

financial results

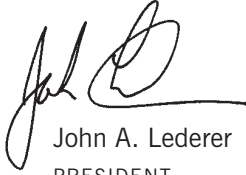
MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

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


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

The Board of Directors, acting through an Audit Committee comprised solely of directors who are unrelated and independent to 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 matters and financial reporting issues. The independent auditors and internal auditors have unrestricted access to the Audit Committee. These consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Directors for inclusion in this Annual Report based on the review and recommendation of the Audit Committee.

Toronto, Canada
March 4, 2003



John A. Lederer
PRESIDENT



Richard P. Mavrinc
EXECUTIVE VICE PRESIDENT



Stephen A. Smith
EXECUTIVE VICE PRESIDENT

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Loblaw Companies Limited:

We have audited the consolidated balance sheets of Loblaw Companies Limited as at December 28, 2002 and December 29, 2001 and the consolidated statements of earnings, retained earnings and cash flow for the 52 week periods 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 28, 2002 and December 29, 2001 and the results of its operations and its cash flow for the periods then ended in accordance with Canadian generally accepted accounting principles.



Toronto, Canada
March 4, 2003

Chartered Accountants

CONSOLIDATED STATEMENTS OF EARNINGS

52 Weeks Ended December 28, 2002 (\$ millions except where otherwise indicated)	2002	2001
SALES	\$ 23,082	\$ 21,486
OPERATING EXPENSES		
Cost of sales, selling and administrative expenses	21,425	20,035
Depreciation	354	315
	21,779	20,350
OPERATING INCOME	1,303	1,136
Interest Expense (note 2)	161	158
EARNINGS BEFORE INCOME TAXES	1,142	978
Income Taxes (note 6)	414	372
EARNINGS BEFORE GOODWILL CHARGES	728	606
Goodwill Charges (2001 – net of tax of \$1) (note 1)		43
NET EARNINGS	\$ 728	\$ 563
EARNINGS PER COMMON SHARE (\$) (note 3)		
Basic		
Net earnings	\$ 2.64	\$ 2.04
Earnings before goodwill charges	\$ 2.64	\$ 2.20
Diluted		
Net earnings	\$ 2.62	\$ 2.03
Earnings before goodwill charges	\$ 2.62	\$ 2.19

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

52 Weeks Ended December 28, 2002 (\$ millions except where otherwise indicated)	2002	2001
RETAINED EARNINGS, BEGINNING OF PERIOD	\$ 2,375	\$ 1,930
Impact of implementing new accounting standard (note 1)	(25)	
Net earnings	728	563
Premium on common shares purchased for cancellation (note 12)	(16)	(1)
Net stock option plan cash payments (note 13)		(7)
Dividends declared per common share – 48¢ (2001 – 40¢)	(133)	(110)
RETAINED EARNINGS, END OF PERIOD	\$ 2,929	\$ 2,375

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

As at December 28, 2002 (\$ millions)	2002	2001
ASSETS		
Current Assets		
Cash and cash equivalents (note 4)	\$ 823	\$ 575
Short term investments (note 4)	304	426
Accounts receivable (note 5)	605	472
Inventories	1,702	1,512
Future income taxes (note 6)	68	73
Prepaid expenses and other assets	24	28
Total Current Assets	3,526	3,086
Fixed Assets (note 7)	5,587	4,931
Goodwill	1,599	1,599
Future Income Taxes (note 6)	15	26
Other Assets (note 8)	383	383
TOTAL ASSETS	\$ 11,110	\$ 10,025
LIABILITIES		
Current Liabilities		
Bank indebtedness		\$ 95
Commercial paper	\$ 533	191
Accounts payable and accrued liabilities	2,336	2,291
Income taxes	179	138
Long term debt due within one year (note 10)	106	81
Total Current Liabilities	3,154	2,796
Long Term Debt (note 10)	3,420	3,333
Future Income Taxes (note 6)	68	49
Other Liabilities (note 11)	344	278
TOTAL LIABILITIES	6,986	6,456
SHAREHOLDERS' EQUITY		
Common Share Capital (note 12)	1,195	1,194
Retained Earnings	2,929	2,375
TOTAL SHAREHOLDERS' EQUITY	4,124	3,569
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 11,110	\$ 10,025

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board



W. Galen Weston
DIRECTOR



T. Iain Ronald
DIRECTOR

CONSOLIDATED CASH FLOW STATEMENTS

52 Weeks Ended December 28, 2002 (\$ millions)	2002	2001
OPERATING ACTIVITIES		
Net earnings	\$ 728	\$ 563
Depreciation and amortization	354	359
Future income taxes	37	44
Change in non-cash working capital	(142)	(102)
Acquisition restructuring and other charges, including income tax recoveries	(26)	(50)
Other	30	4
CASH FLOWS FROM OPERATING ACTIVITIES	981	818
INVESTING ACTIVITIES		
Fixed asset purchases	(1,079)	(1,108)
Short term investments	122	(62)
Proceeds from fixed asset sales	63	44
Franchise investments, other receivables and credit card receivables	(107)	(128)
Other	23	(27)
CASH FLOWS USED IN INVESTING ACTIVITIES	(978)	(1,281)
FINANCING ACTIVITIES		
Bank indebtedness	(95)	(108)
Commercial paper	342	(236)
Long term debt (note 10)		
– Issued	200	1,040
– Retired	(77)	(252)
Common share capital (note 12)		
– Issued	2	
– Retired	(17)	(1)
Dividends	(127)	(110)
Other	17	19
CASH FLOWS FROM FINANCING ACTIVITIES	245	352
Change in Cash and Cash Equivalents	248	(111)
Cash and Cash Equivalents, Beginning of Period	575	686
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 823	\$ 575

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

52 Weeks Ended December 28, 2002 (\$ millions except where otherwise indicated)

NOTE 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 Loblaw Companies Limited and its subsidiaries (the "Company"). The Company's interest in the voting share capital of its subsidiaries is 100%.

FISCAL PERIOD The fiscal period of the Company consists of a 52 or 53 week period ending on the Saturday closest to December 31. Each of the periods ended December 28, 2002 and December 29, 2001 contain 52 weeks.

REVENUE RECOGNITION Sales include revenues from customers through corporate stores operated by the Company and sales to and service fees from its franchised store, associated store and independent account customers, but exclude intercompany sales. The Company recognizes revenue at the time the sale is made to its customer.

EARNINGS PER SHARE ("EPS") Basic EPS is calculated by dividing the earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated using the treasury stock method, which assumes that all stock options with an exercise price below average market price are exercised and the assumed proceeds are used to purchase common shares of the Company at the average market price during the period.

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

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

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

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

The amount of the allowance for credit losses recognized in the Company's operating income is the net credit loss experience for the period.

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

INVENTORIES Retail store inventories are stated at the lower of cost and estimated net realizable value less normal profit margin. Wholesale 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 20 to 40 years for buildings and from 3 to 10 years for equipment and fixtures. Leasehold improvements are depreciated over the lesser of the applicable useful life and the term of the lease plus one renewal period to a maximum of 10 years.

GOODWILL 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.

Effective December 30, 2001, the Company prospectively implemented the new standard issued by the Canadian Institute of Chartered Accountants (the "CICA") on goodwill and intangible assets. Under the new standard, goodwill is no longer amortized but instead the carrying value of goodwill must be tested annually for impairment. In addition, the amortization of intangible assets is no longer required unless the intangible asset has a limited life, in which case it will be amortized over its estimated useful life. Intangible assets not subject to amortization must be tested annually for impairment. Any impairment in the carrying value of goodwill or intangible assets will be recognized in net earnings.

A review of the business combinations completed prior to July 1, 2001 was performed and no change was required to the carrying value of goodwill and no previously unrecognized intangible assets were recorded. The Company performed the annual impairment test for goodwill and determined that there was no impairment to the carrying value of goodwill.

Goodwill in 2001 was amortized on a straight-line basis over the estimated useful life of the benefit determined for each acquisition. Any permanent impairment in value, based on projected cash flows, was recognized in net earnings.

FOREIGN CURRENCY TRANSLATION Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at each period end date. Exchange gains or losses arising from the translation of these balances denominated in foreign currencies are recognized in net earnings. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average exchange rates for the period.

FINANCIAL DERIVATIVE INSTRUMENTS The Company uses derivative agreements in the form of cross currency basis swaps, interest rate swaps and equity forwards to manage its current and anticipated exposure to fluctuations in exchange rates, interest rates and the market price of the Company's common shares. The Company does not enter into financial derivative agreements for speculative purposes.

Cross currency basis swaps are identified as a hedge against the foreign currency exchange rate fluctuations on the Company's United States dollar denominated net assets, principally cash, cash equivalents and short term investments. Realized and unrealized foreign currency exchange rate adjustments on cross currency basis swaps are offset by realized and unrealized foreign currency exchange rate adjustments on the Company's United States dollar denominated net assets and are recognized in operating income. Unrealized foreign currency exchange rate adjustments are recorded in other liabilities. The exchange of interest payments on the cross currency basis swaps is recognized on an accrual basis.

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

Equity forwards partially offset fluctuations in the Company's stock-based compensation cost because they change in value as the market price of the underlying common shares changes. Market price adjustments are recognized in operating income and recorded in accounts receivable. Interest on the equity forwards is recognized on an accrual basis.

The Company entered into an electricity forward purchase contract to purchase a portion of its electricity needs in the province of Ontario. 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 periods in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in net earnings in the period that includes the date of enactment or substantive enactment. Future income tax assets are evaluated and a valuation allowance, if required, is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

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

STOCK-BASED COMPENSATION Effective December 30, 2001, the Company implemented the new standard issued by the CICA on stock-based compensation and other stock-based payments. The standard was implemented retroactively without restatement of the prior period consolidated financial statements. The cumulative effect of implementation was a decrease to retained earnings of \$25 (\$80 less future income tax recoverable of \$23 and the \$32 fair value impact of the equity forwards).

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

The Company accounts for stock option grants issued prior to December 30, 2001 that will be settled by issuing common shares as capital transactions. Consideration paid by employees on the exercise of this type of stock option is credited to common share capital. This type of option was last issued in 2001 and represents 4% of all options outstanding.

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

The Company maintains an Employee Share Ownership Plan for its employees. The Company contributes 15% of each employee's contribution to the plan, which is recognized in operating income as a compensation cost when the contribution is made.

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

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

COMPARATIVE INFORMATION Certain prior period's information was reclassified to conform with the current period's presentation.

NOTE 2. INTEREST EXPENSE

	2002	2001
Interest on long term debt	\$ 246	\$ 223
Other long term interest	(38)	(15)
Net short term interest	208	208
Capitalized to fixed assets	(17)	(23)
Interest expense	(30)	(27)
	\$ 161	\$ 158

Net interest paid in 2002 was \$185 (2001 – \$191).

NOTE 3. BASIC AND DILUTED NET EARNINGS PER COMMON SHARE

	2002	2001
Net earnings	\$ 728	\$ 563
Weighted average common shares outstanding (in millions)	276.2	276.2
Dilutive effect of stock-based compensation (in millions)	1.7	1.9
Diluted weighted average common shares outstanding (in millions)	277.9	278.1
Basic net earnings per common share (\$)	\$ 2.64	\$ 2.04
Dilutive effect of stock-based compensation per common share (\$)	(0.02)	(0.01)
Diluted net earnings per common share (\$)	\$ 2.62	\$ 2.03

NOTE 4. CASH, CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

At period end, the Company had \$1.1 billion (2001 – \$993) in cash, cash equivalents and short term investments held by Glenhuron Bank Limited (“Glenhuron”), a wholly owned subsidiary of the Company in Barbados. The \$24 (2001 – \$50) of income from the cash, cash equivalents and short term investments was recognized in net short term interest.

NOTE 5. CREDIT CARD RECEIVABLES

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

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

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

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

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

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

NOTE 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:

	2002	2001
Weighted average basic Canadian federal and provincial statutory income tax rate	38.6%	41.2%
Net decrease resulting from:		
Operating in countries with lower effective income tax rates	(2.9)	(3.0)
Non-taxable amounts (including capital gains/losses)	(0.1)	(0.9)
Large corporation tax	0.7	0.7
Substantively enacted changes in income tax rates		(0.1)
Effective income tax rate before goodwill charges	36.3	37.9
Non-deductible goodwill charges		1.8
Effective income tax rate	36.3%	39.7%

Net income taxes paid in 2002 were \$323 (2001 – \$277).

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

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

	2002	2001
FUTURE INCOME TAX ASSETS		
Accounts payable and accrued liabilities	\$ 62	\$ 69
Long term debt (including amounts due within one year)	11	14
Other liabilities	55	51
Losses carried forward (expiring 2008)	20	20
	\$ 148	\$ 154
FUTURE INCOME TAX LIABILITIES		
Fixed assets	\$ 132	\$ 97
Other	1	7
	\$ 133	\$ 104

NOTE 7. FIXED ASSETS

	2002			2001		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Properties held for development	\$ 336		\$ 336	\$ 248		\$ 248
Properties under development	234		234	206		206
Land	1,201		1,201	1,067		1,067
Buildings	2,983	\$ 552	2,431	2,576	\$ 476	2,100
Equipment and fixtures	2,421	1,415	1,006	2,153	1,221	932
Leasehold improvements	599	233	366	565	205	360
	7,774	2,200	5,574	6,815	1,902	4,913
Capital leases – buildings and equipment	83	70	13	83	65	18
	\$ 7,857	\$ 2,270	\$ 5,587	\$ 6,898	\$ 1,967	\$ 4,931

NOTE 8. OTHER ASSETS

	2002	2001
Franchise investments and other receivables	\$ 300	\$ 285
Accrued pension and other benefit plans (note 9)	37	37
Deferred charges and other	46	61
	\$ 383	\$ 383

NOTE 9. 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 defined benefit plans providing pension benefits.

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

	2002		2001	
	Pension Benefit Plans	Other Benefit Plans	Pension Benefit Plans	Other Benefit Plans
BENEFIT PLAN ASSETS				
Fair value, beginning of period	\$ 690	\$ 16	\$ 834	\$ 13
Actual return on plan assets	(19)	4	(95)	1
Employer contributions	13	13	6	10
Employees' contributions	2		2	
Benefits paid	(51)	(10)	(51)	(8)
Settlement gain			(3)	
Other	(7)		(3)	
Fair value, end of period	\$ 628	\$ 23	\$ 690	\$ 16
ACCRUED BENEFIT PLAN OBLIGATIONS				
Balance, beginning of period	\$ 692	\$ 103	\$ 690	\$ 99
Current service cost	21	2	21	5
Interest cost	52	7	48	7
Benefits paid	(51)	(10)	(51)	(8)
Actuarial loss (gain)	106	64	(18)	
Plan amendments	(1)		5	
Settlement gain			(3)	
Other	(2)			
Balance, end of period	\$ 817	\$ 166	\$ 692	\$ 103
DEFICIT OF PLAN ASSETS VERSUS PLAN OBLIGATIONS				
Unamortized past service costs	3		4	
Unamortized net actuarial losses (gains)	168	56	(11)	(5)
Net accrued benefit plan liability	\$ (18)	\$ (87)	\$ (9)	\$ (92)
Accrued benefit plan asset included in other assets	\$ 31	\$ 6	\$ 37	
Accrued benefit plan liability included in other liabilities	(49)	(93)	(46)	\$ (92)
Net accrued benefit plan liability	\$ (18)	\$ (87)	\$ (9)	\$ (92)

At period end 2002, the deficit of plan assets versus plan obligations for those pension benefit plans and post-employment benefit plans where the accrued benefit plan obligations exceeded the fair value of benefit plan assets were \$193 and \$14, respectively (2001 – \$54 and \$4). There were no plan assets in non-registered pension plans. All the Company's post-retirement benefit plans also had no plan assets and, at period end 2002, had an aggregate accrued benefit plan obligation of \$129 (2001 – \$83).

The significant annual weighted average actuarial assumptions were as follows:

	2002		2001	
	Pension Benefit Plans	Other Benefit Plans	Pension Benefit Plans	Other Benefit Plans
Discount rate	6.5%	6.2%	7.5%	6.9%
Expected long term rate of return on plan assets	8.0%	5.0%	8.0%	6.0%
Rate of compensation increase	3.5%		3.5%	

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

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

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

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

	2002		2001	
	Pension Benefit Plans	Other Benefit Plans	Pension Benefit Plans	Other Benefit Plans
Current service cost	\$ 19	\$ 2	\$ 19	\$ 5
Interest cost on plan liabilities	52	7	48	7
Expected return on plan assets	(54)	(1)	(65)	(1)
Amortization of net actuarial gains			(6)	(1)
Other	1			
Net defined benefit plan expense (income)	18	8	(4)	10
Defined contribution plan expense	5		5	
Multi-employer defined benefit plans expense	33		30	
Net benefit plan expense	\$ 56	\$ 8	\$ 31	\$ 10

NOTE 10. LONG TERM DEBT

	2002	2001
LOBLAW COMPANIES LIMITED DEBENTURES		
Series 8, 10%, due 2007, redeemed in 2002 (i)		\$ 61
PROVIGO INC. DEBENTURES		
Series 1997, 6.35%, due 2004	\$ 100	100
Series 1996, 8.70%, due 2006	125	125
Other (ii)	13	17
LOBLAW COMPANIES LIMITED NOTES		
6.20%, BA Range Note, due 2002 (i)		10
6.60%, due 2003	100	100
6.95%, due 2005	200	200
6.00%, due 2008	390	390
5.75%, due 2009	125	125
7.10%, due 2010	300	300
6.50%, due 2011	350	350
6.00%, due 2014	100	100
7.10%, due 2016	300	300
6.65%, due 2027	100	100
6.45%, due 2028	200	200
6.50%, due 2029	175	175
11.40%, due 2031		
– principal	151	151
– effect of coupon repurchase	(4)	1
6.85%, due 2032 (i)	200	
8.75%, due 2033	200	200
6.45%, due 2039	200	200
7.00%, due 2040	150	150
Other at a weighted average interest rate of 10.74%, due 2003 to 2040	51	59
Total long term debt	3,526	3,414
Less amount due within one year	106	81
	\$ 3,420	\$ 3,333

The five year schedule of repayment of long term debt based on maturity is as follows: 2003 – \$106; 2004 – \$106; 2005 – \$215; 2006 – \$129; 2007 – \$5.

(i) During 2002, the Company repaid its \$10 6.20% BA Range Note as it matured, redeemed its \$61 Series 8, 10% Debentures in accordance with their terms and issued \$200 of Medium Term Notes (“MTN”) with an interest rate of 6.85% due 2032.

(ii) **PROVIGO INC. DEBENTURES** – Other of \$13 (2001 – \$17) represents the unamortized portion of the adjustment to fair value the Provigo Inc. Debentures. This adjustment was recorded as part of the Provigo purchase equation and was calculated using the Company’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.

(iii) Subsequent to period end 2002, the Company issued \$200 of 6.54% MTN due 2033.

NOTE 11. OTHER LIABILITIES

	2002	2001
Accrued pension and other benefit plans (note 9)	\$ 142	\$ 138
Unrealized currency adjustment (note 14)	131	96
Stock-based compensation	54	
Other	17	44
	\$ 344	\$ 278

NOTE 12. COMMON SHARE CAPITAL (authorized – unlimited)

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

	2002		2001	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	276,252,714	\$ 1,194	276,245,314	\$ 1,194
Issued for stock options exercised (note 13)	75,000	2	20,000	
Purchased for cancellation	(309,000)	(1)	(12,600)	
Issued and outstanding, end of period	276,018,714	\$ 1,195	276,252,714	\$ 1,194
Weighted average outstanding	276,209,323		276,247,689	

NORMAL COURSE ISSUER BIDS (“NCIB”) (\$) During 2002, the Company purchased for cancellation 309,000 (2001 – 12,600) of its common shares for \$17 million (2001 – \$1 million) and entered into equity forwards to buy 390,100 (2001 – 601,600) of its common shares pursuant to its NCIB. In addition, the Company intends to renew its NCIB to purchase on the Toronto Stock Exchange or enter into equity forwards to purchase up to 5% of its common shares outstanding. The Company, in accordance with the rules and by-laws of the Toronto Stock Exchange, may purchase its shares at the then market prices of such shares.

Subsequent to period end, the Company purchased for cancellation 730,000 of its common shares for \$41 million and entered into equity forwards to buy 1,103,500 of its common shares, at an average forward price of \$56.39 with an initial term of 10 years, pursuant to its NCIB.

NOTE 13. STOCK-BASED COMPENSATION (\$)

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

In 2002, the Company recognized in operating income a compensation cost of \$14 million (\$21 million less the \$7 million fair value impact of the equity forwards) related to the stock option plan. The Company issued 75,000 (2001 – 20,000) common shares for cash consideration of \$2 million (2001 – \$.4 million) on the exercise of stock options issued prior to December 30, 2001 and paid the share appreciation value of \$13 million (2001 – \$8 million), net of tax of \$9 million (2001 – \$6 million), on 685,447 stock options (2001 – 513,970).

During 2002, the Company granted 80,000 stock options under its current stock option plan, that allow for settlement in shares or in the share appreciation value in cash at the option of the employee, to four employees, with an exercise price of \$55.40 per common share.

At period end, the Company had a total of 4,055,237 (2001 – 4,832,900) stock option grants outstanding, which represented approximately 1.5% (2001 – 1.7%) of its issued and outstanding common shares and was within regulatory guidelines.

A summary of the status of the Company's stock option plan and activity was as follows:

	2002		2001	
	Options (number of shares)	Weighted Average Exercise Price/Share	Options (number of shares)	Weighted Average Exercise Price/Share
Outstanding options, beginning of period	4,832,900	\$ 30.680	5,033,280	\$ 28.676
Granted	80,000	\$ 55.400	386,190	\$ 48.664
Exercised	(760,447)	\$ 25.857	(533,970)	\$ 24.699
Forfeited/cancelled	(97,216)	\$ 32.477	(52,600)	\$ 31.653
Outstanding options, end of period	4,055,237	\$ 32.029	4,832,900	\$ 30.680
Options exercisable, end of period	1,491,119	\$ 28.192	1,083,424	\$ 25.541

Of the 4,055,237 outstanding options, 3,901,497 relate to stock option grants that allow for settlement in shares or in the share appreciation value in cash at the option of the employee and 153,740 relate to stock option grants, issued prior to December 30, 2001, that will be settled by issuing common shares.

	2002 Outstanding Options			2002 Exercisable Options	
	Number of Options Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price/Share	Number of Exercisable Options	Weighted Average Exercise Price/Share
Range of Exercise Prices					
\$ 14.250 – \$ 24.500	783,109	2	\$ 20.681	572,509	\$ 19.276
\$ 32.000 – \$ 35.600	2,782,938	4	\$ 32.157	832,372	\$ 32.273
\$ 43.800 – \$ 55.400	489,190	6	\$ 49.469	86,238	\$ 47.993

Subsequent to period end 2002, the Company granted 2,367,746 stock options under its current stock option plan, that allow for settlement in shares or in the share appreciation value in cash at the option of the employee, to 196 employees with an exercise price of \$53.60 per common share. Including stock option grants issued subsequent to period end, total stock option grants outstanding represent approximately 2.3% of the Company's issued and outstanding common shares.

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

DEFERRED SHARE UNITS Outside members of the Board of Directors may elect annually to receive all or a portion of their annual retainer(s) and fees in the form of deferred share units, the value of which is determined by the market price of the Company's 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 period end, 12,941 (2001 – 8,556) deferred share units were outstanding. The period over period change in the deferred share unit obligation was minimal and was recognized in operating income.

NOTE 14. FINANCIAL INSTRUMENTS

As at period end, a summary of the Company's outstanding financial instruments was as follows:

	Notional Amounts Maturing in						2002 Total	2001 Total
	2003	2004	2005	2006	2007	Thereafter		
Cross currency basis swaps	\$ 49	\$ 344	\$ 64	\$ 11	\$ 67	\$ 583	\$ 1,118	\$ 1,021
Interest rate swaps	\$ 188	\$ 282	\$ 161	\$ (43)		\$ 279	\$ 867	\$ 883
Equity forwards						\$ 150	\$ 150	\$ 129
Electricity forward purchase contract	\$ 43	\$ 47	\$ 16				\$ 106	

CROSS CURRENCY BASIS SWAPS The Company enters into cross currency basis swaps to manage its exposure to fluctuations in exchange rates, on United States dollar denominated net assets, principally cash, cash equivalents and short term investments.

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

INTEREST RATE SWAPS The Company enters into interest rate swaps to manage its exposure to fluctuations in interest rates and market liquidity.

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

EQUITY FORWARDS (\$) The Company enters into equity forwards to manage its exposure to fluctuations in its stock-based compensation cost as a result of changes in the market price of its common shares.

The Company entered into equity forwards to buy 3.7 million (2001 – 3.3 million) of its common shares at an average forward price of \$44.88 (2001 – \$42.70) per common share, including \$3.47 (2001 – \$2.97) per common share of interest expense net of dividends that will be paid at redemption, with an average initial term of 10 (2001 – 10) years. The equity forwards allow for settlement in cash, common shares or net settlement. The Company has included an unrealized market adjustment of \$34 million in accounts receivable relating to these equity forwards.

ELECTRICITY FORWARD PURCHASE CONTRACT The Company entered into an electricity forward purchase contract to maintain a portion of the Company's electricity costs in the province of Ontario at approximately 2001 rates. This electricity forward purchase contract, with a company that has a long term debt rating of A (low) from Dominion Bond Rating Service, had 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 derivative agreements fail to fulfill its obligations. The Company has sought to minimize potential counterparty losses by transacting with counterparties that have at a minimum an A rating and by placing risk adjusted limits on its exposure to any single counterparty. The Company has internal policies, controls and reporting processes, which permit ongoing assessment and corrective action with respect to its derivative activity. In addition, principal amounts on cross currency basis swaps and equity forwards are netted by agreement and there is no exposure to loss of the notional principal amounts on the interest rate swaps and equity forwards.

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 and accrued liabilities approximated their carrying values given their short term maturities.

The fair value of the cross currency basis swaps was estimated based on the market spot and forward exchange rates and approximated carrying value.

The fair value of 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 interest rate swaps was estimated by discounting net cash flows of the swaps at market rates for swaps of the same remaining maturities.

The fair value of the equity forwards was estimated by multiplying the total outstanding forwards based on the Company's common shares by the difference between the market price of its common shares and the average forward price of the outstanding forwards at period end.

The fair value of the electricity forward purchase contract was estimated by discounting the net cash flows at market rates for a contract of the same remaining maturity.

	2002		2001	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long term debt liability	\$ 3,526	\$ 3,890	\$ 3,414	\$ 3,550
Interest rate swaps net asset		\$ 32		\$ 48
Equity forwards net asset	\$ 34	\$ 34		\$ 30
Electricity forward purchase contract net asset		\$ 15		

NOTE 15. CONTINGENCIES AND COMMITMENTS

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

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

	Amounts Maturing in						2002 Total	2001 Total
	2003	2004	2005	2006	2007	Thereafter to 2049		
Operating lease payments	\$ 161	\$ 150	\$ 137	\$ 123	\$ 109	\$ 580	\$ 1,260	\$ 1,192
Expected sub-lease income	(49)	(43)	(39)	(36)	(30)	(61)	(258)	(232)
Net operating lease payments	\$ 112	\$ 107	\$ 98	\$ 87	\$ 79	\$ 519	\$ 1,002	\$ 960

Gross rentals under leases assigned to others for which the Company is contingently liable amount to \$204 (2001 – \$230).

At period end, capital projects-in-process which the Company has effectively committed to complete totaled approximately \$179 (2001 – \$109).

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

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

NOTE 16. OTHER INFORMATION

SEGMENTED INFORMATION The Company's only reportable operating segment is food distribution. All sales to external parties were generated in Canada and all fixed assets and goodwill were attributable to Canadian operations.

RELATED PARTY TRANSACTIONS The Company's majority shareholder, George Weston Limited, its subsidiaries and its affiliates are related parties. It is the Company's policy to conduct all transactions and settle balances with related parties on normal trade terms. Total purchases from related parties represented about 3% (2001 – 3%) of the cost of sales, selling and administrative expenses.

Pursuant to an investment management agreement, the Company, through Glenhuron, manages certain United States cash, cash equivalents and short term investments on behalf of wholly owned non-Canadian subsidiaries of George Weston Limited. Management fees were based on market rates and were included in interest expense.