activities:

- issued $755 million of Medium Term Notes ("MTN"),
- issued $34 million of Series B Debentures,
- repaid $100 million of MTN as they matured,
- Loblaw purchased for cancellation 1,282,900 of its common shares for $76 million, pursuant to its NCIB,
- Weston purchased for cancellation 852,100 of its common shares for $83 million, pursuant to its NCIB, and
- Weston purchased for cancellation 2,013,092 of its common shares for $192 million pursuant to an offer received from Wittington Investments, Limited ("Wittington"), Weston's majority shareholder.

During 2002, Weston and 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 309,000 of its common shares for $17 million, pursuant to its NCIB, and
- Weston purchased for cancellation 327,400 of its common shares for $33 million, pursuant to its NCIB.

See notes 5, 14 and 16 to the consolidated financial statements for the terms and details of the debt and share capital transactions.

During 2003, Weston filed a new Base Shelf Prospectus, which permits Weston to issue an aggregate principal amount of up to $750 million of MTN. Also in 2003, Loblaw filed a new Base Shelf Prospectus, which permits Loblaw to issue an aggregate principal amount of up to $1.0 billion of MTN.

Subsequent to year end, Weston repaid its $200 million Series A, 7.45% debentures, which matured in the first quarter of 2004, and issued $200 million of 5.05% MTN due in 2014. As a result, Weston currently has $550 million of MTN available to issue under its 2003 Base Shelf Prospectus. Also subsequent to year end, Loblaw issued $200 million of 6.15% MTN due in 2035, resulting in Loblaw currently having $345 million of MTN available to be issued.

Weston intends to renew its NCIB to purchase on the Toronto Stock Exchange and enter into equity derivatives to purchase up to 5% of its common shares outstanding. Weston 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 2003, the Company entered into equity swaps to buy 886,700 of its common shares, at an average price of $92.49 with an initial term of six years, pursuant to its NCIB.

Subsequent to year end, Weston purchased for cancellation 587,200 of its common shares for $59 million, pursuant to its NCIB. In addition, Loblaw purchased for cancellation 132,400 of its common shares for $8 million, pursuant to its NCIB.

The following tables reconcile the amounts of MTN available to issue under the Weston and Loblaw programs:

Weston Medium Term Notes Program

	Base Shelf Prospectus dated	
($ millions)	May 16, 2003	October 4, 2001
In 2001 issued MTN of		$ 500
In 2002 issued MTN of		400
In 2003 issued MTN of		100
Total issued against Base Shelf Prospectus		$ 1,000
MTN issue limit	$ 750	$ 1,000
MTN available at year end 2003 (1)	$ 750	

(1) Subsequent to year end, an additional $200 of MTN was issued, resulting in Weston having $550 of MTN available for issue.

Loblaw Medium Term Notes Program

	Base Shelf Prospectus dated	
($ millions)	May 12, 2003	May 24, 2001
In 2001 issued MTN of		$ 600
In 2002 issued MTN of		200
In 2003 issued MTN of	$ 455	200
Total issued against Base Shelf Prospectus	$ 455	$ 1,000
MTN issue expired		$ 500
MTN issue limit	$ 1,000	$ 1,500
MTN available at year end 2003 (1)	$ 545	

(1) Subsequent to year end, an additional $200 of MTN was issued, resulting in Loblaw having $345 of MTN available for issue.

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. Weston's cash, cash equivalents and short term investments, as well as $271 million in uncommitted credit facilities and $300 million in committed credit facilities extended by several banks, support Weston's $500 million commercial paper program. Loblaw's cash, cash equivalents and short term investments, as well as $845 million in uncommitted operating lines of credit extended by several banks, support its $1.2 billion commercial paper program. Weston'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 PC Bank 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 $202 million (2002 – $244 million) of credit card receivables during 2003. Information on PC Bank's credit card receivables and securitization is provided in note 9 to the consolidated financial statements and in the Off-Balance Sheet Arrangements section of this MD&A.

The Company obtains its long term financing primarily through 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 of certain franchisees with no recourse liability to the Company. In addition, the Company establishes standby letters of credit used in connection with certain obligations related to the financing program for Loblaw's franchisees, securitization of PC Bank's credit card receivables, real estate transactions and benefit and insurance programs. At year end, the aggregate gross potential liability related to the Company's standby letters of credit was approximately $391 million (2002 – $460 million), against which the Company had $606 million (2002 – $583 million) in credit facilities available to draw on.

The Company has the following sources from which it can fund its 2004 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 receivable securitizations from future growth in the PC Bank credit card operations. In 2004, the Company anticipates no difficulty in obtaining external financing in view of its current credit ratings, its past experience in the capital markets and general market conditions.

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 debentures	BBB (high)	
Preferred shares	Pfd-2 (low)	P-2
Other notes and debentures	A (low)	A–

The rating organizations listed above base their ratings on quantitative and qualitative considerations which are relevant for Weston. These ratings are intended to give an indication of the risk that Weston will not fulfill its obligations in a timely manner and do not take certain factors into account, such as market or pricing risk, since these must be considered by investors as factors in their investment process.

Contractual Obligations

The following illustrates certain of the Company's significant contractual obligations and discusses other obligations as at December 31, 2003:

Summary of Contractual Obligations	Payments due by year						
($ millions)	2004	2005	2006	2007	2008	Thereafter	Total
Long term debt (including capital lease obligation)	$ 307	$ 217	$ 329	$ 6	$ 393	$ 4,954	$ 6,206
Operating leases (1)	204	185	164	139	119	647	1,458
Contracts for purchase of property and capital investment projects (2)	360	53	6				419
Total contractual obligations (3)	$ 871	$ 455	$ 499	$ 145	$ 512	$ 5,601	$ 8,083

(1) Represents the minimum or base rents payable. Amounts are not offset by any expected sublease income.
(2) These obligations include agreements for the purchase of real property. These agreements may contain conditions that may or may not be satisfied. If the conditions are not satisfied, it is possible the Company will no longer have the obligation to proceed with the transaction.
(3) Financial derivative instruments are discussed in note 18 to the consolidated financial statements.

Other contractual obligations not reflected in the table above are discussed below.

In connection with the 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 normal course of business will not fall below those of 1998. Loblaw has fulfilled its commitment in each year from 1999 to and including 2003.

At year end, the Company had other long term liabilities which included accrued pension and other benefits plans liability, future income taxes liability, stock-based compensation liability, accrued insurance liabilities and an equity derivative liability. These long term liabilities have not been included in the table above for the following reasons:

- future contributions to the Company's pension plans depend on the funded status of each plan, which may vary based on the results of actuarial valuations and on the investment performance of the pension plans assets,
- future payments of other benefit plans liability, principally post-retirement benefits, depend on when and if retirees submit claims,
- future payments of income taxes depend on the levels of taxable earnings and income tax rates,
- future payments of the share appreciation value on employee stock options depend on whether employees exercise their stock options, the market prices of Weston and Loblaw common shares on the exercise date and the manner in which they exercise those stock options,
- future payments of insurance claims can extend over several years and depend on the timing of anticipated settlements and results of litigation, and
- future payment relating to the settlement of the equity forward obligation based on 9.6 million Loblaw common shares which matures in 2031 (see note 18 to the consolidated financial statements) will depend on the market price of Loblaw common shares. Further, the market value of the 9.6 million Loblaw common shares that Weston has used to secure this obligation exceeds the amount owing under the forward contract, and a portion of the proceeds from a future sale of these shares can be used to satisfy the obligation under this forward upon termination or maturity.

At any given time, the Company will have significant commitments with respect to the purchase of goods and services in the normal course of business, such as the purchase of inventory, often in the form of outstanding purchase orders or invoices. Although a small number of these contracts are long term, such as certain arrangements for warehousing and distribution and the purchase of electricity for a manufacturing facility, they are generally short term in nature and are settled in accordance with normal trade terms.

Off-Balance Sheet Arrangements

In the normal course of business, the Company enters into the following off-balance sheet arrangements:

- guarantees,
- the securitization of a portion of PC Bank's credit card receivables through an independent trust,
- a standby letter of credit to an independent trust which provides loans to Loblaw's franchisees for their purchase of inventory and fixed assets, and
- financial derivative instruments in the form of interest rate swaps and an electricity forward contract.

Guarantees The Company has entered into various guarantee agreements. For a detailed description of the Company's guarantees, see note 20 to the consolidated financial statements.

Credit Card Receivables Loblaw, through its wholly owned subsidiary PC Bank, securitizes credit card receivables through an independent trust administered by a major Canadian bank. In these securitizations, PC Bank sells a portion of its credit card receivables to the trust in exchange for cash. The trust funds these purchases by issuing debt securities in the form of commercial paper to third party investors. The securitizations are accounted for as asset sales only when PC Bank transfers control of the transferred assets and receives consideration other than beneficial interests in the transferred assets. All transactions between the trust and PC Bank have been, and are expected to continue to be, accounted for as sales as contemplated by Accounting Guideline 12, "Transfers of Receivables". As PC Bank does not control or exercise any measure of influence over the trust, the financial results of the trust have not been included in the Company's consolidated financial statements.

When Loblaw sells credit card receivables to the trust it no longer has access to the receivables but continues to maintain credit card customer account relationships and servicing responsibilities. Loblaw does not receive an explicit servicing fee from the trust for its servicing responsibilities. When a sale occurs, PC Bank may retain subordinated interests consisting of rights to future cash flows after obligations to the investors in the trust have been met and credit enhancement deposits in the form of a cash reserve account, both of which are considered to be a retained interest. The trust's recourse to PC Bank's assets is limited to PC Bank's retained interests and is further supported through a standby letter of credit provided by a major Canadian bank for 15% of the securitized amount. This standby letter of credit could be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables, after the cash reserve account established pursuant to the securitization agreement has been depleted. Loblaw has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit. The carrying value of the retained interests is periodically reviewed and when a decline in value is identified that is other than temporary, the carrying value is written down to fair value.

As at year end 2003, the total amount of securitized credit card receivables outstanding which PC Bank continues to service was $558 million and the associated retained interests amounted to $9 million. The standby letter of credit supporting these securitized receivables amounted to approximately $84 million. During 2003, PC Bank received income of $53 million from the independent trust relating to the securitized credit card receivables.

In the absence of securitization, Loblaw would be required to raise alternative financing by issuing debt or equity instruments. Further disclosure regarding this arrangement is provided in notes 9 and 20 to the consolidated financial statements.

Standby Letter of Credit to an Independent Trust Franchisees of Loblaw may obtain financing from an independent trust that was created to provide loans to franchisees to facilitate their purchase of inventory and fixed assets, mainly fixturing and equipment. The trust's activities are financed through the issuance of short term asset-backed notes to third party investors. The total amount of loans outstanding to Loblaw's franchisees as at year end 2003 was $343 million. A standby letter of credit has been provided for the benefit of the trust by a major Canadian bank for approximately 10% of the principal amount of the loans or $35 million as a form of credit enhancement which, in turn, allows the trust to provide favourable financing terms to Loblaw's franchisees. In the event that a franchisee defaults on its loan and Loblaw has not, within a specified time period, (i) assumed the loan, (ii) purchased the assets of the defaulting franchisee over which security has been taken by the trust, or (iii) provided for an increase of the amount of the standby letter of credit by the outstanding amount under the loan, the trust may draw upon this standby letter of credit or realize on its security. Loblaw has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

In accordance with current accounting standards issued by the CICA, the financial statements of the trust are not consolidated with those of the Company. The discussion in the Future Accounting Standards section of this MD&A concerning Accounting Guideline 15, "Consolidation of Variable Interest Entities", includes a discussion concerning the possible application of this accounting guideline to the trust.

Derivative Instruments The Company uses off-balance sheet financial derivative instruments to manage its exposure to changes in interest rates and Ontario electricity prices. For a detailed description of the Company's off-balance sheet derivative instruments and the related accounting policies, see notes 1 and 18 to the consolidated financial statements.

QUARTERLY RESULTS OF OPERATIONS

The 52 week reporting cycle followed by the Company is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration. When a fiscal year such as 2003 contains 53 weeks, the fourth quarter is 13 weeks in duration. The following is a summary of selected consolidated financial information derived from the Company's unaudited interim consolidated financial statements for each of the eight most recently completed quarters. This information was prepared in accordance with Canadian GAAP and is reported in Canadian dollars.

Quarterly Financial Information (unaudited)

($ millions except where otherwise indicated)		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total (audited)
Sales	**2003**	**$ 6,399**	**$ 6,754**	**$ 8,768**	**$ 7,277**	**$ 29,198**
	2002	$ 5,998	$ 6,324	$ 8,509	$ 6,615	$ 27,446
Net earnings	**2003**	**$ 134**	**$ 193**	**$ 213**	**$ 252**	**$ 792**
	2002	$ 108	$ 161	$ 190	$ 231	$ 690
Net earnings per common share ($)						
Basic	**2003**	**$ .96**	**$ 1.42**	**$ 1.55**	**$ 1.87**	**$ 5.80**
	2002	$ .80	$ 1.18	$ 1.37	$ 1.70	$ 5.05
Diluted	**2003**	**$ .96**	**$ 1.42**	**$ 1.54**	**$ 1.86**	**$ 5.78**
	2002	$ .79	$ 1.17	$ 1.36	$ 1.70	$ 5.02

Results by Quarter Sales growth in 2003 for the first and second quarters was lower than the prior year as the Company cycled the acquisition of George Weston Bakeries, which was completed in the third quarter of 2001. This was offset by Food Distribution sales growth and same-store sales growth that were strong in the first half of 2003 and declined slightly in the latter half of the year. Sales growth in the third quarter of 2003 was lower than the prior year primarily as a result of the impact of foreign currency translation in Weston Foods and the delay in new store construction pending the completion of negotiations with several unions in Food Distribution. Sales growth in the fourth quarter of 2003 over the prior year was primarily the result of an additional week in 2003 partially offset by the negative impact of foreign currency translation in Weston Foods. In the second quarter of 2002, the Company's sales increase was negatively impacted by the two week strike in the RCSS business in Saskatchewan and unseasonable weather in Ontario and Quebec. Holidays such as Easter, Thanksgiving and Christmas impact the Company's sales volumes and have fallen within the same quarters year over year. In addition, Weston Foods is impacted by the timing of seasonal sales items such as pies, buns, rolls, girl scout cookies and ice cream cones and wafers. The sales timing of these seasonal items generally occur in the same quarters year over year.

Operating margin in each of the first three quarters of 2003 improved over the respective quarters of 2002. Fourth quarter operating income in 2003 was negatively impacted by the $60 million of restructuring and other charges recognized during the quarter (see note 2 to the consolidated financial statements). Operating margins in the fourth quarter are generally stronger than those generated during the other quarters due to a more profitable sales mix.

Interest expense incurred on a quarterly basis in 2003 over the prior year has generally been impacted by increases in average long term borrowing levels outstanding, partially offset by declines in average long term borrowing rates. Quarterly interest expense has also been impacted by lower average United States short term investment rates on increasing average United States short term investment levels. During the first three quarters of 2003, interest expense benefited from the higher net positive effect of the Company's interest rate, currency and equity derivative agreements.

The effective income tax rate declines in the 2003 quarterly results over the prior year are mainly as a result of the 2% reduction in the federal statutory income tax rate, and fluctuations in the effective income tax rate on a quarterly basis are in part due to the fair value impact of the Loblaw equity forwards.

Throughout fiscal 2003 and 2002 the Company purchased common shares for cancellation pursuant to its NCIB. The weighted average common shares outstanding has not been significantly impacted by these purchases.

Fourth Quarter Results

The Company's 2003 fourth quarter results of operations, financial condition and cash flows were affected as follows:

- Sales were impacted positively by approximately 8% due to the additional week in 2003 and negatively by 2% due to foreign currency translation in Weston Foods.
- Operating income included $60 million of restructuring and other charges recognized during the quarter (see note 2 to the consolidated financial statements).
- Operating income was impacted negatively by 2% due to foreign currency translation in Weston Foods.
- Interest expense increased 59%, mainly attibutable to an increase in average long term borrowing levels, the impact of the additional week in 2003, the lower positive effect from interest rate, currency and equity derivatives resulting from the termination of Weston's cross currency basis and interest rate swaps and lower United States net short term interest rates on investments.
- Income tax expense included a $7 million charge due to the adjustment to future income tax balances to reflect the increase in corporate income tax rates by the Ontario provincial government. The Ontario government enacted a 1.5% increase in corporate income tax rates from 12.5% in 2003 to 14% in 2004, and repealed the scheduled 2004 to 2006 income tax rate reductions of 1.5% per annum. Income tax expense also included a reduction of $34 million as a result of the favourable resolution of an income tax issue, previously accrued for by the Company, which related to the disposition of the Company's forest products business in 1998.
- Weston purchased for cancellation 2,013,092 of its common shares at an agreed-upon price of $95.58 per common share from Wittington, Weston's majority shareholder.

Further discussion and analysis on the fourth quarter results is provided in the Company's 2003 Preliminary Report to Shareholders.

Management's Discussion and Analysis

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 negatively affect its financial performance. Each operating segment has insurance programs and its own operating and risk management strategies to help minimize these operating risks.

Industry The North American food industry is a changing and competitive market. Consumers' needs drive changes in the industry, which is impacted by changing demographic and economic trends such as changes in disposable income, increasing ethnic diversity, nutritional awareness and time availability. Over the past several years, consumers have demanded more quality, value and convenience. If the Company is ineffective in responding to these demands, its financial performance could be negatively impacted.

All operating segments evaluate the markets they operate in and will enter new markets and review potential acquisitions when opportunities arise, and will also exit a particular market and reallocate assets elsewhere when there is a strategic advantage to doing so. 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.

Weston Foods' strategy to operate on a North American scale allows it 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 and by servicing independent accounts, Food Distribution strategically minimizes and balances its exposure to industry risk.

To minimize 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.

Competitive The Company 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 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 the difficult sales environment being experienced by United States traditional food retailers, coupled with the continuing cost pressures being experienced by the industry, Weston Foods anticipates that competitive business restructuring will continue in 2004. Although the outcome and the impact, if any, on the Company's consolidated financial results from this anticipated restructuring is uncertain, Weston Foods will closely monitor the United States food retail market and, if required, adjust its strategies and programs as necessary.

Food Distribution's control label program enhances customer loyalty by offering superior value and provides some protection against national brand pricing strategies. Food Distribution faces competition from many types of non-traditional competitors, such as mass merchandisers, warehouse clubs, drug stores and specialty stores, which 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 is also subject to competitive pressures from new entrants into the marketplace and from the potential consolidation of existing competitors.

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.

Increased competition could affect the Company's ability to achieve its objectives. The Company's inability to compete effectively with its current or any future competitors could result in, among other things, lessening of market share and lower pricing in response to its competitor pricing activities.

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

A large majority of the Company's sales are generated from food products and the Company could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns in connection with certain food products. Such an event could materially affect the Company's financial performance. Procedures are in place to manage food crises, should they occur. These procedures identify risks, provide clear communication to employees and consumers and ensure that potentially harmful products are removed from inventory immediately. Food safety related liability exposures are insured by the Company's insurance program. In addition, the Company has food safety procedures and programs which address safe food handling and preparation standards. The Company employs best practices for storage and distribution of food products. The Company is intensifying the campaign for consumer awareness on safe food handling and consumption.

Labour A significant portion of the Company's workforce is unionized. Renegotiating collective agreements might result in work stoppages or slowdowns, which could materially affect the Company's financial performance, depending on their nature and duration. The Company 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. There were significant labour negotiations across the Company in 2003; 77 collective agreements expired and another 76 collective agreements were successfully negotiated. Food Distribution's 2003 labour negotiations were challenging and resulted in a labour disruption of short duration in the Dominion banner in Newfoundland and Labrador, which was ultimately resolved and resulted in a collective agreement of 41 months in duration. In 2004, 113 collective agreements affecting approximately 13,000 employees will expire, with the single largest agreement covering approximately 2,300 employees. The Company will also continue to negotiate the 51 collective agreements carried over from 2000 to 2003 and anticipates no labour disruption with respect to these negotiations. The Company has good relations with its employees and unions and, although it is possible, does not anticipate any unusual difficulties in renegotiating agreements.

Several of the Company's competitors operate in a non-union environment. These competitors may benefit from lower labour costs, making it more difficult for the Company to compete.

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. Increases in prices of these commodities could continue to adversely affect the Company's financial performance. 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 a portion of its anticipated commodity purchases to help mitigate the impact of its exposure to fluctuations in commodity prices. As at year end 2003, Weston Foods had entered into commodity future or option contracts, which mitigate price fluctuations on some commodities for approximately four months, on average, into 2004. Fisheries operating results are directly impacted by fresh farmed salmon market prices and its profitability remains dependent on further improvement in prices, which may or may not materialize given the uncertainty surrounding industry supply and demand.

Third Party Service Providers Certain aspects of the Company's operations are provided by third parties. While appropriate contractual arrangements are in place with these third parties, the Company has no direct influence over how such third parties are managed. It is possible that negative events affecting these third parties could in turn negatively impact the Company's operations.

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

President's Choice Financial banking 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, operate call centres and 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. Products offered by *PC Financial* Insurance are provided by companies within the Aviva Canada group, the Canadian subsidiary of a major international property and casualty insurance provider.

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

The following table outlines the 2004 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of the Company's pension and other benefit plans. The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key variable have been calculated independently of any changes in other key variables. 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 the impact of such variables. Actuarial gains or losses are amortized in accordance with Canadian GAAP, further reducing the volatility associated with these changes.

	Pension Benefit Plans		Other Benefit Plans	
($ millions except where otherwise indicated)	Accrued Benefit Obligation	Benefit Expense	Accrued Benefit Obligation	Benefit Expense
Expected long term rate of return on plan assets		8.0%		
Impact of: 1% increase		$ (13)		
1% decrease		$ 13		
Discount rate	6.3%	6.3%	6.1%	6.1%
Impact of: 1% increase	$ (183)	$ (18)	$ (33)	$ (4)
1% decrease	$ 213	$ 26	$ 38	$ 4
Growth rate of health care costs (1)			9.0%	9.0%
Impact of: 1% increase			$ 35	$ 7
1% decrease			$ (30)	$ (6)

(1) Gradually decreasing to 5.0% in 2011 and remaining at that level thereafter.

For 2004, the Company has assumed an 8.0% (2003 – 8.0%) expected long term rate of return on plan assets based on the plan asset mix and the active management of its pension plan assets. The Company's defined benefit pension plan assets had a 10-year annualized return of 8.8% in 2003. The actual return per annum within this 10-year period varied with market conditions.

The poor performance of the financial markets in recent years combined with interest rates at 40-year lows have negatively impacted the funding of the Company's defined benefit pension plans. During 2003, the Company voluntarily made a lump sum contribution to its defined benefit pension plans of $64 million, bringing total contribution to $135 million (2002 – $20 million). During 2004, the Company expects to contribute approximately $90 million to these plans.

While the Company's pension plans are currently adequately funded and returns on pension plan assets are in line with expectations, there is no assurance that this will continue. An extended period of depressed capital markets and low interest rates could require the Company to make significant contributions to its pension plans, which in turn could have a material effect on its financial performance.

In addition to the Company-sponsored pension plans, the Company participates in various multi-employer pension plans providing pension benefits in which approximately 41% (2002 – 40%) of employees of the Company and Loblaw's franchisees participate. The administration of these plans and the investment of their assets are legally controlled by a board of independent trustees generally consisting of an equal number of union and employer representatives. In some circumstances, the Company may have a representative on the board of trustees of these multi-employer pension plans. The Company's responsibility to make contributions to these plans is limited by the amounts established pursuant to its collective agreements. Pension expense for these plans is recognized as contributions are paid.

Real Estate The availability and conditions affecting the acquisition and development of real estate properties may impact Food Distribution's strategies and financial performance. 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 by allowing it to introduce new departments and services that could be precluded under operating leases. At year end 2003, Food Distribution owned 67% (2002 – 63%) of its corporate store square footage.

Seasonality The Company's operations as they relate to food, 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 operating segments continuously monitors the impact holidays may have on their operations and adjusts inventory levels and production and delivery schedules as required. As Food Distribution expands its non-food offering, it may increase the number of seasonal products offered and, therefore, its operations may be subject to more seasonal fluctuations.

Leadership Development and Employee Retention Effective leadership is essential to sustaining the growth and success of the Company. The Company continues to focus on the development of leaders at all levels, and across all regions, by executing tailored leadership development programs that provide the knowledge and skills necessary to drive positive change and ensure effective execution. The degree to which the Company is effective in developing its leaders and retaining key employees could affect its ability to execute its strategies, efficiently run its operations and meet its goals for financial performance.

In 2002, Food Distribution announced the construction of a new office facility in Brampton, Ontario that will consolidate eight administrative and operating offices from across southern Ontario by 2005, which may result in some short term employee turnover.

Management's Discussion and Analysis

Utility Prices The Company is a significant consumer of electricity and other utilities. Unanticipated increases in the cost of these utilities could affect the Company's financial performance. In 2002, the government of Ontario, Canada deregulated the electricity market in that province. In order to minimize the risk of higher electricity prices, the Company entered into a three year initial term electricity forward contract, which expires in May 2005. This contract maintains a portion of the Company's electricity costs at approximately 2001 rates.

Insurance The Company effectively limits its exposure to risk through a combination of appropriate levels of self-insurance and the purchase of various insurance coverages, including an integrated insurance program. The Company's insurance program is based on various lines and limits of coverage which provide the appropriate level of retained and insured risks. Insurance is arranged on a multi-year basis with reliable, financially stable insurance companies as rated by A.M. Best Company, Inc. The Company combines comprehensive risk management 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.

Environmental, Health and Safety The Company has effective environmental programs in place and has established policies and procedures aimed at ensuring compliance with applicable environmental legislative requirements. To this end, the Company employs environmental risk assessments and audits using internal and external resources together with effective employee awareness programs throughout its operating locations.

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 business operations. Environmental protection requirements do not and are not expected to have a material effect on the Company's financial performance. The Company has a health and safety program designed to address health and wellness, workplace safety and compliance with internal and regulatory guidelines for workplace health and safety. Fisheries may be faced from time to time with challenges with respect to its compliance with certain environmental laws. The salmon aquaculture industry has recently been the subject of publicity concerning certain health related issues which may impact demand for the product.

The Environmental, Health and Safety Committee of the Board receives reports which review outstanding issues, identify new legislative concerns and outline related communication efforts.

Legal, Tax and Accounting Changes to any of the laws, rules, regulations or policies related to the Company's business, including the production, processing, preparation, distribution, packaging and labelling of its products could have a significant impact on its financial performance. In the course of complying with such changes, the Company may incur significant costs. Failure by the Company to fully comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on the Company's financial performance. There can be no assurance that the tax laws and regulations in the jurisdictions affecting the Company will not be changed in a manner which could adversely affect the Company. New accounting pronouncements introduced by the appropriate authoritative bodies may impact the Company's financial performance.

Holding Company Structure Weston is a holding company. As such, it does not carry on all of its business directly but does so through its subsidiaries. It has no major source of income or assets of its own, other than the interests it has in its subsidiaries, which are all separate legal entities. Weston is therefore financially dependent on dividends and other distributions it receives from its subsidiaries.

FINANCIAL RISKS AND RISK MANAGEMENT

In the normal course of its business, the Company is exposed to financial risks that have the potential to negatively affect its financial performance. The risks relating to the Company's financing activities include changes in interest rates, foreign currency exchange rates, the market prices of Weston and Loblaw common shares and electricity prices in Ontario. The Company is also exposed to credit and counterparty risks on certain of its financial instruments. These risks and the actions taken to minimize them are discussed below.

Derivative Instruments The Company uses over-the-counter derivative financial instruments, specifically cross currency basis swaps, interest rate swaps and equity forwards and swaps, to minimize the risks and costs associated with its financing activities and its stock-based compensation plans. The Company has also entered into an elecricity forward contract to partially offset electricity price volatility in Ontario. The Company maintains treasury centres that operate under policies and guidelines approved by the Board, covering funding, investing, foreign currency exchange, equity and interest rate management. The Company's policies and guidelines prevent it from using any derivative instrument for trading or speculative purposes. See notes 1 and 18 to the consolidated financial statements for additional information on the Company's derivative instruments.

Foreign Currency Exchange Rate The Company enters into currency derivative agreements to manage its current and anticipated exposure to fluctuations in foreign currency exchange rates. Loblaw's cross currency basis swaps are transactions in which floating interest payments and principal in United States dollars are exchanged against the receipt of floating interest payments and principal in Canadian dollars. These cross currency basis swaps limit Loblaw's exposure against foreign currency exchange rate fluctuations on a portion of its United States dollar denominated assets, principally cash, cash equivalents and short term investments.

During 2003, as a result of the significant strengthening of the Canadian dollar, Weston terminated cross currency basis swaps that previously limited its exposure to foreign currency exchange rate fluctuations on its U.S. net investment. As a result, foreign currency exchange rate adjustments on the translation of Weston's U.S. net investment that are recognized within the cumulative foreign currency translation adjustment included in shareholders' equity will no longer be offset. Weston continues to monitor its current and anticipated exposure to fluctuations in foreign currency exchange rates, specifically those related to its U.S. net investment, and may consider entering into currency derivative agreements as appropriate to manage this exposure.

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. Interest rate swaps are transactions in which the Company exchanges interest flows with a counterparty on a specified notional amount for a predetermined period based on agreed-upon fixed and floating interest rates. Notional amounts are not exchanged. The Company monitors market conditions and the impact of interest rate fluctuations on its fixed/floating interest rate exposure mix on an ongoing basis.

Common Stock Market Price The Company enters into equity derivative agreements to manage its current and anticipated exposure to fluctuations in its stock-based compensation cost as a result of changes in the market prices of Weston and Loblaw common shares. These equity derivative agreements change in value as the market price of the underlying common shares changes, which effectively results in a partial offset to fluctuations in the Company's stock-based compensation cost. The partial offset between the Company's stock-based compensation costs and the equity derivatives is effective as long as the market prices of Weston and Loblaw common shares exceed the exercise price of the related employee stock options. The fair value of Weston's equity forward sale agreement based on 9.6 million Loblaw common shares will fluctuate with changes in the market price of Loblaw common shares, and any gain or loss would be offset by the recognition of a gain or loss on a future sale by Weston of the 9.6 million Loblaw common shares.

Electricity Prices The Company entered into an electricity forward contract to partially offset its volatility in the price of electricity in Ontario. The forward contract changes in value as the price of electricity changes.

Counterparty Over-the-counter derivative financial instruments are subject to counterparty risk. Counterparty risk arises from the possibility that market changes may affect a counterparty's position unfavourably and that the counterparty defaults on its obligation to the Company. The Company has sought to minimize potential counterparty risk and losses by implementing a policy that allows such transactions only with counterparties that have, at a minimum, a long term 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 mitigate counterparty risk to the extent that unfavourable contracts with the same counterparty can be legally netted against the settlement of favourable contracts.

Credit The Company's exposure to credit risk relates to the Company's cash equivalents and short term investments, Weston Foods' trade accounts receivables and Food Distribution's credit card receivables and accounts receivable from franchisees, associates and independent accounts.

Credit risk associated with the Company's cash equivalents and short term investments results from the possibility that a counterparty may default on the repayment of a security. This risk is mitigated by the Company's policies and guidelines that require issuers of permissible investments to have a minimum A credit rating from a recognized credit rating agency and specify minimum and maximum exposures to specific issuers.

Weston Foods performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectibility of its trade accounts receivables in order to mitigate any possible credit losses.

Food Distribution's exposure to credit risk relates 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 stringent credit scoring techniques, actively monitors its credit card portfolio and reviews techniques and technology that can improve the effectiveness of its collection process. In addition, these receivables are dispersed among a large, diversified group of credit card customers. Food Distribution also has accounts receivable from its franchisees, associates and independent accounts, mainly as a result of sales to these customers. Food Distribution actively monitors the balances on an ongoing basis and collects funds from its franchisees on a weekly basis in accordance with terms specified in the applicable agreements.

RELATED PARTY TRANSACTIONS

Weston's majority shareholder, Wittington, and its affiliates are related parties. Weston, in the normal course of business, has routine transactions with these related parties, including the rental of office space at market rates from Wittington. Rental payments amounted to approximately $2 million in 2003. It is Weston's policy to conduct all transactions and settle balances with related parties on normal trade terms.

As previously discussed, in 2003 Weston purchased for cancellation 2,013,092 of its common shares (representing approximately 1.5% of Weston's outstanding common shares) at an agreed price of $95.58 per common share pursuant to an offer received from Wittington, thereby reducing Wittington's beneficial ownership to 62%. The agreed upon price of $95.58 was equal to the lesser of 96% of the volume weighted average price for Weston's common shares for the last 20 business days and 96% of the volume weighted average closing price for the three business days immediately prior to the closing of the purchase and was subject to the price not being less than $95 per common share.

Weston and the Board of Directors concluded that it was in the best interest of Weston to purchase its common shares and this transaction represented an opportunity to purchase a significant number of its common shares at a price below market price. This offer was reviewed and approved by an independent committee of directors established by Weston's Board of Directors. Weston has obtained an exemption from the issuer bid rules in connection with this purchase from the Ontario Securities Commission.

ACCOUNTING STANDARDS IMPLEMENTED IN 2003

Effective January 1, 2003, the Company implemented Accounting Guideline ("AcG") 14, "Disclosure of Guarantees", issued by the CICA (see note 20 to the consolidated financial statements). AcG 14 requires the Company to disclose significant information about guarantees it has provided without regard to the likelihood that the Company will have to make any payments under those guarantees, and is in addition to the requirements under Section 3290, "Contingencies".

Effective January 1, 2003, the Company elected early adoption, on a prospective basis, of the amended standard, Section 3870, "Stock-based Compensation and Other Stock-based Payments" issued by the CICA. The amended standard was implemented for all stock option grants that will be settled by issuing common shares, which will be measured on grant date using a fair value model and expensed over the vesting period. There was no impact to the consolidated financial statements upon implementation.

In addition, the Company has implemented the revisions to Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations", and the new Emerging Issues Committee (EIC) Abstracts 134, "Accounting for Severance and Termination Benefits" and EIC 135, "Accounting for Costs Associated with Exit and Disposal Activities". Section 3475 replaces the existing Section 3475, "Discontinued Operations" and the disposal provisions of Section 3061, "Property, Plant and Equipment". These recommendations address the recognition, measurement, presentation and disclosure of disposal activities initiated after May 1, 2003. EIC 134 addresses the recognition, measurement and disclosure associated with various types of severance and termination benefits resulting from the termination of employees' services prior to normal retirement. EIC 135 addresses recognition, measurement and disclosure associated with exit and disposal activities. These EICs require that costs be recognized when the liability is incurred rather than at the date of a commitment to an exit or restructuring plan and were effective for activities undertaken after March 31, 2003. The implementation of these recommendations has not had a material impact on the Company's financial position or results of operations.

FUTURE ACCOUNTING STANDARDS

The Company closely monitors new accounting pronouncements and changes in current accounting standards to assess the impact, if any, on its consolidated financial statements. The Company is currently reviewing or has implemented the following pronouncements issued by the CICA:

- AcG 13, "Hedging Relationships", addresses the identification, designation, documentation and effectiveness of hedging relationships for the purposes of applying hedge accounting. The Company has completed the required documentation and effectiveness testing of its hedging relationships as at January 1, 2004 and has determined that no material changes to its accounting for hedging relationships are required except for the current hedge accounting treatment on Weston's equity forward sale agreement based on 9.6 million Loblaw shares (see note 18 to the consolidated financial statements), which will no longer be permissible. EIC 56, "Exchangeable Debentures", has been amended to conform with the provisions of AcG 13, which deal with items ineligible for hedge accounting, by rescinding the ability to use hedge accounting if an entity's investment in the underlying shares is consolidated or is accounted for by the equity method. The effective date to cease the hedge accounting described is the first fiscal period commencing after July 1, 2004. As a result of the amendment to EIC 56, the Company will no longer be permitted to apply hedge accounting on Weston's equity forward sale agreement based on 9.6 million Loblaw shares. Effective the beginning of the Company's third quarter of 2004, the Company will be required to recognize on a prospective basis the fair value adjustments on this agreement in net earnings. The fair value adjustment is a non-cash item and will ultimately be offset by the recognition of a gain or loss on Weston's disposition of the 9.6 million Loblaw common shares.

- Section 3063, "Impairment of Long-lived Assets", addresses the recognition, measurement and disclosure of impairment of long-lived assets. Accordingly, long-lived assets are reviewed for impairment when events or circumstances indicate that the carrying value of the assets or the asset group may not be recoverable. An impairment loss is recognized when the carrying value of long-lived assets exceeds the sum of the undiscounted cash flows expected to result from their use and eventual disposition. An impairment loss is measured as the amount by which the long-lived assets carrying value exceeds their fair value. These recommendations are effective for fiscal years beginning on or after April 1, 2003. The Company is currently assessing the impact of these recommendations and will implement them in the first quarter of 2004.

- Section 3110, "Asset Retirement Obligations", addresses recognition, measurement and disclosure of legal obligations associated with the costs to retire long-lived assets. These recommendations are effective for fiscal years beginning on or after January 1, 2004. The Company is currently reviewing its legal obligations with respect to asset retirement obligations and will implement these recommendations in the first quarter of 2004.

- EIC 144, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor", was issued in January 2004 and addresses accounting for cash consideration received from a vendor. EIC 144 provides that cash consideration received from a vendor is presumed to be a reduction in the prices of the vendor's products or services and should, therefore, be characterized as a reduction in cost of sales and related inventory when recognized in the customer's income statement and balance sheet. However, that presumption is overcome when consideration is a payment for assets or services delivered to the vendor, in which case the cash consideration should be characterized as revenue or other income, or it is a reimbursement of costs incurred to sell the vendor's products, in which case the cash consideration should be characterized as a reduction of that cost, provided that certain conditions are met. EIC 144 requires retroactive application to all financial statements for annual and interim periods ending after August 15, 2004. The Company is currently assessing the impact of these recommendations and will implement them in the third quarter of 2004.

- AcG 15, "Consolidation of Variable Interest Entities" issued in June 2003, provides guidance for applying consolidation principles to entities that are subject to control on a basis other than ownership of voting interests. The recommendations require the identification of the Company's participation in variable interest entities ("VIEs"), which are defined as entities with insufficient equity at risk to finance its activities without additional subordinated financial support from other parties. Entities identified as VIEs are to be consolidated by the primary beneficiary who holds the majority of the exposure to the expected losses or stands to gain from the majority of the expected returns. Based on the current requirements of AcG 15, the Company is reviewing its interest in unconsolidated entities to identify potential VIEs. Among the entities under review is an independent trust, which provides loans to Loblaw's franchisees for the purchase of inventory and fixed assets, mainly fixturing and equipment. This independent trust has been identified as a VIE and the Company is evaluating the resulting impact.

  The CICA is monitoring developments by the United States Financial Accounting Standards Board ("FASB"), regarding FASB Interpretation No. 46 (Revised December 2003) ("FIN 46R"), "Consolidation of Variable Interest Entities". It is expected that AcG 15 will be amended in 2004 to harmonize with FIN 46R and therefore the effective date of AcG 15 has been deferred to fiscal years beginning on or after November 1, 2004. The Company is monitoring these developments and will implement these recommendations as required in the first quarter of 2005.

OUTLOOK

The Company had another successful year in 2003, maintaining a consistent financial position and good cash flow generation, while continuing its $1.7 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. Management's expectation for overall sales and earnings growth continues to be positive.

SUPPLEMENTARY FINANCIAL INFORMATION

The Company reports its financial results in accordance with Canadian GAAP. However, the Company has included certain non-GAAP financial measures and ratios which it believes provide useful information to both management and readers of this Annual Report in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by GAAP and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other earnings measures determined in accordance with Canadian GAAP.

EBITDA The Company believes EBITDA is useful as an indicator of its operational performance and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

The following tables reconcile EBITDA to Canadian GAAP measures reported in the consolidated statements of earnings:

				2003
($ millions)	**Weston Foods**	**Food Distribution**	**Fisheries**	**Consolidated**
Operating income (1)	**$ 374**	**$ 1,458**	**$ (20)**	**$ 1,812**
Depreciation	**144**	**393**	**9**	**546**
EBITDA	**$ 518**	**$ 1,851**	**$ (11)**	**$ 2,358**

				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

(1) 2003 operating income includes restructuring and other charges of $60 made up of a $35 charge recognized by Weston Foods reportable operating segment and a $25 charge recognized by Food Distribution reportable operating segment (see note 2 to the consolidated financial statements).

Net Debt The Company calculates net debt as the sum of long term debt and short term debt offset by cash, cash equivalents and short term investments and believes this measure is useful in evaluating the amount of leverage employed by the Company. The Company calculates net debt excluding exchangeable debentures as net debt (as calculated above) less exchangeable debentures and believes this measure is also useful in evaluating the amount of leverage employed by the Company as the exchangeable debentures can be settled with the Company's investment in Domtar common shares included in other assets.

The following table reconciles net debt excluding exchangeable debentures to Canadian GAAP measures reported in the consolidated balance sheets:

($ millions)	**As at December 31, 2003**	As at December 31, 2002	As at December 31, 2001
Bank indebtedness	**$ 108**	$ 61	$ 152
Commercial paper	**696**	715	466
Short term bank loans	**67**	33	1,367
Long term debt due within one year	**307**	110	82
Long term debt	**5,832**	5,391	4,908
Less:			
Cash and cash equivalents	**965**	1,157	743
Short term investments	**545**	398	518
Net debt	**5,500**	4,755	5,714
Less: Exchangeable debentures	**374**	374	375
Net debt excluding exchangeable debentures	**$ 5,126**	$ 4,381	$ 5,339

Total Assets The Company uses the return on average total assets ratio to measure the performance of operating assets and therefore excludes cash, cash equivalents, short term investments, business held for sale and the Domtar investment from the total assets used in this ratio. The Company believes this results in a more accurate measure of the performance of its operating assets.

The following table reconciles total assets used in the return on average total assets measure to Canadian GAAP measures reported in the consolidated balance sheets:

	As at December 31, 2003			
($ millions)	Weston Foods	Food Distribution	Fisheries	Consolidated
Total assets	$ 4,775	$ 12,294	$ 269	$ 17,338
Less:				
Cash and cash equivalents	347	618		965
Short term investments	167	378		545
Domtar investment	367			367
Total assets	$ 3,894	$ 11,298	$ 269	$ 15,461

	As at December 31, 2002			
($ millions)	Weston Foods	Food Distribution	Fisheries	Consolidated
Total assets	$ 5,224	$ 11,167	$ 292	$ 16,683
Less:				
Cash and cash equivalents	334	823		1,157
Short term investments	94	304		398
Domtar investment	367			367
Total assets	$ 4,429	$ 10,040	$ 292	$ 14,761

	As at December 31, 2001			
($ millions)	Weston Foods	Food Distribution	Fisheries	Consolidated
Total assets	$ 5,995	$ 9,972	$ 320	$ 16,287
Less:				
Cash and cash equivalents	168	575		743
Short term investments	92	426		518
Business held for sale	934			934
Domtar investment	368			368
Total assets	$ 4,433	$ 8,971	$ 320	$ 13,724

Management's Discussion and Analysis

The following table provides additional financial information.

	As at December 31, 2003	As at December 31, 2002	As at December 31, 2001
Market price per common share ($)	**$ 103.71**	$ 90.25	$ 103.40
Actual common shares outstanding (in millions)	**129.4**	132.3	131.5
Weighted average common shares outstanding (in millions)	**131.9**	131.9	131.5

ADDITIONAL INFORMATION

Additional information, including the Company's Annual Information Form, has been filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at *www.sedar.com.*

March 11, 2004
Toronto, Canada

Management's Statement of Responsibility for Financial Reporting

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 judgments 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 directors who are unrelated to and independent of the Company, 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 activities and financial reporting matters. 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

W. Galen Weston
Chairman and President

Richard Mavrinac

Richard P. Mavrinac
Chief Financial Officer

Toronto, Canada
March 11, 2004

Independent Auditors' Report

To the Shareholders of George Weston Limited:

We have audited the consolidated balance sheets of George Weston Limited as at December 31, 2003 and 2002 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, 2003 and 2002 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 11, 2004

Consolidated Statements of Earnings

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

	2003	2002
Sales	**$ 29,198**	$ 27,446
Operating Expenses		
Cost of sales, selling and administrative expenses	**26,780**	25,261
Depreciation	**546**	507
Restructuring and other charges (note 2)	**60**	
	27,386	25,768
Operating Income	**1,812**	1,678
Interest Expense (note 3)	**266**	238
Earnings Before the Following:	**1,546**	1,440
Income Taxes (note 6)		
Provision	**423**	469
Other	**7**	
	430	469
	1,116	971
Minority Interest	**324**	281
Net Earnings	**$ 792**	$ 690
Net Earnings per Common Share ($) (note 7)		
Basic	**$ 5.80**	$ 5.05
Diluted	**$ 5.78**	$ 5.02

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Retained Earnings

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

	2003	2002
Retained Earnings, Beginning of Year	**$ 3,712**	$ 3,260
Impact of implementing new accounting standard (note 1)		(55)
Net earnings	**792**	690
Premium on common shares purchased for cancellation (note 16)	**(273)**	(33)
Dividends declared		
Per common share – $1.20 (2002 – $.96)	**(158)**	(126)
Per preferred share – Series I – $1.45 (2002 – $1.49)	**(13)**	(14)
– Series II – $1.29 (2002 – $.93)	**(14)**	(10)
Retained Earnings, End of Year	**$ 4,046**	$ 3,712

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

As at December 31 ($ millions)	2003	2002
Assets		
Current Assets		
Cash and cash equivalents (note 8)	**$ 965**	$ 1,157
Short term investments	**545**	398
Accounts receivable (note 9)	**935**	950
Inventories	**2,049**	1,994
Future income taxes (note 6)	**152**	138
Prepaid expenses and other assets	**52**	48
Total Current Assets	**4,698**	4,685
Fixed Assets (note 10)	**7,743**	7,053
Goodwill and Intangible Assets (note 11)	**3,542**	3,988
Future Income Taxes (note 6)	**76**	49
Other Assets (note 12)	**1,279**	908
Total Assets	**$ 17,338**	$ 16,683
Liabilities		
Current Liabilities		
Bank indebtedness	**$ 108**	$ 61
Commercial paper	**696**	715
Accounts payable and accrued liabilities	**2,971**	3,344
Income taxes	**181**	164
Short term bank loans (note 14)	**67**	33
Long term debt due within one year (note 14)	**307**	110
Total Current Liabilities	**4,330**	4,427
Long Term Debt (note 14)	**5,832**	5,391
Future Income Taxes (note 6)	**230**	146
Other Liabilities (note 15)	**672**	748
Minority Interest	**1,812**	1,589
Total Liabilities	**12,876**	12,301
Shareholders' Equity		
Share Capital (note 16)	**608**	609
Retained Earnings	**4,046**	3,712
Cumulative Foreign Currency Translation Adjustment (note 19)	**(192)**	61
Total Shareholders' Equity	**4,462**	4,382
Total Liabilities and Shareholders' Equity	**$ 17,338**	$ 16,683

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board

W. Galen Weston

W. Galen Weston
Director

R. Donald Fullerton
Director

Consolidated Cash Flow Statements

For the years ended December 31
($ millions)

		2003	2002
Operating Activities			
Net earnings before minority interest		**$ 1,116**	$ 971
Depreciation		**546**	507
Restructuring and other charges (note 2)		**60**	
Future income taxes		**85**	137
Change in non-cash working capital		**(417)**	(207)
Acquisition restructuring charges, including income tax recoveries		**(63)**	(107)
Other		**(44)**	39
Cash Flows from Operating Activities		**1,283**	1,340
Investing Activities			
Fixed asset purchases		**(1,509)**	(1,397)
Short term investments		**(199)**	128
Proceeds on termination of financial derivatives (note 18)		**338**	
Proceeds from fixed asset sales		**89**	69
Business dispositions (note 4)			960
Credit card receivables, after securitization (note 9)		**(16)**	(100)
Franchise investments and other receivables		**(47)**	(14)
Other		**(31)**	(2)
Cash Flows used in Investing Activities		**(1,375)**	(356)
Financing Activities			
Bank indebtedness		**63**	(91)
Commercial paper		**(19)**	249
Short term bank loans (note 14)	– Issued	**34**	33
	– Retired		(1,367)
Long term debt (note 14)	– Issued	**755**	600
	– Retired	**(104)**	(78)
Share capital (note 16)	– Issued	**1**	304
	– Retired	**(275)**	(33)
Subsidiary share capital	– Issued (note 17)	**2**	2
	– Retired (note 5)	**(76)**	(17)
Dividends	– To shareholders	**(178)**	(141)
	– To minority shareholders	**(63)**	(51)
Other		**(3)**	(4)
Cash Flows from (used in) Financing Activities		**137**	(594)
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents (note 8)		**(237)**	24
Change in Cash and Cash Equivalents		**(192)**	414
Cash and Cash Equivalents, Beginning of Year		**1,157**	743
Cash and Cash Equivalents, End of Year		**$ 965**	$ 1,157

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2003
($ 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 ("Weston") and its subsidiaries (collectively referred to as 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 61.7% (2002 – 61.4%).

Fiscal Year

The Company's year end is December 31. Sales and related activities are reported on a fiscal year ending on the Saturday closest to December 31. As a result, the Company's fiscal year with respect to sales and related activities is usually 52 weeks in duration but does include a 53rd week every five to six years. The year ended 2002 had 52 weeks of sales and related activities resulting in an effective year end of December 28, 2002 with respect to sales and related activities. The year ended 2003 had 53 weeks of sales and related activities resulting in an effective year end of January 3, 2004 with respect to sales and related activities. Accordingly, all references to fiscal year end in this Annual Report to Shareholders should be read subject to the foregoing.

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 stores, associated stores and independent account customers at the time the sale is made to its customers.

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 options with an exercise price below the average market price are exercised and the assumed proceeds are used to purchase Weston's common shares at the average market price during the year.

Cash, Cash Equivalents and Bank Indebtedness

Cash balances 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 90 days or less.

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. Credit card receivables are fully written off when payments are contractually 180 days in arrears or when the likelihood of collection is considered remote. Interest income on credit card receivables is recorded when billed to customers and is recognized in operating income.

Allowance for Credit Losses

PC Bank maintains a general allowance for credit losses which, in management's opinion, is adequate to absorb all credit-related losses in its credit card receivables portfolio, based upon a statistical analysis of past performance and management's judgment. The allowance for credit losses is deducted from the credit card receivables balance. The net credit loss experience for the year is recognized in operating income.

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 their 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. The carrying value of retained interests is periodically reviewed and when a decline in value is identified that is other than temporary, the carrying value is written down to fair value.

Inventories (principally finished products)
Retail store inventories are stated at the lower of cost and estimated net realizable value less normal gross profit margin. Other inventories are stated 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 (2002 – 10 to 40) years for buildings and from 2 to 20 (2002 – 2 to 17) 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.

Fixed assets are written down to their net recoverable amount when their estimated future cash flows are less than their net carrying value. A write-down is recognized in operating income.

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. Other intangible assets are recorded at fair value at the date of acquisition.

Goodwill is not amortized and its carrying value is tested at least annually for impairment. Intangible assets with a finite life are amortized over their estimated useful life. Intangible assets with an indefinite life are not subject to amortization and are tested at least annually for impairment. Any impairment in the carrying value of goodwill or intangible assets is recognized in operating income.

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 foreign currency exchange rate in effect at each year end date. The resulting exchange gains or losses on translation are recognized as part of shareholders' equity in cumulative foreign currency translation adjustment. When there is a reduction in the Company's net investment in self-sustaining foreign operations, the proportionate amount of 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 foreign currency exchange rate for the year.

(ii) Loblaw Foreign Operations
Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign currency exchange rate in effect at each year end date. Exchange gains or losses arising from the translation of these balances denominated in foreign currencies are recognized in operating income. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average foreign currency exchange rate for the year.

Derivative Instruments
The Company uses derivative agreements in the form of cross currency basis swaps, interest rate swaps, equity swaps and forwards, and commodity futures and options to manage its current and anticipated exposure to fluctuations in foreign currency exchange rates, interest rates, the market prices of Weston and Loblaw common shares and commodity prices. The Company does not enter into derivative agreements for trading or 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 recognized as part of shareholders' equity in cumulative foreign currency translation adjustment. When there is a reduction in the Company's net investment in self-sustaining foreign operations, the proportionate amount of the cumulative foreign currency translation adjustment related to cross currency basis swaps gains or losses is recognized in operating income. The exchange of interest payments on Weston's cross currency basis swaps is recognized on an accrual basis in interest expense.

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 in interest expense and unrealized gains and losses are not recognized. On termination of a hedging relationship, realized and unrealized gains and losses on interest rate swaps are recognized in interest expense.

Loblaw enters into cross currency basis swaps and interest rate swaps as a hedge against its exposure to fluctuations in foreign currency exchange rates and interest rates on a portion of its United States dollar denominated 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 a portion of its United States dollar denominated assets and are recognized in operating income. The cumulative unrealized foreign currency exchange rate receivable or payable is recorded in other assets or other liabilities, respectively. The exchange of interest payments on Loblaw's cross currency basis swaps and interest rate swaps is recognized on an accrual basis in interest expense. Unrealized gains or losses on the interest rate swaps are not recognized.

Equity forwards and swaps are used to manage exposure to fluctuations in the market prices of Weston and Loblaw common shares, which impacts the stock-based compensation cost recognized. Market price adjustments on these equity forwards and swaps are recognized in operating income as gains or losses and the cumulative unrealized gains or losses are recorded in other assets or other liabilities, respectively. Interest on equity forwards and swaps is recognized on an accrual basis in interest expense. Market price adjustments on an equity forward that is identified as a hedge of an anticipated transaction is deferred in other assets and the cumulative unrealized market price payable is recorded in other liabilities.

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 are recognized in cost of sales when the inventory produced from the related commodity is sold.

The Company entered into an electricity forward contract to minimize price volatility and to maintain a portion of the Company's electricity costs in Ontario, Canada at approximately 2001 rates. 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 income tax expense when enacted or substantively enacted. 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 obligation. 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 4 to 17 years, with a weighted average of 13 years at year end. The cost of pension benefits for defined contribution plans and multi-employer pension plans are expensed as contributions are paid.

Stock-Based Compensation

Effective January 1, 2003, the Company elected early adoption, on a prospective basis, of the amended standard issued by the Canadian Institute of Chartered Accountants ("CICA") on stock-based compensation and other stock-based payments. The standard was implemented for all stock option grants that will be settled by issuing common shares, which are measured on the grant date using a fair value model and expensed over the vesting period. There was no impact on the consolidated financial statements upon implementation.

The Company recognizes in operating income a compensation cost and a liability related to employee stock option grants that will be settled by issuing common shares. The compensation cost is the fair value of the stock option on grant date using an option pricing model. On the exercise of this type of stock option, the consideration paid by the employee and the related fair value accrual is credited to common share capital. Each stock option granted before 2003 that will be settled by issuing common shares will be accounted for as a capital transaction 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.

Effective January 1, 2002, the Company implemented the CICA standard 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 $28 of future income tax recoverable, the $32 fair value impact of Loblaw's equity forwards and a $10 minority interest impact). This decrease includes the Company's portion of the decrease to Loblaw's retained earnings of $25 ($80 less $23 of future income tax recoverable and the $32 fair value impact of its equity forwards).

The Company recognizes a compensation cost in operating income and a liability 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. Under the intrinsic value method, the stock-based compensation liability is the amount by which the market price of the common shares exceeds the exercise price of the stock options. A year over year change in the stock-based compensation liability is recognized in operating income.

Outside members of Weston'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 units obligation is accounted for using the intrinsic value method and the year-over-year change in the deferred share units obligation is recognized as a compensation expense in operating income and as a liability.

Weston and Loblaw maintain Employee Share Ownership Plans for their employees, which allow employees to acquire Weston's and Loblaw's common shares through payroll deductions of up to 5% of their gross regular earnings. Loblaw contributes an additional 15% of each employee's contribution to its plan, and effective April 6, 2003 Weston amended its plan and will now contribute an additional 15% of each employee's contribution to the plan. These contributions are 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 reported amounts and disclosures made in the consolidated financial statements and accompanying notes. These estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and activities that 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.

Notes to the Consolidated Financial Statements

2. Restructuring and Other Charges

Weston Foods

In 2003, Weston Foods recognized in operating income a net pre-tax charge of $35 relating to the closure of two bakery facilities in Canada and the rationalization of fresh bakery production lines in the United States. This charge consisted of $41 of fixed asset write-downs and $14 of related employee severance costs offset by $20 recognized due to the completion of other restructuring activities for amounts less than previously recognized in the financial statements. Approximately $2 of the severance charge had been paid by the end of 2003. This restructuring is expected to be substantially completed by the end of 2004.

Food Distribution

As a result of union negotiations at Loblaw, certain employees of Locals 1000A, 1977 and 175 of the United Food and Commercial Workers union in Ontario became eligible to receive a voluntary early retirement offer. Employees of Locals 1000A and 1977 were required to indicate their acceptance of this voluntary offer in writing by October 31, 2003 and employees of Local 175 had to respond by January 31, 2004. At year end, 541 employees had accepted the voluntary early retirement offer which resulted in a pre-tax charge of $25 recognized in operating income. Approximately $5 of this charge had been paid by the end of 2003. The remaining accrual is expected to be paid during the first half of fiscal 2004. Subsequent to year end, an additional 94 employees of Local 175 had accepted the voluntary early retirement offer. Therefore, an additional charge of $2 will be recognized in operating income in fiscal 2004.

3. Interest Expense

	2003	2002
Interest on long term debt	**$ 397**	$ 363
Other long term interest (note 18)	**(104)**	(77)
Net long term interest	**293**	286
Net short term interest	**6**	(18)
Capitalized to fixed assets	**(33)**	(30)
Interest expense	**$ 266**	$ 238

Net interest paid in 2003 was $300 (2002 – $294).

4. Business Dispositions

During 2002, Weston 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 (U.S. $610). 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.

5. Business Acquisitions

Weston Foods

During 2003, Weston Foods acquired a specialty bakery for $6, which resulted in the Company recognizing $2 of goodwill.

Food Distribution

When Loblaw purchases its own common shares, the Company accounts for the purchase as a step-by-step purchase of Loblaw. During 2003, Loblaw purchased 1,282,900 (2002 – 309,000) of its common shares for $76 (2002 – $17) pursuant to its Normal Course Issuer Bids ("NCIB"), which resulted in the Company recognizing $34 (2002 – $8) of goodwill (note 11).

Subsequent to year end, Loblaw purchased 132,400 of its common shares for $8 pursuant to its NCIB.

In the normal course of business, Loblaw acquires franchisee stores and converts them to corporate stores. In 2003, Loblaw acquired 15 franchisee businesses. The acquisitions were accounted for using the purchase method of accounting with the results of the businesses acquired included in the Company's consolidated financial statements from the date of acquisition. The fair value of the net assets acquired consisted of fixed assets of $7, other assets, principally inventory, of $6 and goodwill of $8 for cash consideration of $11, net of the accounts receivable due from the franchisees of $10.

6. 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:

	2003	2002
Weighted average basic Canadian federal and provincial statutory income tax rate	**36.7%**	39.2%
Net decrease resulting from:		
Earnings in jurisdictions taxed at rates different from the Canadian statutory income tax rates	**(6.7)**	(5.7)
Non-taxable amounts (including capital gains/losses and dividends)	**(.9)**	(1.3)
Large corporation tax	**.5**	.5
Enacted changes in income tax rates	**.4**	
Other		(.1)
Effective income tax rate before the following:	**30.0**	32.6
Reversal of income tax accrual (1)	**(2.2)**	
Effective income tax rate	**27.8%**	32.6%

(1) In 2003, Weston recognized a $34 reduction to the income tax provision as the result of a favourable resolution of an income tax issue, previously accrued for by Weston, which related to the disposition of Weston's forest products business in 1998.

Net income taxes paid in 2003 were $400 (2002 – $310).

In 2003, the Ontario government enacted both the repeal of income tax rate reductions of 1.5% scheduled for each of 2004, 2005 and 2006 and the increase in the provincial income tax rate to 14% in 2004 from 12.5% in 2003. Therefore, future income tax balances were adjusted resulting in a $7 charge to future income tax expense in 2003.

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

	2003	2002
Accounts payable and accrued liabilities	**$ 204**	$ 276
Other liabilities	**148**	118
Losses carried forward (expiring 2004 to 2023)	**156**	115
Other	**27**	47
Valuation allowances	**(97)**	(182)
Fixed assets	**(279)**	(234)
Goodwill	**(44)**	(33)
Intangible assets and other	**(117)**	(66)
Net future income tax (liabilities) assets	**$ (2)**	$ 41

	2003	2002
Presented on the consolidated balance sheets as:		
Future income tax assets		
Current	**$ 152**	$ 138
Non-current	**76**	49
	228	187
Future income tax liabilities	**(230)**	(146)
Net future income tax (liabilities) assets	**$ (2)**	$ 41

7. Basic and Diluted Net Earnings per Common Share

	2003	2002
Net earnings	$ 792	$ 690
Prescribed dividends on preferred shares	(27)	(24)
Net earnings available to common shareholders	$ 765	$ 666
Weighted average common shares outstanding (in millions)	131.9	131.9
Dilutive effect of stock-based compensation (in millions) (1)	.4	.7
Diluted weighted average common shares outstanding (in millions)	132.3	132.6
Basic net earnings per common share ($)	$ 5.80	$ 5.05
Dilutive effect of stock-based compensation per common share ($)	(.02)	(.03)
Diluted net earnings per common share ($)	$ 5.78	$ 5.02

(1) 204,000 stock options at an exercise price of $100.00 per common share were outstanding at the end of 2003 but were not recognized in the computation of diluted net earnings per common share because the options' exercise price was greater than the average market price of the common shares for the year.

8. Cash, Cash Equivalents and Short Term Investments

At year end, the Company had $1.5 billion (2002 – $1.5 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 $20 (2002 – $31) of income from cash, cash equivalents and short term investments was recognized in net short term interest.

The Company recognized an unrealized foreign currency exchange rate loss of $237 (2002 – gain of $24) as a result of translating its United States dollar denominated cash and cash equivalents. The portion of this change which related to Loblaw's United States dollar denominated cash and cash equivalents amounts to $175 (2002 – gain of $19) and is offset in operating income by the unrealized foreign currency exchange rate gain on Loblaw's cross currency basis swaps. A cumulative unrealized foreign currency exchange rate receivable of $96 (2002 – $131 payable) related to Loblaw's cross currency basis swaps is recorded in other assets on the balance sheet. The remaining foreign currency exchange rate loss of $62 (2002 – gain of $5) relates to the translation of cash and cash equivalents held by Weston's self-sustaining foreign operations, which is recognized as part of shareholders' equity in cumulative foreign currency translation adjustment.

9. Credit Card Receivables

During 2003, Loblaw, through PC Bank, securitized $202 (2002 – $244) of credit card receivables, yielding a minimal loss (2002 – minimal gain) on the initial sale, inclusive of a $2 (2002 – $2) servicing liability. Servicing liabilities expensed during the year were $9 (2002 – $4) and the fair value of recognized servicing liabilities was $6 (2002 – $4). The trust's recourse to PC Bank's assets is limited to PC Bank's retained interests and is further supported by Loblaw through a standby letter of credit for 15% of the securitized amount.

	2003	2002
Credit card receivables	$ 711	$ 502
Amount securitized	(558)	(356)
Net credit card receivables	$ 153	$ 146
Net credit loss experience	$ 9	$ 6

The following table shows the key economic assumptions used in measuring the retained interests at the date of securitization for securitizations completed in 2003. The table also displays the sensitivity of the current fair value of retained interests to an immediate 10% and 20% adverse change in the 2003 key economic assumptions.

	2003	Change in Assumptions (10%)	Change in Assumptions (20%)
Carrying value of retained interests	$ 9		
Payment rate (monthly)	45.0%		
Weighted average life (years)	.6		
Expected credit losses (annual)	3.4%	$ (.3)	$ (.7)
Discounted residual cash flows (annual)	14.0%	$ (1.2)	$ (2.4)

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

	2003	2002
Proceeds from new securitizations	$ 202	$ 244
Net cash flows received on retained interests	$ 53	$ 24

10. Fixed Assets

	2003			2002		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Properties held for development	$ 433		$ 433	$ 336		$ 336
Properties under development	248		248	234		234
Land	1,479		1,479	1,307		1,307
Buildings	3,878	$ 766	3,112	3,406	$ 681	2,725
Equipment and fixtures	4,441	2,382	2,059	4,210	2,158	2,052
Leasehold improvements	679	279	400	629	247	382
	11,158	3,427	7,731	10,122	3,086	7,036
Capital leases – buildings and equipment	86	74	12	87	70	17
	$ 11,244	$ 3,501	$ 7,743	$ 10,209	$ 3,156	$ 7,053

Notes to the Consolidated Financial Statements

11. Goodwill and Intangible Assets

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

				2003	2002
	Weston Foods	Food Distribution	Fisheries	Total	Total
Goodwill, beginning of year	$ 1,656	$ 1,682	$ 9	$ 3,347	$ 3,339
Goodwill acquired during the year	2	42		44	8
Adjusted purchase price allocation (1)	(125)			(125)	
Impact of foreign currency translation	(264)			(264)	
Goodwill, end of year	1,269	1,724	9	3,002	3,347
Trademarks and brand names (2)	523			523	627
Other intangible assets	2			2	
Marine site licenses			15	15	14
Goodwill and intangible assets	$ 1,794	$ 1,724	$ 24	$ 3,542	$ 3,988

(1) The adjusted purchase price allocation relates to the reversal of purchase accounting liabilities no longer required and the recognition of future income tax assets pertaining to the 2001 George Weston Bakeries acquisition.
(2) Year end 2003 balance includes the negative impact of foreign currency translation of $104.

The Weston Foods intangible assets primarily relate to $522 (2002 – $626) of trademarks and brand names, 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 accumulated amortization on marine site licenses was minimal.

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 2003, the Company performed the annual goodwill and indefinite life intangible assets impairment tests and determined that there was no impairment to the carrying value of the goodwill or intangible assets.

12. Other Assets

	2003	2002
Domtar investment (note 14)	$ 367	$ 367
Franchise investments and other receivables	322	319
Equity forward deferred loss (note 18)	186	53
Accrued benefit plan asset (note 13)	103	47
Unrealized cross currency basis swaps receivable (note 18)	96	
Unrealized equity derivative receivable (note 18)	93	34
Deferred charges and other	112	88
	$ 1,279	$ 908

13. 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 pension plans providing pension benefits.

Information about the Company's defined benefit plans, in aggregate, was as follows:

	2003		2002	
	Pension Benefit Plans	**Other Benefit Plans**	Pension Benefit Plans	Other Benefit Plans
Benefit Plan Assets				
Fair value, beginning of year	**$ 1,048**	**$ 27**	$ 1,175	$ 18
Actual return on plan assets	**165**	**1**	(60)	4
Employer contributions	**135**	**28**	20	21
Employees' contributions	**4**		3	
Benefits paid	**(81)**	**(21)**	(90)	(16)
Other including impact of foreign currency translation	**(47)**			
Fair value, end of year	**$ 1,224**	**$ 35**	$ 1,048	$ 27
Accrued Benefit Plan Obligations				
Balance, beginning of year	**$ 1,440**	**$ 330**	$ 1,223	$ 229
Current service cost	**53**	**11**	43	7
Interest cost	**93**	**19**	93	16
Benefits paid	**(81)**	**(21)**	(90)	(16)
Actuarial loss	**84**	**75**	151	89
Plan amendments	**(4)**	**(54)**	14	1
Other including impact of foreign currency translation	**(76)**	**(27)**	6	4
Balance, end of year	**$ 1,509**	**$ 333**	$ 1,440	$ 330
Deficit of Plan Assets Versus Plan Obligations	**$ (285)**	**$ (298)**	$ (392)	$ (303)
Unamortized past service costs	**10**	**(47)**	19	1
Unamortized net actuarial loss	**290**	**137**	329	69
Net accrued benefit plan asset (liability)	**$ 15**	**$ (208)**	$ (44)	$ (233)
Accrued benefit plan asset included in other assets	**$ 84**	**$ 19**	$ 41	$ 6
Accrued benefit plan liability included in other liabilities	**(69)**	**(227)**	(85)	(239)
Net accrued benefit plan asset (liability)	**$ 15**	**$ (208)**	$ (44)	$ (233)

At year end 2003, 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 $287 and $22, respectively (2002 – $396 and $26). There are no plan assets in non-registered pension plans. The Company's post-retirement benefit plans also had no plan assets and, at year end 2003, had an aggregate accrued benefit plan obligation of $278 (2002 – $278).

The significant annual weighted average actuarial assumptions used in measuring the Company's accrued benefit plan obligations as of the end of the year were as follows:

	2003		2002	
	Pension Benefit Plans	**Other Benefit Plans**	Pension Benefit Plans	Other Benefit Plans
Discount rate	**6.3%**	**6.1%**	6.6%	6.4%
Rate of compensation increase	**3.5%**		3.6%	

The significant annual weighted average actuarial assumptions used in calculating the Company's net defined benefit plan expense for the year were as follows:

	2003		2002	
	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 Company's growth rate of health care costs, primarily drug costs, was estimated at 9.0% (2002 – 9.0%) and assumed to decrease gradually to 5.0% in 2011 and remain 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 pension plans was as follows:

	2003		2002	
	Pension Benefit Plans	**Other Benefit Plans**	Pension Benefit Plans	Other Benefit Plans
Current service cost, net of employee contributions	**$ 49**	**$ 11**	$ 40	$ 7
Interest cost on plan obligations	**93**	**19**	93	16
Expected return on plan assets	**(81)**	**(1)**	(92)	(1)
Amortization of net actuarial loss	**16**	**(1)**		5
Other	**2**	**(1)**	3	
Net defined benefit plan expense	**79**	**27**	44	27
Defined contribution plan expense	**25**		27	
Multi-employer pension plan expense	**82**		79	
Net benefit plan expense	**$ 186**	**$ 27**	$ 150	$ 27

14. Long Term Debt

	2003	2002
George Weston Limited		
Debentures		
Series B, current rate 3.33%, due on demand (i)	**$ 67**	$ 33
Series A, 7.45%, due 2004 (v)	**200**	200
Series A, 7.00%, due 2031 (i)	**466**	466
Exchangeable Debentures, 3.00%, due 2023, redeemable in 2005 (ii)		
Carrying amount	**569**	567
Deferred amount	**(195)**	(193)
Notes		
5.25%, due 2006	**200**	200
5.90%, due 2009	**250**	250
6.45%, due 2011	**300**	300
12.70%, due 2030		
Principal	**150**	150
Effect of coupon repurchase	**(118)**	(121)
7.10%, due 2032	**150**	150
6.69%, due 2033 (iii)	**100**	
Other at a weighted average interest rate of 9.18%, due 2004 to 2033	**5**	6
Loblaw Companies Limited		
Notes		
6.60%, due 2003 (iii)		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
5.40%, due 2013 (iii)	**200**	
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	**(11)**	(4)
6.85%, due 2032	**200**	200
6.54%, due 2033 (iii)	**200**	
8.75%, due 2033	**200**	200
6.05%, due 2034 (iii)	**200**	
6.45%, due 2039	**200**	200
7.00%, due 2040	**150**	150
5.86%, due 2043 (iii)	**55**	
Other at a weighted average interest rate of 10.64%, due 2004 to 2040	**43**	51
Provigo Inc.		
Debentures		
Series 1997, 6.35%, due 2004	**100**	100
Series 1996, 8.70%, due 2006	**125**	125
Other (iv)	**9**	13
Total long term debt	**6,206**	5,534
Less – amount due within one year	**(307)**	(110)
– amount due on demand	**(67)**	(33)
	$ 5,832	$ 5,391

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: 2004 – $307; 2005 – $217; 2006 – $329; 2007 – $6; 2008 – $393.

(i) During 2003, Weston issued $34 (2002 – $33) of Series B Debentures due on demand, which are at a current weighted average interest rate of 3.33%. The Series A, 7.00% and Series B Debentures are secured by a pledge of 9.6 million Loblaw common shares.

(ii) In 1998, Weston 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. Weston 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 Weston after June 30, 2005. Upon notice of redemption by Weston 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.

Weston'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, Weston 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 Weston 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 2003, Weston issued $100 of 6.69% Medium Term Notes ("MTN") due 2033. Also during 2003, Loblaw issued $200 of 5.40% MTN due 2013, $200 of 6.54% MTN due 2033, $200 of 6.05% MTN due 2034 and $55 of 5.86% MTN due 2043. Loblaw also repaid its $100 of 6.60% MTN as it matured.

(iv) Other of $9 (2002 – $13) 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, Weston issued $200 of 5.05% MTN due 2014 and repaid its $200 of Series A, 7.45% Debentures and Loblaw issued $200 of 6.15% MTN due 2035.

15. Other Liabilities

	2003	2002
Accrued benefit plan liability (note 13)	**$ 296**	$ 324
Unrealized cross currency basis swaps payable (note 18)		131
Accrued insurance liabilities	**100**	116
Stock-based compensation liability	**103**	83
Unrealized equity derivative liability (note 18)	**113**	35
Other	**60**	59
	$ 672	$ 748

16. Share Capital

	2003	2002
Common share capital	**$ 120**	$ 121
Preferred shares, Series I	**228**	228
Preferred shares, Series II	**260**	260
	$ 608	$ 609

Common Share Capital (authorized – unlimited)

The changes in the common shares issued and outstanding during the year were as follows:

	2003		2002	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of year	**132,279,822**	**$ 121**	131,467,907	$ 77
Issued for stock options exercised (note 17)	**18,812**	**1**	1,139,315	44
Purchased for cancellation	**(2,865,192)**	**(2)**	(327,400)	
Issued and outstanding, end of year	**129,433,442**	**$ 120**	132,279,822	$ 121
Weighted average outstanding	**131,888,902**		131,864,972	

Preferred Shares, Series I (authorized – unlimited) ($)

Weston has 9.4 million 5.80% Preferred Shares, Series I outstanding, which entitle the holder to a fixed cumulative preferred cash dividend of $1.45 per share per annum. Weston may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

On or after December 15, 2006 at $26.00 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

At any time after issuance, Weston 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 Weston on a share-for-share basis on a date specified by Weston.

Preferred Shares, Series II (authorized – unlimited) ($)

During 2002, Weston 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, Weston may, at its option, redeem for cash these outstanding preferred shares, in whole or in part, at $25.00 per share. On and after July 1, 2009, these outstanding preferred shares are convertible, at the option of the holder, into a number of Weston's common shares determined by dividing $25.00 by the greater of $2.00 and 95% of the then current market price of Weston's common shares. At any time after issuance, Weston may, at its option, give the 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 Weston on a share-for-share basis on a date specified by Weston.

NCIB ($)

During 2003, Weston purchased for cancellation 852,100 (2002 – 327,400) of its common shares for $83 million (2002 – $33 million) and entered into equity swaps to buy 886,700 (2002 – 800,000) of its common shares pursuant to its NCIB. In addition, Weston 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. Weston, in accordance with the rules and by-laws of the Toronto Stock Exchange, may purchase its common shares at the then market price of such shares.

Also during 2003, Weston purchased for cancellation 2,013,092 of its common shares (representing approximately 1.5% of the Company's outstanding common shares) for $192 million pursuant to an offer received from Wittington Investments, Limited ("Wittington"), Weston's majority shareholder, thereby reducing Wittington's beneficial ownership to 62%. The weighted average purchase price of $95.58 per common share was equal to the lesser of 96% of the volume weighted average price of the Company's common shares for the last 20 business days and 96% of the volume weighted average closing price for the three business days immediately prior to the closing of the purchase, subject to the price not being less than $95 per common share.

Weston and its Board of Directors concluded that it was in the best interest of Weston to purchase its common shares and this transaction represented an opportunity to purchase a significant number of its common shares at a price below market price. This offer was reviewed and approved by an independent committee of directors established by Weston's Board of Directors. Weston obtained from the Ontario Securities Commission an exemption from the issuer bid rules in connection with this purchase.

Subsequent to year end, Weston purchased for cancellation 587,200 of its common shares for $59 million pursuant to its NCIB.

17. Stock-Based Compensation ($ except table)

The Company maintains four types of stock-based compensation, which are described below.

Stock Option Plans

Weston maintains a stock option plan for certain employees. Under this plan, Weston may grant options for up to seven million common shares, however, Weston has set a guideline which limits the number of stock option grants to a maximum of 5% of outstanding common shares at any time. 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 Weston'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 Weston 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.

During 2003, Weston granted 685,129 stock options to 91 employees at an exercise price of $93.35 per common share under its existing stock option plan, which allows for settlement in cash at the option of the employee. Weston issued 18,812 common shares (2002 – 1,139,315) on the exercise of stock options for cash consideration of $.8 million (2002 – $44 million), for which it had recorded a nominal stock-based compensation liability. The share appreciation value of $14 million (2002 – $14 million) was paid on the exercise of 269,039 (2002 – 202,536) stock options. In addition, 32,702 stock options (2002 – 31,440) were forfeited or cancelled during 2003.

During 2002, Weston granted 226,000 stock options to 18 employees at an exercise price of $100.00 per common share, which will be settled by issuing common shares. In addition, 2,200 stock options (2002 – nil) were exercised and 19,800 (2002 – nil) were forfeited or cancelled during 2003.

Loblaw maintains a stock option plan for certain employees. Under this plan, Loblaw may grant options for up to 20.4 million of its common shares, however, Loblaw has set a guideline which limits the number of stock option grants to a maximum of 5% of outstanding common shares at any time. 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.

During 2003, Loblaw issued 93,200 (2002 – 75,000) common shares on the exercise of stock options for cash consideration of $2 million (2002 – $2 million), for which it had recorded a stock-based compensation liability of $4 million. The share appreciation value of $28 million (2002 – $22 million) was paid on the exercise of 802,701 (2002 – 685,447) stock options. In addition, 140,056 (2002 – 97,216) of Loblaw's stock options were forfeited or cancelled during 2003.

Share Appreciation Right Plan

Weston 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 Weston's common shares on the last trading day prior to the effective date of the grant. When they are 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 2003, Weston granted 252,285 share appreciation rights to 63 employees at an exercise price of $93.35 per common share under its existing share appreciation right plan, which will be settled in cash. As well, 4,000 share appreciation rights were forfeited or cancelled during 2003. No share appreciation rights were exercised.

During 2002, Weston 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. As well, 3,000 share appreciation rights were forfeited or cancelled during 2003. No share appreciation rights were exercised.

Deferred Share Unit Plans

Outside members of Weston'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 Weston'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, Weston had 9,579 (2002 – 6,597) and Loblaw had 21,489 (2002 – 12,941) deferred share units outstanding.

Employee Share Ownership Plans ("ESOP")

Weston and Loblaw each maintain an ESOP for their employees, which allows employees to acquire Weston's and Loblaw's common shares through payroll deductions of up to 5% of their gross regular earnings. Loblaw contributes an additional 15% of each employee's contribution to its plan, and effective April 6, 2003 Weston amended its plan and now contributes an additional 15% of each employee's contribution. The ESOP is administered through a trust, which purchases Weston's and Loblaw's common shares on the open market on behalf of employees.

The following table summarizes the Company's cost recognized in operating income related to its stock-based compensation plans and related equity derivatives:

($ millions)	**2003**	2002
Stock-Based Compensation		
Stock option plans/share appreciation right plan cost	**$ 76**	$ 19
Equity derivatives (gain)/loss	**(87)**	13
	(11)	32
Deferred share unit plans	**1**	1
Employee share ownership plans	**2**	2
Net stock-based compensation cost	**$ (8)**	$ 35

Stock option and share appreciation right transactions were as follows:

	2003		2002	
	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	**1,417,233**	**$ 62.867**	2,420,524	$ 44.018
Granted	**937,414**	**$ 93.350**	370,000	$ 100.000
Exercised	**(290,051)**	**$ 45.259**	(1,341,851)	$ 39.418
Forfeited/cancelled	**(59,502)**	**$ 79.960**	(31,440)	$ 49.470
Outstanding options/rights, end of year (1)	**2,005,094**	**$ 79.158**	1,417,233	$ 62.867
Options/rights exercisable, end of year	**432,425**	**$ 55.201**	227,419	$ 47.531

(1) Options/rights outstanding, represented approximately 1.5% (2002 – 1.1%) of the Company's issued and outstanding common shares, which was within the Company's guideline of 5%.

The following table summarizes information about stock option and share appreciation rights outstanding:

	2003				
	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	**608,392**	**2**	**$ 46.444**	**321,328**	**$ 43.240**
$ 63.500 – $ 100.000	**1,396,702**	**6**	**$ 93.409**	**111,097**	**$ 89.797**

18. Financial Instruments

A summary of Weston's and Loblaw's outstanding financial derivative instruments is as follows:

	Notional Amounts Maturing in							
	2004	2005	2006	2007	2008	Thereafter	**2003 Total**	2002 Total
Cross currency basis swaps	$ 331		$ 11	$ 68	$ 227	$ 577	**$ 1,214**	$ 4,025
Interest rate swaps	$ 357	$ 161	$ (43)		$ 240	$ 40	**$ 755**	$ 1,437
Equity derivatives					$ 92	$ 853	**$ 945**	$ 745
Electricity forward contract	$ 51	$ 17					**$ 68**	$ 115

Cross Currency Basis Swaps

During 2003, Weston terminated cross currency basis swaps which had exchanged $2.9 billion of Canadian dollars for United States dollars. Cash proceeds of $317 were received, which resulted from a realized foreign currency exchange rate gain of $336 ($275, net of tax) recognized in the cumulative foreign currency translation adjustment and a loss of $19 ($16, net of tax) recognized in interest expense. These cross currency basis swaps were identified as a hedge against foreign currency exchange rate fluctuations on Weston's United States dollar denominated net investment in self-sustaining foreign operations. At year end 2002, an unrealized foreign currency exchange rate loss of $68 was recognized in the cumulative foreign currency translation adjustment related to these cross currency basis swaps.

Loblaw entered into cross currency basis swaps to receive $1.2 billion (2002 – $1.1 billion) of Canadian dollars in exchange for United States dollars, 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, a cumulative unrealized foreign currency exchange rate receivable of $96 was recorded in other assets (2002 – $131 payable recorded in other liabilities).

Interest Rate Swaps

Weston entered into interest rate swaps converting a net notional $75 (2002 – $75) of its 6.7% (2002 – 6.7%) fixed rate debt into floating rate debt, which mature in 2004.

During 2003, Weston terminated interest rate swaps which had converted a notional $2.4 billion of Canadian floating interest rate exposure to receive a 5.1% fixed rate and a notional $1.6 billion (U.S. $1.2 billion) of United States floating interest rate exposure to pay a 4.5% fixed interest rate. The termination of these interest rate swaps resulted in cash proceeds and a gain of $21 ($13, net of tax) recognized in interest expense. These interest rate swaps were entered into to partially offset Weston's exposure to floating interest rates which resulted from the cross currency basis swaps that were also terminated during 2003.

Loblaw enters into interest rate swaps to hedge its exposure to fluctuations in interest rates on cash equivalents and short term investments. Loblaw entered into interest rate swaps converting a net notional $680 (2002 – $867) of its floating rate investments to fixed rate investments at 6.72% (2002 – 6.88%), which mature by 2013.

Equity Swaps and Forwards ($)
In 2003, Weston entered into equity swaps to buy 886,700 (2002 – 800,000) of its common shares at an average forward price of $92.49 (2002 – $115.01) per common share, with an average initial term of six years, bringing its cumulative outstanding equity swaps in its common shares to 1,686,700 (2002 – 800,000) at an average forward price of $103.17 (2002 – $115.01). In 2003, Loblaw entered into equity forwards to buy 1,103,500 (2002 – 390,100) of its common shares at an average forward price of $56.39 (2002 – $55.65) per common share, with an average initial term of 10 years (2002 – 10 years), bringing its cumulative outstanding equity forwards in its common shares to 4.8 million (2002 – 3.7 million) at an average forward price of $48.56 (2002 – $44.88) including $3.69 (2002 – $3.47) per common share of interest expense net of dividends that will be paid at redemption. 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 Weston's and Loblaw's stock-based compensation cost. Weston has included an unrealized market adjustment in other assets of $1 million (2002 – other liability of $20 million) relating to these swaps. Loblaw has included a cumulative unrealized market gain in other assets of $92 million (2002 – $34 million).

Weston entered into an equity forward sale agreement based on 9.6 million Loblaw common shares (the "underlying Loblaw common shares") at a current forward price of $56.05 (2002 – $52.43) per Loblaw common share, which increases over time at a rate of 7%. The forward matures in 2031 and will be settled in cash as follows: Weston will receive the forward price and will pay the market value of the underlying Loblaw common shares at maturity. The obligation of Weston under this forward is secured by the underlying Loblaw common shares. Weston entered into this forward to partially offset any repayment risk associated with its Series A, 7.00% and Series B Debentures. Further, the market value of the underlying Loblaw common shares exceeds the obligation of Weston under this forward and a portion of the proceeds from a future sale of these shares may be used to satisfy the obligation under this forward upon termination or maturity. Accordingly, hedge accounting has been applied. At year end, Weston had an obligation under this forward of $113 million (2002 – $15 million), which was included in other liabilities, and a deferred loss of $186 million (2002 – $53 million), which was included in other assets.

Electricity Forward Contract
The Company entered into an electricity forward contract to minimize price volatility and to maintain a portion of the Company's electricity costs in Ontario, Canada at approximately 2001 rates. This electricity forward contract has an initial term of three years and expires in May 2005.

Counterparty Risk
The Company may be exposed to losses should any counterparty to its financial derivative agreements fail to fulfill its obligations. The Company has sought to minimize potential counterparty risk and losses by conducting transactions for its derivative agreements with counterparties that have at minimum a long term A credit rating, and by placing risk adjusted limits on its exposure to any single counterparty for its financial derivative agreements. The Company has internal policies, controls and reporting processes, which require ongoing assessment and corrective action, if necessary with respect to its derivative transactions. In addition, principal amounts on currency and equity derivatives are each netted by agreement and there is no exposure to loss of the original 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 their market price at the reporting date.
- The fair value of the cross currency basis swaps was estimated based on the market spot exchange rates and forward interest 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 and forward interest rates for swaps of the same remaining maturities.
- The fair value of the equity swaps and forwards was estimated by multiplying the Company's and Loblaw's common shares 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 contract was provided by the counterparty based on expected future electricity prices.

	2003		**2002**	
	Carrying Value	**Estimated Fair Value**	Carrying Value	Estimated Fair Value
Long term debt liability	**$ 6,206**	**$ 6,912**	$ 5,534	$ 6,193
Long term debt liability (excluding Exchangeable Debentures)	**$ 5,832**	**$ 6,343**	$ 5,160	$ 5,626
Interest rate swaps net asset		**$ 13**		$ 19
Equity swaps and forwards net liability	**$ (20)**	**$ (20)**	$ (1)	$ (1)
Electricity forward contract net asset		**$ 2**		$ 17

19. Cumulative Foreign Currency Translation Adjustment

In 2003, as a result of the significant strengthening of the Canadian dollar relative to the United States dollar, the change in the cumulative foreign currency translation adjustment decreased shareholders' equity by $253. This net change was due to the negative impact of translating the Company's U.S. net investment partially offset by the realized gain on the cross currency basis swaps terminated during the year that were previously used to hedge the U.S. net investment (see note 18).

20. Contingencies, Commitments and Guarantees

The Company is involved in and potentially subject to various claims and litigation arising out of the normal course and conduct of its business 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 claims and 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 relating to these operating leases are as follows:

	Amounts Maturing in							
	2004	2005	2006	2007	2008	Thereafter to 2049	**2003 Total**	2002 Total
Operating lease payments	$ 204	$ 185	$ 164	$ 139	$ 119	$ 647	**$ 1,458**	$ 1,467
Expected sub-lease income	(41)	(39)	(35)	(31)	(24)	(40)	**(210)**	(266)
Net operating lease payments	$ 163	$ 146	$ 129	$ 108	$ 95	$ 607	**$ 1,248**	$ 1,201

At year end, the Company has committed approximately $419 with respect to capital investment projects such as the construction, expansion and renovation of buildings and the purchase of real property.

The Company establishes standby letters of credit used in connection with certain obligations mainly related to real estate transactions and benefit and insurance programs. The aggregate gross potential liability related to these standby letters of credit is approximately $272. Other standby letters of credit related to the financing program for Loblaw's franchisees and securitization of PC Bank's credit card receivables have been identified as guarantees and are discussed further in the Guarantees section below.

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, subject to business dispositions, the aggregate amount of goods and services purchased from Quebec suppliers in the normal course of business will not fall below that of 1998. Loblaw has fulfilled its commitment in each year from 1999 to and including 2003.

Guarantees

Effective January 1, 2003, the Company implemented Accounting Guideline 14, "Disclosure of Guarantees", issued by the CICA, which requires a guarantor to disclose in its notes to the consolidated financial statements significant information about guarantees it has provided. Under this guideline, a guarantee is defined as a contract or indemnification agreement, which requires the Company to make payments (cash, financial instruments, other assets, the Company's own shares or the provision of services) to a third party contingent on future events (a "Guarantee"). These payments are contingent on one of the following: (i) a change in an underlying interest rate, security price, commodity price, foreign exchange rate or other variable that is related to an asset, liability or an equity security of the guaranteed party, (ii) the failure of another entity to perform under an obligating agreement, or (iii) the failure of another party to pay its indebtedness when due. The disclosures are required even when the likelihood of the guarantor having to make any payment under the Guarantee is remote.

The Company has provided to third parties the following significant Guarantees:

Standby Letters of Credit

A standby letter of credit for the benefit of an independent trust with respect to the credit card receivables securitization program of PC Bank, a wholly owned subsidiary of Loblaw, has been provided by a major Canadian bank. This standby letter of credit could be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables after the cash reserve account established pursuant to the securitization agreement has been depleted. Loblaw has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit. Loblaw believes that the likelihood of this occurrence is remote. The aggregate gross potential liability under this arrangement, which represents 15% of the securitized credit card receivables amount, is approximately $84.

A standby letter of credit has been provided by a major Canadian bank in the amount of $35 for the benefit of an independent trust which provides loans to Loblaw's franchisees for their purchase of inventory and fixed assets, mainly fixturing and equipment. In the event that a franchisee defaults on its loan and Loblaw has not, within a specified time period, (i) assumed the loan, (ii) purchased the assets of the defaulting franchisee over which security has been taken by the trust, or (iii) provided for an increase of the amount of the standby letter of credit by the outstanding amount under the loan, the trust may draw upon this standby letter of credit or realize on its security. Loblaw has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

Lease Obligations

In connection with historical dispositions of certain of its assets, the Company has assigned leases to third parties. The Company remains contingently liable for these lease obligations in the event any of the assignees are in default of their lease obligations. The estimated amount for minimum rent, which does not include other lease related expenses such as property tax and common area maintenance charges, is $178 (2002 – $213).

Indemnification Provisions

The Company from time to time enters into agreements in the normal course of its business, such as service arrangements and leases, in connection with business or asset acquisitions or dispositions. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breaches of representation and warranty and for future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration and may extend for an unlimited period of time. Given the nature of these indemnification provisions, the Company is unable to reasonably estimate its total maximum potential liability as certain indemnification provisions do not provide for a maximum potential amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

Notes to the Consolidated Financial Statements

21. Related Party Transactions

The Company's majority shareholder, Wittington, and its affiliates are related parties. The Company, in the normal course of business, has routine transactions with these related parties, including the rental of office space at market prices from Wittington. Rental payments to Wittington amounted to approximately $2 in 2003. It is the Company's policy to conduct all transactions and settle balances with related parties on normal trade terms. Also during 2003, Weston purchased for cancellation 2,013,092 of its common shares from Wittington for $192. For further details of this transaction, see note 16.

22. 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, which focuses on food retailing and is increasing its offering of non-food products and services in Canada, 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. 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.

	2003	2002
Sales		
Weston Foods	**$ 4,523**	$ 4,792
Food Distribution	**25,220**	23,082
Fisheries	**190**	219
Intersegment	**(735)**	(647)
Consolidated	**$ 29,198**	$ 27,446
Operating Income (1)		
Weston Foods	**$ 374**	$ 409
Food Distribution	**1,458**	1,295
Fisheries	**(20)**	(26)
Consolidated	**$ 1,812**	$ 1,678
Depreciation		
Weston Foods	**$ 144**	$ 144
Food Distribution	**393**	354
Fisheries	**9**	9
Consolidated	**$ 546**	$ 507
Total Assets		
Weston Foods (2)	**$ 4,775**	$ 5,224
Food Distribution	**12,294**	11,167
Fisheries	**269**	292
Consolidated	**$ 17,338**	$ 16,683
Fixed Assets and Goodwill Purchases		
Weston Foods	**$ 233**	$ 311
Food Distribution	**1,313**	1,087
Fisheries	**7**	7
Consolidated	**$ 1,553**	$ 1,405

(1) 2003 includes restructuring and other charges of $60 made up of a $35 charge recognized by Weston Foods and a $25 charge recognized by Food Distribution (see note 2).

(2) Includes the $367 (2002 – $367) investment in Domtar common shares, which is effectively hedged as a result of Weston issuing the 3% Exchangeable Debentures (see note 14).

The Company operates primarily in Canada and the United States.

	2003	2002
Sales (excluding intersegment)		
Canada	**$ 25,770**	$ 23,650
United States	**3,428**	3,796
Consolidated	**$ 29,198**	$ 27,446
Fixed Assets and Goodwill		
Canada	**$ 8,542**	$ 7,635
United States	**2,203**	2,765
Consolidated	**$ 10,745**	$ 10,400

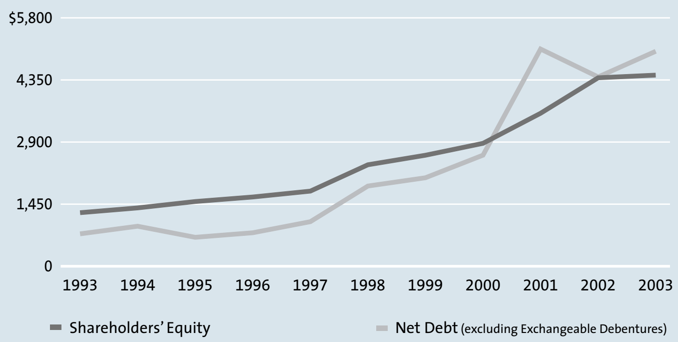
Eleven Year Summary

Consolidated Information – Continuing Operations (1)

For the years ended December 31 ($ millions except where otherwise indicated)	**2003**	2002	2001	2000
Operating Results				
Sales	**29,198**	27,446	24,661	22,344
EBITDA (2, 3)	**2,358**	2,185	1,871	1,557
Operating income (2)	**1,812**	1,678	1,440	1,189
Interest expense	**266**	238	221	171
Net earnings	**792**	690	582	481
Financial Position				
Working capital	**368**	258	(593)	(173)
Fixed assets	**7,743**	7,053	6,249	4,896
Goodwill	**3,002**	3,347	3,339	2,073
Total assets	**17,338**	16,683	16,287	11,421
Net debt (3)	**5,500**	4,755	5,714	2,828
Shareholders' equity	**4,462**	4,382	3,626	2,904
Cash Flows				
Cash flows from operating activities	**1,283**	1,340	961	1,045
Capital investment	**1,509**	1,397	1,330	1,047
Per Common Share ($)				
Basic net earnings	**5.80**	5.05	4.42	3.66
Basic earnings before goodwill charges and unusual item(s)	**5.80**	5.05	4.28	3.93
Dividend rate at year end	**1.20**	.96	.80	.80
Cash flows from operating activities	**9.52**	10.01	7.31	7.95
Capital investment	**11.44**	10.59	10.11	7.96
Book value	**30.71**	29.43	25.84	22.09
Market value at year end	**103.71**	90.25	103.40	84.10
Financial Ratios				
EBITDA margin (%)	**8.1**	8.0	7.6	7.0
Operating margin (%)	**6.2**	6.1	5.8	5.3
Net earnings before unusual item(s) margin (%)	**2.7**	2.5	2.1	2.2
Return on average total assets (%) (3)	**12.0**	11.8	12.3	12.9
Return on average common shareholders' equity (%)	**19.4**	18.3	18.4	17.4
Interest coverage	**6.8**	7.1	6.5	7.0
Net debt (3) to equity	**1.23**	1.09	1.58	.97
Net debt (excluding Exchangeable Debentures) (3) to equity	**1.15**	1.00	1.47	.84
Cash flows from operating activities to net debt (3)	**.23**	.28	.17	.37
Price/net earnings ratio at year end	**17.9**	17.9	23.4	23.0
Market/book ratio at year end	**3.4**	3.1	4.0	3.8

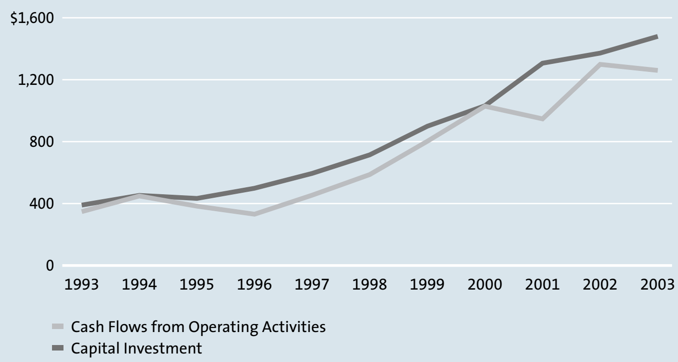
(1) For financial definitions and ratios refer to the Glossary on page 94.
(2) 2003 includes restructuring and other charges of $60 made up of a $35 charge recognized by Weston Foods and a $25 charge recognized by Food Distribution (see note 2 to the consolidated financial statements).
(3) See Supplementary Financial Information beginning on page 59.

Shareholders' Equity and Net Debt[1]
($ millions)



(1) See Supplementary Financial Information beginning on page 59.

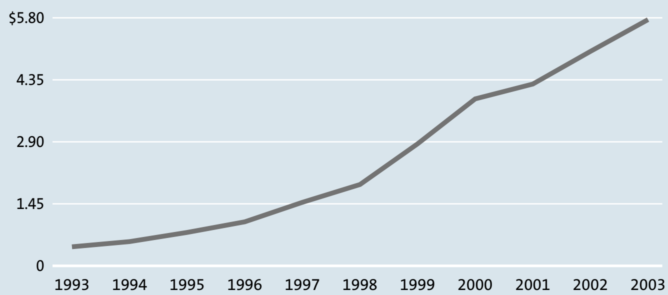
Cash Flows from Operating Activities and Capital Investment
($ millions)



1999	1998	1997	1996	1995	1994	1993
20,851	14,726	12,975	11,815	12,046	12,242	11,404
1,319	917	738	623	596	524	427
969	655	517	432	396	324	253
136	104	73	84	102	106	90
351	670	197	194	97	71	11
(147)	(410)	77	97	125	(26)	44
4,204	3,839	3,321	2,901	2,672	2,677	2,462
1,923	1,587	83	85	76	84	96
10,049	9,036	5,878	5,441	5,122	4,787	4,459
2,446	2,295	1,022	804	743	929	874
2,618	2,389	1,756	1,615	1,506	1,353	1,238
812	588	452	327	381	448	344
911	720	595	499	431	452	387
2.67	5.05	1.47	1.41	.69	.50	.08
2.87	1.91	1.49	1.03	.78	.57	.45
.48	.40	.33	.29	.27	.23	.23
6.17	4.43	3.37	2.37	2.69	3.18	2.45
6.92	5.43	4.43	3.61	3.05	3.21	2.76
19.98	18.14	13.16	11.87	10.66	9.58	8.81
55.25	58.50	40.67	22.28	16.75	14.08	13.00
6.3	6.2	5.7	5.3	4.9	4.3	3.7
4.6	4.4	4.0	3.7	3.3	2.6	2.2
1.6	1.7	1.5	1.2	.8	.6	.5
11.7	10.0	10.4	9.5	8.9	7.5	6.4
14.0	32.3	11.7	12.4	6.8	5.5	.9
7.1	6.3	7.1	5.1	3.9	3.1	2.8
.93	.96	.58	.50	.49	.69	.71
.79	.80	.58	.50	.49	.69	.71
.33	.26	.44	.41	.51	.48	.39
20.7	10.1	22.4	12.9	12.5	17.0	185.7
2.8	3.2	3.1	1.9	1.6	1.5	1.5

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

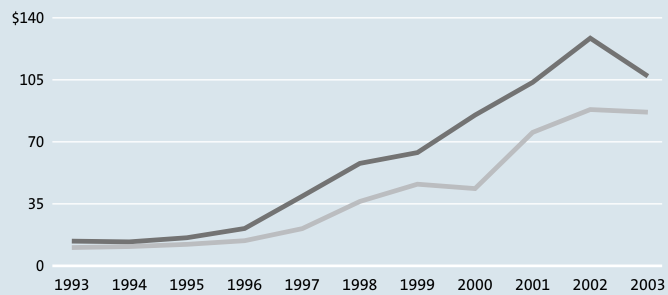
($)



Basic Net Earnings before Goodwill Charges (net of minority interest) and Unusual Item(s) (net of tax)

Common Share Market Value Range

($)



Market High
Market Low

Eleven Year Summary

Segment Information – Continuing Operations (1)

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

		2003	2002	2001	2000
Operating Results					
Sales	Weston Foods	**4,523**	4,792	3,412	2,322
	Food Distribution	**25,220**	23,082	21,486	20,121
	Fisheries	**190**	219	396	449
	Intersegment	**(735)**	(647)	(633)	(548)
	Consolidated	**29,198**	27,446	24,661	22,344
EBITDA (2, 4)	Weston Foods	**518**	553	416	248
	Food Distribution	**1,851**	1,649	1,443	1,251
	Fisheries	**(11)**	(17)	12	58
	Consolidated	**2,358**	2,185	1,871	1,557
Operating Income (Loss) (2)	Weston Foods	**374**	409	313	174
	Food Distribution	**1,458**	1,295	1,128	968
	Fisheries	**(20)**	(26)	(1)	47
	Consolidated	**1,812**	1,678	1,440	1,189
Financial Position					
Fixed Assets	Weston Foods	**1,274**	1,412	1,265	629
	Food Distribution	**6,422**	5,587	4,931	4,174
	Fisheries	**47**	54	53	93
	Discontinued operations				
	Consolidated	**7,743**	7,053	6,249	4,896
Total Assets	Weston Foods (3)	**4,775**	5,224	5,995	1,910
	Food Distribution	**12,294**	11,167	9,972	9,096
	Fisheries	**269**	292	320	415
	Discontinued operations				
	Consolidated	**17,338**	16,683	16,287	11,421
Cash Flows					
Capital Investment	Weston Foods	**231**	311	188	80
	Food Distribution	**1,271**	1,079	1,108	943
	Fisheries	**7**	7	34	24
	Consolidated	**1,509**	1,397	1,330	1,047
Financial Ratios					
EBITDA Margin (%)	Weston Foods	**11.4**	11.5	12.2	10.7
	Food Distribution	**7.3**	7.1	6.7	6.2
	Fisheries	**(5.8)**	(7.8)	3.0	12.9
	Consolidated	**8.1**	8.0	7.6	7.0
Operating Margin (%)	Weston Foods	**8.3**	8.5	9.2	7.5
	Food Distribution	**5.8**	5.6	5.2	4.8
	Fisheries	**(10.5)**	(11.9)	(.3)	10.5
	Consolidated	**6.2**	6.1	5.8	5.3
Return on Average Total Assets (%) (4)	Weston Foods	**9.0**	9.2	10.9	14.0
	Food Distribution	**13.7**	13.6	13.3	12.7
	Fisheries	**(7.1)**	(8.5)	(.3)	12.9
	Consolidated	**12.0**	11.8	12.3	12.9

(1) For financial definitions and ratios refer to the Glossary on page 94.
(2) 2003 includes restructuring and other charges of $60 made up of a $35 charge recognized by Weston Foods and a $25 charge recognized by Food Distribution (see note 2 to the consolidated financial statements).
(3) Total assets include the following: 2003 – $367 (2002 – $367, 1998 to 2001 – $368) investment in Domtar common shares; and 2001 total assets include $934 business held for sale.
(4) See Supplementary Financial Information beginning on page 59.

1999	1998	1997	1996	1995	1994	1993
2,151	2,035	1,782	1,709	1,927	2,008	1,830
18,783	12,497	11,008	9,848	9,854	10,000	9,356
427	652	617	665	684	658	584
(510)	(458)	(432)	(407)	(419)	(424)	(366)
20,851	14,726	12,975	11,815	12,046	12,242	11,404
200	187	150	112	94	66	66
1,069	705	569	478	452	408	324
50	25	19	33	50	50	37
1,319	917	738	623	596	524	427
125	121	87	55	34	16	27
803	522	424	358	325	272	201
41	12	6	19	37	36	25
969	655	517	432	396	324	253
581	540	470	481	523	483	455
3,549	3,194	2,093	1,738	1,491	1,603	1,414
74	105	106	106	102	95	93
		652	576	556	496	500
4,204	3,839	3,321	2,901	2,672	2,677	2,462
1,816	1,454	705	698	792	728	794
7,919	7,132	3,857	3,566	3,210	3,044	2,726
314	450	473	410	387	373	348
		843	767	733	642	591
10,049	9,036	5,878	5,441	5,122	4,787	4,459
90	107	56	91	107	110	56
802	599	517	390	307	326	315
19	14	22	18	17	16	16
911	720	595	499	431	452	387
9.3	9.2	8.4	6.6	4.9	3.3	3.6
5.7	5.6	5.2	4.9	4.6	4.1	3.5
11.7	3.8	3.1	5.0	7.3	7.6	6.3
6.3	6.2	5.7	5.3	4.9	4.3	3.7
5.8	5.9	4.9	3.2	1.8	.8	1.5
4.3	4.2	3.9	3.6	3.3	2.7	2.1
9.6	1.8	1.0	2.9	5.4	5.5	4.3
4.6	4.4	4.0	3.7	3.3	2.6	2.2
11.7	13.3	12.5	7.4	4.5	2.1	3.6
11.8	10.7	14.0	13.4	12.2	10.3	8.4
10.9	2.7	1.4	4.9	9.9	10.2	7.3
11.7	10.0	10.4	9.5	8.9	7.5	6.4

Glossary

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 resulting 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 item(s) per common share	Net earnings available to common shareholders before goodwill charges (net of minority interest impact and tax) and unusual item(s) (net of tax) divided by the weighted average number of common shares outstanding during the year.
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 (1)	Cash flows from operating activities divided by net debt.
Common shareholders' equity	Total shareholders' equity less preferred shares outstanding.
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 (1)	Operating income plus depreciation.
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 (1)	Bank indebtedness, commercial paper, short term bank loans, 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) (1) **to equity**	Net debt excluding Exchangeable Debentures divided by total shareholders' equity.
Net debt (1) **to equity**	Net debt divided by total shareholders' equity.
Net earnings before unusual item(s) margin	Net earnings before unusual item(s) (net of tax) divided by sales.
Normalized basic net earnings per common share	Net earnings before unusual item(s) (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 (1)	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.
Year	The Company's year end is December 31. Sales and related activities are reported on a fiscal year ending on the Saturday closest to December 31, usually 52 weeks in duration, but includes 53 weeks every five to six years. The years ended 2003 and 1998 each contained 53 weeks of sales and related activities.

(1) See Supplementary Financial Information beginning on page 59.

Contributing to the Community

George Weston Limited and its subsidiaries are committed to improving the quality of life in the communities they serve, and believe that they should participate with their 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 to encouraging employee volunteerism.

Imagine
A Caring Company

The following are a few of the organizations we are proud to have supported in 2003:

Canada's National History Society
Across Canada

Boys and Girls Club of Saint John
Saint John, New Brunswick

Canadian National Institute for the Blind
Across Canada

Cobequid Community Health Centre Foundation
Dartmouth, Nova Scotia

Local Food Banks
Across Canada

Auberge Madeleine
Montreal, Quebec

Ontario Science Centre
Toronto, Ontario

Frontier Centre for Public Policy
Winnipeg, Manitoba

Saskatchewan Birding Trail
Chaplin, Saskatchewan

Moose Jaw Cultural Centre Builders
Moose Jaw, Saskatchewan

Testaments of Honour
Across Canada

Cardston and District Public Library
Cardston, Alberta

Aero Space Museum Association of Calgary
Calgary, Alberta

Genesis Research Foundation
Across Canada

Milner Gardens and Woodland Society
Qualicum Beach, British Columbia

World Wildlife Fund Canada
Across Canada

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. At the Ontario Science Centre, we have funded the Weston Family Innovation Centre, an area that will foster a greater understanding of science and technology among Canada's youth.

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 in 2003:

Robert Aoki
Cambridge, ON

Crystal Baird
Barrie, ON

Sarah Boesveld
Waterdown, ON

Dana Boogerd
Rosedale, BC

Luke Bornn
Langley, BC

Adam Couper
London, ON

Randi Dilts
Cranbrook, BC

Timothy Durkin
Shannonville, ON

Andrew Ernewein
Innerkip, ON

Catherine Evans
Montreal, QC

Carley Friesen
Wawanesa, MB

Olivier Gemme
Cowansville, QC

Brendon Goodmurphy
Waterloo, ON

Adela Gotz
Thornhill, ON

Stephen Gray
Whitby, ON

Emma Hapke
Toronto, ON

Chad Harnett
Stephenville, NL

Hillary Higgins
St. Albert, AB

Sheralyn Hoiland
Summerland, BC

Peter Holy
Toronto, ON

Amy Hurley
Paris, ON

Faizal Ismail
Toronto, ON

Erica Jones
Langley, BC

Meriko Kubota
North Vancouver, BC

Ayesha Lakhani
Burnaby, BC

Kien Lamson
Kingston, ON

Charles Larson
Montreal, QC

Meghan Leavitt
Rocky Mountain House, AB

Rena L'Hoir
Biggar, SK

Pamela Liem
Vancouver, BC

Jordan Loewen
St. Albert, AB

James Lourenco
Cambridge, ON

Toby Lucas
Vernon, BC

Alexandra MacLean
Charlottetown, PE

Hilary Masson
Gabriola Island, BC

Joshua Miller
Gaspé, QC

Andrew Mills
Victoria, BC

Andrea Morrow
Regina, SK

Salvatore Mottillo
St-Leonard, QC

Douglas Noonan
Gander, NL

Pamela Olafson
Kenora, ON

Eric Overton
Coniston, ON

Natalie Parks
Halifax, NS

Romina Perri
St-Leonard, QC

Ellen Quaroni
Pleasantdale, SK

Hannah Richardson
Toronto, ON

Nicolas Robillard
Upsala, ON

Jordan Sheriko
Wolfville, NS

Michael Stang
Macklin, SK

Natalie Swift
Peterborough, ON

Joshua Thibodeau
Cambridge-Narrows, NB

Carly Thompson
Pierson, MB

Jérémie Thompson
Île-du-Grand-Calumet, QC

Morgan Vanek
Peterborough, ON

Bradley Weiss
Stoney Creek, ON

Candace Woodside
Kensington, PE

Stephen Young
Toronto, ON

Corporate Directory

BOARD OF DIRECTORS

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

A. Charles Baillie
B.A., M.B.A. (2)
Retired Chairman, Toronto Dominion Bank; former Chairman & CEO, Toronto Dominion Bank; Director, Dana Corporation, Ballard Power Systems Inc., Canadian National Railway Company, Quebecor World Inc., Telus Corporation; Chancellor, Queens University; President, Art Gallery of Ontario's Board of Trustees; Honorary Chairman of the Canadian Council of Chief Executives.

Robert J. Dart
B.Comm., F.C.A.
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.

Peter B.M. Eby
B.Comm., M.B.A. (1,2,3)
Former Vice Chairman and Director, Nesbitt Burns Inc.; former Executive, Nesbitt Burns Inc. and its predecessor companies; former Chairman, Olympic Trust; Director, Leon's Furniture Limited, Sixty Split Corporation, TD Waterhouse Inc. U.S. Family of Funds.

Phillip W. Farmer
B.Sc. (2)
Retired Chairman, President and Chief Executive Officer, Harris Corporation; former Chairman, Executive Committee of the Manufacturer's Alliance; Director, Vulcan Materials Company, AuthenTec, Inc.; former Governor, Aerospace Industries Association; Vice Chairman, Board of Trustees of Florida Institute of Technology; former Member of U.S. Secretary of Defense's Defense Policy Advisory Committee on Trade.

Anne L. Fraser
B.Sc., LL.D. (5*)
Education Consultant, University of Victoria; Associate Governor, Dalhousie University; Associate, Faculties of Management, Education, Engineering, Law 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; former Chairman, Executive Committee, Canadian Imperial Bank of Commerce; Director, Asia Satellite Telecommunications Holdings Ltd., Partner Communications Company Ltd., Husky Energy Inc.

Anthony R. Graham (1,3,4*)
President and Director, Wittington Investments, Limited; President and Chief Executive Officer, Sumarria Inc.; former Vice Chairman, National Bank Financial; Chairman and Director, President's Choice Bank, Graymont Limited; Director, Loblaw Companies Limited, Brown Thomas Group Limited, Holt, Renfrew & Co., Limited, Power Corporation of Canada, Power Financial Corporation, Provigo Inc., Selfridges & Co. 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 Group, BHS Ltd., Lastminute.com plc, Cannons Group Ltd.; former President and Chief Executive Officer, Wal-Mart Europe; former Chief Executive, Asda Stores Ltd.; Director, BskyB plc, Dyson Ltd., Selfridges & Co. Ltd.

John C. Makinson
B.A., CBE (2)
Chairman and Chief Executive Officer, The Penguin Group; former Group Finance Director, Pearson plc, Recoletos SA, Interactive Data Corporation Inc.; former Managing Director, Financial Times Newspaper.

J. Robert S. Prichard
O.C., O.Ont., M.B.A., LL.M., LL.D. (3,5)
President and Chief Executive Officer, Torstar Corporation; President Emeritus, University of Toronto; Director, Torstar Corporation, Bank of Montreal, Onex Corporation, Four Seasons Hotels.

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.

Galen G. Weston
B.A., M.B.A.
Vice President, No Frills division of Loblaw Companies Limited; former Senior Director e-Commerce Development, Loblaw Companies Limited; Director, Wittington Investments, Limited, Oxford Acquisitions Limited; Trustee, The W. Garfield Weston Foundation, Rita Lila Howard Foundation; Governor, Shaw Festival.

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

CORPORATE OFFICERS

(Includes age and years of service)

W. Galen Weston, O.C. (63 and 32 years)
Chairman and President

Richard P. Mavrinac (51 and 21 years)
Chief Financial Officer

Roy R. Conliffe (53 and 22 years)
Senior Vice President, Labour Relations

Stewart E. Green (59 and 27 years)
Senior Vice President,
Secretary and General Counsel

Louise M. Lacchin (46 and 20 years)
Senior Vice President, Finance

Donald G. Reid (54 and 24 years)
Senior Vice President

Robert G. Vaux (55 and 6 years)
Senior Vice President, Corporate Development

Robert A. Balcom (42 and 10 years)
Vice President, Assistant Secretary

Manny DiFilippo (44 and 12 years)
Vice President, Risk Management and Internal Audit Services

J. Bradley Holland (40 and 10 years)
Vice President, Taxation

Michael N. Kimber (48 and 19 years)
Vice President, Legal Counsel

Garfield R. Mitchell (45 and 10 years)
Vice President, Community Affairs

Kirk W. Mondesire (43 and 18 years)
Vice President, Corporate Systems

Lucy J. Paglione (44 and 20 years)
Vice President, Pension and Benefits

Rolando Sardellitti (36 and 9 years)
Vice President, Controller

Lisa R. Swartzman (33 and 10 years)
Vice President, Treasurer

Geoffrey H. Wilson (48 and 17 years)
Vice President, Industry and Investor Relations

Ann Marie Yamamoto (43 and 17 years)
Vice President, Systems Audit

Marian M. Burrows (49 and 25 years)
Assistant Secretary

Walter H. Kraus (41 and 15 years)
Director, Environmental Affairs

Patrick MacDonell (34 and 8 years)
Assistant Treasurer

Shareholder and Corporate Information

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 2003, there were 129,433,442 common shares outstanding, 1,215 registered common shareholders and 48,741,555 common shares available for public trading.

The average 2003 daily trading volume of the Company's common shares was 75,260.

Preferred Shares
At year end 2003, there were 9,400,000 preferred shares Series I outstanding, 10,600,000 preferred shares Series II outstanding and 67 registered preferred shareholders. All outstanding preferred shares were available for public trading.

The average 2003 daily trading volume of the Company's preferred shares was:
Series I: 6,936
Series II: 4,316

Common Dividend Policy
It is the Company's policy to maintain a 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 2004 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:	416.263.9200
Toll Free Tel:	1.800.663.9097
Fax:	416.263.9394
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.

Independent Auditors
KPMG LLP
Chartered Accountants
Toronto, Canada

Annual Meeting
The George Weston Limited Annual Meeting of Shareholders will be held on Wednesday, May 12, 2004 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 or by e-mail at investor@weston.ca.

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 62%-owned public reporting company with shares trading on the Toronto Stock Exchange.

Ce rapport est disponible en français.

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Weston

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