2014 Annual Report

George Weston Limited

Weston

Weston

Footnote Legend

(1) See non-GAAP financial measures beginning on page 52.

(2) For financial definitions and ratios refer to the Glossary beginning on page 138.

(3) To be read in conjunction with "Forward-Looking Statements" beginning on page 4.

(4) Certain 2013 figures have been amended. See Section 22, "Non-GAAP Financial Measures" of the Company's 2014 Management's Discussion and Analysis and note 2 of the Company's 2014 audited consolidated financial statements.

Financial Highlights[2]

As at or for the years ended December 31 ($ millions except where otherwise indicated)	2014 (53 weeks)	2013[4] (52 weeks)
Consolidated Operating Results		
Sales	**$ 43,918**	$ 33,582
EBITDA[1]	**2,515**	2,507
Adjusted EBITDA[1]	**3,539**	2,420
Operating income	**973**	1,616
Adjusted operating income[1]	**2,414**	1,533
Net interest expense and other financing charges	**815**	497
Adjusted net interest expense and other financing charges[1]	**566**	403
Net earnings	**134**	904
Discontinued operations		58
Net earnings from continuing operations	**134**	846
Net earnings from continuing operations attributable to shareholders of the Company	**126**	614
Adjusted net earnings from continuing operations attributable to shareholders of the Company[1]	**728**	586
Consolidated Financial Position and Cash Flows		
Cash and cash equivalents, short term investments and security deposits	**$ 2,497**	$ 6,150
Adjusted debt[1]	**11,388**	7,483
Free cash flow[1]	**1,033**	284
Cash flows from operating activities of continuing operations	**2,851**	1,738
Fixed asset purchases	**1,124**	976
Consolidated per Common Share ($)		
Basic net earnings	**$ 0.64**	$ 4.93
Basic net earnings from discontinued operations		0.46
Basic net earnings from continuing operations	**0.64**	4.47
Adjusted basic net earnings from continuing operations[1]	**5.35**	4.25
Consolidated Financial Measures and Ratios		
Sales growth	**30.8%**	2.6%
Adjusted EBITDA margin[1]	**8.1%**	7.2%
Adjusted operating margin[1]	**5.5%**	4.6%
Adjusted debt[1] to adjusted EBITDA[1]	**3.2x**	3.1x
Reportable Operating Segments		
Weston Foods		
Sales	**$ 1,923**	$ 1,812
EBITDA[1]	**301**	305
Adjusted EBITDA[1]	**311**	322
Adjusted EBITDA margin[1]	**16.2%**	17.8%
Operating income	**231**	238
Adjusted operating income[1]	**241**	259
Adjusted operating margin[1]	**12.5%**	14.3%
Loblaw		
Sales	**$ 42,611**	$ 32,371
Retail gross profit	**9,734**	6,961
EBITDA[1]	**2,126**	2,127
Adjusted EBITDA[1]	**3,228**	2,098
Adjusted EBITDA margin[1]	**7.6%**	6.5%
Operating income	**654**	1,303
Adjusted operating income[1]	**2,173**	1,274
Adjusted operating margin[1]	**5.1%**	3.9%

Report to Shareholders[3]

George Weston Limited experienced a year of transformation in 2014. We made significant progress on our strategic priorities at Loblaw and Weston Foods and increased our confidence that we are well-positioned for stable, long term growth and profitability.

George Weston Limited has broadened its portfolio, with leading market positions in diverse businesses.

In 2014, Loblaw continued to evolve and strengthen its competitive position to be the best in food experience, the best in health and beauty, to drive operational excellence and to pursue growth. Loblaw successfully completed its acquisition of Shoppers Drug Mart, creating a unique retail footprint while providing customers best-in-class food and health and wellness offerings along with the combined Company's trusted and most recognized brands, while focusing on convenience and value.

Loblaw delivered strong financial and operational performance across its portfolio of businesses. The Retail business performed well with core grocery maintaining positive same-store sales and stable gross margin in an intensely competitive industry. Three quarters of Shoppers Drug Mart's results were included in our financials and reflected the strength of the front of store offer as well as resilience in pharmacy. In 2015, Loblaw will continue to focus on stable business performance, surfacing efficiencies, realizing synergies and deleveraging the balance sheet.

Weston Foods delivered higher sales driven by volume growth across all business units. Results were negatively impacted by higher commodity and other input costs, start-up costs and new plant costs. Weston Foods remains committed to driving long term financial performance and expects to make significant capital investments in targeted areas of growth in 2015. These investments reflect a commitment to positioning Weston Foods for long term growth and profitability.

On behalf of the Board of Directors and shareholders, we thank our loyal customers for their support and our more than 200,000 employees for their dedication and continued commitment to the Company.

[*signed*]
W. Galen Weston
Executive Chairman

[*signed*]
Paviter S. Binning
President

Management's Discussion and Analysis

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Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") for George Weston Limited ("GWL" or the "Company") should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes on pages 61 to 135 of this Annual Report. The Company's annual audited consolidated financial statements and the accompanying notes for the year ended December 31, 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). The annual audited consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars, except where otherwise noted.

The information in this MD&A is current to March 4, 2015, unless otherwise noted. A glossary of terms and ratios used throughout this Annual Report can be found beginning on page 138.

As a result of the Company's reporting calendar, the fourth quarter and full year 2014 include an extra week of operations ("the 53rd week") compared to 2013.

1. FORWARD-LOOKING STATEMENTS

This Annual Report for the Company, including this MD&A, contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects and opportunities. Specific forward-looking statements in this Annual Report include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, synergies and other benefits associated with the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart"), future liquidity and debt reduction targets, planned capital investments, and status and impact of the information technology ("IT") systems implementation. These specific forward-looking statements are contained throughout this Annual Report including, without limitation, in Section 3, "Strategic Framework", Section 9, "Liquidity and Capital Resources", Section 21, "Outlook", and Section 22, "Non-GAAP Financial Measures". Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "on-track", "maintain", "achieve", "grow", and "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's expectation of operating and financial performance in 2015 is based on certain assumptions including assumptions about sales and volume growth, anticipated cost savings, operating efficiencies, and continued growth from current initiatives. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in Section 16, "Enterprise Risks and Risk Management" of this MD&A and the Company's Annual Information Form ("AIF") for the year ended December 31, 2014. Such risks and uncertainties include:

- failure by Loblaw Companies Limited ("Loblaw") to realize the anticipated strategic benefits or operational, competitive and cost synergies following the acquisition of Shoppers Drug Mart;
- failure by Loblaw to reduce indebtedness associated with the acquisition of Shoppers Drug Mart to bring leverage ratios to a level consistent with investment grade ratings;
- failure to realize benefits from investments in the Company's IT systems, including the Company's IT systems implementation, or unanticipated results from these initiatives;
- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including those from restructuring;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business;

- changes in Loblaw's estimate of inventory cost as a result of its IT system upgrade;
- changes to the regulation of generic prescription drug prices and the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements which could lead to work stoppages;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- changes in economic conditions including the rate of inflation or deflation, changes in interest and currency exchange rates and derivative and commodity prices;
- changes in the Company's income, capital, commodity, property and other tax and regulatory liabilities including changes in tax laws, regulations or future assessments;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- the risk that the Company would experience a financial loss if its counterparties fail to meet their obligations in accordance with the terms and conditions of their contracts with the Company; and
- the inability of the Company to collect on and fund its credit card receivables.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including without limitation, the section entitled "Operating and Financial Risks and Risk Management" in the Company's AIF for the year ended December 31, 2014. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this Annual Report. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

2. OVERVIEW

GWL is a Canadian public company, founded in 1882. The Company has two reportable operating segments: Loblaw and Weston Foods, and holds cash, short term investments and a direct investment in Choice Properties Real Estate Investment Trust ("Choice Properties"). The Loblaw operating segment, which is operated by Loblaw Companies Limited and its subsidiaries, includes retail businesses, a bank and a real estate company. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, and financial products and services. The Weston Foods operating segment includes a leading fresh bakery business in Canada and operates North American frozen and artisan bakery and biscuit manufacturing businesses.

3. STRATEGIC FRAMEWORK

The Company employs various operating and financial strategies, driven by each of its reportable operating segments.

Weston Foods' strategy is focused on continuing to drive financial performance within its core business and positioning the business for sustainable, long term growth and profitability. As part of its strategic framework, Weston Foods will:

- continue to drive operational and service efficiencies and excellence;
- drive growth through innovation and product development, meeting the evolving needs of consumers and customers;
- invest in assets and infrastructure to support its core business and pursue growth in targeted areas;
- enhance the capabilities and leadership within the organization, driving a high-performance culture; and
- continue to evaluate the market for new opportunities to increase market penetration and expand presence, organically, through partnership or acquisition.

Loblaw's strategic framework is anchored by its vision to help Canadians "Live Life Well" and its commitment to produce industry leading financial results through operational excellence. At the core of this framework is Loblaw's focus on the customer – by providing the best in food experience and the best in health and beauty.

Achieving a "best in food" experience is driven by Loblaw's desire to lead in fresh selection, drive sustainable and competitive pricing and provide customized assortments across its banners. Achieving "best in health and beauty" is driven by Loblaw's pharmacies putting customers first, its desire to provide high quality health and wellness products, a diverse and differentiated beauty offering and convenient locations and hours of operations to meet individuals' wellness needs.

Loblaw's operational excellence goals include driving efficiencies and realizing synergies from its business acquisitions, particularly the acquisition of Shoppers Drug Mart. Loblaw is focused on continued growth from President's Choice Financial Services, Choice Properties, product innovation, emerging business, and loyalty program initiatives.

Weston Foods and Loblaw each have their own risk profiles and operating risk management strategies. The success of these and other plans and strategies discussed in this MD&A may be affected by risks and uncertainties, including those described in Section 16, "Enterprise Risks and Risk Management" of this MD&A and in the Company's AIF for the year ended December 31, 2014.

4. KEY FINANCIAL PERFORMANCE INDICATORS

The Company has identified specific key financial performance indicators to measure the progress of short and long term objectives. With the completion of Loblaw's acquisition of Shoppers Drug Mart, the Company's 2014 results include the results of Shoppers Drug Mart as well as the associated acquisition-related accounting adjustments. Certain key financial performance indicators are set out below:

Key Financial Performance Indicators[2]

As at or for the years ended December 31 ($ millions except where otherwise indicated)	**2014 (53 weeks)**	2013[4] (52 weeks)
Sales	**$ 43,918**	$ 33,582
Loblaw Retail gross profit[i]	**$ 9,734**	$ 6,961
EBITDA[1]	**$ 2,515**	$ 2,507
Adjusted EBITDA[1]	**$ 3,539**	$ 2,420
Adjusted EBITDA margin[1]	**8.1%**	7.2%
Operating income	**$ 973**	$ 1,616
Adjusted operating income[1]	**$ 2,414**	$ 1,533
Adjusted operating margin[1]	**5.5%**	4.6%
Net earnings from continuing operations attributable to shareholders of the Company	**$ 126**	$ 614
Adjusted net earnings from continuing operations attributable to shareholders of the Company[1]	**$ 728**	$ 586
Basic net earnings per common share from continuing operations ($)	**$ 0.64**	$ 4.47
Adjusted basic net earnings per common share from continuing operations[1] ($)	**$ 5.35**	$ 4.25
Cash and cash equivalents, short term investments and security deposits	**$ 2,497**	$ 6,150
Cash flows from operating activities of continuing operations	**$ 2,851**	$ 1,738
Adjusted debt[1]	**$ 11,388**	$ 7,483
Adjusted debt[1] to adjusted EBITDA[1]	**3.2x**	3.1x
Free cash flow[1]	**$ 1,033**	$ 284

(i) Loblaw Retail gross profit is impacted by certain items described in Section 6.2, "Loblaw Operating Results" of this MD&A.

Under GAAP, certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying operating performance. Non-GAAP financial measures exclude the impact of certain items and are used internally when analyzing consolidated and segment underlying operating performance. These non-GAAP financial measures are also helpful in assessing underlying operating performance on a consistent basis. See Section 22, "Non-GAAP Financial Measures" of this MD&A for more information on the Company's non-GAAP financial measures.

5. OVERALL FINANCIAL PERFORMANCE

5.1 SIGNIFICANT ACCOMPLISHMENTS IN 2014

Acquisition of Shoppers Drug Mart On March 28, 2014, Loblaw acquired all of the outstanding shares of Shoppers Drug Mart for total consideration of $12.3 billion, comprised of approximately $6.6 billion of cash and the issuance of approximately 119.5 million Loblaw common shares. The cash portion of the acquisition was partially funded by the issuance of $5.1 billion of debt.

During 2014, Loblaw realized approximately $101 million of net synergies, generated primarily from improved costs of goods sold and from purchasing efficiencies in goods not for resale. Loblaw continues to expect to achieve annualized synergies of $300 million in the third full year following the close of the acquisition of Shoppers Drug Mart (net of related costs).

As a result of the acquisition, GWL's ownership interest in Loblaw decreased from approximately 63% to approximately 46%. The Company remains the controlling shareholder of Loblaw and continues to consolidate Loblaw.

See Section 7, "Acquisition of Shoppers Drug Mart Corporation" of this MD&A for further details.

Deleveraging On closing of the acquisition of Shoppers Drug Mart, adjusted debt(1) was $12.1 billion. The Company made significant progress in meeting its debt reduction target and decreased adjusted debt(1) by approximately $700 million since the closing of the acquisition, resulting in an adjusted debt(1) balance of $11.4 billion as at December 31, 2014. The reduction in adjusted debt(1) since closing included the repayment of a $350 million medium term note ("MTN") at maturity and repayments under the unsecured term loan facility (net of Choice Properties' notes issued to third parties), partially offset by the issuance of a $200 million MTN and other indebtedness.

See Section 9, "Liquidity and Capital Resources" of this MD&A for further details.

Information Technology and Other Systems Implementations As of the end of 2014, Loblaw completed the conversion of substantially all of its corporate grocery locations and associated distribution centres to the new IT systems.

5.2 CONSOLIDATED RESULTS OF OPERATIONS

The Company has two reportable operating segments: Loblaw and Weston Foods. Loblaw has three reportable operating segments: Retail, Financial Services, which includes President's Choice Bank ("PC Bank"), a subsidiary of Loblaw, and Choice Properties.

As at or for the years ended December 31 ($ millions except where otherwise indicated)	**2014 (53 weeks)**	2013[4] (52 weeks)	$ Change	% Change
Sales	**$ 43,918**	$ 33,582	$ 10,336	30.8 %
Sales excluding Shoppers Drug Mart	***$ 34,868***	*$ 33,582*	*$ 1,286*	*3.8 %*
EBITDA[1]	**$ 2,515**	$ 2,507	$ 8	0.3 %
Adjusted EBITDA[1]	**$ 3,539**	$ 2,420	$ 1,119	46.2 %
Adjusted EBITDA margin[1]	**8.1%**	7.2%		
Adjusted EBITDA[1] excluding Shoppers Drug Mart	***$ 2,551***	*$ 2,420*	*$ 131*	*5.4 %*
Adjusted EBITDA margin[1] excluding Shoppers Drug Mart	***7.3%***	*7.2%*		
Operating income	**$ 973**	$ 1,616	$ (643)	(39.8)%
Adjusted operating income[1]	**$ 2,414**	$ 1,533	$ 881	57.5 %
Adjusted operating margin[1]	**5.5%**	4.6%		
Adjusted operating income[1] excluding Shoppers Drug Mart	***$ 1,630***	*$ 1,533*	*$ 97*	*6.3 %*
Adjusted operating margin[1] excluding Shoppers Drug Mart	***4.7%***	*4.6%*		
Net interest expense and other financing charges	**$ 815**	$ 497	$ 318	64.0 %
Adjusted net interest expense and other financing charges[1]	**$ 566**	$ 403	$ 163	40.4 %
Income taxes	**$ 24**	$ 273	$ (249)	(91.2)%
Adjusted income taxes[1]	**$ 481**	$ 285	$ 196	68.8 %
Adjusted income tax rate[1]	**26.0%**	25.2%		
Net earnings[i]	**$ 134**	$ 904	$ (770)	(85.2)%
Net earnings from continuing operations	**$ 134**	$ 846	$ (712)	(84.2)%
Net earnings from continuing operations attributable to shareholders of the Company	**$ 126**	$ 614	$ (488)	(79.5)%
Adjusted net earnings from continuing operations attributable to shareholders of the Company[1]	**$ 728**	$ 586	$ 142	24.2 %
Basic net earnings per common share from continuing operations ($)	**$ 0.64**	$ 4.47	$ (3.83)	(85.7)%
Adjusted basic net earnings per common share from continuing operations[1] ($)	**$ 5.35**	$ 4.25	$ 1.10	25.9 %
Adjusted debt[1] to adjusted EBITDA[1]	**3.2x**	3.1x		
Free cash flow[1]	**$ 1,033**	$ 284	$ 749	263.7 %

(i) In 2013 , net earnings included income related to discontinued operations of $58 million.

Adjusted basic net earnings per common share from continuing operations[1] for 2014 increased to $5.35 from $4.25 compared to 2013. The improvement of $1.10 was primarily due to an increase in Loblaw earnings net of the dilution in the Company's ownership as a result of shares issued by Loblaw to acquire Shoppers Drug Mart. Loblaw earnings were positively impacted in 2014 by Shoppers Drug Mart results, partially offset by higher interest expense driven by the financing associated with the acquisition of Shoppers Drug Mart.

Basic net earnings per common share from continuing operations decreased by $3.83 to $0.64 compared to 2013, and was impacted by the following significant items:

- the negative impact of the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold of $798 million ($2.08 per common share);
- the amortization of the acquired Shoppers Drug Mart intangible assets of $417 million ($1.09 per common share);
- the unfavourable year-over-year impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares of $200 million ($1.18 per common share);
- a non-cash charge recorded by Loblaw in the second quarter of 2014 relating to inventory measurement and other conversion differences associated with Loblaw's upgrade of its IT infrastructure of $190 million ($0.49 per common share); partially offset by
- the favourable impact of the restructuring of franchise fees, as described below, of $40 million ($0.11 per common share).

For a complete list of items that impacted basic net earnings per common share from continuing operations but that are excluded from adjusted basic net earnings per common share from continuing operations[1], see Section 22, "Non-GAAP Financial Measures" of this MD&A.

In 2014, Loblaw restructured its fee arrangements with the franchisees of certain franchise banners. As a result of this restructuring, Loblaw re-evaluated the recoverable amount of franchise-related financial instruments and recorded a reduction in a previously recorded impairment. These revised arrangements are expected to result in an annual reduction of Loblaw Retail sales of approximately $150 million with a corresponding decrease in selling, general and administrative expenses.

Sales The Company's 2014 consolidated sales were $43.9 billion, an increase of $10.3 billion compared to 2013 and included $9.1 billion in sales related to Shoppers Drug Mart. Excluding Shoppers Drug Mart, the Company's year-over-year change in consolidated sales was an increase of $1,286 million impacted by each of its reportable operating segments as follows:

- Positively by 0.3% due to sales growth of 6.1% at Weston Foods. Foreign currency translation and the 53rd week positively impacted sales by approximately 3.5% and 1.6%, respectively. Excluding the impact of foreign currency translation and the 53rd week, sales increased by 1.0% due to an increase in volumes across all business units, partially offset by the combined negative impact of pricing and changes in sales mix.

- Positively by 3.5% due to sales growth of 3.7% at Loblaw. The 53rd week positively impacted Loblaw's sales by 1.8%. Excluding the 53rd week, Retail segment sales increased by 1.6% and same-store sales growth, for core grocery on a comparable week basis, was 2.0% (2013 – 1.1%). Loblaw's average annual internal food price index was slightly higher than (2013 – lower than) the average annual national food price inflation of 2.5% (2013 – 1.1%) as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI"). In 2014, corporate and franchise store square footage remained flat (2013 – increase of 0.8%).

EBITDA[1] The Company's 2014 EBITDA[1] was $2,515 million, an increase of $8 million compared to 2013. The increase included the negative impact of certain acquisition-related items of Shoppers Drug Mart, Loblaw's change in inventory measurement and other conversion differences associated with the implementation of a perpetual inventory system and a number of other items. For a complete list of the items that impacted EBITDA[1] but that are excluded from adjusted EBITDA[1], see Section 22, "Non-GAAP Financial Measures" of this MD&A.

The Company's adjusted EBITDA[1] in 2014 increased by $1,119 million to $3,539 million compared to 2013, and included adjusted EBITDA[1] of $988 million related to Shoppers Drug Mart. Excluding Shoppers Drug Mart, the Company's year-over-year change in consolidated adjusted EBITDA[1] was an increase of $131 million, impacted by each of its reportable operating segments as follows:

- Negatively by 0.5% due to a decrease of 3.4% in adjusted EBITDA[1] at Weston Foods, primarily due to higher commodity and other input costs, including the negative impact of foreign exchange, start-up costs and new plant costs. In addition, adjusted EBITDA[1] was negatively impacted by a decline in the performance of the frozen dough business in the first half of 2014, partially offset by the positive impact of the 53rd week of $6 million.
- Positively by 5.9% due to an increase of 6.8% in adjusted EBITDA[1] at Loblaw, primarily driven by Retail including the 53rd week and net synergies. Excluding Shoppers Drug Mart, the 53rd week and net synergies, the increase in Retail was driven by an increase in gross profit, supply chain efficiencies and changes in the fair value of Loblaw's franchise investments. These increases were partially offset by a $12 million year-over-year increase in charges related to the transition of certain grocery stores to more cost effective and efficient operating terms under collective agreements, investments in Loblaw's emerging business, higher foreign exchange losses, and higher investments in Loblaw's franchise business.

Operating Income The Company's 2014 consolidated operating income was $973 million, a decrease of $643 million compared to 2013. The decrease was negatively impacted by the amortization of intangible assets acquired with Shoppers Drug Mart and the items described above in EBITDA[1]. For a complete list of items that impacted operating income but that are excluded from adjusted operating income[1], see Section 22, "Non-GAAP Financial Measures" of this MD&A.

The Company's consolidated adjusted operating income[1] was $2,414 million in 2014, an increase of $881 million compared to 2013 and included adjusted operating income[1] of $784 million related to Shoppers Drug Mart. Excluding Shoppers Drug Mart, the Company's consolidated adjusted operating income[1] increased by $97 million, driven by the increase in adjusted EBITDA[1] described above, partially offset by an increase in depreciation and amortization of $7 million at Weston Foods and $27 million at Loblaw.

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges increased by $318 million to $815 million compared to 2013 and included the unfavourable year-over-year impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares, as well as a number of other items. For a complete list of the items that impacted net interest expense and other financing charges but that are excluded from adjusted net interest expense and other financing charges[1], see Section 22, "Non-GAAP Financial Measures" of this MD&A.

Adjusted net interest expense and other financing charges[1] were $566 million, an increase of $163 million compared to 2013, driven by higher interest on long term debt, primarily as a result of debt incurred by Loblaw to finance the acquisition of Shoppers Drug Mart and distributions paid by Choice Properties on its Trust Units, partially offset by a decrease in net interest expense on net defined benefit obligations.

Income Taxes Income tax expense for 2014 was $24 million and the effective tax rate was 15.2%. Income tax expense for 2013 was $273 million and the effective tax rate was 24.4%. This decrease in the effective tax rate was primarily attributable to an increase in non-taxable foreign currency translation gains. Adjusted income tax expense(1) for 2014 was $481 million and the adjusted income tax rate(1) was 26.0%. Adjusted income tax expense(1) for 2013 was $285 million and the adjusted income tax rate(1) was 25.2%. The increase in the adjusted income tax rate(1) was primarily attributable to a decrease in certain non-taxable amounts.

In 2012, Loblaw received indication from the Canada Revenue Agency (the "CRA") that the CRA intends to proceed with reassessments of the tax treatment of Loblaw's wholly-owned subsidiary, Glenhuron Bank Limited ("Glenhuron"). The CRA's position is that certain income earned by Glenhuron in Barbados in respect of the 2000 to 2010 taxation years should be treated, and taxed, as income in Canada.

Based on the proposal letter from the CRA, if the CRA and the relevant provincial tax authorities were to prevail in all of these reassessments, which Loblaw believes would be unlikely, the estimated total tax and interest for the 2000 to 2010 taxation years would be approximately $440 million, which would increase as interest accrues. However, Loblaw is in discussions with the CRA about the amount of taxes in dispute. Loblaw believes it is likely that the CRA and the relevant provincial tax authorities will issue reassessments for 2011 to 2013 on the same or similar basis. No amount for any reassessments has been provided for in the Company's consolidated financial statements.

Subsequent to the end of 2014, Loblaw received a letter from the CRA stating that the CRA will be proceeding with the reassessments. Loblaw expects to receive reassessments from the CRA and the relevant provincial tax authorities sometime in the coming months. Loblaw strongly disagrees with the CRA's position and intends to vigorously defend its position including appealing the reassessments when they are received. Loblaw will make cash payments or provide other forms of security on a portion of the taxes in dispute. If Loblaw is successful in defending its position, in whole or in part, some or all of the cash payments or security would be returned to Loblaw.

Net Earnings from Continuing Operations Attributable to Shareholders of the Company In the second quarter of 2014, GWL's ownership interest in Loblaw decreased as a result of Loblaw's issuance of common shares as partial consideration for its acquisition of Shoppers Drug Mart. In addition, ownership was impacted by other changes in Loblaw share capital, such as shares issued to settle share-based compensation awards and share repurchases under Loblaw's normal course issuer bid ("NCIB") program. GWL's ownership of Loblaw was approximately 46% as at the end of 2014 (2013 – approximately 63%; 2012 – approximately 63%). The Company remains the controlling shareholder and continues to consolidate Loblaw.

Net earnings from continuing operations attributable to shareholders of the Company for 2014 were $126 million compared to $614 million in 2013. In addition to the decrease in the Company's ownership interest in Loblaw, the decline in net earnings from continuing operations attributable to shareholders of the Company was a result of the year-over-year changes in operating income, net interest expense and other financing charges and income taxes described above.

Discontinued Operations In 2013, the Company recorded income related to discontinued operations of $58 million, which included the settlement of a previously disclosed litigation of $48 million ($40 million, net of income taxes) and adjustments resulting in income of $18 million associated with the Company's (excluding Loblaw) previously owned operations.

5.3 SELECTED ANNUAL INFORMATION

The selected information presented below has been derived from and should be read in conjunction with the annual consolidated financial statements of the Company dated December 31, 2014 and 2013. The analysis of the data contained in the table focuses on the trends and significant events or items affecting the results of operations and financial condition of the Company over the latest three year period.

For the years ended December 31 ($ millions except where otherwise indicated)	2014 (53 weeks)	2013[4] (52 weeks)	2012[ii] (52 weeks)
Sales	**$ 43,918**	$ 33,582	$ 32,742
Sales excluding Shoppers Drug Mart	***34,868***	*33,582*	*32,742*
EBITDA[1]	**$ 2,515**	$ 2,507	$ 2,233
Adjusted EBITDA[1]	**3,539**	2,420	2,377
Adjusted EBITDA[1] excluding Shoppers Drug Mart	***2,551***	*2,420*	*2,377*
Operating Income	**$ 973**	$ 1,616	$ 1,393
Adjusted Operating Income[1]	**2,414**	1,533	1,541
Adjusted operating income[1] excluding Shoppers Drug Mart	***1,630***	*1,533*	*1,541*
Adjusted net interest expense and other financing charges[1]	**$ 566**	$ 403	$ 406
Adjusted income tax rate[1]	**26.0%**	25.2%	25.6%
Net earnings[i]	**$ 134**	$ 904	$ 708
Net earnings from continuing operations	**134**	846	708
Net earnings from continuing operations attributable to shareholders of the Company	**126**	614	475
Net earnings per common share ($) – basic			
Continuing operations	**$ 0.64**	$ 4.47	$ 3.36
Net earnings[i]	**$ 0.64**	$ 4.93	$ 3.36
Net earnings per common share ($) – diluted			
Continuing operations	**$ 0.64**	$ 4.43	$ 3.29
Net earnings[i]	**$ 0.64**	$ 4.89	$ 3.29
Adjusted basic net earnings per common share from continuing operations[1] ($)	**$ 5.35**	$ 4.25	$ 4.25
Dividends declared per share type ($):			
Common shares	**$ 1.675**	$ 1.625	$ 1.460
Preferred shares – Series I	**$ 1.45**	$ 1.45	$ 1.45
Preferred shares – Series III	**$ 1.30**	$ 1.30	$ 1.30
Preferred shares – Series IV	**$ 1.30**	$ 1.30	$ 1.30
Preferred shares – Series V	**$ 1.19**	$ 1.19	$ 1.19

(i) In 2013, net earnings and basic and diluted net earnings per common share included income related to discontinued operations of $58 million and $0.46, respectively. See Section 5.2, "Consolidated Results of Operation" of this MD&A.
(ii) Certain 2012 figures have been amended. See Section 22, "Non-GAAP Financial Measures" of this MD&A.

Consolidated results for the last three years were impacted by the initial public offering ("IPO") of Choice Properties in the third quarter of 2013, the acquisition of Shoppers Drug Mart in the second quarter of 2014, foreign currency exchange rates, and the 53rd week.

Sales Excluding Shoppers Drug Mart and the 53rd week, the Company's reportable operating segments had the following sales trends over the last three years:

- Weston Foods sales have been impacted by foreign currency translation, volumes, pricing and changes in sales mix, and key market trends such as changing consumer eating and buying preferences and the continuing shift in consumer food shopping patterns toward alternate format retail channels. Sales volumes increased in 2014, while sales volumes in 2013 were flat compared to 2012. Weston Foods sales and volumes in 2013 were negatively impacted by the loss of certain frozen distributed products.

- Loblaw's Retail segment has driven the growth in Loblaw sales over the last three years under the pressure of an intensely competitive retail market and uncertain economic environment. In 2014, Retail same-store sales growth on a comparable week basis, was 2.0% (2013 – 1.1%) and excluding gas bar, was 2.1% (2013 – 1.0%). In 2013, Retail same-store sales growth was 1.1% (2012 – decline of 0.2%) and excluding gas bar was 1.0% (2012 – decline of 0.2%).

Adjusted basic net earnings per common share from continuing operations[(1)] The Company's adjusted basic net earnings per common share from continuing operations[(1)] in 2014 and 2013 excluded a number of items described in Section 22, "Non-GAAP Financial Measures" of this MD&A. In 2012, adjusted basic net earnings per common share from continuing operations[(1)] also excluded items management excludes when assessing underlying operating performance.

Over the last three years adjusted basic net earnings per common share from continuing operations[(1)] were impacted by:

- improvements in underlying operating performance at Loblaw, driven by Shoppers Drug Mart in 2014 and improvements in Loblaw's operating segments excluding Shoppers Drug Mart in both 2014 and 2013;
- a decline in underlying operating performance at Weston Foods in 2014 and 2013. Weston Foods was negatively impacted by higher commodity and other input costs, including the negative impact of foreign exchange, the cost of certain investments, including start-up costs and new plant costs, and the performance of the frozen dough business;
- increases in depreciation and amortization in both of the Company's reportable operating segments in 2014 and 2013;
- an increase in adjusted net interest and other financing charges[(1)] in 2014 primarily as a result of debt incurred by Loblaw to finance the acquisition of Shoppers Drug Mart and increases in adjusted net interest and other financing charges[(1)] in 2014 and 2013 related to distributions paid by Choice Properties on its Trust Units;
- a lower adjusted income tax rate[(1)] in 2013; and
- a decrease in GWL's ownership interest in Loblaw in 2014 as a result of Loblaw's issuance of common shares as partial consideration for its acquisition of Shoppers Drug Mart. GWL's ownership of Loblaw was approximately 46% as at the end of 2014 (2013 – approximately 63%; 2012 – approximately 63%).

Total Assets and Long Term Financial Liabilities

		As at	
($ millions)	**Dec. 31, 2014**	Dec. 31, 2013[(4)]	Dec. 31, 2012
Total assets	**$ 37,071**	$ 24,604	$ 21,804
Total long term debt	**$ 12,726**	$ 8,944	$ 6,933
Capital securities[(i)]		224	223
Trust Unit liability	**494**	478	
Total long term financial liabilities	**$ 13,220**	$ 9,646	$ 7,156

(i) In 2014, capital securities become due within one year and were presented in current liabilities.

Since 2012, total assets and long term financial liabilities have increased by 70.0% and 84.7%, respectively. The increases were primarily driven by the Choice Properties and Shoppers Drug Mart transactions, partially offset by the repayments of debt as described in Section 7, "Acquisition of Shoppers Drug Mart", and Section 9.2, "Liquidity and Capital Structure" of this MD&A.

6. RESULTS OF REPORTABLE OPERATING SEGMENTS

The following discussion provides details of the 2014 results of operations of each of the Company's reportable operating segments.

6.1 WESTON FOODS OPERATING RESULTS

For the years ended December 31 ($ millions except where otherwise indicated)	**2014** **(53 weeks)**	2013[4] (52 weeks)	$ Change	% Change
Sales	**$ 1,923**	$ 1,812	$ 111	6.1 %
EBITDA[1]	**$ 301**	$ 305	$ (4)	(1.3)%
Adjusted EBITDA[1]	**$ 311**	$ 322	$ (11)	(3.4)%
Adjusted EBITDA margin[1]	**16.2%**	17.8%		
Operating income	**$ 231**	$ 238	$ (7)	(2.9)%
Adjusted operating income[1]	**$ 241**	$ 259	$ (18)	(6.9)%
Adjusted operating margin[1]	**12.5%**	14.3%		

Sales Weston Foods sales for 2014 were $1,923 million compared to $1,812 million in 2013, an increase of $111 million, or 6.1%. Foreign currency translation and the 53rd week positively impacted sales by approximately 3.5% and 1.6%, respectively. Excluding the impact of foreign currency translation and the 53rd week, sales increased by 1.0% due to an increase in volumes across all business units, partially offset by the combined negative impact of pricing and changes in sales mix.

EBITDA[1] Weston Foods EBITDA[1] in 2014 was $301 million, a decrease of $4 million compared to 2013, primarily due to the decline in underlying operating performance described below, partially offset by the year-over-year favourable impact of the fair value adjustment of commodity derivatives of $14 million, which is described in Section 22, "Non-GAAP Financial Measures" of this MD&A.

Adjusted EBITDA[1] in 2014 was $311 million, a decrease of $11 million compared to 2013. Adjusted EBITDA margin[1] for 2014 decreased by 1.6% compared to 2013. The decline in adjusted EBITDA[1] in 2014 was primarily due to higher commodity and other input costs, including the negative impact of foreign exchange, start-up costs and new plant costs. In addition, adjusted EBITDA[1] was negatively impacted by a decline in the performance of the frozen dough business in the first half of 2014, partially offset by the positive impact of the 53rd week of $6 million.

Operating Income Weston Foods operating income for 2014 was $231 million, a decrease of $7 million compared to 2013. In 2014, operating income was negatively impacted by a number of items as described above in EBITDA[1]. For a complete list of items that impacted operating income but that are excluded from adjusted operating income[1], see Section 22, "Non-GAAP Financial Measures" of this MD&A.

Adjusted operating income[1] decreased by $18 million to $241 million in 2014 compared to 2013. The decrease was driven by the decline in adjusted EBITDA[1] described above and an increase in depreciation and amortization in 2014 of $7 million due to investments in capital.

6.2 LOBLAW OPERATING RESULTS

For the years ended December 31 ($ millions except where otherwise indicated)	2014 (53 weeks)	2013[(4)] (52 weeks)	$ Change	% Change
Sales	$ 42,611	$ 32,371	$ 10,240	31.6 %
Sales excluding Shoppers Drug Mart	*$ 33,561*	*$ 32,371*	*$ 1,190*	*3.7 %*
Retail gross profit	$ 9,734	$ 6,961	$ 2,773	39.8 %
EBITDA[(1)]	$ 2,126	$ 2,127	$ (1)	
Adjusted EBITDA[(1)]	$ 3,228	$ 2,098	$ 1,130	53.9 %
Adjusted EBITDA margin[(1)]	7.6%	6.5%		
Adjusted EBITDA[(1)] excluding Shoppers Drug Mart	*$ 2,240*	*$ 2,098*	*$ 142*	*6.8 %*
Adjusted EBITDA margin[(1)] excluding Shoppers Drug Mart	*6.7%*	*6.5%*		
Operating income	$ 654	$ 1,303	$ (649)	(49.8)%
Adjusted operating income[(1)]	$ 2,173	$ 1,274	$ 899	70.6 %
Adjusted operating margin[(1)]	5.1%	3.9%		
Adjusted operating income[(1)] excluding Shoppers Drug Mart	*$ 1,389*	*$ 1,274*	*$ 115*	*9.0 %*
Adjusted operating margin[(1)] excluding Shoppers Drug Mart	*4.1%*	*3.9%*		

Sales Loblaw sales for 2014 were $42.6 billion, an increase of $10.2 billion compared to 2013 and included $9.1 billion in sales related to Shoppers Drug Mart. The increase in sales was primarily driven by Retail, as described below, and the 53rd week. Revenue in the 53rd week was $789 million. Excluding Shoppers Drug Mart, revenue in the 53rd week was $574 million.

Excluding Shoppers Drug Mart and the 53rd week, Retail sales increased by $507 million or 1.6%, as a result of the following factors:

- same-store sales growth, for core grocery and on a comparable week basis, was 2.0% (2013 – 1.1%) and excluding gas bar, was 2.1% (2013 – 1.0%);
- on a comparable week basis:
  - sales growth in food was moderate;
  - sales in drugstore were flat;
  - sales growth in gas bar was modest;
  - sales in general merchandise, excluding apparel, were flat; and
  - sales in retail apparel were modest, while United States ("U.S.") wholesale apparel sales declined significantly;
- Loblaw's average annual internal food price index was slightly higher than (2013 – lower than) the average annual national food price inflation of 2.5% (2013 – 1.1%) as measured by CPI. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores; and
- during 2014, 22 (2013 – 26) corporate and franchise stores were opened and 12 (2013 – 13) corporate and franchise stores were closed with an additional two franchise grocery stores divested as a result of a Consent Agreement with the Competition Bureau ("Consent Agreement") related to the acquisition of Shoppers Drug Mart, resulting in flat square footage growth.

Since the acquisition date, Shoppers Drug Mart opened 17 new drug stores and closed 24 drug stores, including 13 drug stores divested in accordance with the Consent Agreement. As a result, net square footage increased by 0.1 million square feet, or 0.6%.

Gross Profit Loblaw's Retail gross profit increased by $2,773 million to $9,734 million in 2014 from $6,961 million in 2013. The increase included:

- $3,543 million of gross profit generated by Shoppers Drug Mart; partially offset by
- the negative impact of the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold of $798 million; and
- the charge of $190 million related to the inventory measurement and other conversion differences associated with the implementation of a perpetual inventory system at Loblaw in the second quarter of 2014.

Excluding the above impacts, Retail gross profit increased by $218 million compared to 2013, driven by higher sales, including the 53rd week. Retail gross profit percentage remained flat at 22.0% compared to 2013. While flat, Retail gross profit percentage was positively impacted by synergies related to the acquisition of Shoppers Drug Mart and reductions in transportation costs, and negatively impacted by increased shrink.

EBITDA[(1)] In 2014, Loblaw EBITDA[(1)] decreased by $1 million to $2,126 million compared to 2013. Loblaw EBITDA[(1)] was negatively impacted by the adjustments to gross profit above. For a complete list of items that impacted EBITDA[(1)] but that are excluded from adjusted EBITDA[(1)], see Section 22, "Non-GAAP Financial Measures" of this MD&A.

Loblaw adjusted EBITDA[(1)] in 2014 was $3,228 million, an increase of $1,130 million compared to the same period in 2013, and included $988 million of adjusted EBITDA[(1)] related to Shoppers Drug Mart. Excluding Shoppers Drug Mart, adjusted EBITDA[(1)] increased by $142 million compared to 2013, primarily driven by Retail including the 53rd week and net synergies. Excluding Shoppers Drug Mart, the 53rd week and net synergies, the increase in Retail was driven by gross profit, as described above, supply chain efficiencies and changes in the fair value of Loblaw's franchise investments. These increases were partially offset by a $12 million year-over-year increase in charges related to the transition of certain grocery stores to more cost effective and efficient operating terms under collective agreements, investments in Loblaw's emerging business, higher foreign exchange losses, and higher investments in Loblaw's franchise business.

Excluding Shoppers Drug Mart, adjusted EBITDA margin[(1)] was 6.7% compared to 6.5% in 2013.

Operating Income Loblaw operating income in 2014 decreased by $649 million to $654 million compared to 2013 and was negatively impacted by the items described above in EBITDA[(1)] and the amortization of intangible assets acquired with Shoppers Drug Mart. For a complete list of items that impacted operating income but that are excluded from adjusted operating income[(1)], see Section 22, "Non-GAAP Financial Measures" of this MD&A.

Loblaw adjusted operating income[(1)] for 2014 was $2,173 million, an increase of $899 million compared to 2013, and included $784 million of adjusted operating income[(1)] related to Shoppers Drug Mart. Excluding Shoppers Drug Mart, adjusted operating income[(1)] increased by $115 million and was positively impacted by the increase in Retail adjusted EBITDA[(1)] described above, partially offset by an increase in depreciation and amortization of $27 million.

7. ACQUISITION OF SHOPPERS DRUG MART CORPORATION

On March 28, 2014, Loblaw acquired all of the outstanding shares of Shoppers Drug Mart for total consideration of $12.3 billion, comprised of approximately $6.6 billion of cash and the issuance of approximately 119.5 million Loblaw common shares.

The cash portion of the acquisition of Shoppers Drug Mart was financed by Loblaw as follows:

- $3.5 billion was obtained through an unsecured term loan facility bearing interest at a rate equal to the Bankers' Acceptance rate plus 1.75% and maturing March 28, 2019 (the term loan facility was re-priced to Bankers' Acceptance rate plus 1.45% on July 23, 2014);
- $1.6 billion of proceeds from the issuance of unsecured notes in 2013;
- $500 million was received in consideration of the issuance of 10.5 million Loblaw common shares to GWL; and
- approximately $1.0 billion was used from cash on hand.

Based on a preliminary assessment, Loblaw recognized the following amounts of net tangible assets, goodwill and intangible assets in 2014:

($ millions)			Estimated Useful Life
Fair value of net tangible assets acquired	$	548	
Goodwill	$	2,285	
Prescription files	$	5,005	11 years
Brands		3,390	indefinite
Optimum loyalty program		490	18 years
Other		555	5 to 10 years
Intangible assets	$	9,440	
Total net assets acquired	$	12,273	

As at year end 2014, Loblaw had not yet finalized the above purchase price allocation. In the fourth quarter of 2014, Loblaw revised its fair value estimate of intangible assets and updated the purchase price equation. The result was to decrease intangible assets by $35 million to $9,440 million, decrease deferred income tax liabilities by $9 million to $2,252 million and increase goodwill by $26 million to $2,285 million. Loblaw has one year from the date of acquisition to finalize the fair value of net tangible assets, goodwill and intangible assets and any further changes to the amounts presented above will be reflected in the first half of 2015.

Pursuant to the Consent Agreement, Loblaw was required to divest 16 Shoppers Drug Mart stores, two franchise grocery stores, and nine in-store pharmacies.

In the fourth quarter of 2014, 11 Shoppers Drug Mart stores were sold which resulted in a divestiture loss of $14 million. On a year-to-date basis, two franchise grocery stores and 13 Shoppers Drug Mart stores were sold, and nine in-store pharmacies were licensed to unrelated parties which resulted in a net divestiture loss of $12 million to Loblaw recorded in operating income. The final three Shoppers Drug Mart stores were approved for sale by the Competition Bureau and were sold subsequent to the end of 2014 for estimated proceeds of $9 million.

During 2014, Loblaw incurred costs of $75 million (2013 – $31 million) related to the acquisition of Shoppers Drug Mart, of which $60 million (2013 – $16 million) was recorded in selling, general and administrative expenses and $15 million (2013 – $15 million) was recorded in net interest expense and other financing charges.

Upon closing of the acquisition, all amounts owing on Shoppers Drug Mart's revolving bank credit facility were repaid and the facility was cancelled. In addition, upon closing, Loblaw guaranteed the outstanding principal amount of Shoppers Drug Mart's MTN of $500 million, along with accrued interest. Loblaw also provided guarantees to various Canadian banks in support of the financing obtained by Shoppers Drug Mart's licensees ("Associates"). An Associate is a pharmacist-owner of a corporation that is licensed to operate a retail drug store at a specific location using Shoppers Drug Mart's trademarks.

8. OTHER BUSINESS MATTERS

Inventory Valuation Prior to the second quarter of 2014, Loblaw valued its merchandise inventories at the lower of cost and net realizable value and used the retail method to measure the cost of the majority of its retail store inventories. The implementation of a perpetual inventory system, combined with visibility to integrated costing information provided by the new IT systems, enables Loblaw to estimate the cost of inventory using a more precise system-generated average cost.

As of the end of 2014, Loblaw completed the conversion of substantially all of its corporate grocery locations and associated distribution centres to the new IT systems. As a result of the conversion, Loblaw recognized a $190 million charge to cost of inventories sold and a corresponding reduction in inventory, representing the estimate of the difference between the measurement of the cost of corporate grocery store inventory using a system-generated weighted average cost compared to the retail inventory method and other conversion differences associated with the implementation of a perpetual inventory system.

9. LIQUIDITY AND CAPITAL RESOURCES

9.1 CASH FLOWS

For the years ended December 31 ($ millions)	**2014 (53 weeks)**	2013 (52 weeks)	Change
Cash flows from (used in) continuing operations:			
Operating activities	**$ 2,851**	$ 1,738	$ 1,113
Investing activities	**$ (5,584)**	$ (1,675)	$ (3,909)
Financing activities	**$ 1,172**	$ 1,142	$ 30
Cash flows from discontinued operations		$ 48	$ (48)

Cash Flows from (used in) Continuing Operations

Cash flows from operating activities The year-over-year increase in cash inflows in 2014 was $1,113 million, primarily due to higher cash earnings driven by Shoppers Drug Mart and higher credit card receivables, partially offset by the year-over-year increase in non-cash working capital and the net proceeds from settlement of derivative contracts in 2013.

Cash flows used in investing activities The year-over-year increase in cash outflows in 2014 was $3,909 million, primarily due to the acquisition of Shoppers Drug Mart and an increase in capital investments, partially offset by the reduction in security deposits, including the proceeds of $1.6 billion from the issuance of senior unsecured notes, which were released from escrow to partially fund the acquisition of Shoppers Drug Mart.

The following table summarizes the Company's capital investment by reportable operating segment:

For the years ended December 31 ($ millions)	**2014 (53 weeks)**	2013 (52 weeks)
Weston Foods	**$ 128**	$ 111
Loblaw	**$ 1,086**	$ 877
Total capital investment	**$ 1,214**	$ 988

Loblaw's fixed asset purchases in 2014 were $996 million (2013 – $865 million). Approximately 22% (2013 – 14%) of Loblaw's fixed asset purchases were for new store developments, expansions and land, approximately 45% (2013 – 45%) were for store conversions and renovations, and approximately 33% (2013 – 41%) were for infrastructure investments. Loblaw's intangible asset additions in 2014 were $90 million (2013 – $12 million) and primarily related to the acquisition and development of software and the acquisition of prescription files.

Loblaw expects to invest approximately $1.2 billion in capital investments in 2015. Approximately 22% of these funds are expected to be dedicated to investing in IT and supply chain projects, 57% will be spent on retail operations, 14% on Choice Properties' development projects and 7% on other infrastructure projects.

Weston Foods expects to make capital investments in targeted areas of growth of approximately $300 million in 2015.

Cash flows from financing activities The year-over-year increase in cash inflows in 2014 was $30 million, primarily due to net issuances of long term debt, as described below, and the repayment of short term debt in 2013, partially offset by the issuance of Choice Properties' Trust Units in 2013, and higher dividend and interest payments in 2014. The increase in dividend payments was due to timing and the inclusion of one quarter of Shoppers Drug Mart dividends that were declared prior to closing of the acquisition and paid during the year.

In 2014, significant net issuances of long term debt included the following:
- Loblaw repaid a $100 million 6.00% MTN upon maturity;
- Loblaw repaid a $350 million 4.85% MTN upon maturity;
- Loblaw's full drawings on its term loan facility of $3.5 billion;
- Loblaw replaced and subsequently sold $1.5 billion of Choice Properties transferor notes to third parties. These proceeds contributed to the repayment of $2.3 billion of its $3.5 billion term loan;
- Loblaw repaid the outstanding $478 million balance of the Shoppers Drug Mart revolving bank credit facility;
- Choice Properties issued $450 million aggregate principal amount of senior unsecured debentures;
- Choice Properties borrowed $122 million from its $500 million senior unsecured committed credit facility;
- GWL repaid a $200 million 5.05% MTN upon maturity;
- GWL issued a $200 million 4.12% MTN; and
- PC Bank issued $261 million of Guaranteed Investment Certificates ("GICs") and repaid $57 million in GICs.

In 2013, significant net issuances of long term debt included the following:
- Loblaw repaid its U.S. $300 million private placement ("USPP") notes, of which $150 million was paid in advance of the original May 29, 2015 maturity date;
- Loblaw issued $1.6 billion aggregate principal amount of senior unsecured notes to partially fund the acquisition of Shoppers Drug Mart;
- Loblaw repaid a $200 million 5.40% MTN upon maturity;
- Choice Properties issued $600 million aggregate principal amount of debentures in its IPO;
- *Eagle Credit Card Trust*® ("*Eagle*") issued $400 million of senior and subordinated term notes and repaid $250 million of senior and subordinated term notes upon maturity; and
- PC Bank issued $167 million of GICs and repaid $40 million of GICs.

Cash Flows from Discontinued Operations In 2013, the Company settled a previously disclosed litigation associated with the Company's (excluding Loblaw) previously owned operations. The Company received net proceeds of $48 million.

Free Cash Flow[1]

For the years ended December 31 ($ millions)	**2014 (53 weeks)**	2013 (52 weeks)	Change
Free cash flow[1]	**$ 1,033**	$ 284	$ 749

The year-over-year increase in free cash flow[1] in 2014 was $749 million. The increase was primarily due to higher cash earnings, driven by Shoppers Drug Mart, partially offset by higher capital investments as well as higher interest payments.

9.2 LIQUIDITY AND CAPITAL STRUCTURE

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

Loblaw expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against its committed credit facilities will enable it to finance its capital investments program and fund its ongoing business requirements, including working capital, pension plan funding requirements, financial obligations and debt reduction commitments over the next 12 months. Choice Properties expects to obtain its long term financing, for the acquisition of accretive properties, primarily through the issuance of equity and unsecured debentures.

For details on the Company's cash flows see Section 9.1, "Cash Flows" of this MD&A.

Adjusted Debt[(1)] On closing of the acquisition of Shoppers Drug Mart, adjusted debt[(1)] was $12.1 billion. The Company made significant progress in meeting its debt reduction target and decreased adjusted debt[(1)] by approximately $700 million since the closing of the acquisition, resulting in an adjusted debt[(1)] balance of $11.4 billion as at December 31, 2014. The reduction in adjusted debt[(1)] since closing included the repayment of a $350 million MTN at maturity and repayments under the unsecured term loan facility (net of Choice Properties' notes issued to third parties), partially offset by the issuance of a $200 million MTN and other indebtedness.

Under the terms of the unsecured term loan facility, the proceeds from the store divestitures required pursuant to the Consent Agreement must be used to repay the facility. Of the total amount repaid under the facility in 2014, $57 million related to these proceeds.

Adjusted Debt[(1)] to Adjusted EBITDA[(1)]

	As at	
	Dec. 31, 2014	Dec. 31, 2013
Adjusted debt[(1)] to Adjusted EBITDA[(1)]	**3.2x**	3.1x

The Company monitors its adjusted debt[(1)] to adjusted EBITDA[(1)] ratio as a measure to ensure it is operating under an efficient capital structure. The ratio increased at the end of 2014 compared to the end of 2013 as a result of the $3.5 billion unsecured term loan facility used to partially fund the cash portion of the Shoppers Drug Mart acquisition and the assumption of Shoppers Drug Mart outstanding debt, partially offset by the debt reduction progress since the acquisition and the increase in adjusted EBITDA[(1)] due to Shoppers Drug Mart. The Company will continue to target leverage ratios consistent with those of investment grade ratings.

Unsecured Term Loan Facility In connection with the financing of the acquisition of Shoppers Drug Mart, $3.5 billion was obtained through an unsecured term loan facility bearing interest at a rate equal to the Bankers' Acceptance rate plus 1.75% maturing March 28, 2019. In 2014, Loblaw used the proceeds from the sale of $1.5 billion of transferor notes to third parties, described below, to partially repay the $3.5 billion unsecured term loan facility. The overall consolidated impact was neutral to adjusted debt[(1)]. However, this repayment combined with the $771 million in term loan repayments during the year reduced the unsecured term loan facility balance to approximately $1.2 billion as at December 31, 2014.

In 2014, Loblaw reached an agreement to re-price the interest rate on the unsecured term loan facility to reduce the rate from Bankers' Acceptance rate plus 1.75% to Bankers' Acceptance rate plus 1.45%.

Choice Properties During 2014, Choice Properties Limited Partnership entered into a Master Trust Indenture agreement with Computershare Trust Company of Canada to create supplemental indentures in order to facilitate the replacement of all tranches of transferor notes held by Loblaw, with Series 5 to Series 10 notes containing the same principal amounts, interest rates and maturity dates. These replacement notes bear fixed interest rates between 3.00% and 3.60% and mature during 2016 through 2022. The remaining terms and conditions are substantially similar to the original notes. Loblaw subsequently sold the replacement notes to unrelated parties and received net proceeds of $1.5 billion.

During 2014, Choice Properties issued $250 million principal amount of Series C senior unsecured debentures with a 7-year term and a coupon rate of 3.50% per annum and $200 million principal amount of Series D senior

unsecured debentures with a 10-year term and a coupon rate of 4.29% per annum, under its Short Form Base Shelf Prospectus. The majority of the proceeds were used to repay $440 million of transferor notes held by Loblaw.

Subsequent to the end of the year, Choice Properties issued $250 million aggregate principal amount of Series E senior unsecured debentures bearing interest at a rate of 2.30% per annum and maturing in 2020. The net proceeds from the issuance were used by Choice Properties to repay existing indebtedness and for general business purposes.

Committed Facilities Effective on the closing of the acquisition of Shoppers Drug Mart in 2014, Loblaw's $800 million committed credit facility was increased to $1.0 billion and the term was extended to December 31, 2018, with all other terms and conditions remaining substantially the same. The credit facility contains certain financial covenants with which Loblaw was in compliance throughout the year and as at year end 2014. As at year end 2014 and 2013, there were no amounts drawn under the credit facility.

In 2013, Choice Properties entered into a $500 million, 5-year senior unsecured committed credit facility, provided by a syndicate of lenders. In 2014, Choice Properties extended the maturity date of the credit facility to July 5, 2019. The facility contains certain financial covenants with which Choice Properties was in compliance throughout the year and as at year end 2014. As at year end 2014, Choice Properties had drawn $122 million (2013 – nil) on the credit facility.

Medium Term Notes In 2014, GWL issued $200 million principal amount of senior unsecured notes bearing interest at a fixed rate of 4.12% and maturing on June 17, 2024.

During 2014, the following MTNs matured and were repaid:

- GWL's $200 million 5.05% MTN due March 10, 2014;
- Loblaw's $100 million 6.00% MTN due March 3, 2014; and
- Loblaw's $350 million 4.85% MTN due May 8, 2014.

In 2013, Loblaw repaid a $200 million 5.40% MTN, upon maturity.

Prospectus Subsequent to the end of 2014, Loblaw received approval from its Board of Directors ("Board") to file a Short Form Base Shelf Prospectus which allows for the issuance of up to $1.5 billion of unsecured debentures and/or preference shares subject to the availability of funding in capital markets.

9.3 CREDIT RATINGS

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

	Dominion Bond Rating Service		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB	Stable	BBB	Stable
Medium term notes	BBB	Stable	BBB	n/a
Other notes and debentures	BBB	Stable	BBB	n/a
Preferred shares	Pfd-3	Stable	P-3 (high)	n/a

In 2014, both Dominion Bond Rating Service and Standard & Poor's re-confirmed GWL's credit ratings.

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

	Dominion Bond Rating Service		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB	Stable	BBB	Stable
Medium term notes	BBB	Stable	BBB	n/a
Other notes and debentures	BBB	Stable	BBB	n/a
Preferred shares	Pfd-3	Stable	P-3 (high)	n/a

Loblaw guaranteed the outstanding MTNs of Shoppers Drug Mart. As a result, Standard & Poor's changed its credit rating of the outstanding Shoppers Drug Mart MTNs to BBB with "Stable" outlook and Dominion Bond Rating Service changed its rating to BBB with a "Stable" trend, in each case consistent with the credit ratings of Loblaw. In 2014, Dominion Bond Rating Service re-confirmed Loblaw's credit ratings and trends.

The following table sets out the current credit ratings of Choice Properties:

	Dominion Bond Rating Service		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB	Stable	BBB	Stable
Senior unsecured debentures	BBB	Stable	BBB	n/a

9.4 OTHER SOURCES OF FUNDING

Independent Securitization Trusts Loblaw, through PC Bank, participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. PC Bank sells and repurchases credit card receivables with Independent Securitization Trusts, including *Eagle* and Other Independent Securitization Trusts, from time to time depending on PC Bank's financing requirements. As at year end 2014, the amount of credit card receivables securitized to *Eagle* was $750 million (2013 – $750 million) and $605 million (2013 – $605 million) were securitized to Other Independent Securitization Trusts.

Letters of credit for the benefit of independent securitization trusts with respect to the securitization programs of PC Bank have been issued by major financial institutions. These standby letters of credit can be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables. Loblaw has agreed to reimburse the issuing banks for any amount drawn on the standby letters of credit.

As at year end 2014, the aggregate gross potential liability under these arrangements for the Other Independent Securitization Trusts was $61 million (2013 – $54 million), which represented 10% (2013 – 9%) of the securitized credit card receivables amount. As at year end 2014, the aggregate gross potential liability under these arrangements for *Eagle* was $68 million (2013 – nil), which represented 9% (2013 – nil) of the *Eagle* notes outstanding.

In 2014, PC Bank extended the maturity date for one of its Other Independent Securitization Trust agreements from the third quarter of 2015 to the third quarter of 2016, with all other terms and conditions remaining substantially the same. In addition, PC Bank extended the maturity date for two of its Other Independent Securitization Trust agreements from the second quarter of 2015 to the second quarter of 2016, with all other terms and conditions remaining substantially the same.

Subsequent to the end of 2014, Loblaw, through PC Bank, extended the maturity date for certain Other Independent Securitization Trust agreements from the second quarter of 2016 to the second quarter of 2017, with all other terms and conditions remaining substantially the same.

The undrawn commitments on facilities available from the Other Independent Securitization Trusts as at year end 2014 were $120 million (2013 – $120 million).

Independent Funding Trusts Loblaw has a revolving committed credit facility that is the source of funding to the independent funding trusts. As at year end 2014, the independent funding trusts had drawn $498 million (2013 – $475 million).

In 2014, Loblaw renewed the revolving committed credit facility and extended the maturity date to May 6, 2017, with terms and conditions remaining substantially the same.

Loblaw provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% of the principal amount of the loans outstanding. As at year end 2014, Loblaw had provided a letter of credit in the amount of $50 million (2013 – $48 million). This credit enhancement allows the independent funding trusts to provide financing to Loblaw's independent franchisees. As well, each independent franchisee provides security to the independent funding trusts for its obligations by

way of a general security agreement. In the event that an independent franchisee defaults on its loan and Loblaw has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trusts would assign the loan to Loblaw and draw upon this standby letter of credit. This standby letter of credit has never been drawn upon. Loblaw has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

Associate Guarantee Loblaw has arranged for its Shoppers Drug Mart Associates to obtain financing to facilitate their inventory purchases and fund their working capital requirements by providing guarantees to various Canadian chartered banks that support Associate loans. As at year end 2014, Loblaw's maximum obligation in respect of such guarantees was $570 million, with an aggregate amount of $476 million in available lines of credit allocated to the Associates by the various banks. As at year end 2014, Associates had drawn an aggregate amount of $162 million against these available lines of credit. Any amounts drawn by the Associates are included in bank indebtedness on the Company's consolidated balance sheet. As recourse in the event that any payments are made under the guarantees, Loblaw holds a first-ranking security interest on all assets of Associates, subject to certain prior-ranking statutory claims.

9.5 SHARE CAPITAL

Outstanding Share Capital and Capital Securities GWL's outstanding share capital is comprised of common shares and preferred shares. The following table details the authorized and outstanding common shares and preferred shares as at December 31, 2014:

(number of common shares)		Authorized	Outstanding
Common shares		Unlimited	127,901,231
Preferred shares	– Series I	10,000,000	9,400,000
	– Series II	10,600,000	
	– Series III	10,000,000	8,000,000
	– Series IV	8,000,000	8,000,000
	– Series V	8,000,000	8,000,000

Common Share Capital Common shares issued are fully paid and have no par value. The following table summarizes the activity in the Company's common shares issued and outstanding for the years ended December 31, 2014 and December 31, 2013**:**

(number of common shares)	**2014**	2013
Issued and outstanding, beginning of year	**127,899,410**	128,221,841
Issued for settlement of stock options	**312,583**	257,569
Purchased for cancellation	**(310,762)**	(580,000)
Issued and outstanding, end of year	**127,901,231**	127,899,410
Shares held in trust, beginning of year	**(218,726)**	
Purchased for future settlement of RSUs and PSUs	**(127,000)**	(220,000)
Released for settlement of RSUs and PSUs	**54,422**	1,274
Shares held in trust, end of year	**(291,304)**	(218,726)
Issued and outstanding net of shares held in trust, end of year	**127,609,927**	127,680,684

As at year end 2014, a total of 1,438,145 GWL stock options were outstanding. The number of stock options outstanding was within the Company's guidelines as GWL may grant options for up to 6,453,726 of its common shares. Each stock option is exercisable into one common share of GWL at the price specified in the terms of the option agreement.

Preferred Share Capital GWL may, at its option, redeem for cash, in whole or in part, the preferred shares Series I, Series III, Series IV and Series V outstanding on or after the redemption dates specified by the terms of each series of preferred shares. GWL may at any time after issuance give the holders of these preferred shares the right, at the option of the holder, to convert the holder's preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

Twelve million non-voting Loblaw Second Preferred Shares, Series A, are authorized and 9.0 million were outstanding at year end 2014. These preferred shares are presented as capital securities and are included in current liabilities (2013 – non-current liabilities) on the consolidated balance sheets. Dividends on capital securities are presented in net interest expense and other financing charges in the consolidated statements of earnings.

Dividends The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Company's Board which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. Over time, it is the Company's intention to increase the amount of the dividend while retaining appropriate free cash flow to reduce debt and finance future growth. In the second quarter of 2014, the Board raised the quarterly common share dividend by $0.005 to $0.42 per share. The Board declared dividends as follows:

($)		**2014**	2013
Dividends declared per share[(i)]	– Common share	**$ 1.675**	$ 1.625
	– Preferred share:		
	Series I	**$ 1.45**	$ 1.45
	Series III	**$ 1.30**	$ 1.30
	Series IV	**$ 1.30**	$ 1.30
	Series V	**$ 1.19**	$ 1.19

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were paid on January 1, 2015. Dividends declared on Preferred Shares, Series I were paid on December 15, 2014.

The following table summarizes the Company's cash dividends declared subsequent to year end 2014:

($)		
Dividends declared per share[(i)]	– Common share	**$ 0.42**
	– Preferred share:	
	Series I	**$ 0.36**
	Series III	**$ 0.32**
	Series IV	**$ 0.32**
	Series V	**$ 0.30**

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V are payable on April 1, 2015. Dividends declared on Preferred Shares, Series I are payable on March 15, 2015.

At the time such dividends are declared, GWL identifies on its website (www.weston.ca) the designation of eligible and ineligible dividends in accordance with the administrative position of the CRA.

Normal Course Issuer Bid Program The following table summarizes the Company's activity under its NCIB program:

($ millions except where otherwise indicated)	2014 (53 weeks)	2013 (52 weeks)
Purchased for cancellation (number of shares)	**310,762**	580,000
Purchased for future settlement of RSUs and PSUs (number of shares)	**127,000**	220,000
Cash consideration paid		
Retired	**$ 29**	$ 42
Purchased and held in trust	**$ 11**	$ 15
Premium charged to retained earnings	**$ 40**	$ 56
Reduction in share capital	**$**	$ 1

In 2014, GWL renewed its NCIB program to purchase on the Toronto Stock Exchange ("TSX") or enter into equity derivative contracts to purchase up to 6,395,629 of its common shares, representing approximately 5% of the common shares outstanding. In accordance with the rules and regulations of the TSX, any purchases must be at the then market price of such shares.

9.6 CONTRACTUAL OBLIGATIONS

The following table summarizes certain of the Company's significant contractual obligations and other obligations as at year end 2014:

Summary of Contractual Obligations

	Payments due by year						
($ millions)	2015	2016	2017	2018	2019	Thereafter	Total
Long term debt including interest payments(i)	$ 950	$ 1,834	$ 1,304	$ 1,793	$ 2,946	$ 9,439	$ 18,266
Operating leases(ii)	685	665	630	581	536	2,829	5,926
Contracts for purchases of real property and capital investment projects(iii)	260	1					261
Purchase obligations(iv)	232	69	36	23	1	5	366
Total contractual obligations	$ 2,127	$ 2,569	$ 1,970	$ 2,397	$ 3,483	$ 12,273	$ 24,819

(i) Fixed interest payments are based on the maturing face values and annual interest for each instrument, including GICs, long term independent securitization trusts and an independent funding trust, as well as annual payment obligations for consolidated structured entities, mortgages and finance lease obligations. Variable interest payments are based on the forward rates as at year end 2014.

(ii) Represents the minimum or base rents payable. Amounts are not offset by any expected sub-lease income.

(iii) Includes agreements for the purchase of real property and capital commitments for construction, expansion and renovation of buildings. 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 underlying transactions.

(iv) Includes contractual obligations of a material amount to purchase goods or services where the contract prescribes fixed or minimum volumes to be purchased or payments to be made within a fixed period of time for a set or variable price. These are only estimates of anticipated financial commitments under these arrangements and the amount of actual payments will vary. The purchase obligations do not include purchase orders issued or agreements made in the ordinary course of business which are solely for goods that are meant for resale, nor do they include any contracts which may be terminated on relatively short notice or with insignificant cost or liability to the Company. Also excluded are purchase obligations related to commodities or commodity-like goods for which a market for resale exists.

As at year end 2014, the Company had additional long term liabilities which included post-employment and other long term employee benefit plan liabilities, deferred vendor allowances, deferred income tax liabilities, Trust Unit liability, and provisions, including insurance liabilities. These long term liabilities have not been included in the table above as the timing and amount of future payments are uncertain.

10. FINANCIAL DERIVATIVE INSTRUMENTS

Cross Currency Swaps In 2013, Glenhuron unwound its cross currency swaps and received a net cash settlement of $76 million, representing the cumulative fair value gain on these swaps. The cross currency swaps were offset by the effect of translation (gains) losses related to U.S. dollar cash and cash equivalents, short term investments and security deposits.

In 2013, Loblaw settled its U.S. $300 million USPP cross currency swaps in conjunction with the settlement of the underlying U.S. $300 million USPP notes.

The following table summarizes the changes in fair value of the cross currency swaps and the underlying exposures:

	2013 (52 weeks)	
($ millions)	Glenhuron Cross Currency Swaps	USPP Cross Currency Swaps
Fair value loss (gain) related to swaps recorded in operating income[(i)]	$ 37	$ (11)
Translation (gain) loss related to the underlying exposures	$ (33)	$ 14

(i) The impact to USPP cross currency swaps excludes the gain of $7 million on derecognized derivative instruments, before income taxes, reclassified from accumulated other comprehensive income.

Interest Rate Swaps In 2013, Loblaw settled its notional $150 million in interest rate swaps and a fair value gain of $5 million was recognized in operating income related to these swaps.

Equity Derivative Contracts In 2001, Weston Holdings Limited ("WHL"), a subsidiary of GWL, entered into an equity forward sale agreement based on 9.6 million Loblaw common shares at an original forward price of $48.50 per Loblaw common share. As at year end 2014, the forward price had increased to $100.80 (2013 – $96.46) per Loblaw common share under the terms of the agreement and the fair value of this forward sale agreement of $367 million (2013 – $524 million) was recorded in other assets. In 2014, a fair value loss of $199 million (2013 – gain of $1 million) was recorded in net interest expense and other financing charges related to this agreement.

The nature of the risks that the Company may be subject to related to the above financial derivative instruments are described in Section 16.2, "Financial Risks and Risk Management" of this MD&A.

11. OFF-BALANCE SHEET ARRANGEMENTS

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

Letters of Credit Standby and documentary letters of credit are used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and performance guarantees, securitization of PC Bank's credit card receivables and third-party financing made available to Loblaw's independent franchisees. The aggregate gross potential liability related to the Company's letters of credit is approximately $677 million (2013 – $564 million).

GWL and Loblaw had agreements to cash collateralize certain of these letters of credit up to amounts of $45 million (2013 – $45 million) and $141 million (2013 – $136 million), respectively. As at year end 2014, GWL and Loblaw had $45 million (2013 – $45 million) and $7 million (2013 – $102 million) deposited with major financial institutions, respectively, and classified as security deposits on the consolidated balance sheets.

Guarantees In addition to the letters of credit mentioned above, the Company has entered into various guarantee arrangements including obligations to indemnify third parties in connection with leases, business dispositions and other transactions in the normal course of the Company's business. Additionally, Loblaw has provided a guarantee on behalf of PC Bank to MasterCard® International Incorporated ("MasterCard®") for accepting PC Bank as a card member and licensee of MasterCard®. As at year end 2014, the guarantee on behalf of PC Bank to MasterCard® was U.S. $170 million (2013 – U.S. $170 million).

12. QUARTERLY RESULTS OF OPERATIONS

12.1 QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The Company's year end is December 31. Activities are reported on a fiscal year ending on the Saturday closest to December 31. As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every five to six years. The years ended December 31, 2014 and December 31, 2013 contained 53 weeks and 52 weeks, respectively. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration. When a fiscal year such as 2014 contains 53 weeks, the fourth quarter is 13 weeks in duration.

The following is a summary of selected consolidated information derived from the Company's unaudited interim period condensed consolidated financial statements for each of the eight recently completed quarters.

Selected Quarterly Information (unaudited)

					2014					2013[4]
($ millions except where otherwise indicated)	**First Quarter (12 weeks)**	**Second Quarter (12 weeks)**	**Third Quarter (16 weeks)**	**Fourth Quarter (13 weeks)**	**Total (audited)**	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (audited)
Sales	**$ 7,612**	**$ 10,598**	**$ 13,974**	**$ 11,734**	**$ 43,918**	$ 7,494	$ 7,792	$ 10,377	$ 7,919	$ 33,582
Sales excluding Shoppers Drug Mart	***$ 7,612***	***$ 7,989***	***$ 10,587***	***$ 8,680***	***$ 34,868***	*$ 7,494*	*$ 7,792*	*$ 10,377*	*$ 7,919*	*$ 33,582*
EBITDA[1]	**$ 589**	**$ (42)**	**$ 936**	**$ 1,032**	**$ 2,515**	$ 600	$ 584	$ 735	$ 588	$ 2,507
Adjusted EBITDA[1]	**$ 552**	**$ 864**	**$ 1,101**	**$ 1,022**	**$ 3,539**	$ 530	$ 595	$ 741	$ 554	$ 2,420
Operating income (loss)	**$ 378**	**$ (442)**	**$ 415**	**$ 622**	**$ 973**	$ 402	$ 377	$ 461	$ 376	$ 1,616
Adjusted operating income[1]	**$ 341**	**$ 589**	**$ 748**	**$ 736**	**$ 2,414**	$ 333	$ 389	$ 468	$ 343	$ 1,533
Net earnings (loss)[i]	**$ 164**	**$ (456)**	**$ 130**	**$ 296**	**$ 134**	$ 240	$ 163	$ 282	$ 219	$ 904
Net earnings (loss) from continuing operations	**$ 164**	**$ (456)**	**$ 130**	**$ 296**	**$ 134**	$ 240	$ 163	$ 224	$ 219	$ 846
Net earnings (loss) from continuing operations attributable to shareholders of the Company	**$ 120**	**$ (208)**	**$ 53**	**$ 161**	**$ 126**	$ 172	$ 97	$ 168	$ 177	$ 614
Net earnings (loss) per common share ($) - basic										
Net earnings (loss)[i]	**$ 0.86**	**$ (1.71)**	**$ 0.30**	**$ 1.18**	**$ 0.64**	$ 1.27	$ 0.68	$ 1.67	$ 1.31	$ 4.93
Continuing operations	**$ 0.86**	**$ (1.71)**	**$ 0.30**	**$ 1.18**	**$ 0.64**	$ 1.27	$ 0.68	$ 1.21	$ 1.31	$ 4.47
Net earnings (loss) per common share ($) - diluted										
Net earnings (loss)[i]	**$ 0.85**	**$ (1.71)**	**$ 0.30**	**$ 1.17**	**$ 0.64**	$ 1.25	$ 0.67	$ 1.66	$ 1.30	$ 4.89
Continuing operations	**$ 0.85**	**$ (1.71)**	**$ 0.30**	**$ 1.17**	**$ 0.64**	$ 1.25	$ 0.67	$ 1.20	$ 1.30	$ 4.43
Adjusted basic net earnings per common share from continuing operations[1] ($)	**$ 0.91**	**$ 1.26**	**$ 1.59**	**$ 1.58**	**$ 5.35**	$ 0.91	$ 1.08	$ 1.28	$ 0.98	$ 4.25
Average national food price inflation (as measured by CPI)	**1.2%**	**2.5%**	**2.8%**	**3.5%**	**2.5%**	1.4%	1.5%	0.9%	0.9%	1.1%
Loblaw's retail same-store sales growth (decline)	**0.9%**	**1.8%**	**2.6%**	**2.4%**	**2.0%**	2.8%	1.1%	0.4%	0.6%	1.1%

(i) In the third quarter of 2013 and year-to-date, net earnings and basic and diluted net earnings per common share included income related to discontinued operations of $58 million and $0.46, respectively.

Impact of Trends and Seasonality on Quarterly Results Consolidated quarterly results for the last eight quarters were impacted by the following significant items: the IPO of Choice Properties in the third quarter of 2013, the acquisition of Shoppers Drug Mart in the second quarter of 2014, foreign currency exchange rates, seasonality and the timing of holidays, and the 53rd week. The impact of Weston Foods seasonality is greatest in the third and fourth quarters and least in the first quarter. The impact of Loblaw seasonality is greatest in the fourth quarter and least in the first quarter.

Sales Over the last eight quarters, consolidated sales have been impacted by each of the Company's reportable operating segments as follows:

- Weston Foods 2014 quarterly sales were positively impacted by foreign currency translation when compared to the same periods in 2013. Excluding the impact of foreign currency translation, quarterly sales were positively impacted by higher sales volumes in all four quarters partially offset by the combined negative impact of pricing and changes in sales mix in the third and fourth quarters.
- With the exception of the first and fourth quarter of 2014, Loblaw's average quarterly internal retail food price index in 2014 and 2013 remained lower than or in line with the average quarterly national retail food price inflation as measured by CPI. Over the past eight quarters, Loblaw's net retail square footage increased by 0.4 million square feet to 51.9 million square feet, excluding Shoppers Drug Mart.

In addition, the fourth quarter of 2014 was positively impacted by the 53rd week.

Adjusted basic net earnings per common share from continuing operations[(1)] Consolidated quarterly adjusted basic net earnings per common share from continuing operations[(1)] for the last eight quarters excluded a number of items as described in Section 22,"Non-GAAP Financial Measures", of this MD&A and by each of the Company's reportable operating segments as follows:

- At Weston Foods, quarterly operating income during 2014 was negatively impacted by higher commodity and other input costs, including the negative impact of foreign exchange and the costs of continued investments, including plant start-up costs in the first, second and third quarters. In addition, operating income was negatively impacted by a decline in the performance of the frozen dough business in the first quarter and lower fresh bakery sales volumes in the second quarter.
- At Loblaw, fluctuations in quarterly operating income during 2014 reflect the acquisition of Shoppers Drug Mart in the second quarter of 2014, the underlying operations of Loblaw and the impact of seasonality and the timing of holidays mentioned above.

In addition to the items described above, consolidated quarterly adjusted basic net earnings per common share from continuing operations[(1)] were impacted by:

- an increase in quarterly adjusted net interest and other financing charges[(1)] in 2014 primarily as a result of debt incurred by Loblaw to finance the acquisition of Shoppers Drug Mart and an increase in quarterly adjusted net interest and other financing charges[(1)] beginning in the third quarter of 2013 related to distributions paid by Choice Properties on its Trust Units;
- a lower adjusted income tax rate[(1)] in the fourth quarter of 2013; and
- a decrease GWL's ownership interest in Loblaw beginning in the second quarter in 2014 as a result of Loblaw's issuance of common shares as partial consideration for its acquisition of Shoppers Drug Mart.

12.2 FOURTH QUARTER RESULTS (UNAUDITED)

The following is a summary of selected unaudited consolidated financial information for the fourth quarter. The analysis of the data contained in the table focuses on the results of operations and changes in the financial condition and cash flows in the fourth quarter.

Selected Consolidated Information	Quarters Ended			
(unaudited)	**Dec. 31, 2014**	Dec. 31, 2013[4]		
($ millions except where otherwise indicated)	**(13 weeks)**	(12 weeks)	$ Change	% Change
Sales	**$ 11,734**	$ 7,919	$ 3,815	48.2 %
Sales excluding Shoppers Drug Mart	***$ 8,680***	*$ 7,919*	*$ 761*	*9.6 %*
EBITDA[1]	**$ 1,032**	$ 588	$ 444	75.5 %
Adjusted EBITDA[1]	**$ 1,022**	$ 554	$ 468	84.5 %
Adjusted EBITDA margin[1]	**8.7%**	7.0%		
Adjusted EBITDA[1] excluding Shoppers Drug Mart	***$ 670***	*$ 554*	*$ 116*	*20.9 %*
Adjusted EBITDA margin[1] excluding Shoppers Drug Mart	***7.7%***	*7.0%*		
Operating income	**$ 622**	$ 376	$ 246	65.4 %
Adjusted operating income[1]	**$ 736**	$ 343	$ 393	114.6 %
Adjusted operating margin[1]	**6.3%**	4.3%		
Adjusted operating income[1] excluding Shoppers Drug Mart	***$ 446***	*$ 343*	*$ 103*	*30.0 %*
Adjusted operating margin[1] excluding Shoppers Drug Mart	***5.1%***	*4.3%*		
Net interest expense and other financing charges	**$ 231**	$ 106	$ 125	117.9 %
Adjusted interest expense and other financing charges[1]	**$ 153**	$ 102	$ 51	50.0 %
Income taxes	**$ 95**	$ 51	$ 44	86.3 %
Adjusted income taxes[1]	**$ 155**	$ 45	$ 110	244.4 %
Adjusted income tax rate[1]	**26.6%**	18.7%		
Net earnings	**$ 296**	$ 219	$ 77	35.2 %
Net earnings attributable to shareholders of the Company	**$ 161**	$ 177	$ (16)	(9.0)%
Adjusted net earnings attributable to shareholders of the Company[1]	**$ 212**	$ 135	$ 77	57.0 %
Basic net earnings per common share ($)	**$ 1.18**	$ 1.31	$ (0.13)	(9.9)%
Adjusted basic net earnings per common share[1] ($)	**$ 1.58**	$ 0.98	$ 0.60	61.2 %
Dividends declared per share ($):				
Common shares	**$ 0.42**	$ 0.415		
Preferred shares – Series I	**$ 0.36**	$ 0.36		
Preferred shares – Series III	**$ 0.33**	$ 0.33		
Preferred shares – Series IV	**$ 0.33**	$ 0.33		
Preferred shares – Series V	**$ 0.30**	$ 0.30		

Adjusted basic net earnings per common share[(1)] in the fourth quarter of 2014 increased to $1.58 from $0.98 in the same period in 2013. The improvement of $0.60 was primarily due to an increase in Loblaw earnings net of the dilution in the Company's ownership as a result of shares issued by Loblaw to acquire Shoppers Drug Mart. Loblaw earnings were positively impacted in the fourth quarter of 2014 by Shoppers Drug Mart results, partially offset by higher interest expense driven by the financing associated with the acquisition of Shoppers Drug Mart and a higher adjusted income tax rate[(1)].

Basic net earnings per common share decreased by $0.13 to $1.18 compared to the same period in 2013, and were impacted by the following significant items:

- the unfavourable year-over-year impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares of $93 million ($0.56 per common share);
- the amortization of the acquired Shoppers Drug Mart intangible assets of $124 million ($0.33 per common share);
- the negative impact of the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold of $69 million ($0.17 per common share); partially offset by
- the favourable impact of the restructuring of franchise fees of $40 million ($0.11 per common share).

For a complete list of items which impacted basic net earnings per common share but that are excluded from adjusted basic net earnings per common share[(1)], see Section 22, "Non-GAAP Financial Measures" of this MD&A.

Sales Consolidated sales for the fourth quarter of 2014 were $11.7 billion, an increase of $3.8 billion compared to the same period in 2013. The increase included the impact of the 53rd week and $3.1 billion in sales related to Shoppers Drug Mart. Excluding Shoppers Drug Mart, the Company's fourth quarter consolidated sales increased year-over-year by $761 million to $8.7 billion and were impacted by each of its reportable operating segments as follows:

- Positively by 0.7% due to sales growth of 13.6% at Weston Foods. Foreign currency translation and the 53rd week positively impacted sales by approximately 4.1% and 7.3%, respectively. Excluding the impact of foreign currency translation and the 53rd week, sales increased by 2.2% due to an increase in volumes across all business units, partially offset by the combined negative impact of pricing and changes in sales mix.

- Positively by 9.1% due to sales growth of 9.4% at Loblaw. The impact of the extra week in 2014 increased Loblaw's sales by 7.5%. Excluding the impact of the 53rd week, Retail segment sales increased by 1.6% and same-store sales growth, on a comparable week basis, was 2.4% (2013 – 0.6%). Loblaw's average quarterly internal food price index was slightly higher than (2013 – lower than) the average quarterly national food price inflation of 3.5% (2013 – 0.9%) as measured by CPI. In the last 12 months, corporate and franchise store square footage remained flat (2013 – increase of 0.8%).

EBITDA[(1)] The Company's consolidated EBITDA[(1)] in the fourth quarter of 2014 was $1,032 million, an increase of $444 million compared to the same period in 2013. The increase included the favourable impact of the restructuring of franchise fees and the unfavourable impact of certain acquisition-related items of Shoppers Drug Mart as well as a number of other items. For a complete list of the items that impacted EBITDA[(1)] but that are excluded from adjusted EBITDA[(1)], see Section 22, "Non-GAAP Financial Measures" of this MD&A.

Adjusted EBITDA[(1)] in the fourth quarter of 2014 was $1,022 million, an increase of $468 million compared to the same period in 2013, and included adjusted EBITDA[(1)] of $352 million related to Shoppers Drug Mart. Excluding Shoppers Drug Mart, the Company's fourth quarter consolidated adjusted EBITDA[(1)] increased by $116 million year-over-year, and was impacted by each of its reportable operating segments as follows:

- Positively by 1.3% due to an increase of 10.4% in adjusted EBITDA[(1)] at Weston Foods, primarily due to the positive impact of the 53rd week of $6 million.

- Positively by 19.7% due to an increase of 22.4% in adjusted EBITDA[1] at Loblaw, primarily due to the increase in Loblaw's Retail segment including the 53rd week and net synergies. Excluding the 53rd week and net synergies, the increase in Retail adjusted EBITDA[1] was driven by an increase in gross profit, supply chain efficiencies, changes in the fair value of Loblaw's franchise investments and lower administrative and other operating costs, partially offset by higher foreign exchange losses and higher investments in Loblaw's franchise business.

Operating Income Consolidated operating income in the fourth quarter of 2014 was $622 million, an increase of $246 million when compared to the same period in 2013. The year-over-year increase was impacted by the items described above in EBITDA[1] and the amortization of intangible assets acquired with Shoppers Drug Mart. For a complete list of items that impacted operating income but that are excluded from adjusted operating income[1], see Section 22, "Non-GAAP Financial Measures" of this MD&A.

Consolidated adjusted operating income[1] in the fourth quarter of 2014 increased by $393 million to $736 million compared to the same period in 2013, and included adjusted operating income[1] of $290 million related to Shoppers Drug Mart. Excluding Shoppers Drug Mart, the year-over-year increase was $103 million, driven by the increase in adjusted EBITDA[1], as described above, partially offset by an increase in depreciation and amortization of $2 million at Weston Foods and $11 million at Loblaw.

Net Interest Expense and Other Financing Charges In the fourth quarter of 2014, net interest expense and other financing charges increased by $125 million to $231 million compared to the same period in 2013, and included the unfavourable year-over-year impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares, as well as a number of other items. For a complete list of the items that impacted net interest expense and other financing charges but that are excluded from adjusted net interest expense and other financing charges[1], see Section 22, "Non-GAAP Financial Measures" of this MD&A.

Adjusted net interest expense and other financing charges[1] in the fourth quarter of 2014 increased by $51 million, driven by higher interest on long term debt, primarily as a result of debt incurred by Loblaw to finance its acquisition of Shoppers Drug Mart.

Income Taxes Income tax expense for the fourth quarter of 2014 was $95 million and the effective income tax rate was 24.3%. Income tax expense for the fourth quarter of 2013 was $51 million and the effective income tax rate was 18.9%, which reflects an increase in certain non-taxable amounts. The adjusted income tax expense[1] for the fourth quarter of 2014 was $155 million and the adjusted tax rate[1] was 26.6%. The adjusted income tax expense[1] for the fourth quarter of 2013 was $45 million and the adjusted tax rate[1] was 18.7%, which reflects an increase in certain non-taxable amounts.

Net Earnings Attributable to Shareholders of the Company Net earnings attributable to shareholders of the Company for the fourth quarter of 2014 were $161 million compared to $177 million in the same period in 2013. In the second quarter of 2014 the Company's ownership interest in Loblaw decreased as a result of Loblaw's issuance of common shares as partial consideration for its acquisition of Shoppers Drug Mart. In addition to the decrease in the Company's ownership interest in Loblaw, the decline in net earnings attributable to shareholders of the Company was a result of the year-over-year changes in operating income, net interest expense and other financing charges and income taxes described above.

Cash Flows

	Quarters Ended		
(unaudited)	**Dec. 31, 2014**	Dec. 31, 2013	
($ millions)	**(13 weeks)**	(12 weeks)	Change
Cash flows from operating activities	**$ 1,090**	$ 813	$ 277
Cash flows (used in) from investing activities	**$ (450)**	$ 605	$ (1,055)
Cash flows used in financing activities	**$ (622)**	$ (398)	$ (224)

Cash flows from operating activities The year-over-year increase in cash inflows in the fourth quarter of 2014 was $277 million, primarily due to higher cash earnings driven by Shoppers Drug Mart, partially offset by the year-over-year change in non-cash working capital and the proceeds from the settlement of cross currency swaps included in the fourth quarter of 2013. The change in non-cash working capital was primarily driven by the increase in accounts payable in 2013.

Cash flows (used in) from investing activities The year-over-year increase in cash outflows in the fourth quarter of 2014 was $1,055 million, which was primarily due to a reduction in short term investments and the release of funds from security deposits in the fourth quarter of 2013 for the repayment of *Eagle* notes.

Cash flows used in financing activities The year-over-year increase in cash outflows in the fourth quarter of 2014 was $224 million, primarily driven by the net repayment of long term debt, as described below, bank indebtedness acquired with the Shoppers Drug Mart acquisition, higher dividend payments due to the timing of payments, partially offset by repayment of short term debt in 2013.

In the fourth quarter of 2014, significant net repayments of long term debt included the following:

- Loblaw repaid $321 million of its $3.5 billion term loan;
- Choice Properties borrowed $45 million from its $500 million senior unsecured committed credit facility; and
- PC Bank issued $76 million of GICs and repaid $5 million in GICs.

In the fourth quarter of 2013, significant net issuances of long term debt included the following:

- Loblaw repaid a $200 million 5.40% MTN upon maturity;
- *Eagle* issued $400 million of senior and subordinated term notes and repaid $250 million of senior and subordinated term notes; and
- PC Bank issued $69 million of GICs and repaid $4 million in GICs.

Free Cash Flow[(1)]

	Quarters Ended		
($ millions)	**Dec. 31, 2014 (13 weeks)**	Dec. 31, 2013 (12 weeks)	Change
Free cash flow[(1)]	**$ 504**	$ 355	$ 149

The Company's free cash flow[(1)] increased by $149 million compared to the same period in 2013. The year-over-year increase in the fourth quarter of 2014 was primarily due to higher cash earnings driven by Shoppers Drug Mart, partially offset by increased capital investments as well as higher interest payments.

13. FOURTH QUARTER RESULTS OF REPORTABLE OPERATING SEGMENTS

The following discussion provides details of the 2014 fourth quarter results of operations of each of the Company's reportable operating segments.

13.1 WESTON FOODS FOURTH QUARTER OPERATING RESULTS (UNAUDITED)

WESTON FOODS	Quarters Ended			
(unaudited)	**Dec. 31, 2014**	Dec. 31, 2013[4]		
($ millions except where otherwise indicated)	**(13 weeks)**	(12 weeks)	$ Change	% Change
Sales	**$ 469**	$ 413	$ 56	13.6%
EBITDA[1]	**$ 91**	$ 56	$ 35	62.5%
Adjusted EBITDA[1]	**$ 74**	$ 67	$ 7	10.4%
Adjusted EBITDA margin[1]	**15.8%**	16.2%		
Operating income	**$ 74**	$ 40	$ 34	85.0%
Adjusted operating income[1]	**$ 57**	$ 52	$ 5	9.6%
Adjusted operating margin[1]	**12.2%**	12.6%		

Sales Weston Foods sales for the fourth quarter of 2014 were $469 million, an increase of $56 million or 13.6% compared to the same period in 2013. Foreign currency translation and the 53rd week positively impacted sales by approximately 4.1% and 7.3%, respectively. Excluding the impact of foreign currency translation and the 53rd week, sales increased by 2.2% due to an increase in volumes across all business units, partially offset by the combined negative impact of pricing and changes in sales mix.

EBITDA[1] Weston Foods EBITDA[1] in the fourth quarter of 2014 increased by $35 million to $91 million compared to the same period in 2013. The increase was primarily driven by insurance proceeds relating to a prior quarter inventory loss in the net amount of $12 million and the year-over-year favourable impact of the fair value adjustment of commodity derivatives of $11 million, each of which are described in Section 22, "Non-GAAP Financial Measures", of this MD&A. In addition, the increase was due to an improvement in underlying operating performance described below.

Adjusted EBITDA[1] in the fourth quarter of 2014 was $74 million, an increase of $7 million compared to the same period in 2013. Adjusted EBITDA margin[1] for 2014 decreased by 0.4% compared to the same period in 2013. The increase in adjusted EBITDA[1] in the fourth quarter of 2014 was primarily due to the positive impact of the 53rd week of $6 million. Excluding the 53rd week, adjusted EBITDA[1] was relatively flat as higher volumes were offset by new plant costs.

Operating Income Weston Foods operating income for the fourth quarter of 2014 was $74 million, an increase of $34 million compared to the same period in 2013 and was positively impacted by the items described above in EBITDA[1].

Adjusted operating income[1] was $57 million in the fourth quarter of 2014, an increase of $5 million compared to the same period in 2013, driven by the increase in adjusted EBITDA[1] described above, partially offset by the increase in depreciation and amortization in the fourth quarter of 2014 of $2 million due to the investments in capital.

13.2 LOBLAW FOURTH QUARTER OPERATING RESULTS (UNAUDITED)

LOBLAW (unaudited) ($ millions except where otherwise indicated)	Quarters Ended **Dec. 31, 2014** **(13 weeks)**	Dec. 31, 2013[4] (12 weeks)	$ Change	% Change
Sales	**$ 11,413**	$ 7,640	$ 3,773	49.4%
Sales excluding Shoppers Drug Mart	***$ 8,359***	*$ 7,640*	*$ 719*	*9.4%*
Retail gross profit	**$ 2,925**	$ 1,625	$ 1,300	80.0%
EBITDA[1]	**$ 898**	$ 490	$ 408	83.3%
Adjusted EBITDA[1]	**$ 948**	$ 487	$ 461	94.7%
Adjusted EBITDA margin[1]	**8.3%**	6.4%		
Adjusted EBITDA[1] excluding Shoppers Drug Mart	***$ 596***	*$ 487*	*$ 109*	*22.4%*
Adjusted EBITDA margin[1] excluding Shoppers Drug Mart	***7.1%***	*6.4%*		
Operating income	**$ 505**	$ 294	$ 211	71.8%
Adjusted operating income[1]	**$ 679**	$ 291	$ 388	133.3%
Adjusted operating margin[1]	**5.9%**	3.8%		
Adjusted operating income[1] excluding Shoppers Drug Mart	***$ 389***	*$ 291*	*$ 98*	*33.7%*
Adjusted operating margin[1] excluding Shoppers Drug Mart	***4.7%***	*3.8%*		

Sales Loblaw sales in the fourth quarter of 2014 were $11.4 billion, an increase of $3.8 billion compared to the same period in 2013 and included $3.1 billion in sales related to Shoppers Drug Mart. The increase in sales was primarily related to Retail as described below and the 53rd week. The impact of the 53rd positively impacted sales by $789 million. Excluding Shoppers Drug Mart, the 53rd week impacted sales by $574 million.

Excluding Shoppers Drug Mart and the 53rd week, Retail sales increased by $117 million, or 1.6% to $7.5 billion as a result of the following factors:

- same-store sales growth, for core grocery, was 3.3% for the quarter, excluding gas bar (0.5%) and the negative impact of a change in distribution model by a tobacco supplier (0.4%). On a comparable week basis, same-store sales growth was 2.4% (2013 – 0.6%);
- on a comparable week basis:
  - sales growth in food was strong, primarily driven by inflation;
  - sales in drugstore were flat, with increases in health and beauty, offset by declines in pharmacy;
  - sales in gas bar declined, primarily driven by a decline in gas prices;
  - sales in general merchandise, excluding apparel were flat; and
  - sales in retail apparel were flat, while U.S. wholesale apparel sales declined significantly;
- Loblaw's average quarterly internal food price index was slightly higher than (2013 – lower than) the average quarterly national food price inflation of 3.5% (2013 – 0.9%) as measured by CPI; and
- 22 corporate and franchise stores were opened and 12 corporate and franchise stores were closed in the last 12 months, with an additional two franchise grocery stores divested as a result of the Consent Agreement, resulting in flat square footage growth.

Gross Profit Loblaw's Retail gross profit increased by $1,300 million to $2,925 million in the fourth quarter of 2014 from $1,625 million in the same period in 2013. The increase included:

- $1,221 million of gross profit generated by Shoppers Drug Mart; partially offset by
- the negative impact of the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold of $69 million.

Excluding the above impacts, Retail gross profit increased by $148 million to $1,773 million in the fourth quarter of 2014 compared to the same period in 2013, driven by higher sales, including the 53rd week. Retail gross profit percentage remained flat at 21.9% compared to 2013, and was positively impacted by synergies related to the acquisition of Shoppers Drug Mart and reductions in transportation costs and was negatively impacted by increased shrink.

EBITDA[(1)] Loblaw EBITDA[(1)] was $898 million in the fourth quarter of 2014, an increase of $408 million compared to the same period of 2013 and was negatively impacted by a number of items, including certain items relating to the acquisition of Shoppers Drug Mart, partially offset by the restructuring of franchise fees of $40 million. For a complete list of items that impacted EBITDA[(1)] but that are excluded from adjusted EBITDA[(1)], see Section 22, "Non-GAAP Financial Measures" of this MD&A.

Loblaw adjusted EBITDA[(1)] was $948 million in the fourth quarter of 2014, an increase of $461 million compared to the same period in 2013, and included $352 million of adjusted EBITDA[(1)] related to Shoppers Drug Mart. Excluding Shoppers Drug Mart, adjusted EBITDA[(1)] increased by $109 million, primarily driven by Retail including the 53rd week and net synergies. Excluding Shoppers Drug Mart, the 53rd week and net synergies, the improvement in Retail adjusted EBITDA[(1)] was driven by the increase in gross profit described above, supply chain efficiencies, changes in the fair value of Loblaw's franchise investments and lower administrative and other operating costs, partially offset by higher foreign exchange losses and higher investments in Loblaw's franchise business. Excluding Shoppers Drug Mart, adjusted EBITDA margin[(1)] was 7.1% compared to 6.4% in the same period in 2013.

Operating Income Loblaw operating income increased by $211 million to $505 million compared to the fourth quarter of 2013, and was negatively impacted by the items described above in EBITDA[(1)] and the amortization of intangible assets acquired with Shoppers Drug Mart. For a complete list of items which impacted operating income but that are excluded from adjusted operating income[(1)], see Section 22, "Non-GAAP Financial Measures" of this MD&A.

Adjusted operating income[(1)] was $679 million in the fourth quarter of 2014, an increase of $388 million compared to the same period in 2013, and included $290 million of adjusted operating income[(1)] related to Shoppers Drug Mart. Excluding Shoppers Drug Mart, adjusted operating income[(1)] increased by $98 million and was positively impacted by the improvement in adjusted EBITDA[(1)] as described above, partially offset by an increase in depreciation and amortization of $11 million.

Adjusted operating margin[(1)] was 5.9% compared to 3.8% in the same period in 2013, primarily driven by the inclusion of Shoppers Drug Mart. Excluding the impact of Shoppers Drug Mart, adjusted operating margin[(1)] was 4.7% compared to 3.8% in 2013.

14. DISCLOSURE CONTROLS AND PROCEDURES

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

As required by National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109") the Executive Chairman, as Chief Executive Officer, and Chief Financial Officer have caused the effectiveness of the disclosure controls and procedures to be evaluated. Based on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 31, 2014.

15. INTERNAL CONTROL OVER FINANCIAL REPORTING

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

As required by NI 52-109, the Executive Chairman, as Chief Executive Officer, and the Chief Financial Officer have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework established in 'Internal Control - Integrated Framework (COSO Framework)' published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013. Based on that evaluation, they have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at December 31, 2014.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

Changes in Internal Control over Financial Reporting There were no changes in the Company's internal controls over financial reporting in the fourth quarter of 2014 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting, except as noted below:

In accordance with the provisions of NI 52-109, management, including the Executive Chairman, as Chief Executive Officer, and the Chief Financial Officer, have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Shoppers Drug Mart. Loblaw acquired the net assets of Shoppers Drug Mart and its subsidiaries on March 28, 2014.

Shoppers Drug Mart's contribution to the Company's consolidated financial statements for the year ended December 31, 2014 was approximately 20% of consolidated revenue and approximately 30% of consolidated adjusted operating income[(1)]. Additionally, Shoppers Drug Mart's current assets and current liabilities were approximately 25% and 20% of consolidated current assets and current liabilities, respectively, and its long term assets and long term liabilities were approximately 50% and 15% of consolidated long term assets and long term liabilities, respectively.

The scope limitation is primarily based on the time required to assess Shoppers Drug Mart's disclosure controls and procedures and internal controls over financial reporting in a manner consistent with the Company's other operations. The assessment on the design effectiveness of disclosure controls and procedures and internal controls over financial reporting is on track for completion by the second quarter of 2015 and the assessment of operating effectiveness will be completed by the fourth quarter of 2015.

Further details related to the acquisition of Shoppers Drug Mart are disclosed in Section 7, "Acquisition of Shoppers Drug Mart Corporation" of this MD&A and note 5 to the Company's 2014 annual audited consolidated financial statements.

16. ENTERPRISE RISKS AND RISK MANAGEMENT

The Company is committed to maintaining a framework that ensures risk management is an integral part of its activities. To ensure the continued growth and success of the Company, risks are identified and managed through GWL's and Loblaw's Enterprise Risk Management ("ERM") programs. The GWL and Loblaw Boards, respectively, have approved an ERM policy and a risk appetite statement and oversee the ERM programs through approval of the Company's risks and risk prioritization. The ERM programs assist all areas of the business in managing appropriate levels of risk tolerance by bringing a systematic approach, methodology and tools for evaluating, measuring and monitoring key risks. The results of the ERM programs and other business planning processes are used to identify emerging risks to the Company, prioritize risk management activities and develop a risk-based internal audit plan.

Risks are not eliminated through the ERM program. Risks are identified and managed within understood risk tolerances. The ERM program is designed to:

- promote a culture of awareness of risk management and compliance within the Company;
- facilitate corporate governance by providing a consolidated view of risks across the Company and insight into the methodologies for identification, assessment, measurement and monitoring of the risks;
- assist in developing consistent risk management methodologies and tools across the organization; and
- enable the Company to focus on its key risks in the business planning process and reduce harm to financial performance through responsible risk management.

Risk identification and assessments are important elements of the Company's ERM framework. An annual ERM assessment is completed to assist in the update and identification of internal and external risks, which may be both strategic and operational in nature. Key risks affecting the Company are prioritized under six categories: strategic; financial; operational (including safety); regulatory; human capital; and reputational risks. The annual ERM assessment is carried out through interviews, surveys and facilitated workshops with management and the GWL or Loblaw Boards. Risks are assessed and evaluated based on the Company's vulnerability to the risk and the potential impact that the underlying risks would have on the Company's ability to execute its strategies and achieve its objectives. Risk owners are assigned relevant risks and key risk indicators are developed. At least semi-annually, management provides an update to a Committee of the GWL or Loblaw Boards on the status of the key risks based on significant changes from the prior update, anticipated impacts in future quarters and significant changes in key risk indicators. In addition, the long term (three to five year) risk level is assessed to monitor potential long term risk impacts, which may assist in risk mitigation planning activities.

Accountability for oversight of the management of each risk is allocated by the GWL or Loblaw Boards either to the full Boards or to Committees of the Boards.

Operating and financial risks which are reasonably likely to affect the Company's future performance are discussed below. Any of these risks has the potential to negatively affect the Company and its financial performance. The Company has risk management strategies, including insurance programs, controls and contractual arrangements. However, there can be no assurance that the associated risks will be mitigated or will not materialize or that events or circumstances will not occur that could adversely affect the reputation, operations or financial condition or performance of the Company. The risks included below should be read in conjunction with the risks included in the Company's AIF for the year ended December 31, 2014, which is hereby incorporated by reference.

16.1 OPERATING RISKS AND RISK MANAGEMENT

Operating Risks The Company is exposed to a number of operational, regulatory, human capital and reputational risks in the normal course of its business that have the potential to adversely affect the reputation, operations and financial performance of the Company.

The following is a summary of the Company's key operational, regulatory, human capital and reputational risks which are discussed in detail below:

Acquisition of Shoppers Drug Mart Corporation	Regulatory and Tax
IT Systems Implementations	Legal Proceedings
Pharmacy Industry Regulation	Vendor Management and Third-Party Service Providers
Inventory Management	Commodity Prices
Information Integrity and Reliability	Franchisee Independence and Relationships
Availability, Access and Security of Information Technology	Associate-owned Drug Store Network and Relationships with Associates
Food Safety and Public Health	Alternative Arrangements for Sourcing Generic Drug Products
Labour Relations	
Competitive Environment	Multi-Employer Pension Plans
Talent Management and Succession Planning	Execution of Weston Foods' Strategic Initiatives
Consumer and Retail Customer Trends	

Acquisition of Shoppers Drug Mart Corporation On March 28, 2014, Loblaw acquired all of the outstanding shares of Shoppers Drug Mart. The realization of the anticipated strategic benefits associated with this acquisition will depend on several factors, and will require significant effort on the part of management of the Company. Failure to realize the anticipated strategic benefits or operational, competitive and cost synergies associated with this acquisition could adversely affect the reputation, operations or financial performance of the Company.

IT Systems Implementations Loblaw continues to undertake a major upgrade of its IT infrastructure. Completing the IT systems deployment will require continued focus and investment. Failure to successfully migrate from legacy systems to the new IT systems or a significant disruption in Loblaw's current IT systems during the implementation of the new IT systems could result in a lack of accurate data to enable management to effectively manage day-to-day operations of the business or achieve its operational objectives, causing significant disruptions to the business and potential financial losses. Failure to successfully adopt the new IT systems or to implement appropriate processes to support them could result in inefficiencies and duplication in processes, which could in turn adversely affect the reputation, operations and financial performance of the Company. Failure to realize the anticipated strategic benefits including revenue growth, anticipated cost savings or operating efficiencies associated with the new IT systems could adversely affect the reputation, operations or financial performance of the Company.

Pharmacy Industry Regulation With the acquisition of Shoppers Drug Mart, Loblaw is reliant on prescription drug sales for a more significant portion of its sales and profits. Prescription drugs and their sales are subject to numerous federal, provincial, territorial and local laws and regulations. Changes to these laws and regulations, or non-compliance with these laws and regulations, could adversely affect the reputation, operations or financial performance of the Company.

Federal and provincial laws and regulations that establish public drug plans typically regulate prescription drug coverage, patient eligibility, pharmacy reimbursement, drug product eligibility, and drug pricing and may also regulate manufacturer allowance funding that is provided to or received by pharmacy or pharmacy suppliers. With respect to pharmacy reimbursement, such laws and regulations typically regulate the allowable drug cost of a prescription drug product, the permitted mark-up on a prescription drug product and the professional or dispensing fees that may be charged on prescription drug sales to patients eligible under the public drug plan.

With respect to drug product eligibility, such laws and regulations typically regulate the requirements for listing the manufacturer's products as a benefit or partial benefit under the applicable governmental drug plan, drug pricing and, in the case of generic prescription drug products, the requirements for designating the product as interchangeable with a branded prescription drug product. In addition, other federal, provincial, territorial and local laws and regulations govern the approval, packaging, labeling, sale, marketing, advertising, handling, storage, distribution, dispensing and disposal of prescription drugs.

Sales of prescription drugs, pharmacy reimbursement and drug prices may be affected by changes to the health care industry, including legislative or other changes that impact patient eligibility, drug product eligibility, the allowable cost of a prescription drug product, the mark-up permitted on a prescription drug product, the amount of professional or dispensing fees paid by third-party payers or the provision or receipt of manufacturer allowances by pharmacy and pharmacy suppliers.

The majority of prescription drug sales are reimbursed or paid by third-party payers, such as governments, insurers or employers. These third-party payers have pursued and continue to pursue measures to manage the costs of their drug plans. Each provincial jurisdiction has implemented legislative and/or other measures directed towards managing pharmacy service costs and controlling increasing drug costs incurred by public drug plans and private payers which impact pharmacy reimbursement levels and the availability of manufacturer allowances. Legislative measures to control drug costs include lowering of generic drug pricing, restricting or prohibiting the provision of manufacturer allowances and placing limitations on private label prescription drug products. Other measures that have been implemented by certain government payers include restricting the number of interchangeable prescription drug products which are eligible for reimbursement under provincial drug plans. Additionally, the Council of the Federation, an institution created by the provincial Premiers in 2003 to collaborate on intergovernmental relations, continues its work regarding cost reduction initiatives for pharmaceutical products and services.

Legislation in certain provincial jurisdictions establish listing requirements that ensure that the selling price for a prescription drug product will not be higher than any selling price established by the manufacturer for the same prescription drug product under other provincial drug insurance programs. In some provinces, elements of the laws and regulations that impact pharmacy reimbursement and manufacturer allowances for sales to the public drug plans are extended by legislation to sales in the private sector. Also, private third-party payers (such as corporate employers and their insurers) are looking or may look to benefit from any measures implemented by government payers to reduce prescription drug costs for public plans by attempting to extend these measures to prescription drug plans they own or manage. Accordingly, changes to pharmacy reimbursement and manufacturer allowances for a public drug plan could also impact pharmacy reimbursement and manufacturer allowances for private sector sales. In addition, private third-party payers could reduce pharmacy reimbursement for prescription drugs provided to their members or could elect to reimburse members only for products included on closed formularies or available from preferred providers.

Ongoing changes impacting pharmacy reimbursement programs, prescription drug pricing and manufacturer allowance funding, legislative or otherwise, are expected to continue to put downward pressure on prescription drug sales. These changes may have a material adverse impact on Loblaw's business, sales and profitability. In addition, Loblaw could incur significant costs in the course of complying with any changes in the regulatory regime affecting prescription drugs. Non-compliance with any such existing or proposed laws or regulations, particularly those that provide for the licensing and conduct of wholesalers, the licensing and conduct of pharmacists, the regulation and ownership of pharmacies, the advertising of pharmacies and prescription services, the provision of information concerning prescription drug products, the pricing of prescription drugs and restrictions on manufacturer allowance funding, could result in audits, civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations and financial performance of the Company.

Inventory Management Loblaw is subject to risks associated with managing its inventory. Failure to successfully manage such risks could result in shortages of inventory, or excess or obsolete inventory which cannot be sold

profitably or increases in levels of inventory shrink. Any of these outcomes could negatively affect the financial results of the Company. Loblaw is continuing to convert its grocery stores to a new IT system, and in doing so is gaining increased visibility to integrated costing and sales information at store level. With this increased visibility, Loblaw will have more precise information to better identify and assess risks relating to inventory, however this will not eliminate such risks.

Information Integrity and Reliability Management depends on relevant and reliable information for decision making purposes, including key performance indicators and financial reporting. A lack of relevant and reliable information necessary to manage the business could preclude the Company from optimizing its overall performance. Any significant loss of data or failure to maintain reliable data could adversely affect the reputation, operations or financial performance of the Company.

Availability, Access and Security of Information Technology The Company is reliant on the continuous and uninterrupted operations of its IT systems. Point of sale availability, 24/7 user access and security of all IT systems, including distribution of prescription drugs and reimbursement by third-party payors, are critical elements to the operations of the Company. Protection against cyber security incidents and cloud security, and security of all of the Company's IT systems are critical to the operations of the Company. Any IT failure pertaining to availability, access or system security could result in disruption for the customer and could adversely affect the reputation, operations or financial performance of the Company.

Food Safety and Public Health The Company is subject to risks associated with food safety and defects, including the Company's control brand, baked goods and manufactured products, including contract manufactured products. The Company could be adversely affected in the event of a significant outbreak of food-borne illness or other public health concerns related to food, health and wellness, including pharmaceuticals, or general merchandise products (including baked goods and manufactured products). The occurrence of such events or incidents could result in harm to customers, negative publicity or damage to the Company's brands and could lead to unforeseen liabilities from legal claims or otherwise. Failure to trace or locate any contaminated or defective products and ingredients could affect the Company's ability to be effective in a recall situation. Any of these events, as well as the failure to maintain the cleanliness and health standards at Loblaw's store level or the Company's manufacturing facilities, could adversely affect the reputation, operations or financial performance of the Company.

Labour Relations The Company's workforce is comprised of both unionized and non-unionized colleagues. With respect to those colleagues that are covered by collective agreements, there can be no assurance as to the outcome of any labour negotiations or the timing of their completion. Failure to renegotiate collective agreements could result in strikes, work stoppages or business interruptions, and if any of these events were to occur, they could adversely affect the reputation, operations or financial performance of the Company. If non-unionized colleagues become unionized, the terms of the resulting collective agreements would have implications for the affected operations and those implications could be material.

Competitive Environment Weston Foods' competitors include multi-national food processing companies, as well as national and smaller-scale bakery operations in Canada and the U.S.

Loblaw's competitors include supermarket and retail drug store operators, as well as mass merchandisers, warehouse clubs, on-line retailers, mail order prescription drug distributors, limited assortment stores, discount stores, convenience stores and specialty stores. Many of these competitors now offer a selection of food, drug store and general merchandise. Others remain focused on supermarket-type merchandise. Loblaw is subject to competitive pressures from new entrants into the marketplace and from the expansion or renovation of existing competitors, particularly those expanding into the grocery market.

The Company's inability to effectively predict market activity or compete effectively with its current or future competitors could result in, among other things, reduced market share and lower pricing in response to its competitors' pricing activities. Failure by Weston Foods or Loblaw to sustain their competitive position could adversely affect the financial performance of the Company.

Talent Management and Succession Planning Effective succession planning for senior management and the ability to attract and retain key personnel are essential to sustaining the growth and success of the Company. In addition, failure to retain senior management can be a significant risk to the Company's business strategy. If the Company is not effective in establishing appropriate succession planning processes and retention strategies, it could lead to a lack of requisite knowledge, skills and experience on the part of management. This, in turn, could adversely affect the Company's ability to execute its strategies, and could adversely affect its reputation, operations or financial performance.

Consumer and Retail Customer Trends The baking industry continues to experience a decline in the consumption of certain traditional products, as consumer eating and buying preferences continue to trend to healthier, more nutritious, value-added and convenience offerings. As a result of evolving retail customer trends, the Company must deliver products that satisfy changing consumer preferences in a highly competitive environment. Failure of Weston Foods to anticipate and react to shifting consumer and retail customer trends and preferences through successful innovation and enhanced manufacturing capability could adversely affect the financial performance of the Company.

Regulatory and Tax Changes to any of the laws, rules, regulations or policies (collectively, "laws") applicable to the Company's business, including laws affecting all types of taxes, and laws affecting the production, processing, preparation, distribution, packaging and labelling of products, could have an adverse impact on the financial or operational performance of the Company. In the course of complying with such changes, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business. Failure by the Company to comply with applicable laws and orders could subject the Company to civil or regulatory actions, investigations or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could adversely affect the reputation, operations or financial performance of the Company.

The Company is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. These reassessments could have a material impact on the Company.

In 2012, Loblaw received indication from the CRA that the CRA intends to proceed with reassessments of the tax treatment of Loblaw's wholly-owned subsidiary, Glenhuron. The CRA's position is that certain income earned by Glenhuron in Barbados in respect of the 2000 to 2010 taxation years should be treated, and taxed, as income in Canada.

Based on the proposal letter from the CRA, if the CRA and the relevant provincial tax authorities were to prevail in all of these reassessments, which Loblaw believes would be unlikely, the estimated total tax and interest for the 2000 to 2010 taxation years would be approximately $440 million, which would increase as interest accrues. However, Loblaw is in discussions with the CRA about the amount of taxes in dispute. Loblaw believes it is likely that the CRA and the relevant provincial tax authorities will issue reassessments for 2011 to 2013 on the same or similar basis. No amount for any reassessments has been provided for in the Company's consolidated financial statements.

Subsequent to the end of 2014, Loblaw received a letter from the CRA stating that the CRA will be proceeding with the reassessments. Loblaw expects to receive reassessments from the CRA and the relevant provincial tax authorities sometime in the coming months. Loblaw strongly disagrees with the CRA's position and intends to vigorously defend its position including appealing the reassessments when they are received. Loblaw will make cash payments or provide other forms of security on a portion of the taxes in dispute. If Loblaw is successful in defending its position, in whole or in part, some or all of the cash payments or security would be returned to Loblaw. If the CRA were to ultimately prevail with respect to the proposed reassessment or if the CRA were to

successfully pursue other reassessments, the outcome could have a negative material impact on the Company's reputation, results of operations and financial position of the Company in the year(s) of resolution.

As part of the review undertaken by the Competition Bureau of the acquisition by Loblaw of Shoppers Drug Mart, it expressed concerns about practices that Loblaw has in place with certain suppliers. In connection with this review, the Competition Bureau issued requests for documents from 12 suppliers of Loblaw. Loblaw has and will continue to cooperate with the Competition Bureau in its review of these practices. At this stage of the review, it is not possible to predict when the review will be completed or the outcome of such review. If the Competition Bureau is not satisfied that Loblaw's practices satisfy the Competition Bureau's objectives of maintaining competitive markets, then the Competition Bureau may pursue remedies that could have a negative material impact on the Company's reputation, results of operations and financial position of the Company.

PC Bank operates in a highly regulated environment and a failure by it to comply, understand, acknowledge and effectively respond to applicable regulators could result in monetary penalties, regulatory intervention and reputational damage.

Choice Properties is currently classified as a "unit trust" and a "mutual fund trust" under the *Income Tax Act* (Canada). It also qualifies for the Real Estate Investment Trust Exception under the *Income Tax Act* (Canada) and as such is not subject to specified investment flow-through rules. If Choice Properties ceases to qualify for these and other classifications and exceptions, the taxation of Choice Properties and unitholders, including Loblaw, could be materially adversely different in certain respects, which in turn could be materially adversely affect the trading price of the Trust Units.

Legal Proceedings As part of its normal course of operations, the Company is involved in and potentially subject to a variety of legal claims and proceedings. With the acquisition of Shoppers Drug Mart, Loblaw is the subject of a class action brought by two licensed Associate-owners. The claim seeks damages in the amount of $500 million based on alleged breaches of the Associate Agreement with Shoppers Drug Mart. At this stage of the proceedings any potential liability and the quantum of any loss cannot be determined. Since litigation is inherently uncertain, the outcome of this class action, and all other litigation proceedings and claims remains uncertain. However, based on information currently available, these matters, individually and in the aggregate, are not expected to have a material impact on the Company. In the event that management's assessment of materiality of current claims and proceedings proves inaccurate or litigation that is material arises in the future, there may be a material adverse effect on the Company's operations or financial performance.

Vendor Management and Third-Party Service Providers The Company relies on vendors, including offshore vendors in both mature and developing markets, to provide the Company with goods and services. Offshore sourcing increases certain risks to the Company, including risks associated with food safety and general merchandise product defects, non-compliance with ethical and safe business practices and inadequate supply of products. The Company has no direct influence over how vendors are managed. Negative events affecting vendors or inefficient, ineffective or incomplete vendor management strategies, policies and/or procedures could adversely impact the Company's reputation and impair the Company's ability to meet customer needs or control costs and quality, which could adversely affect the reputation, operations and financial performance of the Company.

The Company also uses third-party suppliers, carriers, logistic service providers and operators of warehouses and distribution facilities, including for product development, design and sourcing of Loblaw's control brand apparel products and Weston Foods' baked goods products. Ineffective selection, contract terms or relationship management could impact the Company's ability to source Weston Food's third-party manufactured products or Loblaw's control brand products, to have products available for customers, to market to customers or to operate efficiently and effectively. Disruption in services from third-party suppliers could interrupt the delivery of merchandise to stores, thereby adversely affecting the operations or financial performance of the Company.

President's Choice Financial banking services are provided by a major Canadian chartered bank. PC Bank uses third-party service providers to process credit card transactions, operate call centres and operationalize certain risk management strategies for the *President's Choice Financial* MasterCard®. A significant disruption in the

services provided by the chartered bank or by third-party service providers would adversely affect the financial performance of PC Bank and the Company.

The Company relies on third parties for investment management, custody and other services for its cash equivalents, short term investments, security deposits and pension assets. Any disruption in the services provided by these suppliers could adversely affect the return on these assets or the liquidity of the Company.

Commodity Prices Weston Foods costs are directly impacted by fluctuations in the prices of commodity linked raw materials such as wheat flours, sugars, vegetable oils, cocoa powders and chocolate. Loblaw is also exposed to fluctuations in the commodity prices as a result of the indirect effect of changing commodity prices on the price of consumer products. In addition, both Weston Foods and Loblaw are exposed to increases in the prices of energy in operating, in the case of Weston Foods, its bakeries and distribution networks, and, in the case of Loblaw, its stores and distribution networks. Both Weston Foods and Loblaw use purchase commitments and derivative instruments in the form of futures contracts, option contracts and forward contracts to manage their current and anticipated exposure to fluctuations in commodity prices. Despite these strategies, fluctuations in commodity prices could negatively affect the financial performance of the Company.

Franchisee Independence and Relationships A substantial portion of Loblaw's revenues and earnings comes from amounts paid by franchisees of its grocery store operations. Franchisees and independent operators are independent businesses and, as a result, their operations may be negatively affected by factors beyond Loblaw's control, which in turn could negatively affect the Company's reputation, operations and financial performance. Revenues and earnings could also be negatively affected, and the Company's reputation could be harmed, if a significant number of franchisees were to experience operational failures, health and safety exposures or were unable to pay Loblaw for products, rent or fees. Loblaw's franchise system is also subject to franchise legislation enacted by a number of provinces. Any new legislation or failure to comply with existing legislation could negatively affect operations and could add administrative costs and burdens, any of which could affect Loblaw's relationship with its franchisees. Relationships with franchisees could pose significant risks if they are disrupted, which could negatively affect the reputation, operations and financial performance of the Company. Supply chain or system changes by Loblaw could cause or be perceived to cause disruptions to franchise operations and could result in negative effects on franchisee financial performance. Reputational damage or adverse consequences for the Company, including litigation and disruption to revenue from franchise stores could result.

Associate-owned Drug Store Network and Relationships with Associates The success of Loblaw and the reputation of its brands are closely tied to the performance of the Shoppers Drug Mart Associate-owned drug stores. Accordingly, Loblaw relies on Associates to successfully operate, manage and execute retail programs and strategies at their respective drug store locations. Associates are independent business operators and the success of the operations and financial performance of their respective drug stores may be beyond Loblaw's control. In addition, Associates operate in the same regulatory framework as described above under "Franchisee Independence and Relationships". Disruptions to Loblaw's relationships with Shoppers Drug Mart Associate-owned drug stores or changes in legislation could negatively affect revenue from Associates, which in turn, could adversely affect the reputation, operations or financial performance of the Company.

Alternative Arrangements for Sourcing Generic Drug Products As the utilization rate of generic prescription drugs increases, Loblaw is pursuing alternative sourcing and procurement models for generic prescription drug products. As part of this alternative sourcing and procurement initiative, Loblaw has entered into contracts for the fabrication of private label generic prescription drug products. These alternative sourcing and procurement models contain certain additional risks beyond those associated with Loblaw's conventional procurement strategy. The most significant of these additional risks are product liability and intellectual property infringement. Product liability claims may arise in the event that the use of Loblaw's products cause, or are alleged to have caused, any injury to consumers. Intellectual property infringement claims may arise in the event that Loblaw's products infringe or violate, or are alleged to infringe or violate, the patents or other intellectual property rights of any third parties, including the brand manufacturer. Both product liability and intellectual property infringement claims could be costly to defend and could result in significant liabilities and monetary damages.

Failure to successfully implement these alternative sourcing and procurement models could adversely affect the reputation, operations or financial performance of the Company.

In addition, the market for generic prescription drug products and eligibility for reimbursement from governmental and other third-party payers will depend on the extent to which the products are designated as interchangeable with the branded products and are included as a benefit on the public drug plans in Canada. These interchangeability designations and benefit listings are highly regulated and will be dependent on the products and the procurement model meeting the regulatory requirements. If the demand for generic products is negatively affected by fewer designations, it could adversely affect the reputation, operations or financial performance of the Company.

Multi-Employer Pension Plans In addition to the Company-sponsored pension plans, the Company participates in various multi-employer pension plans ("MEPP"), providing pension benefits to union employees pursuant to provisions of collective bargaining agreements. Approximately 26% (2013 – 37%) of employees of the Company, and of its franchisees and Associates, participate in these plans. These plans are administered by independent boards of trustees generally consisting of an equal number of union and employer representatives. In some circumstances, the Company has a representative on the board of trustees of these plans. The Company's responsibility to make contributions to these plans is limited by the amounts established pursuant to its collective agreements; however, poor performance of these plans could have an adverse impact on the Company's employees and former employees who are members of these plans or could result in changes to the terms and conditions of participation in these plans, which in turn could adversely affect the financial performance of the Company.

Loblaw, together with its franchisees, is the largest participating employer in the Canadian Commercial Workers Industry Pension Plan ("CCWIPP"), with approximately 52,000 (2013 – 53,000) employees as members. In 2014, Loblaw contributed approximately $54 million (2013 – $54 million) to CCWIPP. The recent actuarial reports filed for CCWIPP indicate that the plan is underfunded with the accrued benefit obligations exceeding the value of CCWIPP assets. Any benefit reductions would negatively affect the retirement benefits of Loblaw's employees, which in turn could negatively affect their morale and productivity and, in turn, could adversely affect the reputation of the Company.

Execution of Weston Foods' Strategic Initiatives Weston Foods has developed a strategic plan which includes significant capital investment to position it for long term growth. Execution of the strategic plan requires prudent operational planning, availability and attention of key personnel, timely implementation and effective change management. Failure to execute the strategic plan as desired could negatively affect the financial performance of the Company.

16.2 FINANCIAL RISKS AND RISK MANAGEMENT

Financial Risks The Company is exposed to a number of financial risks, including those associated with financial instruments, which have the potential to affect its operating and financial performance. The Company uses over-the-counter derivative instruments to offset certain of these risks. Policies and guidelines prohibit the use of any derivative instrument for trading or speculative purposes. The fair value of derivative instruments is subject to changing market conditions which could adversely affect the financial performance of the Company.

The following is a summary of the Company's financial risks which are discussed in detail below:

Level of Indebtedness	Interest Rates
Liquidity	Credit
Choice Properties' Capital Availability	Common Share and Trust Unit Prices
Foreign Currency Exchange Rates	

Level of Indebtedness To fund the cash portion of the acquisition of Shoppers Drug Mart, Loblaw utilized excess cash and significantly increased its indebtedness. Although Loblaw has made progress in reducing its level of

indebtedness subsequent to the acquisition of Shoppers Drug Mart, there can be no assurance that Loblaw will generate sufficient free cash flow to significantly further reduce indebtedness and maintain adequate cash reserves. A failure to achieve these objectives could adversely affect the Company's credit ratings and its cost of funding.

If GWL, Loblaw, PC Bank or Choice Properties' financial performance and condition deteriorate or downgrades in GWL's, Loblaw's or Choice Properties' current credit ratings occur, their ability to obtain funding from external sources could be restricted, which could adversely affect the financial performance of the Company.

Liquidity Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost effective manner to fund its obligations as they come due. The Company is exposed to liquidity risk through, among other areas, PC Bank and its credit card business, which requires a reliable source of funding for its credit card business. PC Bank relies on its securitization programs and the acceptance of GIC deposits to fund the receivables of its credit cards. The Company would experience liquidity risks if it fails to maintain appropriate levels of cash and short term investments, it is unable to access sources of funding or it fails to appropriately diversify sources of funding. If any of these events were to occur, they would adversely affect the financial performance of the Company.

Liquidity risk is mitigated by maintaining appropriate levels of cash and cash equivalents and short term investments, actively monitoring market conditions, and by diversifying sources of funding, including the Company's committed credit facilities, and maintaining a well diversified maturity profile of debt and capital obligations.

Choice Properties' Capital Availability The real estate industry is highly capital intensive. Choice Properties requires access to capital to maintain its properties, refinance its indebtedness as well as to fund its growth strategy and certain capital expenditures from time to time. Although Choice Properties expects to have access to its credit facility, there can be no assurance that it will otherwise have sufficient capital or access to capital on acceptable terms for future property acquisitions, refinancing indebtedness, financing or refinancing properties, funding operating expenses or for other purposes. Further, in certain circumstances, Choice Properties may not be able to borrow funds due to certain limitations. Failure by Choice Properties to access required capital could have a material adverse effect on the Company's ability to pay its financial or other obligations. An inability to access capital could also impact Choice Properties' ability to make distributions which could have a material adverse effect on the trading price of Trust Units which would adversely affect the financial performance of the Company.

Foreign Currency Exchange Rates The Company's consolidated financial statements are expressed in Canadian dollars, however a portion of the Company's net assets are denominated in U.S. dollars through both its net investment in foreign operations in the U.S. and its foreign subsidiaries held by Dunedin and certain of its affiliates with a functional currency that is the same as that of the Company. The U.S. dollar denominated net assets are translated into Canadian dollars at the foreign currency exchange rate in effect at the balance sheet date. As a result, the Company is exposed to foreign currency translation gains and losses. Those gains and losses arising from the translation of the U.S. dollar denominated assets of foreign subsidiaries with a functional currency that is the same as that of the Company are included in operating income, while translation gains and losses on the net investment in foreign operations in the U.S. are recorded in accumulated other comprehensive income (loss).

Revenues and expenses of all foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are recognized. An appreciating U.S. dollar relative to the Canadian dollar will positively impact operating income and net earnings, while a depreciating U.S. dollar relative to the Canadian dollar will have the opposite impact.

Weston Foods and Loblaw are also exposed to fluctuations in the prices of U.S. dollar denominated purchases as a result of changes in U.S. dollar exchange rates. A depreciating Canadian dollar relative to the U.S. dollar will negatively impact operating income and net earnings, while an appreciating Canadian dollar relative to the U.S. dollar will have the opposite impact. During 2014, Weston Foods and Loblaw entered into derivative instruments

in the form of futures contracts and forward contracts to manage their current and anticipated exposure to fluctuations in U.S. dollar exchange rates.

Interest Rates The Company is exposed to interest rate risk from fluctuations in interest rates on its floating rate debt and financial instruments, net of cash and cash equivalents, short term investments and security deposits. An increase in interest rates could adversely affect the financial performance of the Company. GWL and Loblaw manage interest rate risk by monitoring their respective mix of fixed and floating rate debt, net of cash and cash equivalents, short term investments and security deposits, and by taking action as necessary to maintain an appropriate balance considering current market conditions.

Credit The Company is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to the Company. Exposure to credit risk relates to derivative instruments, cash and cash equivalents, short term investments, security deposits, PC Bank's credit card receivables, Loblaw's franchise loans receivable, pension assets held in the Company's defined benefit plans, Loblaw's accounts receivable including amounts due from independent franchisees, government, prescription sales and third-party drug plans, independent accounts and amounts owed from vendors, and other receivables from Weston Foods' customers and suppliers. Failure to manage credit risk could adversely affect the financial performance of the Company.

The risk related to derivative instruments, cash and cash equivalents, short term investments and security deposits is reduced by policies and guidelines that require that the Company enters into transactions only with counterparties or issuers that have a minimum long term "A-" credit rating from a recognized credit rating agency and place minimum and maximum limits for exposures to specific counterparties and instruments.

Choice Properties mitigates the risk of credit loss relating to rent receivables by evaluating the creditworthiness of new tenants, obtaining security deposits wherever permitted by legislation, ensuring its tenant mix is diversified and by limiting its exposure to any one tenant except Loblaw. Choice Properties establishes an allowance for doubtful accounts that represents the estimated losses with respect to rents receivable. The allowance is determined on a tenant-by-tenant basis based on the specific factors related to the tenant.

PC Bank manages its credit card receivable risk by employing stringent credit scoring techniques, actively monitoring the credit card portfolio and reviewing techniques and technology that can improve the effectiveness of the collection process. In addition, these receivables are dispersed among a large, diversified group of credit card customers.

Loblaw's franchise loans receivable and Loblaw's accounts receivable including amounts due from independent franchisees, governments, prescription sales covered by third-party drug plans, independent accounts and amounts owed from vendors, and other receivables from Weston Foods' customers and suppliers are actively monitored on an ongoing basis and settled on a frequent basis in accordance with the terms specified in the applicable agreements.

Despite the mitigation strategies described above, it is possible that the Company's financial performance could be negatively impacted by the failure of a counterparty to fulfill its obligations.

Common Share and Trust Unit Prices Changes in the Loblaw common share price impact the Company's net interest expense and other financing charges. In 2001, WHL entered into an equity forward sale agreement based on 9.6 million Loblaw common shares at an original forward price of $48.50 per Loblaw common share which, under the terms of the agreement, had increased to a forward price of $100.80 (2013 – $96.46) per Loblaw common share as at year end 2014. The forward matures in 2031 and will be settled in cash as follows: WHL will receive the forward price and will pay the market value of the underlying Loblaw common shares at maturity. The obligation of WHL under this forward is secured by the underlying Loblaw common shares. WHL recognizes a non-cash charge or income, which is included in consolidated net interest expense and other financing charges, representing the fair value adjustment of WHL's forward sale agreement for 9.6 million shares. The fair value adjustment in the forward contract is a non-cash item resulting from fluctuations in the market price of the underlying Loblaw shares that WHL owns. WHL does not record any change in the market price associated with the Loblaw common shares it owns. At maturity, if the forward price is greater (less) than the

market price, WHL will receive (pay) cash equal to the difference between the notional value and the market value of the forward contract. Any cash paid under the forward contract could be offset by the sale of Loblaw common shares.

The Company is exposed to market price risk from Choice Properties' Trust Units that are held by unitholders other than the Company. These Trust Units are presented as a liability on the Company's consolidated balance sheets as they are redeemable for cash at the option of the holders. The liability is recorded at fair value at each reporting period based on the market price of Trust Units. The change in the fair value of the liability negatively impacts net earnings when the Trust Unit price increases and positively impacts net earnings when the Trust Unit price declines.

17. RELATED PARTY TRANSACTIONS

The Company's majority shareholder is Mr. W. Galen Weston, who beneficially owns, directly and indirectly through private companies which he controls, including Wittington Investments, Limited ("Wittington"), a total of 80,746,099 of GWL's common shares, representing approximately 63% (2013 – 63%) of GWL's outstanding common shares. The Company's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions.

Transactions between the Company and its consolidated entities have been eliminated on consolidation and are not disclosed below.

In 2014, the Company made rental payments to Wittington in the amount of $4 million (2013 – $4 million). As at December 31, 2014 and 2013, there were no rental payments outstanding.

In 2014, inventory purchases from Associated British Foods plc, a related party by virtue of Mr. W. Galen Weston being a director of such entity's parent company, amounted to $35 million (2013 – $31 million). As at December 31, 2014, $3 million (2013 – $4 million) was included in trade payables and other liabilities relating to these inventory purchases.

Joint Venture In 2014, a joint venture, formed between Choice Properties and Wittington, completed the acquisition of property from Loblaw. The joint venture intends to develop the acquired site into a mixed-used property, anchored by a Loblaw food store. As at December 31, 2014, the joint venture did not have any operating activity. Choice Properties uses the equity method of accounting to record its 40% interest in the joint venture, which is included in other assets.

Post-Employment Benefit Plans The Company sponsors a number of post-employment plans, which are related parties.

Income Tax Matters From time to time, the Company and Wittington may enter into agreements to make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations. In 2014, these elections and accompanying agreements did not have a material impact on the Company.

Compensation of Key Management Personnel The Company's key management personnel is comprised of certain members of the executive team of GWL, Loblaw, Weston Foods and Wittington, as well as members of the Boards of GWL, Loblaw and Wittington to the extent that they have the authority and responsibility for planning, directing and controlling the day-to-day activities of the Company.

Annual compensation of key management personnel that is directly attributable to the Company was as follows:

($ millions)	**2014 (53 weeks)**	2013 (52 weeks)
Salaries, director fees and other short term employee benefits	**$ 17**	$ 19
Share-based compensation	**9**	12
Total compensation	**$ 26**	$ 31

18. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires management to make estimates and judgments in applying the Company's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of this MD&A, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the Company believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

Basis of Consolidation

Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining the entities that it controls and therefore consolidates. The Company controls an entity when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company consolidates all of its wholly-owned subsidiaries. Judgment is applied in determining whether the Company controls the entities in which it does not have ownership rights or does not have full ownership rights. Most often, judgment involves reviewing contractual rights to determine if rights are participating (giving power over the entity) or protective rights (protecting the Company's interest without giving it power).

Inventories

Key sources of estimation Inventories are carried at the lower of cost and net realizable value which requires the Company to utilize estimates related to fluctuations in shrink, future retail prices, the impact of vendor rebates on cost, seasonality and costs necessary to sell the inventory.

Impairment of non-financial assets (goodwill, intangible assets, fixed assets and investment properties)

Judgments made in relation to accounting policies applied Management is required to use judgment in determining the grouping of assets to identify their cash generating units ("CGU") for the purposes of testing fixed assets for impairment. Judgment is further required to determine appropriate groupings of CGUs for the level at which goodwill and intangible assets are tested for impairment. Loblaw has determined that each location is a separate CGU for purposes of fixed asset impairment testing. For the purpose of goodwill and intangible assets impairment testing, CGUs are grouped at the lowest level at which goodwill and intangible assets are monitored for internal management purposes. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

Key sources of estimation In determining the recoverable amount of a CGU or a group of CGUs, various estimates are employed. The Company determines fair value less costs to sell using such estimates as market rental rates for comparable properties, recoverable operating costs for leases with tenants, non-recoverable operating costs, discount rates, capitalization rates and terminal capitalization rates. The Company determines value in use by using estimates including projected future revenues, earnings and capital investment consistent with strategic plans presented to GWL's and Loblaw's Boards. Discount rates are consistent with external industry information reflecting the risk associated with the specific cash flows.

Franchise loans receivable and certain other financial assets

Judgments made in relation to accounting policies applied Management reviews franchise loans receivable, trade receivables and certain other financial assets relating to Loblaw's franchise business at each balance sheet date utilizing judgment to determine whether a triggering event has occurred requiring an impairment test to be completed.

Key sources of estimation Management determines the initial fair value of Loblaw's franchise loans and certain other financial assets using discounted cash flow models. The process of determining these fair values requires management to make estimates of a long term nature regarding discount rates, projected revenues and margins, as applicable, derived from past experience, actual operating results, budgets and Loblaw's five year forecast.

Loyalty Programs

Key Sources of Estimation Loblaw defers revenue equal to the fair value of the award points earned by loyalty program members at the time of award. Loblaw determines fair value using estimates such as breakage (the amount of points that will never be redeemed) and the estimated retail value per point on redemption. The trends in breakage are reviewed on an ongoing basis and the estimated retail value per point is adjusted based on expected future activity.

Income and other taxes

Judgments made in relation to accounting policies applied The calculation of current and deferred income taxes requires management to make certain judgments regarding the tax rules in jurisdictions where the Company performs activities. Application of judgments is required regarding the classification of transactions and in assessing probable outcomes of claimed deductions including expectations about future operating results, the timing and reversal of temporary differences and possible audits of income tax and other tax filings by the tax authorities.

19. ACCOUNTING STANDARDS IMPLEMENTED IN 2014 AND CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

The Company implemented the amendments to International Accounting Standards ("IAS") 32, "Financial Instruments: Presentation" and International Financial Reporting Interpretations Committee 21, "Levies" retrospectively in 2014. There was no significant impacts on the Company's consolidated financial statements as a result of the implementation of these standards.

Vendor Allowances The timing of recognition of vendor allowances requires judgment to determine the point at which Loblaw has earned the allowance. In conjunction with the acquisition of Shoppers Drug Mart, management reviewed the timing of recognition of certain vendor allowances and has determined that it would be appropriate to align the policies of both Loblaw and Shoppers Drug Mart. The Company implemented the change retrospectively in 2014 with the following effect to the periods ended as indicated:

Consolidated Statement of Earnings

Increase (decrease) ($ millions except where otherwise indicated)	12 Weeks Ended Dec. 31, 2013	52 Weeks Ended Dec. 31, 2013
Operating income	$ (18)	$ (5)
Income taxes	$ (5)	$ (2)
Net earnings from continuing operations	$ (13)	$ (3)
Net earnings from continuing operations per common share ($)		
Basic	$ (0.06)	$ (0.01)
Diluted	$ (0.07)	$ (0.02)

Consolidated Statement of Comprehensive Income

Increase (decrease) ($ millions)	12 Weeks Ended Dec. 31, 2013	52 Weeks Ended Dec. 31, 2013
Net earnings	$ (13)	$ (3)
Comprehensive income	$ (13)	$ (3)

Consolidated Balance Sheets

Increase (decrease)	As at	
($ millions)	Dec. 31, 2013	Jan. 1, 2013
Accounts receivable	$ (39)	$ (32)
Inventories	$ 13	$ 11
Deferred income tax asset	$ 8	$ 6
Equity	$ (18)	$ (15)

20. FUTURE ACCOUNTING STANDARDS

In 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). The new standard provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In 2014, the IASB issued IFRS 9, "Financial Instruments", replacing IAS 39, "Financial Instruments: Recognition and Measurement." The standard had three main phases: classification and measurement, impairment, and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with the exception of the general hedging phase which is applied prospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In 2014, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1 amendments"). The IAS 1 amendments provide guidance on the application of judgment in the preparation of financial statements and disclosures. The IAS 1 amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. The Company is currently assessing the impact of the IAS 1 amendments on its consolidated financial statements.

21. OUTLOOK[3]

This outlook reflects the underlying operating performance of the Company's reportable operating segments as discussed below.

Weston Foods expects a decline in adjusted operating income[1] in 2015 that is greater than that experienced in 2014 on an equivalent 52-week basis. Management remains committed to continuing to drive long term financial performance in Weston Foods and expects to make capital investments of approximately $300 million in targeted areas of growth as well as incremental investments in innovation and capabilities. The costs associated with this level of capital and other investments as well as higher input costs will be partially offset by pricing, volume growth and productivity. The decline in adjusted operating income[1] is expected to be greater in the first half of the year.

Loblaw's strategic framework is focused on delivering the best in food, best in health and beauty, operational excellence and growth. This strategic framework is supported by a financial strategy of maintaining a stable trading environment which targets positive same-store sales and stable gross margin; surfacing efficiencies; delivering synergies as a result of its acquisition of Shoppers Drug Mart; and deleveraging the balance sheet.

On a full year comparative basis, reflecting 2014 financial results for Loblaw and Shoppers Drug Mart, in 2015 Loblaw expects to:

- maintain positive same-store sales and stable gross margin (excluding synergies) in its Retail segment;
- achieve net synergies as result of the acquisition of Shoppers Drug Mart approaching $200 million;
- continue to drive net efficiencies across the core grocery business by achieving reductions in supply chain, administrative functions and IT, while still investing in key areas, like eCommerce;
- grow adjusted operating income[1] in its core grocery business, excluding synergies;

- experience a decline in adjusted operating income[1] in its core pharmacy business, excluding synergies, as a result of investments in key projects and other factors;
- grow consolidated adjusted net earnings[1] (including synergies) relative to 2014, with adjusted basic net earnings per common share[1] being moderated due to a significantly increased weighted average share count;
- target a capital expenditure program of approximately $1.2 billion; and
- remain on track with its deleveraging targets, expecting to meet its target in the first quarter of 2016.

Loblaw's expectations for 2015 also include the following:
- competitive intensity expected to remain high, but relatively stable as industry square footage growth in supermarket-type merchandise moderates; and
- continued pressure in its pharmacy business from the ongoing impact of healthcare reform.

22. NON-GAAP FINANCIAL MEASURES

The Company uses the following non-GAAP financial measures: EBITDA, adjusted EBITDA and adjusted EBITDA margin, adjusted operating income and adjusted operating margin, adjusted basic net earnings per common share from continuing operations, adjusted debt, adjusted debt to adjusted EBITDA and free cash flow. In addition to these items, the Company has now detailed the following measures used by management in calculating adjusted basic net earnings per common share from continuing operations: adjusted net interest expense and other financing charges, adjusted income taxes, adjusted income tax rate and adjusted net earnings available to common shareholders of the Company. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

Management uses these and other non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing consolidated and segment underlying operating performance. The excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

During 2014, management made the following changes to the calculation of certain non-GAAP financial measures when analyzing consolidated and segment underlying operating performance:
- equity-settled share-based compensation is no longer excluded as an adjusted item. As a result, prior year non-GAAP financial measures including these items were restated to conform with the current year's presentation;
- net interest expense incurred in connection with the financing related to the acquisition of Shoppers Drug Mart is no longer excluded as an adjusted item. These amounts were excluded in periods prior to the closing of the acquisition of Shoppers Drug Mart; and
- Choice Properties' general and administrative costs are no longer excluded in periods where these costs were incurred in the comparative period. These costs continue to be excluded in periods where they were not incurred in the comparative period in order to make comparisons of underlying financial information more useful.

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and they should not be construed as an alternative to other financial measures determined in accordance with GAAP.

EBITDA, Adjusted EBITDA and Adjusted Operating Income The Company believes adjusted EBITDA is useful in assessing the underlying operating performance of the Company's ongoing operations and in assessing the Company's ability to generate cash flows to fund its cash requirements, including its capital investments program and debt reduction objectives. The Company believes adjusted operating income is also useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

The following table reconciles EBITDA, adjusted EBITDA and adjusted operating income to operating income, which is reconciled to GAAP net earnings from continuing operations attributable to shareholders of the Company reported for the periods ended as indicated.

	Quarters Ended							
				Dec. 31, 2014 (13 weeks)				Dec. 31, 2013[i] (12 weeks)
(unaudited) ($ millions)	**Weston Foods**	**Loblaw**	**Other[ii]**	**Consolidated**	Weston Foods	Loblaw	Other[ii]	Consolidated
Net earnings attributable to shareholders of the Company				**$ 161**				$ 177
Add impact of the following:								
Non-controlling interests				**135**				42
Income taxes				**95**				51
Net interest expense and other financing charges				**231**				106
Operating income	**$ 74**	**$ 505**	**$ 43**	**$ 622**	$ 40	$ 294	$ 42	$ 376
Depreciation and amortization	**17**	**393**		**410**	16	196		212
EBITDA	**$ 91**	**$ 898**	**$ 43**	**$ 1,032**	$ 56	$ 490	$ 42	$ 588
Operating income	**$ 74**	**$ 505**	**$ 43**	**$ 622**	$ 40	$ 294	$ 42	$ 376
Add (deduct) impact of the following:								
Recognition of fair value increment on inventory sold		**69**		**69**				
Amortization of intangible assets acquired with Shoppers Drug Mart		**124**		**124**				
Shoppers Drug Mart acquisition costs and net divestitures loss		**14**		**14**		7		7
Restructuring and other charges	**2**			**2**	3	32		35
Restructuring of franchise fees		**(40)**		**(40)**				
Fixed asset and other related impairments (recoveries)		**1**		**1**		(42)		(42)
Fair value adjustment of Shoppers Drug Mart's share-based compensation liability		**2**		**2**				
Fair value adjustment of derivatives	**(7)**	**4**		**(3)**	4			4
MEPP withdrawal liability					5			5
Net insurance proceeds	**(12)**			**(12)**				
Foreign currency translation gain			**(43)**	**(43)**			(42)	(42)
Adjusted operating income	**$ 57**	**$ 679**		**$ 736**	$ 52	$ 291		$ 343
Depreciation and amortization excluding the impact of the above adjustments[iii]	**17**	**269**		**286**	15	196		211
Adjusted EBITDA	**$ 74**	**$ 948**		**$ 1,022**	$ 67	$ 487		$ 554

(i) Certain 2013 figures have been amended. See Section 19, "Accounting Standards Implemented in 2014 and Changes to Significant Accounting Policies" of this MD&A.

(ii) Represents the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and short term investments held by foreign operations.

(iii) Depreciation and amortization for the calculation of adjusted EBITDA excludes $124 million (2013 – nil) of amortization of intangible assets acquired with Shoppers Drug Mart at Loblaw, and in the fourth quarter of 2013, $1 million of accelerated depreciation recorded as restructuring and other charges at Weston Foods.

	Years Ended							
				Dec. 31, 2014 (53 weeks)				Dec. 31, 2013[i] (52 weeks)
(unaudited) ($ millions)	**Weston Foods**	**Loblaw**	**Other[ii]**	**Consolidated**	Weston Foods	Loblaw	Other[ii]	Consolidated
Net earnings from continuing operations attributable to shareholders of the Company				**$ 126**				$ 614
Add impact of the following:								
Non-controlling interests				**8**				232
Income taxes				**24**				273
Net interest expense and other financing charges				**815**				497
Operating income	**$ 231**	**$ 654**	**$ 88**	**$ 973**	$ 238	$ 1,303	$ 75	$ 1,616
Depreciation and amortization	**70**	**1,472**		**1,542**	67	824		891
EBITDA	**$ 301**	**$ 2,126**	**$ 88**	**$ 2,515**	$ 305	$ 2,127	$ 75	$ 2,507
Operating income	**$ 231**	**$ 654**	**$ 88**	**$ 973**	$ 238	$ 1,303	$ 75	$ 1,616
Add (deduct) impact of the following:								
Recognition of fair value increment on inventory sold		**798**		**798**				
Amortization of intangible assets acquired with Shoppers Drug Mart		**417**		**417**				
Charge related to inventory measurement and other conversion differences		**190**		**190**				
Shoppers Drug Mart acquisition costs and net divestitures loss		**72**		**72**		16		16
Restructuring and other charges	**7**	**46**		**53**	6	35		41
Restructuring of franchise fees		**(40)**		**(40)**				
Fixed asset and other related impairments (recoveries)		**16**		**16**		(32)		(32)
Choice Properties general and administrative costs		**9**		**9**				
Fair value adjustment of Shoppers Drug Mart's share-based compensation liability		**7**		**7**				
Choice Properties start-up costs						3		3
Defined benefit plan amendments						(51)		(51)
Fair value adjustment of derivatives	**(4)**	**4**			10			10
MEPP settlement payment	**8**			**8**				
MEPP withdrawal liability					5			5
Net insurance proceeds	**(1)**			**(1)**				
Foreign currency translation gain			**(88)**	**(88)**			(75)	(75)
Adjusted operating income	**$ 241**	**$ 2,173**		**$ 2,414**	$ 259	$ 1,274		$ 1,533
Depreciation and amortization excluding the impact of the above adjustments[iii]	**70**	**1,055**		**1,125**	63	824		887
Adjusted EBITDA	**$ 311**	**$ 3,228**		**$ 3,539**	$ 322	$ 2,098		$ 2,420

(i) Certain 2013 figures have been amended. See Section 19, "Accounting Standards Implemented in 2014 and Changes to Significant Accounting Policies" of this MD&A.

(ii) Represents the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and short term investments held by foreign operations.

(iii) Year-to-date depreciation and amortization for the calculation of adjusted EBITDA at Loblaw excludes $417 million (2013 – nil) of amortization of intangible assets acquired with Shoppers Drug Mart, and in 2013, $4 million of accelerated depreciation recorded as restructuring and other charges at Weston Foods.

The following items impacted operating income in the fourth quarters of 2014 and 2013, and on a year-to-date basis:

Recognition of the fair value increment on inventory sold In connection with the acquisition of Shoppers Drug Mart, acquired assets and liabilities were recorded on the Company's consolidated balance sheet at their fair value. This resulted in a fair value adjustment to Shoppers Drug Mart inventory on the date of acquisition representing the difference between inventory cost and its fair value. In the fourth quarter of 2014 and year-to-date, $69 million (2013 – nil) and $798 million (2013 – nil), respectively, was recognized in gross profit and operating income, representing the full amount of the fair value adjustment.

Amortization of intangible assets acquired with Shoppers Drug Mart The acquisition of Shoppers Drug Mart in the second quarter of 2014 included approximately $6 billion of definite life intangible assets, which are being amortized over their estimated useful lives. In the fourth quarter of 2014 and year-to-date, $124 million and $417 million, respectively, of amortization was recognized in operating income. Loblaw expects to recognize annual amortization of approximately $550 million associated with the acquired intangible assets over the next ten years and decreasing thereafter.

Charge related to inventory measurement and other conversion differences for Loblaw's corporate grocery stores As of the end of 2014, Loblaw had completed the conversion of substantially all of its corporate grocery locations and associated distribution centres to the new IT systems. The implementation of a perpetual inventory system, combined with visibility to integrated costing information provided by the new IT systems, enabled Loblaw to estimate the cost of inventory using a more precise system-generated average cost. This impact was estimated to be a decrease of $190 million (2013 – nil) in the value of the inventory, which was recognized in gross profit and operating income in 2014. Loblaw is undertaking the conversion of its remaining grocery locations during 2015 and additional impacts may result.

Shoppers Drug Mart acquisition costs and net divestitures loss In the fourth quarter of 2014 and year-to-date, Loblaw recognized a net loss of $14 million and $12 million, respectively, related to store divestitures required by the Competition Bureau as a result of Loblaw's acquisition of Shoppers Drug Mart. Further adjustments for divestiture gains or losses will be made when the remaining three Shoppers Drug Mart stores are sold in the first quarter of 2015. In connection with the acquisition of Shoppers Drug Mart, in the fourth quarter of 2014 and year-to-date, Loblaw recorded nil (2013 – $7 million) and $60 million (2013 – $16 million), respectively, of acquisition costs.

Restructuring and other charges The Company continuously evaluates strategic and cost reduction initiatives related to its store infrastructure, manufacturing assets, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. Restructuring activities related to these initiatives are ongoing.

Restructuring of franchise fees In the fourth quarter of 2014 and year-to-date, Loblaw restructured its fee arrangements with franchisees of certain franchise banners. As a result of this restructuring, Loblaw re-evaluated the recoverable amount of franchise related financial instruments and recorded a reversal of previously recorded impairment of $40 million (2013 – nil).

Fixed asset and other related impairments (recoveries) At each balance sheet date, the Company assesses and, when required, records impairments and reversals of previous impairments related to the carrying value of its fixed assets, investment properties and intangible assets. In the fourth quarter of 2014 and year-to-date, Loblaw recorded a net charge of $1 million (2013 – net recoveries of $42 million) and $16 million (2013 – net recoveries of $32 million), respectively, related to fixed assets and other related impairments.

Choice Properties general and administrative costs In 2014, Loblaw recorded incremental general and administrative costs relating to Choice Properties of $9 million.

Fair value adjustment of Shoppers Drug Mart's share-based compensation liability In the second quarter of 2014, in conjunction with Loblaw's acquisition of Shoppers Drug Mart, Loblaw converted certain Shoppers Drug Mart cash-settled share-based compensation awards to cash-settled awards based on Loblaw's common shares. Loblaw is exposed to market price fluctuations in its common share price as these awards are settled in cash and the associated liability is recorded at fair value each reporting date based on the market price of Loblaw's common shares. In the fourth quarter of 2014 and year-to-date, Loblaw recorded a loss of $2 million (2013 – nil) and $7 million (2013 – nil), respectively. On November 10, 2014, Loblaw amended these awards so they are settled in shares and accordingly exposure to market price fluctuations has been eliminated.

Choice Properties start-up costs In connection with the IPO of Choice Properties in the third quarter of 2013, Loblaw incurred certain costs to facilitate the start-up of the new Trust. During 2013, Loblaw recorded $3 million of Choice Properties start-up costs.

Fair value adjustment of derivatives The Company is exposed to commodity price and U.S. dollar exchange rate fluctuations primarily as a result of purchases of certain raw materials, fuel and utilities. In accordance with the Company's commodity risk management policy, the Company enters into commodity and foreign currency derivatives to reduce the impact of price fluctuations in forecasted raw material and fuel purchases over a specified period of time. These derivatives are not acquired for trading or speculative purposes. Pursuant to the Company's derivative instruments accounting policy, certain changes in fair value, which include realized and unrealized gains and losses related to future purchases of raw materials and fuel, are recorded in operating income. In the fourth quarter of 2014 and year-to-date, Weston Foods recorded income of $7 million (2013 – charge of $4 million) and $4 million (2013 – charge of $10 million), respectively, and Loblaw recorded a charge of $4 million (2013 – nil), related to the fair value adjustment of commodity and foreign currency derivatives. Despite the impact of accounting for these commodity and foreign currency derivatives on the Company's reported results, the derivatives have the economic impact of largely mitigating the associated risks arising from price and exchange rate fluctuations in the underlying commodities.

Multi-employer pension plan settlement payment Weston Foods participates in a U.S. MEPP, providing pension benefits to union employees pursuant to the provisions of one of its collective bargaining agreements. During 2014, Weston Foods made a settlement payment of $8 million (U.S. $7 million), which was recorded in selling, general and administrative expenses in the Company's consolidated statement of earnings. Weston Foods will participate in the MEPP as a new employer as defined by the plan pursuant to its collective bargaining agreement.

Multi-employer pension plan withdrawal liability In 2012, Weston Foods withdrew from one of the U.S. MEPPs in which it participated. The Company recorded $5 million (U.S. $5 million) in the fourth quarter of 2013 in selling, general and administrative expenses associated with its withdrawal liability.

Net insurance proceeds On August 31, 2014, a weather event in the U.S. caused significant damage to Weston Foods inventories stored at a third-party warehouse. During the fourth quarter of 2014 and year-to-date, net proceeds of $12 million (U.S. $11 million) and $1 million (U.S. $1 million), respectively, were received and recorded in selling, general and administrative expenses. Additional losses or charges associated with this inventory will be recorded as incurred and any additional proceeds will be recorded as they are received.

Defined benefit plan amendments In the first quarter of 2013, the Company announced amendments to certain of its defined benefit plans impacting certain employees retiring after January 1, 2015. As a result, the Company recorded a gain of $51 million related to these defined benefit plan amendments.

Foreign currency translation gains and losses The Company's consolidated financial statements are expressed in Canadian dollars. A portion of the Company's (excluding Loblaw's) net assets are denominated in U.S. dollars and as a result, the Company is exposed to foreign currency translation gains and losses. The impact of foreign currency translation on a portion of the U.S. dollar denominated net assets, primarily cash and short term investments held by foreign operations, is recorded in operating income. In the fourth quarter of 2014, a foreign currency translation gain of $43 million (2013 – $42 million) was recorded in operating income as a result of the appreciation of the U.S. dollar relative to the Canadian dollar. Year-to-date, a foreign currency translation gain of $88 million (2013 – $75 million) was recorded in operating income as a result of the appreciation of the U.S. dollar relative to the Canadian dollar.

Adjusted Net Interest Expense and Other Financing Charges The Company believes adjusted net interest expense and other financing charges is useful in assessing the ongoing net financing costs of the Company.

The following table reconciles adjusted net interest expense and other financing charges to GAAP net interest expense and other financing charges reported for the periods ended as indicated.

	Quarters Ended		Years Ended	
(unaudited) ($ millions)	**Dec. 31, 2014 (13 weeks)**	Dec. 31, 2013 (12 weeks)	**Dec. 31, 2014 (53 weeks)**	Dec. 31, 2013 (52 weeks)
Net interest expense and other financing charges	**$ 231**	$ 106	**$ 815**	$ 497
Less: Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	**59**	(34)	**199**	(1)
Accelerated amortization of deferred financing costs	**5**		**23**	
Shoppers Drug Mart net financing charges		14	**15**	15
Fair value adjustment of Trust Unit liability	**14**	23	**12**	18
Choice Properties IPO transaction costs		1		44
Early debt settlement costs				18
Adjusted net interest expense and other financing charges	**$ 153**	$ 102	**$ 566**	$ 403

In addition to certain items described in the "EBITDA, Adjusted EBITDA and Adjusted Operating Income" section above, the following items impacted net interest expense and other financing charges in the fourth quarters of 2014 and 2013, and on a year-to-date basis:

Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares The fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares is non-cash and is included in net interest expense and other financing charges. The adjustment is determined by changes in the value of the underlying Loblaw common shares. In the fourth quarter of 2014 and year-to-date, charges of $59 million (2013 – income of $34 million) and $199 million (2013 – income of $1 million), respectively, were recorded in net interest expense and other financing charges as a result of the changes in the market price of Loblaw common shares. An increase (decrease) in the market price of Loblaw common shares results in a charge (income) to net interest expense and other financing charges.

Accelerated amortization of deferred financing costs In the fourth quarter of 2014 and year-to-date, Loblaw recorded a charge of $5 million and $23 million, respectively, related to the accelerated amortization of deferred financing costs due to the repayment of $321 million and $2.3 billion year-to-date of Loblaw's term loan facility.

Shoppers Drug Mart net financing charges In addition to the acquisition costs as described in the EBITDA, Adjusted EBITDA and Adjusted Operating Income section above, during the fourth quarter of 2014 and year-to-date, net charges of nil (2013 – $14 million) and $15 million (2013 – $15 million), respectively, were incurred in connection with financing related to the acquisition of Shoppers Drug Mart.

Fair value adjustment of Trust Unit liability The Company is exposed to market price fluctuations as a result of the Choice Properties Trust Units held by unitholders other than the Company. These Trust Units are presented as a liability on the Company’s consolidated balance sheets as they are redeemable for cash at the option of the holder, subject to certain restrictions. This liability is recorded at fair value at each reporting period based on the market price of Trust Units at the end of each period. In the fourth quarter of 2014 and year-to-date, the Company recorded a loss of $14 million (2013 – $23 million) and $12 million (2013 – $18 million), respectively, in net interest expense and other financing charges related to the fair value adjustment of the Trust Unit liability as a result of an increase in the market price of Trust Units. An increase (decrease) in the market price of Trust Units results in a charge (income) to net interest expense and other financing charges.

Choice Properties IPO transaction costs In addition to the start-up costs noted above, during the fourth quarter of 2013 and year-to-date, transaction costs of $1 million and $44 million, respectively, were incurred related directly to the IPO.

Early debt settlement costs During 2013, Loblaw settled its remaining U.S. $150 million USPP note and related cross currency swap in advance of their May 29, 2015 maturity date. Loblaw incurred early-settlement costs related to the prepayment of $18 million which were recorded in net interest expense and other financing charges.

Adjusted Income Taxes and Adjusted Income Tax Rate The Company believes the adjusted income tax rate applicable to adjusted earnings before taxes is useful in assessing the underlying operating performance of its business.

The following table reconciles the effective income tax rate applicable to adjusted earnings before taxes to the GAAP effective income tax rate applicable to earnings before taxes as reported for the periods ended as indicated.

	Quarters Ended		Years Ended	
(unaudited)	**Dec. 31, 2014**	Dec. 31, 2013[i]	**Dec. 31, 2014**	Dec. 31, 2013[i]
($ million except where otherwise indicated)	**(13 weeks)**	(12 weeks)	**(53 weeks)**	(52 weeks)
Adjusted operating income[ii]	**$ 736**	$ 343	**$ 2,414**	$ 1,533
Adjusted net interest expense and other financing charges[ii]	**153**	102	**566**	403
Adjusted earnings before taxes	**$ 583**	$ 241	**$ 1,848**	$ 1,130
Income taxes	**$ 95**	$ 51	**$ 24**	$ 273
Less: Tax impact of items excluded from adjusted earnings before taxes[iii]	**(60)**	6	**(457)**	(12)
Adjusted income taxes	**$ 155**	$ 45	**$ 481**	$ 285
Effective income tax rate applicable to earnings before taxes	**24.3%**	18.9%	**15.2%**	24.4%
Adjusted income tax rate applicable to adjusted earnings before taxes	**26.6%**	18.7%	**26.0%**	25.2%

(i) Certain 2013 figures have been amended. See Section 19, “Accounting Standards Implemented in 2014 and Changes to Significant Accounting Policies” of this MD&A.

(ii) See reconciliations of adjusted operating income and adjusted net interest expense and other financing charges above.

(iii) See the EBITDA, adjusted EBITDA and adjusted operating income table and the adjusted net interest expense and other financing charges table above for a complete list of items excluded from adjusted earnings before taxes.

Adjusted Basic Net Earnings per Common Share from Continuing Operations and Adjusted Net Earnings from Continuing Operations The Company believes adjusted basic net earnings per common share from continuing operations and adjusted net earnings from continuing operations are useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

The following table reconciles adjusted basic net earnings per common share from continuing operations and adjusted net earnings from continuing operations to GAAP basic net earnings per common share from continuing operations reported for the periods ended as indicated.

	Quarters Ended		Years Ended	
(unaudited) ($)	**Dec. 31, 2014** **(13 weeks)**	Dec. 31, 2013[(i)] (12 weeks)	**Dec. 31, 2014** **(53 weeks)**	Dec. 31, 2013[(i)] (52 weeks)
Basic net earnings per common share from continuing operations	**$ 1.18**	$ 1.31	**$ 0.64**	$ 4.47
Add (deduct) impact of the following[(ii)]:				
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	**0.35**	(0.21)	**1.17**	(0.01)
Recognition of fair value increment on inventory sold	**0.17**		**2.08**	
Amortization of intangible assets acquired with Shoppers Drug Mart	**0.33**		**1.09**	
Charge related to inventory measurement and other conversion differences			**0.49**	
Shoppers Drug Mart acquisition costs and net financing charges	**0.04**	0.08	**0.29**	0.13
Restructuring and other charges	**0.01**	0.14	**0.17**	0.17
Restructuring of franchise fees	**(0.11)**		**(0.11)**	
Fixed asset and other related impairments (recoveries)		(0.14)	**0.05**	(0.11)
Choice Properties general and administrative costs			**0.03**	
Fair value adjustment of Shoppers Drug Mart's share-based compensation liability			**0.02**	
Choice Properties start-up and IPO transaction costs				0.17
Defined benefit plan amendments				(0.18)
Fair value adjustment of derivatives	**(0.03)**	0.03	**(0.01)**	0.06
MEPP settlement payment			**0.04**	
MEPP withdrawal liability		0.02		0.02
Net insurance proceeds	**(0.06)**		**(0.01)**	
Fair value adjustment of Trust Unit liability	**0.03**	0.08	**0.04**	0.06
Accelerated amortization of deferred financing costs	**0.01**		**0.06**	
Early debt settlement costs				0.06
Foreign currency translation gain	**(0.34)**	(0.33)	**(0.69)**	(0.59)
Adjusted basic net earnings per common share from continuing operations	**$ 1.58**	$ 0.98	**$ 5.35**	$ 4.25
Weighted average common shares outstanding (millions)	**127.7**	127.7	**127.8**	127.6
Adjusted net earnings from continuing operations attributable to shareholders of the Company (millions of Canadian dollars)	**$ 212**	$ 135	**$ 728**	$ 586
Prescribed dividends on preferred shares in share capital (millions of Canadian dollars)	**10**	10	**44**	44
Adjusted net earnings from continuing operations available to common shareholders of the Company (millions of Canadian dollars)	**$ 202**	$ 125	**$ 684**	$ 542

(i) Certain 2013 figures have been amended. See Section 19, "Accounting Standards Implemented in 2014 and Changes to Significant Accounting Policies" of this MD&A.

(ii) Net of income taxes and non-controlling interests, as applicable.

Adjusted Debt The Company believes adjusted debt is useful in assessing the amount of financial leverage employed. The Company changed its definition of adjusted debt in the second quarter of 2014 to include capital securities to better align with management's definition for deleveraging purposes. In the table below, the Company has presented adjusted debt as at March 28, 2014, the date of acquisition of Shoppers Drug Mart, as this is the baseline for the Company's debt reduction targets.

The following table reconciles adjusted debt, used in the adjusted debt to adjusted EBITDA ratio, to GAAP measures reported as at the periods ended as indicated.

(unaudited)		As at	
($ millions)	**Dec. 31, 2014**	Mar. 28, 2014	Dec. 31, 2013
Bank indebtedness	**$ 162**	$ 295	
Short term debt	**1,101**	1,070	$ 1,060
Long term debt due within one year	**420**	902	1,208
Long term debt	**12,306**	12,327	7,736
Trust Unit liability	**494**	487	478
Capital securities	**225**	224	224
Certain other liabilities	**28**	39	39
Fair value of financial derivatives related to the above debt	**(367)**	(484)	(524)
Total debt	**$ 14,369**	$ 14,860	$ 10,221
Less: Independent securitization trusts in short term debt	**605**	605	605
Independent securitization trusts in long term debt	**750**	750	750
Trust Unit liability	**494**	487	478
Independent funding trusts	**498**	469	475
Guaranteed Investment Certificates	**634**	443	430
Adjusted debt	**$ 11,388**	$ 12,106	$ 7,483

Free Cash Flow The Company believes free cash flow is useful in assessing the Company's cash available for additional financing and investing activities. The Company changed its definition of free cash flow in the fourth quarter of 2014 to better align with management's definition.

The following table reconciles free cash flow to GAAP measures reported for the periods ended as indicated.

	Quarters Ended		Years Ended	
(unaudited)	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013
($ millions)	**(13 weeks)**	(12 weeks)	**(53 weeks)**	(52 weeks)
Cash flows from operating activities of continuing operations	**$ 1,090**	$ 813	**$ 2,851**	$ 1,738
Less: Interest paid	**139**	117	**604**	466
Fixed asset purchases	**405**	341	**1,124**	976
Intangible asset additions	**42**		**90**	12
Free cash flow	**$ 504**	$ 355	**$ 1,033**	$ 284

23. ADDITIONAL INFORMATION

Additional information about the Company, including its 2014 AIF and other disclosure documents, has been filed electronically with the Canadian securities regulatory authorities in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com.

This Annual Report includes selected information on Loblaw Companies Limited, a 46%-owned public reporting company with shares trading on the TSX. For information regarding Loblaw, readers should also refer to the materials filed by Loblaw with SEDAR from time to time. These filings are also available on Loblaw's corporate website at www.loblaw.ca.

Toronto, Canada

March 4, 2015

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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 the 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 International Financial Reporting Standards as issued by the International Accounting Standards Board. It also includes ensuring that the financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management is also responsible for providing reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced. Management is required to design a system of internal controls and is required to certify as to the design and operating effectiveness of internal controls over financial reporting. Internal auditors, who are employees of the Company, review and evaluate internal controls on management's behalf. 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 independent, 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 senior and 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 the Annual Report based on the review and recommendation of the Audit Committee.

[*signed*]
W. Galen Weston
Executive Chairman

[*signed*]
Paviter S. Binning
President

[*signed*]
Richard Dufresne
Executive Vice President,
Chief Financial Officer

March 4, 2015
Toronto, Canada

Independent Auditors' Report

To the Shareholders of George Weston Limited:

We have audited the accompanying consolidated financial statements of George Weston Limited, which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013, the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of George Weston Limited as at December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

March 4, 2015
Toronto, Canada

Consolidated Statements of Earnings

For the years ended December 31 (millions of Canadian dollars except where otherwise indicated)	2014 (53 weeks)	2013[1] (52 weeks)
Revenue	**$ 43,918**	$ 33,582
Operating Expenses		
Cost of inventories sold (note 13)	**32,727**	25,291
Selling, general and administrative expenses	**10,218**	6,675
	42,945	31,966
Operating Income	**973**	1,616
Net Interest Expense and Other Financing Charges (note 6)	**815**	497
Earnings Before Income Taxes	**158**	1,119
Income Taxes (note 7)	**24**	273
Net Earnings from Continuing Operations	**134**	846
Attributable to:		
Shareholders of the Company	**126**	614
Non-Controlling Interests	**8**	232
Net Earnings from Continuing Operations	**134**	846
Discontinued Operations (note 8)		58
Net Earnings	**$ 134**	$ 904
Net Earnings per Common Share ($) - Basic		
Continuing Operations (note 9)	**$ 0.64**	$ 4.47
Discontinued Operations		$ 0.46
Net Earnings	**$ 0.64**	$ 4.93
Net Earnings per Common Share ($) - Diluted		
Continuing Operations (note 9)	**$ 0.64**	$ 4.43
Discontinued Operations		$ 0.46
Net Earnings	**$ 0.64**	$ 4.89

(1) Certain 2013 figures have been amended (see note 2).

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 (millions of Canadian dollars)	2014 (53 weeks)	2013[1] (52 weeks)
Net earnings	**$ 134**	$ 904
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustment (note 33)	**75**	44
Reclassification of gain on derecognized derivative instruments (note 33)		(5)
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial (losses) gains (note 29)	**(59)**	254
Other comprehensive income	**16**	293
Comprehensive Income	**150**	1,197
Attributable to:		
Shareholders of the Company	**151**	880
Non-Controlling Interests	**(1)**	317
Comprehensive Income	**$ 150**	$ 1,197

(1) Certain 2013 figures have been amended (see note 2).

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

As at December 31 (millions of Canadian dollars)	2014	2013[1]
ASSETS		
Current Assets		
Cash and cash equivalents (note 10)	**$ 1,333**	$ 2,869
Short term investments (note 10)	**1,072**	1,490
Accounts receivable (note 11)	**1,318**	697
Credit card receivables (note 12)	**2,630**	2,538
Inventories (note 13)	**4,463**	2,244
Income taxes recoverable	**30**	
Prepaid expenses and other assets	**223**	84
Assets held for sale (note 14)	**23**	22
Total Current Assets	**11,092**	9,944
Fixed Assets (note 15)	**11,436**	9,655
Investment Properties (note 16)	**185**	99
Intangible Assets (note 17)	**9,288**	215
Goodwill (note 18)	**3,681**	1,365
Deferred Income Taxes (note 7)	**215**	307
Security Deposits (note 10)	**92**	1,791
Franchise Loans Receivable (note 33)	**399**	375
Other Assets (note 20)	**683**	853
Total Assets	**$ 37,071**	$ 24,604
LIABILITIES		
Current Liabilities		
Bank indebtedness (note 36)	**$ 162**	
Trade payables and other liabilities	**4,832**	$ 3,989
Provisions (note 21)	**130**	120
Income taxes payable		2
Short term debt (note 22)	**1,101**	1,060
Long term debt due within one year (note 23)	**420**	1,208
Associate interest	**193**	
Capital securities (note 25)	**225**	
Total Current Liabilities	**7,063**	6,379
Provisions (note 21)	**103**	81
Long Term Debt (note 23)	**12,306**	7,736
Trust Unit Liability (note 33)	**494**	478
Deferred Income Taxes (note 7)	**2,007**	187
Other Liabilities (note 24)	**849**	618
Capital Securities (note 25)		224
Total Liabilities	**22,822**	15,703
EQUITY		
Share Capital (note 26)	**997**	972
Contributed Surplus (notes 27 & 30)	**80**	65
Retained Earnings	**6,125**	5,260
Accumulated Other Comprehensive Income	**87**	16
Total Equity Attributable to Shareholders of the Company	**7,289**	6,313
Non-Controlling Interests	**6,960**	2,588
Total Equity	**14,249**	8,901
Total Liabilities and Equity	**$ 37,071**	$ 24,604

(1) Certain 2013 figures have been amended (see note 2).

Leases (note 32). Contingent liabilities (note 35). Financial guarantees (note 36).
See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board

[signed]
W. Galen Weston
Director & Executive Chairman

[signed]
Barbara G. Stymiest
Director

Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated)	Common Shares	Preferred Shares	Total Share Capital	Contributed Surplus	Retained Earnings[1]	Foreign Currency Translation Adjustment	Total Accumulated Other Comprehensive Income	Non-Controlling Interests[1]	Total Equity[1]
Balance as at Dec. 31, 2013	$ 155	$ 817	**$ 972**	**$ 65**	**$ 5,260**	$ 16	**$ 16**	**$ 2,588**	**$ 8,901**
Net earnings					**126**			**8**	**134**
Other comprehensive (loss) income[2][3]					**(46)**	71	**71**	**(9)**	**16**
Comprehensive income (loss)					**80**	71	**71**	**(1)**	**150**
Effect of share-based compensation (notes 26 & 30)	25		**25**	**21**				**9**	**55**
Shares purchased for cancellation (note 26)					**(29)**				**(29)**
Net effect of shares held in trust (notes 26 & 30)					**(7)**				**(7)**
Loblaw capital transactions (notes 27 & 30)				**(6)**	**1,078**			**4,554**	**5,626**
Dividends declared									
Per common share ($) – $1.675					**(214)**			**(190)**	**(404)**
Per preferred share ($)									
– Series I – $1.45					**(13)**				**(13)**
– Series III – $1.30					**(10)**				**(10)**
– Series IV – $1.30					**(10)**				**(10)**
– Series V – $1.19					**(10)**				**(10)**
	25		**25**	**15**	**785**			**4,373**	**5,198**
Balance as at Dec. 31, 2014	$ 180	$ 817	**$ 997**	**$ 80**	**$ 6,125**	$ 87	**$ 87**	**$ 6,960**	**$14,249**

(1) Certain 2013 figures have been amended (see note 2).
(2) Other comprehensive income includes actuarial losses of $59 million, $46 million of which is presented above in retained earnings and $13 million in non-controlling interests.
(3) Other comprehensive income includes foreign currency translation adjustment of $75 million, $71 million of which is presented above in accumulated other comprehensive income and $4 million in non-controlling interests.

(millions of Canadian dollars except where otherwise indicated)	Common Shares	Preferred Shares	Total Share Capital	Contributed Surplus	Retained Earnings[1]	Foreign Currency Translation Adjustment	Cash Flow Hedges	Total Accumulated Other Comprehensive (Loss) Income	Non-Controlling Interests[1]	Total Equity[1]
Balance as at Dec. 31, 2012	$ 136	$ 817	**$ 953**	**$ 28**	**$ 4,726**	$ (28)	$ 4	**$ (24)**	**$ 2,374**	**$ 8,057**
Net earnings					**672**				**232**	**904**
Other comprehensive income (loss)[2][3]					**168**	44	(4)	**40**	**85**	**293**
Comprehensive income (loss)					**840**	44	(4)	**40**	**317**	**1,197**
Effect of share-based compensation (notes 26 & 30)	20		**20**	**48**					**12**	**80**
Shares purchased for cancellation (note 26)	(1)		**(1)**		**(41)**					**(42)**
Net effect of shares held in trust (notes 26 & 30)					**(15)**					**(15)**
Loblaw capital transactions (notes 27 & 30)				**(11)**					**(17)**	**(28)**
Dividends declared										
Per common share ($) – $1.625					**(207)**				**(98)**	**(305)**
Per preferred share ($)										
– Series I – $1.45					**(13)**					**(13)**
– Series III – $1.30					**(10)**					**(10)**
– Series IV – $1.30					**(10)**					**(10)**
– Series V – $1.19					**(10)**					**(10)**
	19		**19**	**37**	**(306)**				**(103)**	**(353)**
Balance as at Dec. 31, 2013	$ 155	$ 817	**$ 972**	**$ 65**	**$ 5,260**	$ 16		**$ 16**	**$ 2,588**	**$ 8,901**

(1) Certain 2013 figures have been amended (see note 2).
(2) Other comprehensive income includes actuarial gains of $254 million, $168 million of which is presented above in retained earnings and $86 million in non-controlling interests.
(3) Other comprehensive income includes reclassification of gain on derecognized derivative instruments of $5 million, $4 million of which is presented above in accumulated other comprehensive income and $1 million non-controlling interests.

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31 (millions of Canadian dollars)	2014 (53 weeks)	2013[1] (52 weeks)
Operating Activities		
Net earnings from continuing operations	**$ 134**	$ 846
Income taxes (note 7)	**24**	273
Net interest expense and other financing charges (note 6)	**815**	497
Depreciation and amortization	**1,542**	891
Recognition of fair value increment on inventory sold (note 13)	**798**	
Charge related to inventory measurement and other conversion differences (note 13)	**190**	
Foreign currency translation gain (note 33)	**(88)**	(75)
Gain on defined benefit plan amendments (note 29)		(51)
Settlement of derivatives (note 33)		59
Change in credit card receivables (note 12)	**(92)**	(233)
Change in non-cash working capital	**(319)**	(245)
Income taxes paid	**(317)**	(271)
Interest received	**35**	59
Other	**129**	(12)
Cash Flows from Operating Activities of Continuing Operations	**2,851**	1,738
Investing Activities		
Fixed asset purchases (note 15)	**(1,124)**	(976)
Change in short term investments	**502**	730
Acquisition of Shoppers Drug Mart Corporation, net of cash acquired (note 5)	**(6,619)**	
Change in franchise investments and other receivables	**(25)**	5
Change in security deposits	**1,704**	(1,435)
Intangible asset additions (note 17)	**(90)**	(12)
Investment in a joint venture	**(6)**	
Other	**74**	13
Cash Flows used in Investing Activities of Continuing Operations	**(5,584)**	(1,675)
Financing Activities		
Change in bank indebtedness	**(133)**	
Change in Associate interest	**19**	
Change in short term debt (note 22)	**41**	(259)
Long term debt – Issued, net of financing charges (note 23)	**6,036**	2,749
– Retired (note 23)	**(3,536)**	(871)
Trust Units – Issued, net of financing charges (note 33)	**1**	416
Share capital – Issued (notes 26 & 30)	**21**	17
– Purchased and held in trust (note 26)	**(11)**	(15)
– Retired (note 26)	**(29)**	(42)
Loblaw share capital – Issued (notes 27 & 30)	**129**	75
– Purchased and held in trust (note 27)		(46)
– Retired (note 27)	**(178)**	(73)
Interest paid	**(604)**	(466)
Dividends – To common shareholders	**(267)**	(203)
– To preferred shareholders	**(52)**	(44)
– To minority shareholders	**(273)**	(96)
Contribution from non-controlling interests	**8**	
Cash Flows from Financing Activities of Continuing Operations	**1,172**	1,142
Effect of foreign currency exchange rate changes on cash and cash equivalents	**25**	27
Cash Flows (used in) from Continuing Operations	**(1,536)**	1,232
Cash Flows from Discontinued Operations (note 8)		48
Change in Cash and Cash Equivalents	**(1,536)**	1,280
Cash and Cash Equivalents, Beginning of Year	**2,869**	1,589
Cash and Cash Equivalents, End of Year	**$ 1,333**	$ 2,869

(1) Certain 2013 figures have been amended (see note 2).

See accompanying notes to the consolidated financial statements.

For the years ended December 31, 2014 and December 31, 2013
(millions of Canadian dollars except where otherwise indicated)

Note 1. Nature and Description of the Reporting Entity

George Weston Limited ("GWL" or the "Company") is a Canadian public company incorporated in 1928, with its registered office located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S7. The Company's parent is Wittington Investments, Limited ("Wittington").

The Company has two reportable operating segments, Loblaw Companies Limited ("Loblaw") and Weston Foods, and holds cash, short term investments and a direct investment in Choice Properties Real Estate Investment Trust ("Choice Properties"). The Loblaw operating segment includes retail businesses, a bank and a real estate company. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, and financial products and services. The Weston Foods operating segment includes a leading fresh bakery business in Canada and operates North American frozen and artisan bakery and biscuit manufacturing businesses.

As at year end 2014, GWL and Loblaw held effective interests in Choice Properties of 5.4% (2013 – 5.4%) and 82.9% (2013 – 82.2%), respectively.

During 2014, Loblaw completed the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") (see note 5) and as a result GWL's ownership interest in Loblaw decreased from approximately 63% to approximately 46%. The Company continues to have the ability to direct the activities of Loblaw after the Shoppers Drug Mart acquisition and consequently continues to consolidate Loblaw.

Note 2. Significant Accounting Policies

Statement of Compliance The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors ("Board") on March 4, 2015.

Basis of Preparation The consolidated financial statements were prepared on a historical cost basis except for the following items that were measured at fair value:
- amounts recognized for equity-settled and cash-settled share-based compensation arrangements as described in note 30;
- defined benefit plan assets with the obligations related to these pension plans measured at their discounted present value as described in note 29; and
- certain financial instruments as described in note 33.

The significant accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements for all periods presented.

The consolidated financial statements are presented in Canadian dollars.

Fiscal Year The Company's year end is December 31. Activities are reported on a fiscal year ending on the Saturday closest to December 31.

As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every five to six years. The years ended December 31, 2014 and December 31, 2013 contained 53 weeks and 52 weeks, respectively.

Basis of Consolidation The consolidated financial statements include the accounts of GWL and other entities that the Company controls. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company assesses control on an ongoing basis. The Company's interest in the voting share capital of its subsidiaries is 100% except for Loblaw, which is approximately 46% (December 31, 2013 – 63%). GWL's ownership in Loblaw is impacted by changes in Loblaw's common share equity.

Structured entities are entities controlled by the Company which were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are consolidated if, based on an evaluation of the substance of its relationship with the Company, the Company concludes that it controls the structured entity. Structured entities controlled by the Company were established under terms that impose strict limitations on the decision-making powers of the structured entities' management and that results in the Company receiving the majority of the benefits related to the structured entities' operations and net assets, being exposed to the majority of risks incident to the structured entities' activities, and retaining the majority of the residual or ownership risks related to the structured entities or their assets.

Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

Non-controlling interests are recorded in the consolidated financial statements and represent the non-controlling shareholders' portion of the net assets and net earnings of Loblaw. Transactions with non-controlling interests are treated as transactions with equity owners of the Company. Changes in GWL's ownership interest in its subsidiaries are accounted for as equity transactions.

Choice Properties' Trust Units held by unitholders other than the Company are presented as a liability as the Trust Units are redeemable for cash at the option of the holder, subject to certain restrictions.

Loblaw consolidates the Shoppers Drug Mart licensees ("Associates"). An Associate is a pharmacist-owner of a corporation that is licensed to operate a retail drug store at a specific location using Shoppers Drug Mart's trademarks. The consolidation of the Associates is based on the concept of control, for accounting purposes, which was determined to exist primarily through Shoppers Drug Mart's agreements that govern the relationship between Shoppers Drug Mart and the Associates ("Associate Agreements"). Loblaw does not have any direct or indirect shareholdings in the corporations that operate the Associates. Associate interest reflects the investment the Associates have in the net assets of their businesses. Under the terms of the Associate Agreements, Shoppers Drug Mart agrees to purchase the assets that the Associates use in store operations, primarily at the carrying value to the Associate, when Associate Agreements are terminated by either party.

Business Combinations Business combinations are accounted for using the acquisition method as of the date when control is transferred to the Company. The Company measures goodwill as the excess of the sum of the fair value of the consideration transferred over the net identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. Transaction costs that the Company incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Net Earnings per Common 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 period. Diluted EPS is calculated by adjusting the net earnings available to common shareholders and the weighted average number of common shares outstanding for the effects of all potential dilutive instruments.

Revenue Recognition The Company recognizes revenue when the amount can be reliably measured, when it is probable that future economic benefits will flow to the Company and when specific criteria have been met as described below.

Weston Foods recognizes sales upon delivery of its products to customers and acceptance of its products by customers net of provisions for returns, discounts and allowances.

Loblaw Retail revenue includes sale of goods and services to customers through corporate stores and Associates, and sales to franchised stores, and independent account customers. Revenue is measured at the fair value of the consideration received or receivable, net of estimated returns and sales incentives. Loblaw recognizes revenue at the time the sale is made or service is delivered to its customers and at the time of delivery of inventory to its franchised stores. Revenue also includes service fees from franchised stores, and independent account customers, which are recognized when services are rendered.

Customer Loyalty Awards Loblaw customer loyalty awards are accounted for as a separate component of the sales transaction in which they are granted. A portion of the consideration received in a transaction that includes the issuance of an award is deferred until the awards are ultimately redeemed. The allocation of the consideration to the award is based on an evaluation of the award's estimated fair value at the date of the transaction using the residual fair value method.

On the initial sale of franchising arrangements, Loblaw offers products and services as part of a multiple deliverable arrangement, which is recorded using a relative fair value approach.

Financial Services revenue includes interest income on credit card loans, service fees and other revenue related to financial services. Interest income is recognized using the effective interest method. Service fees are recognized when services are rendered. Other revenue is recognized periodically or according to contractual provisions.

Choice Properties revenue includes rental revenue on base rents earned from tenants under lease agreements, realty tax and operating cost recoveries and other incidental income, including intersegment revenue earned from Loblaw's Retail segment. The rental revenue is recognized on a straight-line basis over the terms of the respective leases. Property tax and operating cost recoveries are recognized in the period that recoverable costs are chargeable to tenants. Percentage participation rents are recognized when tenants' specified sales targets have been met as set out in the lease agreements.

Income Taxes Current and deferred taxes are recognized in the consolidated statements of earnings, except when it relates to a business combination, or items recognized in equity or in other comprehensive income (loss).

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the asset and liability method of accounting on temporary differences arising between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. Deferred tax is measured using enacted or substantively enacted income tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. A deferred tax asset is recognized for unused tax losses and credits to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxable entities where the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Choice Properties qualifies as a "mutual fund trust" under the *Income Tax Act* (Canada). The Trustees intend to distribute all taxable income directly earned by Choice Properties to unitholders and to deduct such distributions for income tax purposes. Legislation relating to the federal income taxation of Specified Investment Flow Through trusts or partnerships ("SIFT") provide that certain distributions from a SIFT will not be deductible in computing the SIFT's taxable income and that the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as return of capital should generally not be subject to tax.

Under the SIFT rules, the taxation regime will not apply to a real estate investment trust ("REIT") that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). Choice Properties has reviewed the SIFT rules and has assessed its interpretation and application to the REIT's assets and revenue. While there are uncertainties in the interpretation and application of the SIFT rules, Choice Properties has determined that it meets the REIT Conditions.

Cash Equivalents Cash equivalents consist of highly liquid marketable investments with an original maturity date of 90 days or less from the date of acquisition.

Short Term Investments Short term investments consist of marketable investments with an original maturity date greater than 90 days and less than 365 days from the date of acquisition.

Security Deposits Security deposits consist of cash and cash equivalents and short term investments. Security deposits also include amounts which are required to be placed with counterparties as collateral to enter into and maintain certain outstanding letters of credit and certain financial derivative contracts.

Accounts Receivable Accounts receivable consist mainly of receivables from Loblaw's vendors, independent franchisees, government, prescription sales and third-party drug plans, independent accounts and receivables from Weston Foods customers and suppliers, and are recorded net of allowances.

Credit Card Receivables Loblaw, through President's Choice Bank ("PC Bank"), a wholly-owned subsidiary of Loblaw, has credit card receivables that are stated net of an allowance. Interest income is recorded in revenue and interest expense is recorded in net interest expense and other financing charges using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash receipts through the expected life of the credit card receivable (or, where appropriate, a shorter period) to the carrying amount. When calculating the effective interest rate, Loblaw estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Periodically, PC Bank transfers credit card receivables by selling them to and repurchasing them from independent securitization trusts. PC Bank is required to absorb a portion of the related credit losses. As a result, Loblaw has not transferred all of the risks and rewards related to these assets and continues to recognize these assets in credit card receivables. The transferred receivables are accounted for as financing transactions. The Company consolidates *Eagle Credit Card Trust*® ("*Eagle*"), one of the independent securitization trusts, as a structured entity. The associated liabilities secured by these assets are included in either short term debt or long term debt based on their characteristics and are carried at amortized cost.

Credit card receivables are considered past due when a cardholder has not made a payment by the contractual due date, taking into account a grace period. The amount of credit card receivables that fall within the grace period is considered current. Credit card receivables past due but not impaired are those receivables that are either less than 90 days past due or whose past due status is reasonably expected to be remedied. Any credit card receivables with a payment that is contractually 180 days in arrears, or where the likelihood of collection is considered remote, is written off.

Franchise Loans Receivable Franchise loans receivable are comprised of amounts due from independent franchisees for loans issued through a consolidated independent funding trust. Each independent franchisee provides security to the independent funding trust for its obligations by way of a general security agreement. In the event that an independent franchisee defaults on its loan and Loblaw has not, within a specified time period, assumed the loan or the default is not otherwise remedied, the independent funding trust would assign the loan to Loblaw and draw upon a standby letter of credit. Loblaw has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit. The carrying amount of franchise loan receivables approximates fair value.

Inventories The Company values inventories at the lower of cost and net realizable value. Cost includes the costs of purchases net of vendor allowances plus other costs, such as transportation, that are directly incurred to bring inventories to their present location and condition. Loblaw's retail store inventories, Loblaw's inventories at distribution centres and Weston Foods inventories are measured at weighted average cost. Shoppers Drug Mart's inventories are measured on a first-in first-out basis.

Loblaw estimates net realizable value as the amount that inventories are expected to be sold taking into consideration fluctuations in retail prices due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period that these costs are incurred.

Vendor Allowances The Company receives allowances from certain of its vendors whose products it purchases. These allowances are received for a variety of buying and/or merchandising activities, including vendor programs such as volume purchase allowances, purchase discounts, listing fees and exclusivity allowances. Allowances received from a vendor are reduced in the cost of the vendor's products or services and are recognized as a reduction in the cost of inventories sold and the related inventory in the consolidated statements of earnings and the consolidated balance sheets, respectively, when it is probable that they will be received and the amount of the allowance can be reliably estimated. Amounts received but not yet earned are presented in other liabilities as deferred vendor allowances. Certain exceptions apply if the consideration is a payment for assets or services delivered to the vendor or for reimbursement of selling costs incurred to promote the vendor's products. The consideration is then recognized as a reduction of the cost incurred in the consolidated statements of earnings.

Fixed Assets Fixed assets are recognized and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including costs incurred to prepare the asset for its intended use and capitalized borrowing costs. The commencement date for capitalization of costs occurs when the Company first incurs expenditures for the qualifying assets and undertakes the required activities to prepare the assets for their intended use.

Borrowing costs directly attributable to the acquisition, construction or production of fixed assets, that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings, are capitalized to the cost of those fixed assets, based on a quarterly weighted average cost of borrowing. All other borrowing costs are expensed as incurred and recognized in net interest expense and other financing charges.

The cost of replacing a fixed asset component is recognized in the carrying amount if it is probable that the future economic benefits embodied within the component will flow to the Company and the cost can be measured reliably. The carrying amount of the replaced component is derecognized. The cost of repairs and maintenance of fixed assets are expensed as incurred and recognized in operating income.

Gains and losses on disposal of fixed assets are determined by comparing the fair value of proceeds from disposal with the net book value of the assets and are recognized net in operating income.

Fixed assets are depreciated on a straight-line basis over their estimated useful lives to their estimated residual value when the assets are available for use. When significant parts of a fixed asset have different useful lives, they are accounted for as separate components and depreciated separately. Depreciation methods, useful lives and residual values are reviewed at each year end and are adjusted for prospectively, if appropriate. Estimated useful lives are as follows:

Buildings	10 to 40 years
Equipment and fixtures	2 to 20 years
Building improvements	up to 10 years
Leasehold improvements	Lesser of term of the lease and useful life up to 25 years
Assets held under financing leases	Lesser of term of the lease[(1)] and useful life[(2)]

(1) If it is reasonably certain that the Company will obtain ownership by the end of the lease term, assets under finance leases would be depreciated over the life of the asset.
(2) Same basis as owned assets.

Non-current assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. To qualify as assets held for sale, the sale must be highly probable, assets must be available for immediate sale in their present condition and management must be committed to a plan to sell assets that should be expected to close within one year from the date of classification. Assets held for sale are recognized at the lower of their carrying amount and fair value less costs to sell and are not depreciated.

Fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Refer to the Impairment of Non-Financial Assets policy.

Investment Properties Investment properties are properties owned by Loblaw that are held to either earn rental income, for capital appreciation, or both. Loblaw's investment properties include single tenant properties held to earn rental income and certain multiple tenant properties. Land and buildings leased to franchisees are not accounted for as investment properties as these properties are related to Loblaw's operating activities.

Investment property assets are recognized at cost less accumulated depreciation and any accumulated impairment losses. The depreciation policies for investment properties are consistent with those described in the significant accounting policy for fixed assets.

Investment properties are reviewed at each balance sheet date to determine whether there is any indication of impairment. Refer to the Impairment of Non-Financial Assets policy.

Joint Ventures A joint venture is a joint arrangement whereby the parties to the arrangement have rights to the net assets of the joint arrangement. Investments in joint ventures are accounted for using the equity method, where the investment is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the joint venture.

Goodwill Goodwill arising in a business combination is recognized as an asset at the date that control is acquired. Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment on an annual basis or more frequently if there are indicators that goodwill may be impaired as described in the Impairment of Non-Financial Assets policy.

Intangible Assets Intangible assets with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses. These intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from three to 30 years, and are tested for impairment as described in the Impairment of Non-Financial Assets policy. Useful lives, residual values and amortization methods for intangible assets with finite useful lives are reviewed at least annually.

Indefinite life intangible assets are measured at cost less any accumulated impairment losses. These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired as described in the Impairment of Non-Financial Assets policy.

Impairment of Non-Financial Assets At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets, other than inventories and deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, the asset is then tested for impairment by comparing its recoverable amount to its carrying value. Goodwill and indefinite life intangible assets are tested for impairment at least annually.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets. This grouping is referred to as a cash generating unit ("CGU"). Weston Foods' manufacturing assets are grouped together at the level of production categories which are capable of servicing their customers independently of other production categories. Loblaw has determined that each location is a separate CGU for purposes of impairment testing.

Corporate assets, which include head office facilities and distribution centers, do not generate separate cash inflows. Corporate assets are tested for impairment at the minimum grouping of CGUs to which the corporate assets can be reasonably and consistently allocated. Goodwill arising from a business combination is tested for impairment at the minimum grouping of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of a CGU or CGU grouping is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows from the CGU or CGU grouping, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or CGU grouping. The fair value less costs to sell is based on the best information available to reflect the amount that could be obtained from the disposal of the CGU or CGU group in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

An impairment loss is recognized if the carrying amount of a CGU or CGU grouping exceeds its recoverable amount. For asset impairments other than goodwill, the impairment loss reduces the carrying amounts of the non-financial assets in the CGU on a pro-rata basis. Any loss identified from goodwill impairment testing is first applied to reduce the carrying amount of goodwill allocated to the CGU grouping, and then to reduce the carrying amounts of the other non-financial assets in the CGU or CGU grouping on a pro-rata basis. Impairment losses are recognized in operating income.

For assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

Bank Indebtedness Bank indebtedness is comprised of Loblaw's Associate bank lines of credit.

Provisions Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the present value of the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties specific to the obligation. The unwinding of the discount rate for the passage of time is recognized in net interest expense and other financing charges.

Financial Instruments and Derivative Financial Instruments Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Financial instruments, including derivatives and embedded derivatives in certain contracts, upon initial recognition are measured at fair value and classified as either financial assets or financial liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables or other financial liabilities. Loans and receivables and other financial liabilities are subsequently measured at cost or amortized cost. Derivatives and non-financial derivatives must be recorded at fair value on the consolidated balance sheets. Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using valuation methodologies, primarily discounted cash flows taking into account external market inputs where possible.

Financial derivative instruments in the form of cross currency swaps, interest rate swaps, foreign exchange forwards and futures and equity forwards, as well as non-financial derivatives in the form of futures contracts, options contracts and forward contracts, are recorded at fair value on the consolidated balance sheets. The Company does not use derivative instruments for speculative purposes. Any embedded derivative instruments that may be identified are separated from their host contract and recorded on the consolidated balance sheets at fair value. Derivative instruments are recorded in current or non-current assets and liabilities based on their remaining terms to maturity. All changes in fair values of the derivative instruments are recorded in net earnings unless the derivative qualifies and is effective as a hedging instrument in a designated hedging relationship.

Certain non-financial derivative instruments that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements are exempt from financial instrument accounting requirements ("own use exemption"). No amounts are recorded in the consolidated financial statements related to these contracts until the associated non-financial items are received by the Company.

Classification The following table summarizes the classification and measurement of the Company's financial assets and liabilities:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Fair value through profit and loss(1)	Fair value
Short term investments	Fair value through profit and loss(1)	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Credit card receivables	Loans and receivables	Amortized cost
Security deposits	Fair value through profit and loss(1)	Fair value
Franchise loans receivable	Loans and receivables	Amortized cost
Certain other assets	Loans and receivables	Amortized cost
Bank indebtedness	Other liabilities	Amortized cost
Trade payables and other liabilities	Other liabilities	Amortized cost
Short term debt	Other liabilities	Amortized cost
Long term debt	Other liabilities	Amortized cost
Trust Unit liability	Fair value through profit and loss(2)	Fair value
Certain other liabilities	Other liabilities	Amortized cost
Capital securities	Other liabilities	Amortized cost
Derivatives	Fair value through profit and loss(2)	Fair value

(1) Financial instruments designated at fair value through profit and loss.
(2) Financial instruments required to be classified at fair value through profit and loss.

The Company has not classified any financial assets as held-to-maturity.

Fair Value The Company measures financial assets and liabilities under the following fair value hierarchy. The different levels have been defined as follows:

- Fair Value Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Fair Value Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Fair Value Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Transaction costs other than those related to financial instruments classified as fair value through profit or loss, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method.

Gains and losses on fair value through profit or loss financial assets and financial liabilities are recognized in earnings before income taxes in the period in which they are incurred. Settlement date accounting is used to account for the purchase and sale of financial assets. Gains or losses between the trade date and settlement date on fair value through profit or loss financial assets are recorded in earnings before income taxes.

Valuation Process The determination of the fair value of financial instruments is performed by the Company's treasury and financial reporting departments on a quarterly basis. There was no change in the valuation techniques applied to financial instruments during 2014. The following table describes the valuation techniques used in the determination of the fair values of financial instruments:

Type	Valuation Approach
Cash and Cash Equivalents, Short Term Investments, Security Deposits, Accounts Receivable, Credit Card Receivables, Bank Indebtedness, Trade Payables and Other Liabilities and Short Term Debt	The carrying amount approximates fair value due to the short term maturity of these instruments.
Franchise Loans Receivable	The carrying amount approximates fair value as fluctuations in the forward interest rates would not have significant impacts on the valuation and the provisions recorded for all impaired receivables.
Derivatives	Specific valuation techniques used to value derivative financial instruments include: • Quoted market prices or dealer quotes for similar instruments; • The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and • The fair value of other derivative instruments are determined based on observable market information as well as valuations determined by external valuators with experience in the financial markets.
Long Term Debt, Trust Unit Liability, Capital Securities and certain Other Financial Instruments	The fair value is based on the present value of contractual cash flows, discounted at the Company's current incremental borrowing rate for similar types of borrowing arrangements or, where applicable, quoted market prices.

Derecognition of Financial Instruments Financial assets are derecognized when the contractual rights to receive cash flows and benefits from the financial asset expire, or if the Company transfers the control or substantially all the risks and rewards of ownership of the financial asset to another party. The difference between the carrying amount of the financial asset and the sum of the consideration received and receivable is recognized in earnings before income taxes.

Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in earnings before income taxes.

Impairment of Financial Assets An assessment of whether there is objective evidence that a financial asset or a group of financial assets is impaired is performed at each balance sheet date. A financial asset or group of financial assets is considered to be impaired if one or more loss events that have an impact on the estimated future cash flows occur after their initial recognition and the loss can be reliably measured. If such objective evidence has occurred, the loss is based on the difference between the carrying amount of the financial asset, or portfolio of financial assets, and the respective estimated future cash flows discounted at the financial assets' original effective interest rate. Impairment losses are recorded in the consolidated statements of earnings with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to an event occurring after the impairment was initially recognized, the previously recognized impairment loss is reversed through the consolidated statements of earnings. The impairment reversal is limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

Foreign Currency Translation The functional currency of the Company is the Canadian dollar.

The assets and liabilities of foreign operations that have a functional currency different from that of the Company, including goodwill and fair value adjustments arising on acquisition, are translated into Canadian dollars at the foreign currency exchange rate in effect at the balance sheet date. The resulting foreign currency exchange gains or losses are recognized in the foreign currency translation adjustment as part of comprehensive income (loss). When such foreign operation is disposed of, the related foreign currency translation reserve is recognized in net earnings as part of the gain or loss on disposal. On the partial disposal of such foreign operation, the relevant proportion is reclassified to net earnings.

Assets and liabilities denominated in United States ("U.S.") dollars but held in foreign operations that have the same functional currency as the Company are translated into Canadian dollars at the foreign currency exchange rate in effect at the balance sheet date. The resulting foreign currency exchange gains or losses are recognized in operating income.

Revenues and expenses of foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are transacted.

Short Term Employee Benefits Short term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses. Short term employee benefit obligations are measured on an undiscounted basis and are recognized in operating income as the related service is provided or capitalized if the service rendered is in connection with the creation of a tangible or intangible asset. A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined Benefit Post Employment Plans The Company has a number of contributory and non-contributory defined benefit post employment plans providing pension and other benefits to eligible employees. The defined benefit pension plans provide a pension based on length of service and eligible pay. The other defined benefits include health care, life insurance and dental benefits provided to eligible employees who retire at certain ages having met certain service requirements. The Company's net defined benefit plan obligations (assets) for each plan are actuarially calculated by a qualified actuary at the end of each annual reporting period using the projected unit credit method pro-rated based on service and management's best estimate of the discount rate, the rate of compensation increase, retirement rates, termination rates, mortality rates and expected growth rate

of health care costs. The discount rate used to value the defined benefit plan obligation for accounting purposes is based on the yield on a portfolio of Corporate AA bonds denominated in the same currency with cash flows that match the terms of the defined benefit plan obligations. Past service costs (credits) arising from plan amendments are recognized in operating income in the year that they arise. The actuarially determined net interest costs on the net defined benefit plan obligation are recognized in net interest expense and other financing charges.

The fair values of plan assets are deducted from the defined benefit plan obligations to arrive at the net defined benefit plan obligations (assets). For plans that result in a net defined benefit asset, the recognized asset is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan (the "asset ceiling"). If it is anticipated that the Company will not be able to recover the value of the net defined benefit asset, after considering minimum funding requirements for future service, the net defined benefit asset is reduced to the amount of the asset ceiling. When the payment in the future of minimum funding requirements related to past service would result in a net defined benefit surplus or an increase in a surplus, the minimum funding requirements are recognized as a liability to the extent that the surplus would not be fully available as a refund or a reduction in future contributions.

Remeasurements including actuarial gains and losses, the effect of the asset ceiling (if applicable) and the impact of any minimum funding requirements are recognized through other comprehensive income (loss) and subsequently reclassified from accumulated other comprehensive income (loss) to retained earnings.

Other Long Term Employee Benefit Plans The Company offers other long term employee benefits including contributory long term disability benefits and non-contributory continuation of health care and dental benefits to employees who are on long term disability leave. As the amount of the long term disability benefit does not depend on length of service, the obligation is recognized when an event occurs that gives rise to an obligation to make payments. The accounting for other long term employee benefit plans is similar to the method used for defined benefit plans except that all actuarial gains and losses are recognized in operating income.

Defined Contribution Plans The Company maintains a number of defined contribution pension plans for employees in which the Company pays fixed contributions for eligible employees into a registered plan and has no further significant obligation to pay any further amounts. The costs of benefits for defined contribution plans are expensed as employees have rendered service.

Multi-Employer Pension Plans The Company participates in multi-employer pension plans ("MEPP") which are accounted for as defined contribution plans. The Company's responsibility to make contributions to these plans is limited by amounts established pursuant to its collective agreements. Defined benefit MEPPs are accounted for as defined contribution plans as adequate information to account for the Company's participation in the plans is not available due to the size and number of contributing employers in the plans. The contributions made by the Company to MEPPs are expensed as contributions are due.

Termination Benefits Termination benefits are recognized as an expense at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. Benefits payable are discounted to their present value when the effect of the time value of money is material.

Equity-Settled Share-Based Compensation Plans Stock options, Restricted Share Units ("RSUs"), Performance Share Units ("PSUs"), Director Deferred Share Units ("DSUs") and Executive Deferred Share Units ("EDSUs") issued by the Company are settled in common shares and are accounted for as equity-settled awards.

Stock options may have a five to ten year term, vest 20% or 33% cumulatively on each anniversary date of the grant and are exercisable at the designated common share price, which is based on the greater of the volume weighted average trading prices of the GWL or Loblaw common shares for either the five trading days prior to the date of grant or the trading day immediately preceding the grant date. The fair value of each tranche of options granted is measured separately at the grant date using a Black-Scholes option pricing model, and includes the following assumptions:

- The expected dividend yield is estimated based on the expected annual dividend prior to the option grant date and the closing share price as at the option grant date;
- The expected share price volatility is estimated based on the Company's historical volatility over a period consistent with the expected life of the options;
- The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the grant date for a term to maturity equal to the expected life of the options; and
- The effect of expected exercise of options prior to expiry is incorporated into the weighted average expected life of the options, which is based on historical experience and general option holder behaviour.

RSUs and PSUs vest after the end of a performance period, ranging from three to five years. The number of PSUs that vest is based on the achievement of specified performance measures. The fair value of each RSU and PSU granted is measured separately at the grant date based on the market value of a GWL or Loblaw common share less the net present value of the expected dividend stream at the date on which RSUs and PSUs are awarded to each participant.

During 2013, GWL and Loblaw established trusts for each of their RSU and PSU plans to facilitate the purchase of shares for future settlement upon vesting. The trusts are considered structured entities and are consolidated in the Company's financial statements with the cost of the acquired shares recorded at book value as a reduction to share capital. Any premium on the acquisition of the shares above book value is applied to retained earnings until the shares are issued to settle RSU and PSU obligations.

Members of GWL's and Loblaw's Board, who are not management, may elect to receive a portion of their annual retainers and fees in the form of DSUs. Eligible executives of the Company may elect to defer up to 100% of the Short Term Incentive Plan earned in any year into the EDSU plan. Dividends paid earn fractional DSUs and EDSUs, respectively and are treated as additional awards. DSUs and EDSUs vest upon grant.

The compensation expense for equity-settled plans is prorated over the vesting or performance period, with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures.

Upon exercise of options, the amount recognized in contributed surplus for the award plus the cash received upon exercise is recognized as an increase in share capital. Upon settlement of RSUs and PSUs, the amount recognized in contributed surplus for the award is reclassified to share capital, with any premium or discount applied to retained earnings.

Cash-Settled Share-Based Compensation Plans Unit Options, Restricted Units and Trustee Deferred Units issued by Choice Properties and certain DSUs are accounted for as cash-settled awards.

The fair value of the amount payable to employees in respect of these cash-settled awards plan is remeasured at each balance sheet date, and a compensation expense is recognized in selling, general and administrative expenses over the vesting period for each tranche with a corresponding change in the liability.

On the acquisition of Shoppers Drug Mart, Loblaw converted Shoppers Drug Mart DSUs to Loblaw DSUs. Former directors of Shoppers Drug Mart who continue to serve Loblaw in the same capacity, hold DSUs that they have previously elected to receive in lieu of director fees. These converted DSUs, which vested upon grant, will be settled in cash based on the market value of the Loblaw shares on the date the recipient ceases to serve Loblaw as director. Dividends paid earn fractional DSUs and are treated as additional awards. The fair value of each converted DSU granted is measured based on the market value of a Loblaw common share at the balance sheet date.

Employee Share Ownership Plan ("ESOP") GWL's and Loblaw's contributions to the ESOPs are measured at cost and recorded as compensation expense in operating income when the contribution is made. The ESOPs are administered through a trust which purchases GWL's and Loblaw's common shares on the open market on behalf of its employees.

Accounting Standards Implemented in 2014 and Changes to Significant Accounting Policies

The Company implemented the amendments to International Accounting Standards ("IAS") 32, "Financial Instruments: Presentation" and International Financial Reporting Interpretations Committee 21, "Levies" retrospectively in 2014. There was no significant impacts on the Company's consolidated financial statements as a result of the implementation of these standards.

Vendor Allowances The timing of recognition of vendor allowances requires judgment to determine the point at which Loblaw has earned the allowance. In conjunction with the acquisition of Shoppers Drug Mart, management reviewed the timing of recognition of certain vendor allowances and has determined that it would be appropriate to align the policies of both Loblaw and Shoppers Drug Mart. The Company implemented the change retrospectively in 2014 with the following effect to the periods ended as indicated:

Consolidated Statement of Earnings

Decrease ($ millions except where otherwise indicated)		52 Weeks Ended Dec. 31, 2013
Operating income	$	(5)
Income taxes	$	(2)
Net earnings from continuing operations	$	(3)
Net earnings from continuing operations per common share ($)		
Basic	$	(0.01)
Diluted	$	(0.02)

Consolidated Statement of Comprehensive Income

Decrease ($ millions)		52 Weeks Ended Dec. 31, 2013
Net earnings	$	(3)
Comprehensive income	$	(3)

Consolidated Balance Sheets

Increase (decrease) ($ millions)		As at Dec. 31, 2013		Jan. 1, 2013
Accounts receivable	$	(39)	$	(32)
Inventories	$	13	$	11
Deferred income tax asset	$	8	$	6
Equity	$	(18)	$	(15)

Note 3. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make estimates and judgments in applying the Company's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the Company believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

The Company's significant accounting policies are disclosed in note 2.

Basis of Consolidation
Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining the entities that it controls and therefore consolidates. The Company controls an entity when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company consolidates all of its wholly-owned subsidiaries. Judgment is applied in determining whether the Company controls the entities in which it does not have ownership rights or does not have full ownership rights. Most often, judgment involves reviewing contractual rights to determine if rights are participating (giving power over the entity) or protective rights (protecting the Company's interest without giving it power).

Inventories
Key sources of estimation Inventories are carried at the lower of cost and net realizable value which requires the Company to utilize estimates related to fluctuations in shrink, future retail prices, the impact of vendor rebates on cost, seasonality and costs necessary to sell the inventory.

Impairment of non-financial assets (goodwill, intangible assets, fixed assets and investment properties)
Judgments made in relation to accounting policies applied Management is required to use judgment in determining the grouping of assets to identify their CGUs for the purposes of testing fixed assets for impairment. Judgment is further required to determine appropriate groupings of CGUs for the level at which goodwill and intangible assets are tested for impairment. Loblaw has determined that each location is a separate CGU for purposes of fixed asset impairment testing. For the purpose of goodwill and intangible assets impairment testing, CGUs are grouped at the lowest level at which goodwill and intangible assets are monitored for internal management purposes. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

Key sources of estimation In determining the recoverable amount of a CGU or a group of CGUs, various estimates are employed. The Company determines fair value less costs to sell using such estimates as market rental rates for comparable properties, recoverable operating costs for leases with tenants, non-recoverable operating costs, discount rates, capitalization rates and terminal capitalization rates. The Company determines value in use by using estimates including projected future revenues, earnings and capital investment consistent with strategic plans presented to GWL's and Loblaw's Boards. Discount rates are consistent with external industry information reflecting the risk associated with the specific cash flows.

Franchise loans receivable and certain other financial assets
Judgments made in relation to accounting policies applied Management reviews franchise loans receivable, trade receivables and certain other financial assets relating to Loblaw's franchise business at each balance sheet date utilizing judgment to determine whether a triggering event has occurred requiring an impairment test to be completed.

Key sources of estimation Management determines the initial fair value of Loblaw's franchise loans and certain other financial assets using discounted cash flow models. The process of determining these fair values requires management to make estimates of a long term nature regarding discount rates, projected revenues and margins, as applicable, derived from past experience, actual operating results, budgets and Loblaw's five year forecast.

Loyalty Programs
Key Sources of Estimation Loblaw defers revenue equal to the fair value of the award points earned by loyalty program members at the time of award. Loblaw determines fair value using estimates such as breakage (the amount of points that will never be redeemed) and the estimated retail value per point on redemption. The trends in breakage are reviewed on an ongoing basis and the estimated retail value per point is adjusted based on expected future activity.

Income and other taxes

Judgments made in relation to accounting policies applied The calculation of current and deferred income taxes requires management to make certain judgments regarding the tax rules in jurisdictions where the Company performs activities. Application of judgments is required regarding the classification of transactions and in assessing probable outcomes of claimed deductions including expectations about future operating results, the timing and reversal of temporary differences and possible audits of income tax and other tax filings by the tax authorities.

Note 4. Future Accounting Standards

In 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”). The new standard provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In 2014, the IASB issued IFRS 9, “Financial Instruments”, replacing IAS 39, “Financial Instruments: Recognition and Measurement.” The standard had three main phases: classification and measurement, impairment, and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with the exception of the general hedging phase which is applied prospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In 2014, the IASB issued amendments to IAS 1, “Presentation of Financial Statements” (“IAS 1 amendments”). The IAS 1 amendments provide guidance on the application of judgment in the preparation of financial statements and disclosures. The IAS 1 amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. The Company is currently assessing the impact of the IAS 1 amendments on its consolidated financial statements.

Note 5. Acquisition of Shoppers Drug Mart Corporation

On March 28, 2014, Loblaw acquired all of the outstanding shares of Shoppers Drug Mart for total consideration of $12.3 billion, comprised of approximately $6.6 billion of cash and the issuance of approximately 119.5 million Loblaw common shares.

The cash portion of the acquisition of Shoppers Drug Mart was financed by Loblaw as follows:

- $3.5 billion term loan facility (see note 23);
- $1.6 billion of proceeds from the issuance of unsecured notes in 2013 (see note 23);
- $500 million was received in consideration of the issuance of 10.5 million Loblaw common shares to GWL; and
- approximately $1.0 billion was used from cash on hand.

The preliminary purchase equation is based on management's current best estimates of fair value. The actual amount allocated to certain identifiable net assets could vary as the purchase equation is finalized. The preliminary purchase price allocation as at year end 2014 is as follows:

($ millions)	
Net assets acquired:	
Cash and cash equivalents	$ 27
Accounts receivable	534
Inventories	3,003
Prepaid expenses and other assets	67
Fixed assets	1,792
Investment properties	16
Intangible assets	9,440
Goodwill	2,285
Deferred income tax assets	68
Other assets	7
Bank indebtedness	(295)
Trade payables and other liabilities	(924)
Income taxes payable	(11)
Associate interest	(174)
Provisions	(19)
Long term debt	(1,127)
Deferred income tax liabilities	(2,252)
Other liabilities	(164)
Total net assets acquired	$ 12,273

As at year end 2014, Loblaw had not yet finalized the above purchase price allocation. In the fourth quarter of 2014, Loblaw revised its fair value estimate of intangible assets and updated the purchase price equation. The result was to decrease intangible assets by $35 million to $9,440 million, decrease deferred income tax liabilities by $9 million to $2,252 million and increase goodwill by $26 million to $2,285 million. Loblaw has one year from the date of acquisition to finalize the fair value of net tangible assets, goodwill and intangible assets and any further changes to the amounts presented above will be reflected in the first half of 2015.

Goodwill is attributable to synergies expected following the integration of Shoppers Drug Mart, improved competitive positioning in the retail market, and future growth of Loblaw's customer base as a result of the acquisition. The goodwill arising from this acquisition is not deductible for tax purposes.

Intangible assets are comprised of the following:

($ millions)			Estimated Useful Life
Prescription files	$	5,005	11 years
Brands		3,390	indefinite
Optimum loyalty program		490	18 years
Other		555	5 to 10 years
Total intangible assets	$	9,440	

During 2014, Loblaw incurred costs of $75 million (2013 – $31 million) related to the acquisition of Shoppers Drug Mart, of which $60 million (2013 – $16 million) was recorded in selling, general and administrative expenses and $15 million (2013 – $15 million) was recorded in net interest expense and other financing charges.

Upon closing of the acquisition, all amounts owing on Shoppers Drug Mart's revolving bank credit facility were repaid and the facility was cancelled. In addition, upon closing, Loblaw guaranteed the outstanding principal amount of Shoppers Drug Mart's medium term notes ("MTN") of $500 million, along with accrued interest. Loblaw also provided guarantees to various Canadian banks in support of the financing obtained by Shoppers Drug Mart's Associates (see note 36).

Included in the 2014 consolidated statement of earnings was approximately $9.1 billion in revenue and approximately $247 million in net earnings attributable to shareholders of the Company contributed by Shoppers Drug Mart since the date of acquisition, excluding the impact of purchase price adjustments, acquisition costs and divestitures required by the Competition Bureau.

On a pro forma basis for 2014, total revenue would have amounted to approximately $46.4 billion and net earnings attributable to shareholders of the Company would have amounted to approximately $122 million. This pro forma information incorporates the effect of the preliminary purchase equation as if the acquisition had been effective January 1, 2014.

Note 6. Net Interest Expense and Other Financing Charges

The components of net interest expense and other financing charges were as follows:

($ millions)	**2014 (53 weeks)**	2013 (52 weeks)
Interest expense:		
Long term debt[1]	**$ 545**	$ 369
Interest associated with the forward sale agreement[2]	**175**	
Borrowings related to credit card receivables	**37**	39
Post-employment and other long term employee benefits (note 29)	**13**	25
Independent funding trusts	**15**	15
Trust Unit distributions	**30**	15
Dividends on capital securities (note 25)	**14**	14
Choice Properties initial public offering transaction costs		44
Shoppers Drug Mart net financing charges[3] (note 5)	**18**	20
Early debt settlement costs (note 23)		18
Fair value adjustment of Trust Unit liability (note 33)	**12**	18
Bank indebtedness	**6**	
Capitalized interest (capitalization rate 6.2% (2013 – 6.4%)) (notes 15 & 17)	**(4)**	(2)
	$ 861	$ 575
Interest income:		
Interest associated with the forward sale agreement[2]		$ (23)
Accretion income	**$ (25)**	(21)
Short term interest income	**(16)**	(18)
Financial derivative instruments		(9)
Security deposits[4]	**(5)**	(7)
	$ (46)	$ (78)
Net interest expense and other financing charges	**$ 815**	$ 497

(1) Includes accelerated amortization of deferred financing costs of $23 million (2013 – nil) related to Loblaw's early repayment of the term loan facility (see note 23).

(2) Includes a non-cash charge of $199 million (2013 – non-cash income of $1 million) related to the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares (see note 33). The fair value adjustment of the forward sale agreement is non-cash and results from changes in the value of the underlying Loblaw common shares. At maturity, any cash paid under the forward sale agreement could be offset by the sale of the underlying Loblaw common shares. Also includes forward accretion income of $42 million (2013 – $40 million) and the forward fee of $18 million (2013 – $18 million) associated with the forward sale agreement.

(3) Includes a charge of $30 million in 2013 incurred in connection with the committed financing, net of a gain of $10 million on the unwind of the hedge entered into related to Loblaw's issuance of $1.6 billion senior unsecured notes (note 33).

(4) Includes interest income of $3 million (2013 – $5 million) related to $1.6 billion of proceeds from the issuance of senior unsecured notes previously held in escrow (see note 10), which were used to partially fund the acquisition of Shoppers Drug Mart (see note 5).

Notes to the Consolidated Financial Statements

Note 7. Income Taxes

The components of income taxes recognized in the consolidated statements of earnings were as follows:

($ millions)	2014 (53 weeks)	2013[(1)] (52 weeks)
Current income taxes		
Current period	**$ 318**	$ 325
Adjustment in respect of prior periods	**(43)**	(5)
Deferred income taxes		
Origination and reversal of temporary differences	**(291)**	(36)
Adjustment in respect of prior periods	**40**	(11)
Income taxes	**$ 24**	$ 273

(1) Certain 2013 figures have been amended (see note 2).

Income tax (recovery) expense recognized in other comprehensive income was as follows:

($ millions)	2014 (53 weeks)	2013 (52 weeks)
Defined benefit plan actuarial (losses) gains (note 29)	**$ (22)**	$ 93
Derecognized derivative instruments (note 33)		$ (2)
Other comprehensive income	**$ (22)**	$ 91

The effective income tax rates in the consolidated statements of earnings were reported at rates different than the weighted average basic Canadian federal and provincial statutory income tax rates for the following reasons:

	2014	2013[(1)]
Weighted average basic Canadian federal and provincial statutory income tax rate	**26.0%**	25.9%
Net increase (decrease) resulting from:		
Earnings in jurisdictions taxed at rates different from the Canadian statutory income tax rates	**0.7**	(0.6)
Unrecognized benefit of foreign currency translation gains	**(5.7)**	(0.6)
Non-taxable and non-deductible amounts	**(6.8)**	0.4
Impact of fair value adjustment of Trust Unit liability	**1.9**	0.6
Impact of statutory income tax rate changes on deferred income tax balances		(0.1)
Impact of resolution of certain income tax matters from a previous year and other	**(0.9)**	(1.2)
Effective income tax rate applicable to earnings before income taxes	**15.2%**	24.4%

(1) Certain 2013 figures have been amended (see note 2).

Deferred income tax assets which were not recognized on the consolidated balance sheets were as follows:

($ millions)	As at Dec. 31, 2014	Dec. 31, 2013
Deductible temporary differences	**$ 26**	$ 28
Income tax losses and credits	**68**	39
Unrecognized deferred income tax assets	**$ 94**	$ 67

The income tax losses and credits expire in the years 2015 to 2034. The deductible temporary differences do not expire under current income tax legislation. Deferred income tax assets were not recognized in respect of these items because it is not probable that future taxable income will be available to the Company to utilize the benefits.

Deferred income tax assets and liabilities recognized on the consolidated balance sheets were attributable to the following:

($ millions)	As at Dec. 31, 2014	Dec. 31, 2013[1]
Trade payables and other liabilities	**$ 79**	$ 72
Other liabilities	**365**	260
Fixed assets	**(560)**	(392)
Goodwill and intangible assets	**(1,832)**	(24)
Other assets	**(82)**	(84)
Non-capital losses carried forward (expiring 2030 to 2034)	**163**	226
Capital losses carried forward	**20**	1
Other	**55**	61
Net deferred income tax (liabilities) assets	**$ (1,792)**	$ 120
Recorded on the consolidated balance sheets as follows:		
Deferred income tax assets	**$ 215**	$ 307
Deferred income tax liabilities	**(2,007)**	(187)
Net deferred income tax (liabilities) assets	**$ (1,792)**	$ 120

(1) Certain 2013 figures have been amended (see note 2).

Note 8. Discontinued Operations

During 2013, the Company recorded income related to discontinued operations of $58 million, which included the settlement of a previously disclosed litigation against Domtar of $48 million ($40 million net of income taxes) and adjustments resulting in income of $18 million associated with the Company’s (excluding Loblaw) previously owned operations.

Note 9. Basic and Diluted Net Earnings per Common Share from Continuing Operations

($ million except where otherwise indicated)	2014 (53 weeks)	2013[1] (52 weeks)
Net earnings from continuing operations attributable to shareholders of the Company	**$ 126**	$ 614
Prescribed dividends on preferred shares in share capital	**(44)**	(44)
Net earnings from continuing operations available to common shareholders	**$ 82**	$ 570
Reduction in net earnings due to dilution at Loblaw		(4)
Net earnings from continuing operations available to common shareholders for diluted earnings per share	**$ 82**	$ 566
Weighted average common shares outstanding (in millions) (note 26)	**127.8**	127.6
Dilutive effect of share-based compensation[2] (in millions)	**0.4**	0.2
Diluted weighted average common shares outstanding (in millions)	**128.2**	127.8
Basic net earnings per common share from continuing operations ($)	**$ 0.64**	$ 4.47
Diluted net earnings per common share from continuing operations ($)	**$ 0.64**	$ 4.43

(1) Certain 2013 figures have been amended (see note 2).
(2) Excluded from the computation of diluted net earnings per common share from continuing operations were 501,963 (2013 – 516,557) potentially dilutive instruments, as they were anti-dilutive.

Note 10. Cash and Cash Equivalents, Short Term Investments and Security Deposits

The components of cash and cash equivalents, short term investments and security deposits were as follows:

Cash and Cash Equivalents

($ millions)	As at Dec. 31, 2014	Dec. 31, 2013
Cash	**$ 586**	$ 629
Cash equivalents:		
Bankers' acceptances	**175**	325
Government treasury bills	**490**	1,712
Corporate commercial paper	**82**	100
Government agency securities		48
Bank term deposits		42
Other		13
Cash and cash equivalents	**$ 1,333**	$ 2,869

Short Term Investments

($ millions)	As at Dec. 31, 2014	Dec. 31, 2013
Bankers' acceptances	**$ 31**	$ 349
Government treasury bills	**344**	584
Corporate commercial paper	**376**	230
Government agency securities	**297**	326
Other	**24**	1
Short term investments	**$ 1,072**	$ 1,490

Security Deposits

($ millions)	As at Dec. 31, 2014	Dec. 31, 2013
Cash	**$ 52**	$ 147
Government treasury bills and notes[(1)]	**31**	1,640
Government agency securities	**9**	4
Security deposits	**$ 92**	$ 1,791

(1) As at year end 2013, Government treasury bills included $1.6 billion of proceeds from the issuance of senior unsecured notes that were held in escrow as part of the financing for the acquisition of Shoppers Drug Mart. In 2014, Loblaw completed the acquisition of Shoppers Drug Mart and the proceeds were released from escrow (see note 5).

During 2014, GWL and Loblaw had agreements to cash collateralize certain uncommitted credit facilities up to amounts of $45 million (2013 – $45 million) and $141 million (2013 – $136 million), respectively. As at year end 2014, GWL and Loblaw had $45 million (2013 – $45 million) and $7 million (2013 – $102 million) deposited with major financial institutions, respectively, and classified as security deposits on the consolidated balance sheets.

Note 11. Accounts Receivable

The following is an aging of the Company's accounts receivable:

($ millions)	As at Dec. 31, 2014				Dec. 31, 2013[(1)]			
	0 - 90 days	**> 90 days**	**> 180 days**	**Total**	0 - 90 days	> 90 days	> 180 days	Total
Accounts receivable	**$ 1,212**	**$ 39**	**$ 67**	**$ 1,318**	$ 664	$ 17	$ 16	$ 697

(1) Certain 2013 figures have been amended (see note 2).

The following are continuities of the Company's allowances for uncollectable accounts receivable:

($ millions)	**2014**	2013
Allowance, beginning of year	**$ (122)**	$ (116)
Net reversals (additions)	**23**	(6)
Allowance, end of year	**$ (99)**	$ (122)

Credit risk associated with accounts receivable is discussed in note 34.

Note 12. Credit Card Receivables

The components of credit card receivables were as follows:

($ millions)	As at Dec. 31, 2014	Dec. 31, 2013
Gross credit card receivables	**$ 2,684**	$ 2,585
Allowance for credit card receivables	**(54)**	(47)
Credit card receivables	**$ 2,630**	$ 2,538
Securitized to Independent Securitization Trusts		
Securitized to *Eagle Credit Card Trust*®	**$ 750**	$ 750
Securitized to Other Independent Securitization Trusts	**$ 605**	$ 605

Loblaw, through PC Bank, participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. PC Bank sells and repurchases credit card receivables with Independent Securitization Trusts, including *Eagle* and Other Independent Securitization Trusts, from time to time depending on PC Bank's financing requirements.

The associated liability of *Eagle* is recorded in long term debt (see note 23). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short term debt (see note 22).

Loblaw has arranged letters of credit on behalf of PC Bank, for the benefit of the Independent Securitization Trusts (see note 36). Under its securitization programs, PC Bank is required to maintain at all times a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability and was in compliance with this requirement as at year end 2014 and throughout the year.

The following is an aging of Loblaw's gross credit card receivables:

	As at							
				Dec. 31, 2014				Dec. 31, 2013
		1-90 days	**> 90 days**			1-90 days	> 90 days	
($ millions)	**Current**	**past due**	**past due**	**Total**	Current	past due	past due	Total
Gross credit card receivables	**$ 2,505**	**$ 150**	**$ 29**	**$ 2,684**	$ 2,416	$ 142	$ 27	$ 2,585

The following are continuities of Loblaw's allowances for credit card receivables:

($ millions)	**2014**	2013
Allowance, beginning of year	**$ (47)**	$ (43)
Provision for losses	**(121)**	(105)
Recoveries	**(19)**	(14)
Write-offs	**133**	115
Allowance, end of year	**$ (54)**	$ (47)

The allowance for credit card receivables recorded in credit card receivables on the consolidated balance sheets is maintained at a level which is considered adequate to absorb credit related losses on credit card receivables.

Note 13. Inventories

The components of inventories were as follows:

	As at	
($ millions)	**Dec. 31, 2014**	Dec. 31, 2013[(1)]
Raw materials and supplies	**$ 61**	$ 56
Finished goods	**4,402**	2,188
Inventories	**$ 4,463**	$ 2,244

(1) Certain 2013 figures have been amended (see note 2).

In connection with the acquisition of Shoppers Drug Mart, acquired assets and liabilities were recorded on the Company's consolidated balance sheet at their fair value. This resulted in a fair value adjustment to Shoppers Drug Mart inventory on the date of acquisition of $798 million representing the difference between inventory cost and its fair value. This difference was recognized as a charge to cost of inventories sold during 2014.

As at year end 2014, with the upgrade of its information technology ("IT") infrastructure, Loblaw had completed the conversion of substantially all of its corporate grocery stores to the new systems. The implementation of a perpetual inventory system, combined with visibility to integrated costing information provided by the new IT systems, enabled Loblaw to estimate the cost of inventory using a more precise system-generated average cost. As a result of the conversion, Loblaw recognized a charge of $190 million to cost of inventories sold and a corresponding reduction in inventory, representing the estimate of the difference between the measurement of the cost of corporate grocery store inventory using a system-generated weighted average cost compared to the retail inventory method and other conversion differences associated with the implementation of a perpetual inventory system.

For inventories recorded as at year end 2014, Loblaw recorded $23 million (2013 – $16 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of inventories sold in the consolidated statements of earnings. There were no reversals of previously recorded write-downs of inventories during 2014 and 2013.

On August 31, 2014, a weather event in the U.S. caused significant damage to Weston Foods inventories stored at a third-party warehouse. During 2014, net proceeds of $1 million (U.S. $1 million) were received and recorded in selling, general and administrative expenses. Additional losses or charges associated with this inventory will be recorded as incurred and any additional proceeds will be recorded as they are received.

Note 14. Assets Held for Sale

Loblaw holds land and buildings that it intends to dispose of in the next 12 months as assets held for sale. These assets were previously used in Loblaw's Retail segment. There were no impairment or other charges recognized on these properties during 2014 or 2013. In 2014, Loblaw recorded a gain of $4 million (2013 – $7 million) from the sale of these assets, excluding the impact of completed divestitures related to the acquisition of Shoppers Drug Mart.

Pursuant to a Consent Agreement reached with the Competition Bureau related to the acquisition of Shoppers Drug Mart in 2014, Loblaw was required to divest 16 Shoppers Drug Mart stores, two franchise grocery stores, and nine in-store pharmacy operations. As at year end 2014, the Competition Bureau had approved the sale of all properties. During 2014, the divestitures of all but three Shoppers Drug Mart stores were completed and Loblaw received total proceeds of $60 million and recorded a loss of $12 million in operating income related to divestitures that have been completed.

As at year end 2014, assets totalling $8 million, including intangible assets of $3 million, inventories of $3 million and fixed assets of $2 million, relating to the three remaining Shoppers Drug Mart stores, were included in assets held for sale. Subsequent to year end 2014, Loblaw sold the remaining three Shoppers Drug Mart stores for estimated proceeds of $9 million.

Note 15. Fixed Assets

The following is a continuity of the cost and accumulated depreciation of fixed assets for the year ended December 31, 2014:

($ millions)	Land	Buildings	Equipment and fixtures	Leasehold improvements	Finance leases - land, buildings, equipment and fixtures	Assets under construction	Total
Cost, beginning of year	$ 1,706	$ 7,114	$ 7,273	$ 860	$ 568	$ 698	$ 18,219
Additions	7	13	104	82	102	901	1,209
Disposals	(12)	(15)	(113)	(11)	(14)	(13)	(178)
Transfer to assets held for sale	(5)	(16)	(11)	(14)			(46)
Transfer from (to) investment properties	5	12				(73)	(56)
Transfer from assets under construction	38	260	511	32		(841)	
Business acquisitions[(1)]	88	268	380	830	162	72	1,800
Foreign exchange	1	13	33			3	50
Cost, end of year	**$ 1,828**	**$ 7,649**	**$ 8,177**	**$ 1,779**	**$ 818**	**$ 747**	**$ 20,998**
Accumulated depreciation and impairment losses, beginning of year	$ 2	$ 2,551	$ 5,240	$ 503	$ 261	$ 7	$ 8,564
Depreciation		210	711	133	47	1	1,102
Impairment losses	1	11	12	13	1	2	40
Reversal of impairment losses	(1)	(31)	(1)	(2)			(35)
Disposals		(10)	(91)	(9)	(14)		(124)
Transfer to assets held for sale		(4)	(10)	(7)			(21)
Transfer from investment properties	1	8					9
Foreign exchange		5	22				27
Accumulated depreciation and impairment losses, end of year	**$ 3**	**$ 2,740**	**$ 5,883**	**$ 631**	**$ 295**	**$ 10**	**$ 9,562**
Carrying amount as at:							
December 31, 2014	**$ 1,825**	**$ 4,909**	**$ 2,294**	**$ 1,148**	**$ 523**	**$ 737**	**$ 11,436**

(1) Includes $1,792 million related to the acquisition of Shoppers Drug Mart (see note 5).

The following is a continuity of the cost and accumulated depreciation of fixed assets for the year ended December 31, 2013:

($ millions)	Land	Buildings	Equipment and fixtures	Leasehold improvements	Finance leases - land, buildings, equipment and fixtures	Assets under construction	Total
Cost, beginning of year	$ 1,678	$ 6,795	$ 6,715	$ 804	$ 555	$ 727	$ 17,274
Additions	1		17	9	62	945	1,034
Disposals	(2)	(4)	(58)	(7)	(53)		(124)
Transfer from assets held for sale	1						1
Transfer (to) from investment properties	(2)	(1)			4	(5)	(4)
Transfer from assets under construction	30	316	570	54		(970)	
Business acquisition			6				6
Foreign exchange		8	23			1	32
Cost, end of year	$ 1,706	$ 7,114	$ 7,273	$ 860	$ 568	$ 698	$ 18,219
Accumulated depreciation and impairment losses, beginning of year	$ 7	$ 2,408	$ 4,689	$ 442	$ 269	$ 7	$ 7,822
Depreciation		193	583	45	44		865
Impairment losses		20	5	24	3		52
Reversal of impairment losses	(4)	(71)	(2)	(3)	(3)		(83)
Disposals	(1)	(1)	(49)	(5)	(53)		(109)
Transfer (to) from investment properties		(1)			1		
Foreign exchange		3	14				17
Accumulated depreciation and impairment losses, end of year	$ 2	$ 2,551	$ 5,240	$ 503	$ 261	$ 7	$ 8,564
Carrying amount as at:							
December 31, 2013	$ 1,704	$ 4,563	$ 2,033	$ 357	$ 307	$ 691	$ 9,655

Assets Held under Finance Leases The Company leases various land and buildings and equipment and fixtures under a number of finance lease arrangements. As at year end 2014, the net carrying amount of leased land and buildings was $466 million (2013 – $274 million) and the net carrying amount of leased equipment and fixtures was $57 million (2013 – $33 million).

Assets under Construction The cost of additions to properties under construction for 2014 was $901 million (2013 – $945 million). Included in this amount were capitalized borrowing costs of $3 million (2013 – $2 million) with a weighted average capitalization rate of 6.2% (2013 – 6.4%) (see note 6).

Security and Assets Pledged As at year end 2014, Loblaw had fixed assets with a carrying amount of $191 million (2013 – $187 million) which were encumbered by mortgages of $86 million (2013 – $87 million) (see note 23).

Fixed Asset Commitments As at year end 2014, the Company had entered into commitments of $261 million (2013 – $87 million) for the construction, expansion and renovation of buildings and the purchase of real property.

Impairment Losses and Reversals In 2014, Loblaw recorded $26 million (2013 – $48 million) of impairment losses on fixed assets in respect of 13 CGUs (2013 – 21 CGUs) in its Retail segment. Additional impairment losses of $14 million (2013 – $4 million) were incurred related to store closures, renovations and conversions. Impairment losses are recorded where the carrying amount of the retail location exceeds its recoverable amount. The recoverable amount was based on the greater of the CGU's fair value less costs to sell and its value in use. Approximately 23% (2013 – 10%) of impaired CGUs had carrying values which were $7 million (2013 – $6 million) greater than their fair value less costs to sell. The remaining 77% (2013 – 90%) of impaired CGUs had carrying values which were $19 million (2013 – $42 million) greater than their value in use.

In 2014, Loblaw recorded $35 million (2013 – $83 million) of impairment reversals on fixed assets in respect of 14 CGUs (2013 – 26 CGUs) in its Retail segment. Impairment reversals are recorded where the recoverable amount of the retail location exceeds its carrying amount. Approximately 93% (2013 – 92%) of CGUs with impairment reversals had fair value less costs to sell which were $33 million (2013 – $75 million) greater than their carrying values. The remaining 7% (2013 – 8%) of CGUs with impairment reversals had value in use which were $2 million (2013 – $8 million) greater than their carrying values.

When determining the value in use of a retail location, Loblaw develops a discounted cash flow model for each CGU. The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant assets within the CGU. Sales forecasts for cash flows are based on actual operating results, operating budgets, and long term growth rates that were consistent with industry averages, all of which are consistent with strategic plans presented to Loblaw's Board. The estimate of the value in use of the relevant CGUs was determined using a pre-tax discount rate of 8.0% to 8.5% at the end of 2014 (2013 – 8.0% to 8.5%).

In 2013, Weston Foods recorded accelerated depreciation of $4 million related to restructuring activities.

Note 16. Investment Properties

The following are continuities of investment properties:

($ millions)	**2014**	2013
Cost, beginning of year	**$ 172**	$ 169
Acquisition of Shoppers Drug Mart (note 5)	**16**	
Additions	**16**	1
Disposals	**(4)**	(2)
Transfer from fixed assets	**56**	4
Transfer to assets held for sale	**(1)**	
Cost, end of year	**$ 255**	$ 172
Accumulated depreciation and impairment losses, beginning of year	**$ 73**	$ 69
Depreciation	**2**	2
Impairment losses	**11**	
Reversal of impairment losses		(1)
Disposals	**(2)**	(1)
Transfer to fixed assets	**(9)**	
Transfer (to) from assets held for sale	**(5)**	4
Accumulated depreciation, end of year	**$ 70**	$ 73

	As at	
($ millions)	**Dec. 31, 2014**	Dec. 31, 2013
Carrying amount	**$ 185**	$ 99
Fair value	**$ 225**	$ 144

During 2014, Loblaw recognized in operating income $7 million (2013 – $4 million) of rental income and incurred direct operating costs of $3 million (2013 – $3 million) related to its investment properties. In addition, Loblaw recognized direct operating costs of $2 million (2013 – $1 million) related to its investment properties for which no rental income was earned.

An external, independent valuation company, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, provided appraisals for certain of Loblaw's investment properties. For the other investment properties, Loblaw determined the fair value by relying on comparable market information.

Where available, the fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

Where market values are not available, valuations are prepared using the income approach by considering the estimated cash flows expected from renting out the property based on existing lease terms and where appropriate, the ability to renegotiate the lease terms once the initial term or option term(s) expire plus the net proceeds from a sale of the property at the end of the investment horizon.

The valuations of investment properties using the income approach include assumptions as to market rental rates for properties of similar size and condition located within the same geographical areas, recoverable operating costs for leases with tenants, non-recoverable operating costs, vacancy periods, tenant inducements and capitalization rates for the purposes of determining the estimated net proceeds from the sale of the property. As at year end 2014, the pre-tax discount rates used in the valuations for investment properties ranged from 6.00% to 9.75% (2013 – 6.50% to 9.75%) and the terminal capitalization rates ranged from 5.50% to 8.50% (2013 – 5.75% to 8.75%).

In 2014, Loblaw recorded impairment losses on investment properties of $11 million (2013 – nil) in operating income and no reversals of impairment losses on investment properties (2013 – $1 million).

Notes to the Consolidated Financial Statements

Note 17. Intangible Assets

The following is a continuity of the cost and accumulated amortization of intangible assets for the year ended December 31, 2014:

($ millions)	Indefinite life intangible assets	Definite life internally generated intangible assets	Definite life trademarks and brand names	Definite life other intangible assets	Total
Cost, beginning of year	$ 71	$ 20	$ 23	$ 179	$ 293
Business acquisitions[1]	3,390	230	2	5,828	9,450
Additions		85		5	90
Disposal		(3)		(2)	(5)
Write-off cost of fully amortized assets				(1)	(1)
Transfer to assets held for sale				(29)	(29)
Impact of foreign currency translation				9	9
Cost, end of year	**$ 3,461**	**$ 332**	**$ 25**	**$ 5,989**	**$ 9,807**
Accumulated amortization and impairment losses, beginning of year		$ 19	$ 5	$ 54	$ 78
Amortization		23	1	420	444
Write-off amortization of fully amortized assets				(1)	(1)
Transfer to assets held for sale				(3)	(3)
Impact of foreign currency translation				1	1
Accumulated amortization and impairment losses, end of year		**$ 42**	**$ 6**	**$ 471**	**$ 519**
Carrying amount as at:					
December 31, 2014	**$ 3,461**	**$ 290**	**$ 19**	**$ 5,518**	**$ 9,288**

(1) Includes $9,440 million related to the acquisition of Shoppers Drug Mart (see note 5).

The following is a continuity of the cost and accumulated amortization of intangible assets for the year ended December 31, 2013:

($ millions)	Indefinite life intangible assets	Definite life internally generated intangible assets	Definite life trademarks and brand names	Definite life other intangible assets	Total
Cost, beginning of year	$ 62	$ 20	$ 23	$ 176	$ 281
Business acquisition				3	3
Additions	9			3	12
Write-off cost of fully amortized assets				(8)	(8)
Impact of foreign currency translation				5	5
Cost, end of year	$ 71	$ 20	$ 23	$ 179	$ 293
Accumulated amortization and impairment losses, beginning of year		$ 14	$ 5	$ 46	$ 65
Amortization		5		16	21
Write-off amortization of fully amortized assets				(8)	(8)
Accumulated amortization and impairment losses, end of year		$ 19	$ 5	$ 54	$ 78
Carrying amount as at:					
December 31, 2013	$ 71	$ 1	$ 18	$ 125	$ 215

Indefinite life intangible assets recorded by Loblaw are comprised of brand names, trademarks, and import purchase quota. The brand names and trademarks are a result of Loblaw's acquisition of Shoppers Drug Mart and T&T Supermarket Inc. Loblaw expects to renew the registration of the brand names, trademarks, and import purchase quota at each expiry date indefinitely, and expects these assets to generate economic benefit in perpetuity. As such, Loblaw assessed these intangibles to have indefinite useful lives.

The Company completed its 2014 and 2013 annual impairment tests for indefinite life intangible assets and concluded that there was no impairment.

Key Assumptions The key assumptions used to calculate the fair value less costs to sell are those regarding discount rates, growth rates and expected changes in margins. These assumptions are consistent with the assumptions used to calculate fair value less costs to sell for goodwill (see note 18).

Definite Life Intangible Assets Definite life intangible assets recorded by Loblaw are primarily comprised of Shoppers Drug Mart prescription files, the carrying value of the Optimum loyalty program, and software purchases and development (see note 5). Included in these amounts are capitalized borrowing costs of $1 million (2013 – nil)(see note 6).

The Company completed its assessments of impairment indicators for definite life intangible assets and concluded that there were no indications of impairment during 2014 and 2013.

Note 18. Goodwill

The following are continuities of the cost and accumulated amortization of goodwill:

($ millions)		**2014**		2013
Cost, beginning of year	**$**	**2,427**	$	2,417
Business acquisitions[1]		**2,300**		
Impact of foreign currency translation		**16**		10
Cost, end of year	**$**	**4,743**	$	2,427
Accumulated amortization and impairment losses, beginning of year	**$**	**1,062**	$	1,062
Accumulated amortization and impairment losses, end of year	**$**	**1,062**	$	1,062
Carrying amount as at:				
December 31	**$**	**3,681**	$	1,365

(1) Includes $2,285 million related to the acquisition of Shoppers Drug Mart (see note 5).

The carrying amount of goodwill attributed to each CGU grouping was as follows:

	As at			
($ millions)		**Dec. 31, 2014**		Dec. 31, 2013
Weston Foods	**$**	**278**	$	262
Shoppers Drug Mart		**2,294**		
Market		**337**		
Discount		**459**		
Quebec region – Loblaw				700
T&T Supermarket Inc.		**129**		129
Other		**184**		274
Carrying amount of goodwill	**$**	**3,681**	$	1,365

The Company completed its 2014 and 2013 annual impairment tests for goodwill and concluded that there was no impairment. Subsequent to the acquisition of Shoppers Drug Mart, Loblaw reorganized its senior management, including the heads of Loblaw's banner groups, and as a result, Loblaw reallocated goodwill to this reorganized structure subsequent to the completion of the 2014 annual impairment test. CGU groupings for goodwill allocation are done by banner or groups of banners, whereas they were previously grouped by region.

Key Assumptions The key assumptions used to calculate the fair value less costs to sell are those regarding discount rates, growth rates and expected changes in margins. These assumptions are considered to be Level 3 in the fair value hierarchy.

The weighted average cost of capital was determined to be in the range of 6.0% to 6.5% (2013 – 6.5% to 7.0%) and was based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on corporate bond yields and the capital structure of the Company.

Cash flow projections were discounted using a range of rates derived from the Company's after-tax weighted average cost of capital adjusted for specific risks relating to each CGU. As at year end 2014, the after-tax discount rates used in the recoverable amount calculations ranged from 8.5% to 9.5% (2013 – 9.5%). The pre-tax discount rates ranged from 11.4% to 13.0% (2013 – 12.8% to 13.0%).

The Company included a minimum of three years of cash flows in its discounted cash flow model. The cash flow forecasts were extrapolated beyond the three year period using an estimated long term growth rate of 2.0% (2013 – 2.0%). The budgeted adjusted EBITDA growth is based on the strategic plans approved by GWL's and Loblaw's Boards.

Note 19. Interests in Other Entities

Associates Loblaw consolidates Associates based on the concept of control, which is determined, for accounting purposes, to exist through Associate Agreements. Loblaw does not have any direct or indirect shareholdings in the corporations (the "Associates' corporations") that operate the Associates. The Associates' corporations remain separate legal entities.

Consolidated Structured Entities

Independent Funding Trusts Certain independent franchisees of Loblaw obtain financing through a structure involving independent funding trusts, which were created to provide loans to franchisees to facilitate their purchase of inventory and fixed assets, consisting mainly of fixtures and equipment. Loblaw provides a standby letter of credit for the benefit of the independent funding trusts (see note 36).

Eagle Credit Card Trust® Loblaw, through PC Bank, participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. Under these securitization programs, a portion of the total interest in credit card receivables is sold to third parties pursuant to co-ownership agreements that issue interest bearing securities. PC Bank participates in a single seller revolving co-ownership securitization program with *Eagle* and continues to service the credit card receivables on behalf of *Eagle*, but does not receive any fee for its servicing obligations and has a retained interest in the securitized receivables represented by the right to future cash flows after obligations to investors have been met. Loblaw provides a standby letter of credit for the benefit of the independent securitization trust (see note 36).

Share-Based Compensation Trusts During 2013, GWL and Loblaw established trusts for each of their RSU and PSU plans to facilitate the purchase of shares for future settlement upon vesting. Each company is the sponsor of their respective trusts and has assigned Computershare Trust Company of Canada as the trustee. GWL and Loblaw fund the purchase of shares for settlement and earn management fees from the trusts.

Unconsolidated Structured Entities

Other Independent Securitization Trusts The Other Independent Securitization Trusts administer multi-seller, multi-asset securitization programs that acquire assets from various participants, including credit card receivables from PC Bank. These trusts are managed by major Canadian chartered banks. PC Bank does not control the trusts through voting interests and does not exercise any control over the trusts' management, administration or assets. The activities of these trusts are conducted on behalf of the participants and each trust is a conduit through which funds are raised to purchase assets through the issuance of senior and subordinated short term and medium term asset backed notes. Loblaw provides standby letters of credit for the benefit of these trusts (see note 36).

Note 20. Other Assets

The components of other assets were as follows:

($ millions)	As at Dec. 31, 2014	Dec. 31, 2013
Fair value of equity forward (note 33)	**$ 367**	$ 524
Sundry investments and other receivables	**141**	136
Net accrued benefit plan asset (note 29)	**109**	138
Interest in joint venture (note 37)	**6**	
Other	**60**	55
Other assets	**$ 683**	$ 853

Note 21. Provisions

Provisions consist primarily of amounts recorded in respect of restructuring, self-insurance, commodity taxes, environmental and decommissioning liabilities, onerous lease arrangements and a MEPP withdrawal liability.

The following are continuities relating to the Company's provisions:

($ millions)	2014	2013
Provisions, beginning of year	**$ 201**	$ 217
Acquisition of Shoppers Drug Mart (note 5)	**19**	
Additions	**89**	48
Payments	**(79)**	(53)
Reversals	**(3)**	(15)
Impact of foreign currency translation	**6**	4
Provisions, end of year	**$ 233**	$ 201

($ millions)	As at Dec. 31, 2014	Dec. 31, 2013
Carrying amount of provisions recorded in:		
Current provisions	**$ 130**	$ 120
Non-current provisions	**103**	81
Provisions	**$ 233**	$ 201

The Company's accrued insurance liabilities were $84 million (2013 – $70 million), of which $50 million (2013 – $40 million) was included in non-current provisions and $34 million (2013 – $30 million) in current provisions. Included in total accrued insurance liabilities were $30 million (2013 – $34 million) of U.S. workers' compensation liabilities. The related cost and accrued workers' compensation liabilities are based on actuarial valuations which are dependent on assumptions determined by management. The discount rate used in determining the 2014 workers' compensation cost and liability was 2.0% (2013 – 2.0%). The total workers' compensation liability is equal to the ultimate actuarial loss estimate less any actual losses paid to date. Any change in the workers' compensation liability is recognized immediately in operating income.

The U.S. workers' compensation cost associated with the worker's compensation liabilities was $4 million in 2014 (2013 – $4 million).

During 2014, Loblaw recorded $46 million (2013 – $32 million) of restructuring and reorganization costs in operating income, primarily associated with the reduction of corporate and store-support positions, the departure of certain executives and the realignment of certain of Loblaw's central office functions. As at year end 2014, $37 million (2013 – $39 million) was included in provisions relating to these restructuring initiatives.

Note 22. Short Term Debt

The components of short term debt were as follows:

	As at	
($ millions)	**Dec. 31, 2014**	Dec. 31, 2013
Other Independent Securitization Trusts[1] (note 12)	**$ 605**	$ 605
Series B Debentures[2]	**496**	455
Short term debt	**$ 1,101**	$ 1,060

(1) The outstanding short term debt balances relate to credit card receivables securitized to the Other Independent Securitization Trusts.

During 2014, PC Bank extended the maturity date for one of its Other Independent Securitization Trust agreements from the third quarter of 2015 to the third quarter of 2016, with all other terms and conditions remaining substantially the same. In addition, PC Bank extended the maturity date for two of its Other Independent Securitization Trust agreements from the second quarter of 2015 to the second quarter of 2016, with all other terms and conditions remaining substantially the same.

During 2013, PC Bank repurchased $300 million of co-ownership interests in the securitized receivables from the Other Independent Securitization Trusts, and recorded a corresponding decrease to short term debt.

The undrawn commitments on facilities available from the Other Independent Securitization Trusts as at year end 2014 were $120 million (2013 – $120 million). Loblaw has arranged letters of credit on behalf of PC Bank, for the benefit of the Other Independent Securitization Trusts (see note 36).

Subsequent to year end 2014, Loblaw, through PC Bank, extended the maturity date for certain Other Independent Securitization Trust agreements from the second quarter of 2016 to the second quarter of 2017, with all other terms and conditions remaining substantially the same.

(2) Series B Debentures issued by GWL are due on demand, and pay a current weighted average interest rate of 1.77% (2013 – 1.78%). The Series A, 7.00% (see note 23) and Series B Debentures are secured by a pledge of 9.6 million Loblaw common shares.

Notes to the Consolidated Financial Statements

Note 23. Long Term Debt

The components of long term debt were as follows:

($ millions)	As at Dec. 31, 2014	Dec. 31, 2013
George Weston Limited		
Debentures		
Series A, 7.00%, due 2031[i]	**$ 466**	$ 466
Notes		
5.05%, due 2014[ii]		200
3.78%, due 2016	**350**	350
4.12%, due 2024[iii]	**200**	
7.10%, due 2032	**150**	150
6.69%, due 2033	**100**	100
Loblaw Companies Limited		
Notes[vii]		
6.00%, due 2014[iv]		100
4.85%, due 2014[v]		350
7.10%, due 2016	**300**	300
3.75%, due 2019[vi]	**800**	800
5.22%, due 2020	**350**	350
4.86%, due 2023[vi]	**800**	800
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	**(57)**	(67)
6.85%, due 2032	**200**	200
6.54%, due 2033	**200**	200
8.75%, due 2033	**200**	200
6.05%, due 2034	**200**	200
6.15%, due 2035	**200**	200
5.90%, due 2036	**300**	300
6.45%, due 2039	**200**	200
7.00%, due 2040	**150**	150
5.86%, due 2043	**55**	55
Shoppers Drug Mart		
2.01%, due 2016[viii]	**225**	
2.36%, due 2018[viii]	**275**	
Unsecured term loan facility[ix]		
1.45% + Bankers' Acceptance, due 2019	**1,229**	
Long term debt secured by mortgage		
5.49%, due 2018 (note 15)	**86**	87
Guaranteed investment certificates[x]		
due 2015 – 2019 (1.20% – 3.78%)	**634**	430
Independent securitization trusts[xi]		
Eagle, 3.58%, due 2015	**350**	350
Eagle, 2.91%, due 2018	**400**	400
Independent funding trusts[xii]	**498**	475
Finance lease obligations (note 32)	**600**	388
Choice Properties		
Series A 3.55%, due 2018[xiv]	**400**	400
Series B 4.90%, due 2023[xiv]	**200**	200
Series C 3.50%, due 2021[xiii]	**250**	
Series D 4.29%, due 2024[xiii]	**200**	
Series 5 3.00%, due 2016	**300**	
Series 6 3.00%, due 2017	**200**	
Series 7 3.00%, due 2019	**200**	
Series 8 3.60%, due 2020	**300**	
Series 9 3.60%, due 2021	**200**	
Series 10 3.60%, due 2022	**300**	
Credit facility	**122**	
Transaction costs and other	**(33)**	(16)
Total long term debt	**12,726**	8,944
Less – amount due within one year	**(420)**	(1,208)
Long term debt	**$ 12,306**	$ 7,736

(i) The Series A, 7.00% and Series B Debentures (see note 22) are secured by a pledge of 9.6 million Loblaw common shares.

(ii) In 2014, GWL's $200 million 5.05% MTN due March 10, 2014 matured and was repaid.

(iii) In 2014, GWL issued $200 million principal amount of senior unsecured notes bearing interest at a fixed rate of 4.12% and maturing on June 17, 2024.

(iv) In 2014, Loblaw's $100 million 6.00% MTN due March 3, 2014 matured and was repaid.

(v) In 2014, Loblaw's $350 million 4.85% MTN due May 8, 2014 matured and was repaid.

(vi) During 2013, Loblaw issued $1.6 billion aggregate principal amount of senior unsecured notes, consisting of $800 million of Senior Unsecured Notes, 3.75% Series 2019 due March 12, 2019 and $800 million of Senior Unsecured Notes, 4.86% Series 2023 due September 12, 2023. The net proceeds from the offering were initially placed in escrow until used in connection with the acquisition of Shoppers Drug Mart (see note 5).

(vii) During 2013, Loblaw's $200 million 5.40% MTN due November 20, 2013 matured and was repaid.

(viii) In connection with the acquisition of Shoppers Drug Mart, Loblaw assumed Shoppers Drug Mart's outstanding principal amount of MTNs of $225 million at 2.01% and $275 million at 2.36%, maturing in 2016 and 2018, respectively.

(ix) During 2014, as part of the financing of the acquisition of Shoppers Drug Mart, $3.5 billion was obtained through an unsecured term loan facility bearing interest at a rate equal to the Bankers' Acceptance rate plus 1.75% and subsequently re-priced to the Bankers' Acceptance rate plus 1.45%.

During 2014, Loblaw repaid $2.3 billion of the $3.5 billion drawn on this facility. During 2014, Loblaw amortized $25 million of the $41 million of deferred financing costs related to the facility in net interest expense and other financing charges, of which $23 million related to accelerated amortization for early repayments (see note 6).

(x) The following table summarizes PC Bank's Guaranteed Investment Certificates ("GICs") activity, before commissions:

($ millions)	2014	2013
Balance, beginning of year	**$ 430**	$ 303
GICs issued	**261**	167
GICs matured	**(57)**	(40)
Balance, end of year	**$ 634**	$ 430

(xi) The notes issued by *Eagle* are MTNs, which are collateralized by PC Bank's credit card receivables (see note 12). During 2013, *Eagle* issued $400 million of senior and subordinated term notes with a maturity date of October 17, 2018 at a weighted average interest rate of 2.91%, and repaid $250 million of senior and subordinated term notes which matured on December 17, 2013.

(xii) As at year end 2014, the independent funding trusts had drawn $498 million (2013 – $475 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts. During 2014, Loblaw renewed the revolving committed credit facility and extended the maturity date to May 6, 2017, with all other terms and conditions remaining substantially the same. Loblaw provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts (see note 36).

Choice Properties During 2014, Choice Properties Limited Partnership entered into a Master Trust Indenture agreement with Computershare Trust Company of Canada to create supplemental indentures in order to facilitate the replacement of all tranches of transferor notes held by Loblaw, with Series 5 to Series 10 notes containing the same principal amounts, interest rates and maturity dates. These replacement notes bear fixed interest rates between 3.00% and 3.60% and mature during 2016 through 2022. The remaining terms and conditions are substantially similar to the original notes. Loblaw subsequently sold the replacement notes to unrelated parties and received net proceeds of $1.5 billion. Loblaw used these proceeds to partially repay the $3.5 billion unsecured term loan facility drawn to fund a portion of the cost to acquire Shoppers Drug Mart (see note 5).

(xiii) During 2014, Choice Properties issued Series C senior unsecured debentures and Series D senior unsecured debentures under its Short Form Base Shelf Prospectus. The majority of the proceeds were used to repay $440 million of transferor notes held by Loblaw.

(xiv) As part of its initial public offering in 2013, Choice Properties issued Series A senior unsecured debentures and Series B senior unsecured debentures.

Subsequent to year end 2014, Choice Properties issued $250 million aggregate principal amount of Series E senior unsecured debentures bearing interest at a rate of 2.30% per annum and maturing in 2020. The net proceeds from the issuance were used by Choice Properties to repay existing indebtedness and for general business purposes.

Committed Facilities During 2014, effective on the closing of the acquisition of Shoppers Drug Mart, Loblaw's committed credit facility was increased from $800 million to $1.0 billion and the term was extended to December 31, 2018, with all other terms and conditions remaining substantially the same. The credit facility contains certain financial covenants (see note 28). As at year end 2014 and 2013, Loblaw had not drawn on its committed credit facility.

As required by the unsecured term loan facility agreement, $478 million, which was the outstanding balance owing on Shoppers Drug Mart's revolving bank credit facility, was repaid and the facility was cancelled upon closing of the acquisition of Shoppers Drug Mart (see note 5).

During 2013, Choice Properties entered into an agreement for a $500 million, 5-year senior unsecured committed credit facility provided by a syndicate of lenders. During 2014, Choice Properties extended the maturity date of its committed credit facility to July 5, 2019. This facility bears interest at variable rates: Prime plus 0.45% or Banker's Acceptance rate plus 1.45%. The facility contains certain financial covenants (see note 28). As at year end 2014, Choice Properties had drawn $122 million (2013 – nil) under its committed credit facility.

Private Placement Notes During 2013, Loblaw settled its U.S. $300 million private placement ("USPP") notes and related cross currency swaps (see note 33). Loblaw incurred approximately $18 million of early-settlement costs related to the settlement of the USPP note due May 29, 2015, which were recorded in net interest expense and other financing charges (see note 6).

Long Term Debt Due within One Year The components of long term debt due within one year were as follows:

	As at	
($ millions)	**Dec. 31, 2014**	Dec. 31, 2013
Independent securitization trust	**$ 350**	
Medium term notes		$ 650
Independent funding trusts		475
GICs	**29**	52
Other	**41**	31
Long term debt due within one year	**$ 420**	$ 1,208

Schedule of Repayments The schedule of repayment of long term debt, based on maturity is as follows:

($ millions)	As at Dec. 31, 2014
2015	**$ 420**
2016	**1,333**
2017	**847**
2018	**1,353**
2019	**2,588**
Thereafter	**6,275**
Total long term debt (excludes transaction costs)	**$ 12,816**

See note 33 for the fair value of long term debt.

Note 24. Other Liabilities

The components of other liabilities were as follows:

($ millions)	As at Dec. 31, 2014	Dec. 31, 2013
Net defined benefit plan obligation (note 29)	**$ 370**	$ 292
Other long term employee benefit obligation	**124**	117
Share-based compensation liability (note 30)	**7**	1
Fair value of acquired leases	**104**	
Deferred lease obligation	**77**	25
Other	**167**	183
Other liabilities	**$ 849**	$ 618

Note 25. Capital Securities

Loblaw has 9.0 million 5.95% non-voting Second Preferred Shares, Series A, outstanding (authorized – 12.0 million), with a face value of $225 million, which were issued for net proceeds of $218 million, and entitle the holder to a fixed cumulative preferred cash dividend of $1.4875 per share per annum which, if declared, will be payable quarterly. These preferred shares are measured using the effective interest method and are presented as capital securities on the consolidated balance sheets and classified as other financial liabilities. As at year end 2014, the capital securities were recorded in current liabilities (2013 – non-current liabilities).

On and after July 31, 2014 and 2015, Loblaw may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.50 and $25.00 per share, respectively. Loblaw may, at its option, convert these preferred shares into that number of common shares of Loblaw determined by dividing the then applicable redemption price, together with all accrued and unpaid dividends to but excluding the date of conversion, by the greater of $2.00 per share and 95% of the then current market price of the common shares. On and after July 31, 2015, these outstanding preferred shares are convertible, at the option of the holder, into that number of common shares of Loblaw determined by dividing $25.00 per share, together with accrued and unpaid dividends to but excluding the date of conversion, by the greater of $2.00 per share and 95% of the then current market price of the common shares. This option is subject to Loblaw's right to redeem the preferred shares for cash or arrange for their sale to substitute purchasers.

Dividends on capital securities are presented in net interest expense and other financing charges in the consolidated statements of earnings (see note 6).

Note 26. Share Capital

The components of share capital were as follows:

($ millions)	As at Dec. 31, 2014	Dec. 31, 2013
Common share capital	**$ 180**	$ 155
Preferred shares, Series I	**228**	228
Preferred shares, Series III	**196**	196
Preferred shares, Series IV	**197**	197
Preferred shares, Series V	**196**	196
Share capital	**$ 997**	$ 972

Common Share Capital (authorized – unlimited) Common shares issued are fully paid and have no par value. The following table summarizes the activity in the Company's common shares issued and outstanding for the years ended December 31, 2014 and December 31, 2013:

($ millions except where otherwise indicated)	2014 Number of Common Shares	2014 Common Share Capital	2013 Number of Common Shares	2013 Common Share Capital
Issued and outstanding, beginning of year	**127,899,410**	**$ 155**	128,221,841	$ 136
Issued for settlement of stock options (note 30)	**312,583**	**$ 25**	257,569	$ 20
Purchased for cancellation	**(310,762)**		(580,000)	$ (1)
Issued and outstanding, end of year	**127,901,231**	**$ 180**	127,899,410	$ 155
Shares held in trust, beginning of year	**(218,726)**			
Purchased for future settlement of RSUs and PSUs	**(127,000)**		(220,000)	
Released for settlement of RSUs and PSUs (note 30)	**54,422**		1,274	
Shares held in trust, end of year	**(291,304)**		(218,726)	
Issued and outstanding net of shares held in trust, end of year	**127,609,927**	**$ 180**	127,680,684	$ 155
Weighted average outstanding, net of shares held in trust	**127,788,025**		127,580,415	

Preferred Shares, Series I (authorized – 10.0 million) GWL has 9.4 million 5.80% non-voting Preferred Shares, Series I outstanding, with a face value of $235 million, which entitle the holder to a fixed cumulative preferred cash dividend of $1.45 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

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

Preferred Shares, Series III (authorized – 10.0 million) GWL has 8.0 million 5.20% non-voting Preferred Shares, Series III outstanding, with a face value of $200 million, which entitle the holder to a fixed cumulative preferred cash dividend of $1.30 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

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

Preferred Shares, Series IV (authorized – 8.0 million) GWL has 8.0 million 5.20% non-voting Preferred Shares, Series IV outstanding, with a face value of $200 million, which entitle the holder to a fixed cumulative preferred cash dividend of $1.30 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

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

Preferred Shares, Series V (authorized – 8.0 million) GWL has 8.0 million 4.75% non-voting Preferred Shares, Series V outstanding, with a face value of $200 million, which entitle the holder to a fixed cumulative preferred cash dividend of $1.1875 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

Until June 30, 2015 at $25.25 per share, together with all accrued and unpaid dividends to the redemption date; and
On or after July 1, 2015 at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

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

Dividends The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Board which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. Over time, it is the Company's intention to increase the amount of the dividend while retaining appropriate free cash flow to reduce debt and finance future growth. In the second quarter of 2014, the Board raised the quarterly common share dividend by $0.005 to $0.42 per share. The Board declared dividends as follows:

($)		**2014**	2013
Dividends declared per share[(1)]	– Common share	**$ 1.675**	$ 1.625
	– Preferred share:		
	Series I	**$ 1.45**	$ 1.45
	Series III	**$ 1.30**	$ 1.30
	Series IV	**$ 1.30**	$ 1.30
	Series V	**$ 1.19**	$ 1.19

(1) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were paid on January 1, 2015. Dividends declared on Preferred Shares, Series I were paid on December 15, 2014.

The following table summarizes the Company's cash dividends declared subsequent to year end 2014:

($)			
Dividends declared per share[(1)]	– Common share	$	**0.42**
	– Preferred share:		
	Series I	$	**0.36**
	Series III	$	**0.32**
	Series IV	$	**0.32**
	Series V	$	**0.30**

(1) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V are payable on April 1, 2015. Dividends declared on Preferred Shares, Series I are payable on March 15, 2015.

Normal Course Issuer Bid ("NCIB") Program The following table summarizes the Company's activity under its NCIB program:

($ millions except where otherwise indicated)	**2014 (53 weeks)**	2013 (52 weeks)
Purchased for cancellation (number of shares)	**310,762**	580,000
Purchased for future settlement of RSUs and PSUs (number of shares)	**127,000**	220,000
Cash consideration paid		
Retired	**$ 29**	$ 42
Purchased and held in trust	**$ 11**	$ 15
Premium charged to retained earnings	**$ 40**	$ 56
Reduction in share capital	**$**	$ 1

In 2014, GWL renewed its NCIB program to purchase on the Toronto Stock Exchange ("TSX") or enter into equity derivative contracts to purchase up to 6,395,629 of its common shares, representing approximately 5% of the common shares outstanding. In accordance with the rules and regulations of the TSX, any purchases must be at the then market price of such shares.

Note 27. Loblaw Capital Transactions

During 2014, Loblaw issued 4,048,766 (2013 – 2,167,593) of its common shares in connection with its share-based compensation plans including shares settled from the trusts established for the RSU and PSU plans. As a result, contributed surplus increased by $28 million (2013 – $25 million).

During 2014, Loblaw purchased under its NCIB 3,353,800 (2013 – 2,603,500) of its common shares for cash consideration of $178 million (2013 – $119 million). As a result, contributed surplus decreased by $34 million (2013 – $36 million).

During 2014, Loblaw issued 119,471,382 of its common shares for the acquisition of Shoppers Drug Mart (see note 5) resulting in a reduction in the Company's ownership interest in Loblaw. The impact of a reduction in ownership interest is determined based on the change in the proportionate share of identifiable net assets. The gain resulting from the dilution of the Company's ownership interest in Loblaw was recorded in retained earnings as GWL remains the controlling shareholder of Loblaw (see note 1). As a result, retained earnings increased by $1,078 million.

Note 28. Capital Management

In order to manage its capital structure, the Company, among other activities, may adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to its NCIB program, issue new shares or issue or repay long term debt with the objective of:

- ensuring sufficient liquidity is available to support its financial obligations and to execute its operating and strategic plans;
- targeting a reduction in debt following the Shoppers Drug Mart acquisition to return to credit rating metrics consistent with those of investment grade companies;
- maintaining financial capacity and flexibility through access to capital to support future development of the business;
- minimizing the after-tax cost of its capital while taking into consideration current and future industry, market and economic risks and conditions; and
- utilizing short term funding sources to manage its working capital requirements and long term funding sources to manage the long term capital expenditures of the business.

The Company has policies in place which govern debt financing plans and risk management strategies for liquidity, interest rates and foreign exchange. These policies outline measures and targets for managing capital, including a range for leverage consistent with the desired credit rating. Management and the Audit Committee regularly review the Company's compliance with, and performance against, these policies. In addition, management regularly reviews these policies to ensure they remain consistent with the risk tolerance acceptable to the Company.

The following table summarizes the Company's total capital under management:

	As at	
($ millions)	**Dec. 31, 2014**	Dec. 31, 2013[1]
Bank indebtedness	**$ 162**	
Short term debt	**1,101**	$ 1,060
Long term debt due within one year	**420**	1,208
Long term debt	**12,306**	7,736
Certain other liabilities	**28**	39
Fair value of financial derivatives related to the above debt	**(367)**	(524)
Total debt	**$ 13,650**	$ 9,519
Capital securities	**225**	224
Equity attributable to shareholders of the Company	**7,289**	6,313
Total capital under management	**$ 21,164**	$ 16,056

(1) Certain 2013 figures have been amended (see note 2).

Covenants and Regulatory Requirements Loblaw is subject to certain key financial and non-financial covenants under its existing credit facility, unsecured term loan facility, certain MTNs and letters of credit. These covenants, which include interest coverage and leverage ratios, as defined in the respective agreements, are measured by Loblaw on a quarterly basis to ensure compliance with these agreements. During and as at year end 2014, Loblaw was in compliance with each of the covenants under these agreements.

Choice Properties has certain key financial and non-financial covenants under its debentures and credit facility which include debt service ratios and leverage ratios. These ratios are measured by Choice Properties on a quarterly basis to ensure compliance. During and as at year end 2014, Choice Properties was in compliance with the covenants under these agreements.

Loblaw is subject to externally imposed capital requirements from the Office of the Superintendent of Financial Institutions ("OSFI"), the primary regulator of PC Bank. PC Bank's capital management objectives are to maintain

a consistently strong capital position while considering the economic risks generated by its credit card receivables portfolio and to meet all regulatory capital requirements as defined by OSFI. PC Bank uses Basel III as its regulatory capital management framework which includes a common equity Tier 1 capital ratio of 4.0%, a Tier 1 capital ratio of 5.5% and a total capital ratio of 8%. In addition to the regulatory capital ratios requirement, prior to January 1, 2015, financial institutions were expected to meet an assets-to-capital multiple test. During and as at year end 2014 and 2013, PC Bank met all applicable regulatory requirements related to capital ratios and the assets-to-capital multiple test. Effective January 1, 2015, the Basel III Leverage ratio replaced the assets-to-capital multiple test.

In 2014, OFSI released the final Guideline on Liquidity Adequacy Requirements ("LARs"). The LARs guideline establishes standards based on the Basel III framework, including a Liquidity Coverage Ratio ("LCR") standard effective January 1, 2015 and a Net Stable Funding Ratio standard effective January 1, 2018. The LCR standard specifies the level of liquid securities that PC Bank is required to maintain to meet its financial liabilities.

In addition, the Company has wholly-owned subsidiaries that engage in insurance related activities. These subsidiaries each exceeded their minimum regulatory capital and surplus requirements as at year end 2014.

Note 29. Post-Employment and Other Long Term Employee Benefits

Post-Employment Benefits The Company sponsors a number of pension plans, including registered defined benefit pension plans, registered defined contribution pension plans and supplemental unfunded arrangements providing pension benefits in excess of statutory limits. Certain obligations of the Company under these supplemental pension arrangements are secured by a standby letter of credit issued by a major Canadian chartered bank.

GWL's and Loblaw's Pension Committees ("the Committees") oversee the Company's pension plans. The Committees are responsible for assisting the GWL's and Loblaw's Boards in fulfilling its general oversight responsibilities for the plans. The Committees assist the Boards with administration of the plans, pension investment and monitoring responsibilities, and compliance with legal and regulatory requirements.

The Company's defined benefit pension plans are primarily funded by the Company, predominantly non-contributory and the benefits are, in general, based on career average earnings subject to limits. The funding is based on a solvency valuation for which the assumptions may differ from the assumptions used for accounting purposes as detailed in this note.

The Company also offers certain other defined benefit plans other than pension plans. These other defined benefit plans are generally not funded, are mainly non-contributory and include health care, life insurance and dental benefits. Employees eligible for these other defined benefit plans are those who retire at certain ages having met certain service requirements. The majority of other defined benefit plans for current and future retirees include a limit on the total benefits payable by the Company.

The Company's defined benefit pension plans and other defined benefit plans expose it to a number of actuarial risks, such as longevity risk, interest rate risk and market risk.

In Canada, the Company also has a national defined contribution plan for salaried employees. All newly hired salaried employees are only eligible to participate in this defined contribution plan.

The Company also contributes to various MEPPs, which are administered by independent boards of trustees generally consisting of an equal number of union and employer representatives. The Company's responsibility to make contributions to these plans is limited by amounts established pursuant to its collective agreements.

The Company expects to make contributions in 2015 to its defined benefit and defined contribution plans and the MEPPs in which it participates as well as make benefit payments to the beneficiaries of the supplemental unfunded defined benefit pension plans, other defined benefit plans and other long term employee benefit plans.

Other Long Term Employee Benefits The Company offers other long term employee benefit plans that include long term disability benefits and continuation of health care and dental benefits while on disability.

(i) Defined Benefit Pension Plans and Other Defined Benefit Plans

Information on the Company's defined benefit pension plans and other defined benefit plans, in aggregate, is summarized as follows:

	As at			
	Dec. 31, 2014		Dec. 31, 2013	
($ millions)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	Defined Benefit Pension Plans	Other Defined Benefit Plans
Present value of funded obligations	**$ (2,423)**		$ (1,903)	
Present value of unfunded obligations	**(131)**	**$ (204)**	(114)	$ (174)
Total present value of defined benefit obligations	**$ (2,554)**	**$ (204)**	$ (2,017)	$ (174)
Fair value of plan assets	**2,502**		2,044	
Total funded status of (obligations) surpluses	**$ (52)**	**$ (204)**	$ 27	$ (174)
Liability arising from minimum funding requirement for past service	**(5)**		(7)	
Total net defined benefit plan (obligation) surplus	**$ (57)**	**$ (204)**	$ 20	$ (174)
Recorded on the consolidated balance sheets as follows:				
Other assets (note 20)	**$ 109**		$ 138	
Other liabilities (note 24)	**$ (166)**	**$ (204)**	$ (118)	$ (174)

The following are the continuities of the fair value of plan assets and the present value of the defined benefit plan obligations:

			2014			2013
($ millions)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Changes in the fair value of plan assets						
Fair value, beginning of year	**$ 2,044**		**$ 2,044**	$ 1,847		$ 1,847
Acquisition of Shoppers Drug Mart (note 5)	**161**		**161**			
Employer contributions	**58**		**58**	118		118
Employee contributions	**4**		**4**	3		3
Benefits paid	**(107)**		**(107)**	(105)		(105)
Interest income	**101**		**101**	74		74
Actuarial gains in other comprehensive income	**242**		**242**	109		109
Other	**(1)**		**(1)**	(2)		(2)
Fair value, end of year	**$ 2,502**		**$ 2,502**	$ 2,044		$ 2,044
Changes in the present value of the defined benefit plan obligations						
Balance, beginning of year	**$ 2,017**	**$ 174**	**$ 2,191**	$ 2,185	$ 253	$ 2,438
Acquisition of Shoppers Drug Mart (note 5)	**173**	**6**	**179**			
Current service cost	**53**	**7**	**60**	56	9	65
Interest cost	**102**	**8**	**110**	86	9	95
Benefits paid	**(114)**	**(6)**	**(120)**	(111)	(7)	(118)
Employee contributions	**4**		**4**	3		3
Actuarial losses (gains) in other comprehensive income	**310**	**15**	**325**	(182)	(60)	(242)
Plan amendments[(1)]				(28)	(23)	(51)
Contractual termination benefits[(2)]	**1**		**1**	2		2
Special termination benefits[(2)]	**2**		**2**			
Other	**6**		**6**	6	(7)	(1)
Balance, end of year	**$ 2,554**	**$ 204**	**$ 2,758**	$ 2,017	$ 174	$ 2,191

(1) Relates to the amendments to certain of the Company's defined benefit plans impacting certain employees retiring after January 1, 2015 which were announced in 2013.
(2) Relates to the reduction of head office and administrative positions at Loblaw (see note 21).

For the year ended 2014, the actual return on plan assets was $343 million (2013 – $183 million).

The net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants – 42% (2013 – 42%)
- Deferred plan participants – 11% (2013 – 12%)
- Retirees – 47% (2013 – 46%)

During 2015, the Company expects to contribute approximately $40 million (2014 – contributed $58 million) to its registered defined benefit pension plans. The actual amount paid may vary from the estimate based on actuarial valuations being completed, investment performance, volatility in discount rates, regulatory requirements and other factors.

The net cost recognized in net earnings before income taxes for the Company's defined benefit pension plans and other defined benefit plans was as follows:

	2014 (53 weeks)			2013 (52 weeks)		
($ millions)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Current service cost	**$ 53**	**$ 7**	**$ 60**	$ 56	$ 9	$ 65
Interest cost on net defined benefit plan obligations	**1**	**8**	**9**	12	9	21
Contractual and special termination benefits[1]	**3**		**3**	2		2
Past service costs[2]				(28)	(23)	(51)
Other	**6**		**6**	8	(3)	5
Net post-employment defined benefit costs	**$ 63**	**$ 15**	**$ 78**	$ 50	$ (8)	$ 42

(1) Relates to the reduction of head office and administrative positions at Loblaw (see note 21).
(2) Relates to the amendments to certain of the Company's defined benefit plans impacting certain employees retiring after January 1, 2015 which were announced in 2013.

The actuarial losses (gains) recognized in other comprehensive income for defined benefit plans was as follows:

	2014 (53 weeks)			2013 (52 weeks)		
($ millions)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Return on plan assets excluding amounts included in interest income	**$ (242)**		**$ (242)**	$ (109)		$ (109)
Experience adjustments	**18**	**$ (1)**	**17**	(12)	$ (48)	(60)
Actuarial losses from change in demographic assumptions	**34**	**3**	**37**	81	4	85
Actuarial losses (gains) from change in financial assumptions	**258**	**13**	**271**	(251)	(16)	(267)
Change in liability arising from minimum funding requirements for past service	**(2)**		**(2)**	4		4
Total net actuarial losses (gains) recognized in other comprehensive income before income taxes	**$ 66**	**$ 15**	**$ 81**	$ (287)	$ (60)	$ (347)
Income tax (recovery) expense on actuarial losses (gains) (note 7)	**(18)**	**(4)**	**(22)**	77	16	93
Actuarial losses (gains) net of income tax (recovery) expense	**$ 48**	**$ 11**	**$ 59**	$ (210)	$ (44)	$ (254)

The cumulative actuarial losses (gains) before income taxes recognized in equity for the Company's defined benefit plans were as follows:

($ millions)	2014 Defined Benefit Pension Plans	2014 Other Defined Benefit Plans	2014 Total	2013 Defined Benefit Pension Plans	2013 Other Defined Benefit Plans	2013 Total
Cumulative amount, beginning of year	**$ 140**	**$ (26)**	**$ 114**	$ 427	$ 34	$ 461
Net actuarial losses (gains) recognized in the year before income taxes	**66**	**15**	**81**	(287)	(60)	(347)
Cumulative amount, end of year	**$ 206**	**$ (11)**	**$ 195**	$ 140	$ (26)	$ 114

Composition of Plan Assets The defined benefit pension plan assets are held in trust and consisted of the following asset categories:

($ millions except where otherwise indicated)		As at **Dec. 31, 2014**		Dec. 31, 2013	
Equity securities					
Canadian	– common			$ 152	7%
	– pooled funds	**$ 336**	**13%**	208	10%
Foreign	– pooled funds	**570**	**23%**	603	30%
Total equity securities		**$ 906**	**36%**	$ 963	47%
Debt securities					
Fixed income securities	– government	**$ 789**	**31%**	$ 549	27%
	– corporate	**273**	**11%**	177	9%
Fixed income pooled funds[(1)]	– government	**375**	**15%**	234	11%
	– corporate	**70**	**3%**	55	3%
Total debt securities		**$ 1,507**	**60%**	$ 1,015	50%
Other investments		**$ 54**	**2%**		
Cash and cash equivalents		**$ 20**	**1%**	$ 66	3%
Refundable tax on account with CRA		**$ 15**	**1%**		
Total		**$ 2,502**	**100%**	$ 2,044	100%

(1) Both government and corporate securities may be included within the same fixed income pooled fund.

As at year end 2014 and 2013, the defined benefit pension plans did not directly include any GWL or Loblaw securities.

All equity and debt securities and other investments are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities or based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The Company's asset allocation reflects a balance of interest rate sensitive investments, such as fixed income investments and equities, which are expected to provide higher returns over the long term. The Company's targeted asset allocations are actively monitored and adjusted on a plan by plan basis to align the asset mix with the liability profiles of the plans.

Principal Actuarial Assumptions The principal actuarial assumptions used in calculating the Company's defined benefit plan obligations and net defined benefit plan cost for the year were as follows (expressed as weighted averages):

	2014		2013	
	Defined Benefit Pension Plans	**Other Defined Benefit Plans**	Defined Benefit Pension Plans	Other Defined Benefit Plans
Defined Benefit Plan Obligations				
Discount rate	**4.00%**	**4.00%**	4.75%	4.50%
Rate of compensation increase	**3.50%**	**n/a**	3.50%	n/a
Mortality table	**CPM-RPP2014Pub/Priv Generational**	**CPM-RPP2014Pub/Priv Generational**	CPM-RPP2014Priv Generational	CPM-RPP2014Priv Generational
Net Defined Benefit Plan Cost				
Discount rate	**4.75%**	**4.50%**	4.00%	4.00%
Rate of compensation increase	**3.50%**	**n/a**	3.50%	n/a
Mortality table	**CPM-RPP2014Priv Generational**	**CPM-RPP2014Priv Generational**	UP94@Fully Generational	UP94@Fully Generational

n/a – not applicable

The weighted average duration of the defined benefit obligations as at year end 2014 is 15.1 years (2013 – 15.4 years).

The growth rate of health care costs, primarily drug and other medical costs, for the other defined benefit plan obligations as at year end 2014 was estimated at 4.50% and is expected to remain at 4.50% by year end 2015 and thereafter.

Sensitivity of Key Actuarial Assumptions The following table outlines the key assumptions for 2014 (expressed as weighted averages) and the sensitivity of a 1% change in each of these assumptions on the defined benefit plan obligations and the net defined benefit plan cost.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

		Defined Benefit Pension Plans		Other Defined Benefit Plans	
Increase (Decrease) ($ millions)		Defined Benefit Plan Obligations	Net Defined Benefit Plan Cost[(1)]	Defined Benefit Plan Obligations	Net Defined Benefit Plan Cost[(1)]
Discount rate		4.00%	4.75%	4.00%	4.50%
Impact of:	1% increase	$ (357)	$ (32)	$ (25)	$ (1)
	1% decrease	$ 417	$ 31	$ 31	$ 1
Expected growth rate of health care costs				4.50%	4.00%
Impact of:	1% increase	n/a	n/a	$ 25	$ 2
	1% decrease	n/a	n/a	$ (21)	$ (2)

n/a – not applicable

(1) Discount rate and expected growth rate of health care costs sensitivity is for current service and interest costs only.

(ii) Multi-Employer Pension Plans
During 2014, the Company recognized an expense of $61 million (2013 – $61 million) in selling, general and administrative expenses, which represents the contributions made in connection with MEPPs. During 2015, the Company expects to continue to make contributions into these MEPPs.

Loblaw, together with its independent franchisees, is the largest participating employer in the Canadian Commercial Workers Industry Pension Plan ("CCWIPP"), with approximately 52,000 (2013 – 53,000) employees as members. Included in the 2014 expense described above are contributions of $54 million (2013 – $54 million) to CCWIPP.

Weston Foods participates in a U.S. MEPP, providing pension benefits to union employees pursuant to the provisions of one of its collective bargaining agreements. During 2014, Weston Foods made a settlement payment of $8 million (U.S. $7 million) which was recorded in selling, general and administrative expenses. Weston Foods will participate in the MEPP as a new employer as defined by the plan pursuant to its collective bargaining agreement.

During 2012, Weston Foods withdrew from one of the U.S. MEPPs in which it participated. In 2013, the Company recorded $5 million (U.S. $5 million) in selling, general and administrative expenses associated with its withdrawal liability.

(iii) Post-Employment and Other Long Term Employee Benefit Costs
The net cost recognized in net earnings before income taxes for the Company's post-employment and other long term employee benefit plans was as follows:

($ millions)		**2014 (53 weeks)**		2013 (52 weeks)
Net post-employment defined benefit cost	**$**	**78**	$	42
Defined contribution costs[1]		**26**		25
Multi-employer pension plan costs[2]		**61**		61
Total net post-employment benefit costs	**$**	**165**	$	128
Other long term employee benefit costs[3]		**31**		22
Net post-employment and other long term employee benefit costs	**$**	**196**	$	150
Recorded on the consolidated statements of earnings as follows:				
Operating income (note 31)	**$**	**183**	$	125
Net interest expense and other financing charges (note 6)		**13**		25
Net post-employment and other long term employee benefits costs	**$**	**196**	$	150

(1) Amounts represent the Company's contributions made in connection with defined contribution plans.
(2) Amounts represent the Company's contributions made in connection with MEPPs.
(3) Other long term employee benefit costs include $4 million (2013 – $4 million) of net interest expense and other financing charges.

Note 30. Share-Based Compensation

The Company's share-based compensation arrangements include stock option plans, RSU plans, PSU plans, DSU plans, EDSU plans and Choice Properties' unit option plan, restricted unit plan and trustee deferred unit plan. The Company's cost recognized in selling, general and administrative expenses related to its share-based compensation arrangements in 2014 was $83 million (2013 – $46 million).

As a result of the acquisition of Shoppers Drug Mart, all awards that were based on Shoppers Drug Mart shares were converted to awards based on shares of Loblaw. Accordingly, included in the Company's 2014 share-based compensation expense above was $28 million related to these converted awards, of which $7 million related to the fair value adjustment of converted awards that initially required settlement in cash. On November 10, 2014, Loblaw amended the converted Shoppers Drug Mart RSU awards to require settlement in shares. These

converted RSUs will vest on December 1, 2015 and earn Loblaw dividends during the vesting period, which are reinvested as additional RSUs.

During 2013, GWL's and Loblaw's RSU, PSU, DSU and EDSU plans were amended to require settlement in common shares rather than in cash.

The following is the carrying amount of the Company's share-based compensation arrangements:

($ millions)	As at **Dec. 31, 2014**	Dec. 31, 2013
Trade payables and other liabilities	**$ 3**	$ 1
Other liabilities (note 24)	**$ 7**	$ 1
Contributed surplus	**$ 115**	$ 94

Stock Option Plans GWL maintains a stock option plan for certain employees. Under this plan, GWL may grant options for up to 6,453,726 of its common shares.

Loblaw maintains a stock option plan for certain employees. Under this plan, Loblaw may grant options for up to 28,137,162 of its common shares.

The following is a summary of GWL's stock option plan activity:

	2014		2013	
	Options (number of shares)	**Weighted Average Exercise Price/Share**	Options (number of shares)	Weighted Average Exercise Price/Share
Outstanding options, beginning of year	**1,491,168**	**$ 68.18**	1,436,234	$ 66.55
Granted	**374,981**	**$ 82.22**	314,777	$ 73.74
Exercised	**(312,583)**	**$ 67.20**	(258,418)	$ 65.93
Forfeited/cancelled	**(107,996)**	**$ 73.59**	(1,425)	$ 65.30
Expired	**(7,425)**	**$ 72.21**		
Outstanding options, end of year	**1,438,145**	**$ 71.63**	1,491,168	$ 68.18
Options exercisable, end of year	**572,702**	**$ 67.60**	629,961	$ 67.10

The following table summarizes information about GWL's outstanding stock options:

	2014				
	Outstanding Options			**Exercisable Options**	
Range of Exercise Prices ($)	**Number of Options Outstanding**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise Price/Share**	**Number of Exercisable Options**	**Weighted Average Exercise Price/Share**
$46.24 - $66.75	**450,596**	**3**	**$ 61.33**	**253,704**	**$ 60.05**
$66.76 - $77.39	**522,163**	**4**	**$ 71.34**	**215,978**	**$ 70.06**
$77.40 - $87.65	**465,386**	**5**	**$ 81.92**	**103,020**	**$ 81.05**
	1,438,145			**572,702**	

During 2014, GWL issued 312,583 (2013 – 258,418) common shares on the exercise of stock options with a weighted average share price of $84.54 (2013 – $83.27) per common share and received cash consideration of $21 million (2013 – $17 million).

During 2014, GWL granted stock options with a weighted average exercise price of $82.22 (2013 – $73.74) per common share and a fair value of $5 million (2013 – $5 million). The assumptions used to measure the grant date fair value of the GWL options granted during 2014 and 2013 under the Black-Scholes stock option valuation model were as follows:

	2014	2013
Expected dividend yield	**2.0%**	2.0%
Expected share price volatility	**17.9% - 23.7%**	21.0% - 24.7%
Risk-free interest rate	**1.5% - 2.0%**	1.3% - 2.3%
Expected life of options	**4.8 - 6.7 years**	4.8 - 6.7 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at year end 2014 was 3.5% (2013 – 3.7%).

The following is a summary of Loblaw's stock option plan activity:

			2014			2013
	Options (number of shares)		**Weighted Average Exercise Price/Share**	Options (number of shares)		Weighted Average Exercise Price/Share
Outstanding options, beginning of year	**10,995,995**	**$**	**37.37**	12,538,928	$	36.74
Granted	**1,688,368**	**$**	**47.67**	1,484,264	$	40.62
Converted options	**1,026,118**	**$**	**35.26**			
Exercised	**(3,536,489)**	**$**	**36.47**	(2,131,416)	$	35.25
Forfeited/cancelled	**(1,074,427)**	**$**	**40.75**	(847,039)	$	38.03
Expired	**(734,681)**	**$**	**45.49**	(48,742)	$	54.71
Outstanding options, end of year	**8,364,884**	**$**	**38.42**	10,995,995	$	37.37
Options exercisable, end of year	**3,195,241**	**$**	**35.95**	4,200,472	$	38.04

The following table summarizes information about Loblaw's outstanding stock options:

							2014
	Outstanding Options				**Exercisable Options**		
Range of Exercise Prices ($)	**Number of Options Outstanding**	**Weighted Average Remaining Contractual Life (years)**		**Weighted Average Exercise Price/Share**	**Number of Exercisable Options**		**Weighted Average Exercise Price/Share**
$28.95 - $35.55	**3,424,670**	**4**	**$**	**34.08**	**1,553,396**	**$**	**33.09**
$35.56 - $39.92	**2,414,922**	**3**	**$**	**38.14**	**1,354,570**	**$**	**37.88**
$39.93 - $60.29	**2,525,292**	**6**	**$**	**44.57**	**287,275**	**$**	**42.33**
	8,364,884				**3,195,241**		

During 2014, Loblaw issued 3,536,489 (2013 – 2,131,416) common shares on the exercise of stock options with a weighted average share price of $51.20 (2013 – $46.54) per common share and received cash consideration of $129 million (2013 – $75 million).

In connection with the acquisition of Shoppers Drug Mart, Loblaw converted Shoppers Drug Mart stock options to Loblaw stock options. The fair value of converted Shoppers Drug Mart stock options to Loblaw stock options was $13 million.

During 2014, Loblaw granted stock options with a weighted average exercise price of $47.67 (2013 – $40.62) per common share and a fair value of $13 million (2013 – $11 million). The assumptions used to measure the grant date or conversion date fair value of the Loblaw options granted and converted during 2014 and 2013 under the Black-Scholes stock option valuation model were as follows:

	2014	2013
Expected dividend yield	**1.8%**	2.1%
Expected share price volatility	**18.5% - 23.2%**	19.2% - 23.8%
Risk-free interest rate	**1.1% - 1.9%**	1.2% - 2.0%
Expected life of options	**1.0 - 6.5 years**	4.2 - 6.5 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at year end 2014 was 11.0% (2013 – 12.0%).

Restricted Share Unit Plans The following is a summary of GWL's and Loblaw's RSU plan activity:

	GWL		Loblaw	
(Number of Awards)	**2014**	2013	**2014**	2013
Outstanding RSUs, beginning of year	**184,242**	147,926	**1,084,514**	1,038,271
Granted	**75,875**	60,672	**435,976**	379,899
Converted RSUs			**542,175**	
Settled	**(53,399)**	(24,210)	**(494,912)**	(273,937)
Forfeited	**(15,759)**	(146)	**(104,963)**	(59,719)
Outstanding RSUs, end of year	**190,959**	184,242	**1,462,790**	1,084,514
RSUs settled ($ millions)(1)		$ 2	**$ 2**	$ 10

(1) Relates to cash payments made prior to amending RSU plans to require settlement in shares.

The fair value of GWL's and Loblaw's RSUs granted during 2014 was $6 million (2013 – $4 million) and $20 million (2013 – $15 million), respectively.

On November 10, 2014, Loblaw amended the plan for the remaining 542,175 converted Shoppers Drug Mart RSUs to require settlement in shares. The fair value of awards on the amendment date was $32 million.

Performance Share Unit Plans The following is a summary of GWL's and Loblaw's PSU plan activity:

	GWL		Loblaw	
(Number of Awards)	**2014**	2013	**2014**	2013
Outstanding PSUs, beginning of year	**85,117**	41,101	**309,110**	50,818
Granted	**55,024**	44,016	**871,355**	283,569
Settled	**(1,023)**		**(17,365)**	(2,794)
Forfeited	**(651)**		**(143,796)**	(22,483)
Outstanding PSUs, end of year	**138,467**	85,117	**1,019,304**	309,110

The fair value of GWL's and Loblaw's PSUs granted during 2014 was $4 million (2013 – $3 million) and $39 million (2013 – $11 million), respectively.

Settlement of Awards from Shares Held in Trusts During 2014, GWL settled RSUs and PSUs totaling 54,422 (2013 – 1,274) through the trusts established for settlement of each of the RSU and PSU plans (see note 26). The settlements resulted in an increase of $4 million (2013 – nominal) in retained earnings and a nominal increase in share capital (2013 – nominal).

Director Deferred Share Unit Plans The following is a summary of GWL's and Loblaw's DSU plan activity:

	GWL		Loblaw	
(Number of Awards)	**2014**	2013	**2014**	2013
Outstanding DSUs, beginning of year	**188,197**	172,830	**226,601**	198,780
Granted	**18,131**	20,079	**31,322**	24,582
Reinvested	**3,803**	3,716	**5,901**	3,239
Settled		(8,428)		
Outstanding DSUs, end of year	**210,131**	188,197	**263,824**	226,601

The fair value of GWL's and Loblaw's DSUs granted during 2014 was $2 million (2013 – $2 million) and $2 million (2013 – $1 million), respectively.

In 2014, in addition to the awards granted under Loblaw's equity-settled DSU plan, Loblaw converted Shoppers Drug Mart DSUs to Loblaw DSUs. These converted DSUs, which have all vested, will be settled in cash. As at year end 2014, the number of converted DSUs outstanding was 101,788.

Executive Deferred Share Unit Plans The following is a summary of GWL's and Loblaw's EDSU plan activity:

	GWL		Loblaw	
(Number of Awards)	**2014**	2013	**2014**	2013
Outstanding EDSUs, beginning of year	**3,950**	3,598	**22,126**	26,707
Granted	**23,904**	273	**4,929**	2,606
Reinvested	**544**	79	**599**	421
Settled			**(4,739)**	(7,608)
Outstanding EDSUs, end of year	**28,398**	3,950	**22,915**	22,126

The fair value of GWL's and Loblaw's EDSUs granted during 2014 and 2013 was nominal.

Note 31. Employee Costs

Included in operating income were the following employee costs:

($ millions)	**2014 (53 weeks)**	2013 (52 weeks)
Wages, salaries and other short term employee benefits	**$ 4,892**	$ 3,411
Post-employment benefits (note 29)	**156**	107
Other long term employee benefits (note 29)	**27**	18
Share-based compensation (note 30)	**79**	40
Capitalized to fixed assets	**(30)**	(10)
Employee costs	**$ 5,124**	$ 3,566

Note 32. Leases

The Company leases certain of Loblaw's retail stores, Weston Food's and Loblaw's distribution centres, corporate offices, and other assets under operating or finance lease arrangements. Substantially all of Loblaw's retail store leases have renewal options for additional terms. The contingent rents under certain of Loblaw's retail store leases are based on a percentage of Loblaw's Retail segment sales. The Company also has properties which are sub-leased to third parties.

Determining whether a lease arrangement is classified as finance or operating requires judgment with respect to the fair value of the leased asset, the economic life of the lease, the discount rate and the allocation of leasehold interests between the land and building elements of property leases.

Operating Leases – As Lessee Future minimum lease payments relating to the Company's operating leases are as follows:

	Payments due by year						As at	
($ millions)	2015	2016	2017	2018	2019	Thereafter	**Dec. 31, 2014**	Dec. 31, 2013
Operating lease payments	$ 685	$ 665	$ 630	$ 581	$ 536	$ 2,829	**$ 5,926**	$ 1,277
Sub-lease income	(63)	(54)	(43)	(36)	(26)	(109)	**(331)**	(205)
Net operating lease payments	$ 622	$ 611	$ 587	$ 545	$ 510	$ 2,720	**$ 5,595**	$ 1,072

In 2014, the Company recorded operating lease expenses of $588 million (2013 – $220 million) and sub-lease income of $61 million (2013 – $53 million) in operating income. In addition, contingent rent expense in respect of operating leases and contingent rental income in respect of sub-leased operating leases were $1 million (2013 – $1 million) and $3 million (2013 – $1 million), respectively, and were also recognized in operating income.

Operating Leases – As Lessor As at year end 2014, Loblaw leased certain owned land and buildings with a cost of $2,578 million (2013 – $2,076 million) and related accumulated depreciation of $718 million (2013 – $562 million). For the year ended 2014, rental income was $148 million (2013 – $136 million) and contingent rent was $3 million (2013 – $2 million), both of which were recognized in operating income.

Future rental income relating to Loblaw's operating leases is as follows:

	Payments to be received by year						As at	
($ millions)	2015	2016	2017	2018	2019	Thereafter	**Dec. 31, 2014**	Dec. 31, 2013
Net operating lease income	$ 137	$ 116	$ 93	$ 76	$ 55	$ 170	**$ 647**	$ 559

Notes to the Consolidated Financial Statements

Finance Leases – As Lessee Loblaw has finance leases for certain property, plant and equipment.

Future minimum lease payments relating to Loblaw's finance leases are as follows:

	Payments due by year						As at	
($ millions)	2015	2016	2017	2018	2019	Thereafter	**Dec. 31, 2014**	Dec. 31, 2013
Finance lease payments	$ 85	$ 88	$ 78	$ 65	$ 60	$ 715	**$ 1,091**	$ 771
Less future finance charges	(47)	(43)	(46)	(36)	(32)	(287)	**(491)**	(383)
Present value of minimum lease payments	$ 38	$ 45	$ 32	$ 29	$ 28	$ 428	**$ 600**	$ 388

In 2014, contingent rent recognized by Loblaw as an expense in respect of finance leases was $1 million (2013 – $1 million).

Future sub-lease income relating to Loblaw's sub-lease agreements is as follows:

	Payments to be received by year						As at	
($ millions)	2015	2016	2017	2018	2019	Thereafter	**Dec. 31, 2014**	Dec. 31, 2013
Sub-lease income	$ 16	$ 12	$ 11	$ 9	$ 8	$ 33	**$ 89**	$ 45

As at year end 2014, the sub-lease payments receivable under finance leases was $16 million (2013 – $14 million).

Note 33. Financial Instruments

The following table presents the fair values and fair value hierarchy of the Company's financial instruments and excludes financial instruments measured at amortized cost that are short term in nature:

	As at							
				Dec. 31, 2014				Dec. 31, 2013
($ millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial Assets								
Cash and cash equivalents	**$ 1,251**	**$ 82**		**$ 1,333**	$ 2,756	$ 113		$ 2,869
Short term investments	**$ 672**	**$ 400**		**$ 1,072**	$ 1,259	$ 231		$ 1,490
Security deposits	**$ 92**			**$ 92**	$ 1,791			$ 1,791
Franchise loans receivable			**$ 399**	**$ 399**			$ 375	$ 375
Certain other assets		**$ 8**	**$ 64**	**$ 72**		$ 8	$ 59	$ 67
Derivatives included in accounts receivable	**$ (4)**			**$ (4)**	$ (4)			$ (4)
Derivatives included in prepaid expenses and other assets		**$ 10**		**$ 10**		$ 2		$ 2
Derivatives included in other assets		**$ 367**		**$ 367**		$ 524		$ 524
Financial liabilities								
Derivatives included in trade payables and other liabilities		**$ 11**	**$ 4**	**$ 15**			$ 4	$ 4
Capital securities[(1)]	**$ 234**			**$ 234**	$ 236			$ 236
Long term debt		**$ 13,854**		**$ 13,854**		$ 9,503		$ 9,503
Trust Unit liability	**$ 494**			**$ 494**	$ 478			$ 478
Certain other liabilities			**$ 28**	**$ 28**			$ 40	$ 40

(1) Recorded in current liabilities as at year end 2014.

The carrying value of the Company's financial instruments approximates its fair value except for long term debt and capital securities.

There were no transfers between the levels of the fair value hierarchy during 2014 and 2013.

The level 3 financial instruments classified as fair value through profit or loss consist of embedded derivatives on purchase orders placed in neither Canadian dollars nor the functional currency of the vendor. These derivatives are valued using a market approach based on the differential in exchange rates and timing of settlement. The significant unobservable input used in the fair value measurement is the cost of purchase orders. Significant increases (decreases) in any of the inputs would result in a significantly higher (lower) fair value measurement.

As at year end 2014, the fair value of the embedded foreign currency derivatives classified as level 3 and recorded in trade payables and other liabilities was $4 million (2013 – $4 million). In addition, in 2014, a nominal loss (2013 – $3 million) was recognized in operating income. A 1% increase (decrease) in foreign currency exchange rates would result in an additional gain (loss) of $1 million in fair value.

During 2014, a gain of $11 million (2013 – $32 million) was recognized in earnings before income taxes on financial instruments designated as fair value through profit or loss. In addition, a loss of $215 million (2013 – $31 million) was recognized in earnings before income taxes on financial instruments required to be classified as fair value through profit or loss.

During 2014, net interest expense of $636 million (2013 – $511 million) was recorded related to financial instruments not classified or designated as fair value through profit or loss.

Notes to the Consolidated Financial Statements

Cash and Cash Equivalents, Short Term Investments and Security Deposits As at year end 2014, the Company had cash and cash equivalents, short term investments and security deposits of $2,497 million (2013 – $6,150 million), including U.S. $1,025 million (2013 – U.S. $1,143 million) that was held primarily by Dunedin Holdings GmbH ("Dunedin"), a subsidiary of GWL, and certain of its affiliates. Comparative period U.S. dollar balances include amounts held by Glenhuron Bank Limited ("Glenhuron").

In 2014, a gain of $75 million (2013 – $44 million) was recognized in other comprehensive income related to the effect of foreign currency translation on the Company's U.S. net investment in foreign operations.

In addition, a gain of $88 million (2013 – $75 million) was recorded in selling, general and administrative expenses related to the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and cash equivalents and short term investments held by foreign operations that have the same functional currency as that of the Company (excluding Loblaw).

See cross currency swaps section below for the (gain) loss recognized in Loblaw's 2013 operating income as a result of translating U.S. dollar denominated cash and cash equivalents, short term investments and security deposits.

Cross Currency Swaps In 2013, Glenhuron unwound its cross currency swaps and received a net cash settlement of $76 million, representing the cumulative fair value gain on these swaps. The cross currency swaps were offset by the effect of translation (gains) losses related to U.S. dollar cash and cash equivalents, short term investments and security deposits.

In 2013, Loblaw settled its U.S. $300 million USPP cross currency swaps in conjunction with the settlement of the underlying U.S. $300 million USPP notes and received a net cash settlement of $18 million. The USPP cross currency swaps were used to manage the effect of translation (gains) losses on the underlying U.S. dollar USPP notes in long term debt. As part of the full settlement, Loblaw settled its U.S. $150 million USPP cross currency swap, which matured on May 29, 2013. On settlement of the swap, an unrealized fair value gain of $5 million, net of tax of $2 million, which had been deferred in accumulated other comprehensive income was realized in operating income.

The following table summarizes the changes in fair value of the cross currency swaps and the underlying exposures:

	2013 (52 weeks)	
($ millions)	Glenhuron Cross Currency Swaps	USPP Cross Currency Swaps
Fair value loss (gain) related to swaps recorded in operating income[(1)]	$ 37	$ (11)
Translation (gain) loss related to the underlying exposures	$ (33)	$ 14

(1) The impact to USPP cross currency swaps excludes the gain of $7 million on derecognized derivative instruments, before income taxes, reclassified from accumulated other comprehensive income.

Interest Rate Swaps In 2013, Loblaw settled its notional $150 million in interest rate swaps and a fair value gain of $5 million was recognized in operating income related to these swaps.

Equity Derivative Contracts In 2013, GWL paid $29 million to settle its remaining equity swap contract representing 800,000 GWL common shares and recorded a nominal loss in operating income related to this equity swap contract.

In 2013, Glenhuron paid $16 million to settle its remaining equity forward contract representing 1,103,500 Loblaw common shares and recorded a nominal loss in operating income related to this equity forward contract.

In 2001, Weston Holdings Limited ("WHL"), a subsidiary of GWL, entered into an equity forward sale agreement based on 9.6 million Loblaw common shares at an original forward price of $48.50 per Loblaw common share. As at year end 2014, the forward price had increased to $100.80 (2013 – $96.46) per Loblaw common share under the terms of the agreement and the fair value of this forward sale agreement of $367 million (2013 – $524 million) was recorded in other assets (see note 20). In 2014, a fair value loss of $199 million (2013 – gain of $1 million) was recorded in net interest expense and other financing charges related to this agreement (see note 6).

Franchise Loans Receivable and Franchise Investments in Other Assets The value of Loblaw franchise loans receivable of $399 million (2013 – $375 million) was recorded on the consolidated balance sheets. During 2014, Loblaw recorded an impairment loss of $12 million (2013 – $14 million) in operating income related to these loans receivable.

The value of Loblaw franchise investments of $62 million (2013 – $58 million) was recorded in other assets. During 2014, Loblaw recorded a loss of $3 million (2013 – $6 million) in operating income related to these investments.

Trust Unit Liability Trust Units held by unitholders other than the Company are presented as a liability on the Company's consolidated balance sheets as they are redeemable for cash at the option of the holder, subject to certain restrictions. As at year end 2014, the fair value of the Trust Unit liability was $494 million (2013 – $478 million), resulting in a fair value loss of $12 million (2013 – $18 million) (see note 6).

Weston Foods Commodity Derivatives Weston Foods uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and U.S. dollar exchange rates. During 2014, a loss of $3 million (2013 – $14 million) was recognized in operating income related to these derivatives. As at year end 2014, the unrealized loss related to Weston Foods' commodity derivatives of $4 million (2013 – $4 million) was recorded in accounts receivable.

Other Derivatives Loblaw also maintains other financial derivatives including foreign exchange forwards, electricity forwards and fuel exchange traded futures and options. During 2014, Loblaw recognized a loss of $1 million (2013 – gain of $7 million) in operating income related to these derivatives. The following table summarizes the cumulative unrealized impact of these derivatives included in the consolidated balance sheets:

($ millions)	**2014 (53 weeks)**	2013 (52 weeks)
Cumulative unrealized gain recorded in prepaid expenses and other assets	**$ 10**	$ 2
Cumulative unrealized loss recorded in trade payables and other liabilities	**$ 11**	

In connection with Loblaw's issuance of $1.6 billion of senior unsecured notes in 2013 (see note 23), Loblaw hedged its exposure to interest rates in the period prior to the issuance. This relationship did not qualify for hedge accounting, resulting in a gain of $10 million on the unwind of the hedge which was recorded in net interest expense and other financing charges (see note 6).

Note 34. Financial Risk Management

As a result of holding and issuing financial instruments, the Company is exposed to certain risks. The following is a description of those risks and how the exposures are managed:

Level of Indebtedness To fund the cash portion of the acquisition of Shoppers Drug Mart, Loblaw utilized excess cash and significantly increased its indebtedness. Although Loblaw has made progress in reducing its level of indebtedness subsequent to the acquisition of Shoppers Drug Mart, there can be no assurance that Loblaw will generate sufficient free cash flow to significantly further reduce indebtedness and maintain adequate cash reserves. A failure to achieve these objectives could adversely affect the Company's credit ratings and its cost of funding.

If GWL, Loblaw, PC Bank or Choice Properties' financial performance and condition deteriorate or downgrades in GWL's, Loblaw's or Choice Properties' current credit ratings occur, their ability to obtain funding from external sources could be restricted, which could adversely affect the financial performance of the Company.

Liquidity Risk Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost effective manner to fund its obligations as they come due. The Company is exposed to liquidity risk through, among other areas, PC Bank and its credit card business, which requires a reliable source of funding for its credit card business. PC Bank relies on its securitization programs and the acceptance of GIC deposits to fund the receivables of its credit cards. The Company would experience liquidity risks if it fails to maintain appropriate levels of cash and short term investments, it is unable to access sources of funding or it fails to appropriately diversify sources of funding. If any of these events were to occur, they would adversely affect the financial performance of the Company.

Liquidity risk is mitigated by maintaining appropriate levels of cash and cash equivalents and short term investments, actively monitoring market conditions, and by diversifying sources of funding, including the Company's committed credit facilities, and maintaining a well diversified maturity profile of debt and capital obligations.

Maturity Analysis The following are the undiscounted contractual maturities of significant financial liabilities as at December 31, 2014:

($ millions)	2015	2016	2017	2018	2019	Thereafter	Total[3]
Long term debt including interest payments[1]	$ 950	$ 1,834	$ 1,304	$ 1,793	$ 2,946	$ 9,439	$ 18,266
Foreign exchange forward contracts	232						232
Short term debt (note 22)	1,101						1,101
Bank indebtedness	162						162
Certain other liabilities[2]	4	8	5	3	2	6	28
	$ 2,449	$ 1,842	$ 1,309	$ 1,796	$ 2,948	$ 9,445	$ 19,789

(1) Fixed interest payments are based on the maturing face values and annual interest for each instrument, including GICs, long term independent securitization trusts and an independent funding trust, as well as annual payment obligations for consolidated structured entities, mortgages and finance lease obligations. Variable interest payments are based on the forward rates as at year end 2014.
(2) Contractual amount of Loblaw's obligation related to certain other liabilities.
(3) The Trust Unit liability and the Loblaw capital securities and their related dividends have been excluded as these liabilities do not have a contractual maturity date. The Company also excluded trade payables and other liabilities which are due within the next 12 months.

Choice Properties' Capital Availability Risk The real estate industry is highly capital intensive. Choice Properties requires access to capital to maintain its properties, refinance its indebtedness as well as to fund its growth strategy and certain capital expenditures from time to time. Although Choice Properties expects to have access to its credit facility, there can be no assurance that it will otherwise have sufficient capital or access to capital on acceptable terms for future property acquisitions, refinancing indebtedness, financing or refinancing properties, funding operating expenses or for other purposes. Further, in certain circumstances, Choice Properties may not be able to borrow funds due to certain limitations. Failure by Choice Properties to access required capital could have a material adverse effect on the Company's ability to pay its financial or other obligations. An inability to access capital could also impact Choice Properties' ability to make distributions which could have a material adverse effect on the trading price of Trust Units which would adversely affect the financial performance of the Company.

Market Risk Market risk is the loss that may arise from changes in factors such as commodity prices, foreign currency exchange rates, interest rates, and common share and Trust Unit prices and the impact these factors may have on other counterparties.

Commodity Price Risk Weston Foods costs are directly impacted by fluctuations in the prices of commodity linked raw materials such as wheat flours, sugars, vegetable oils, cocoa powders and chocolate. Loblaw is also exposed to fluctuations in the commodity prices as a result of the indirect effect of changing commodity prices on the price of consumer products. In addition, both Weston Foods and Loblaw are exposed to increases in the prices of energy in operating, in the case of Weston Foods, its bakeries and distribution networks, and, in the case of Loblaw, its stores and distribution networks. Both Weston Foods and Loblaw use purchase commitments and derivative instruments in the form of futures contracts, option contracts and forward contracts to manage their current and anticipated exposure to fluctuations in commodity prices. The Company estimates that based on the outstanding derivative contracts held by the Company at the end of 2014, a 10% decrease in relevant commodity prices, with all other variables held constant, would result in a net loss of $8 million in earnings before income taxes. This amount excludes the offsetting impact of the commodity price risk inherent in the transactions being hedged.

Foreign Currency Exchange Rate Risk The Company's consolidated financial statements are expressed in Canadian dollars, however a portion of the Company's net assets are denominated in U.S. dollars through both its net investment in foreign operations in the U.S. and its foreign subsidiaries held by Dunedin and certain of its affiliates with a functional currency that is the same as that of the Company. The U.S. dollar denominated net assets are translated into Canadian dollars at the foreign currency exchange rate in effect at the balance sheet date. As a result, the Company is exposed to foreign currency translation gains and losses. Those gains and losses arising from the translation of the U.S. dollar denominated assets of foreign subsidiaries with a functional currency that is the same as that of the Company are included in operating income, while translation gains and losses on the net investment in foreign operations in the U.S. are recorded in accumulated other comprehensive income (loss). The Company estimates that based on the U.S. net assets held by foreign operations that have the same functional currency as that of the Company at the end of 2014, an appreciation in the Canadian dollar of one cent relative to the U.S. dollar would result in a loss of $11 million in earnings before income taxes.

Revenues and expenses of all foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are recognized. An appreciating U.S. dollar relative to the Canadian dollar will positively impact operating income and net earnings, while a depreciating U.S. dollar relative to the Canadian dollar will have the opposite impact.

Weston Foods and Loblaw are also exposed to fluctuations in the prices of U.S. dollar denominated purchases as a result of changes in U.S. dollar exchange rates. A depreciating Canadian dollar relative to the U.S. dollar will negatively impact operating income and net earnings, while an appreciating Canadian dollar relative to the U.S. dollar will have the opposite impact. During 2014, Weston Foods and Loblaw entered into derivative instruments in the form of futures contracts and forward contracts to manage their current and anticipated exposure to fluctuations in U.S. dollar exchange rates.

Interest Rate Risk The Company is exposed to interest rate risk from fluctuations in interest rates on its floating rate debt and financial instruments, net of cash and cash equivalents, short term investments and security deposits. An increase in interest rates could adversely affect the financial performance of the Company. GWL and Loblaw manage interest rate risk by monitoring their respective mix of fixed and floating rate debt, net of cash and cash equivalents, short term investments and security deposits, and by taking action as necessary to maintain an appropriate balance considering current market conditions. The Company estimates that a 100 basis point increase in short term interest rates, with all other variables held constant, would result in an increase of $1 million in net interest expense and other financing charges.

Common Share and Trust Unit Price Risk Changes in the Loblaw common share price impact the Company's net interest expense and other financing charges. The obligation of WHL under the equity forward sale agreement based on 9.6 million Loblaw common shares, which matures in 2031, is secured by the underlying Loblaw common shares. If the market value of the underlying Loblaw common shares exceeds the obligation of WHL under this forward, a portion of the proceeds from a future sale of these shares may be used to satisfy the obligation under this forward contract upon termination or maturity. At maturity, if the forward price is greater (less) than the market price of the Loblaw common shares, WHL will receive (pay) cash equal to the difference between the notional value and the market value of the forward contract. A one dollar increase in the market value of the underlying shares of the equity forward, with all other variables held constant, would result in a loss of $10 million in net interest expense and other financing charges.

The Company is exposed to market price risk from Choice Properties' Trust Units that are held by unitholders other than the Company. These Trust Units are presented as a liability on the Company's consolidated balance sheets as they are redeemable for cash at the option of the holders. The liability is recorded at fair value at each reporting period based on the market price of Trust Units. The change in the fair value of the liability negatively impacts net earnings when the Trust Unit price increases and positively impacts net earnings when the Trust Unit price declines. A one dollar increase in the market value of Trust Units, with all other variables held constant, would result in a loss of $46 million in net interest expense and other financing charges.

Credit Risk The Company is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to the Company. Exposure to credit risk relates to derivative instruments, cash and cash equivalents, short term investments, security deposits, PC Bank's credit card receivables, Loblaw's franchise loans receivable, pension assets held in the Company's defined benefit plans, Loblaw's accounts receivable including amounts due from independent franchisees, government, prescription sales and third-party drug plans, independent accounts and amounts owed from vendors, and other receivables from Weston Foods' customers and suppliers. Failure to manage credit risk could adversely affect the financial performance of the Company.

The risk related to derivative instruments, cash and cash equivalents, short term investments and security deposits is reduced by policies and guidelines that require that the Company enters into transactions only with counterparties or issuers that have a minimum long term "A-" credit rating from a recognized credit rating agency and place minimum and maximum limits for exposures to specific counterparties and instruments.

Choice Properties mitigates the risk of credit loss relating to rent receivables by evaluating the creditworthiness of new tenants, obtaining security deposits wherever permitted by legislation, ensuring its tenant mix is diversified and by limiting its exposure to any one tenant except Loblaw. Choice Properties establishes an allowance for doubtful accounts that represents the estimated losses with respect to rents receivable. The allowance is determined on a tenant-by-tenant basis based on the specific factors related to the tenant.

PC Bank manages its credit card receivable risk by employing stringent credit scoring techniques, actively monitoring the credit card portfolio and reviewing techniques and technology that can improve the effectiveness of the collection process. In addition, these receivables are dispersed among a large, diversified group of credit card customers.

Loblaw's franchise loans receivable and Loblaw's accounts receivable including amounts due from independent franchisees, governments, prescription sales covered by third-party drug plans, independent accounts and amounts owed from vendors, and other receivables from Weston Foods' customers and suppliers are actively

monitored on an ongoing basis and settled on a frequent basis in accordance with the terms specified in the applicable agreements.

The Company's maximum exposure to credit risk as it relates to derivative instruments is approximated by the positive fair market value of the derivatives on the consolidated balance sheets (see note 33).

Refer to notes 11 and 12 for additional information on the credit quality performance of Loblaw's credit card receivables and other receivables, mentioned above, of Loblaw and Weston Foods.

Note 35. Contingent Liabilities

The Company is involved in, and potentially subject to, various claims and matters arising out of the normal course and conduct of its business including, but not limited to, product liability, labour and employment, regulatory and environmental claims. Although such matters cannot be predicted with certainty, management currently considers the Company's exposure to such claims and litigation, tax assessments and reassessments, to the extent not covered by the Company's insurance policies or otherwise provided for, not to be material to the consolidated financial statements, except for Income and Other Taxes as disclosed below.

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

Shoppers Drug Mart has been served with an Amended Statement of Claim in a proposed class action proceeding that has been filed under the Ontario Superior Court of Justice by two licensed Associates, claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement, in the amount of $500 million. The proposed class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Québec, who are parties to Shoppers Drug Mart's 2002 and 2010 forms of the Associate Agreement. On July 9, 2013, the Ontario Superior Court of Justice certified as a class proceeding portions of the action. While Shoppers Drug Mart continues to believe that the claim is without merit and will vigorously defend the claim, the outcome of this matter cannot be predicted with certainty.

Income and Other Taxes The Company is subject to tax audits from various government and regulatory agencies relating to income, capital, commodity, property and other taxes on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. These reassessments could have a material impact on the Company in future periods.

In 2012, Loblaw received indication from the Canada Revenue Agency (the "CRA") that the CRA intends to proceed with reassessments of the tax treatment of Loblaw's wholly-owned subsidiary, Glenhuron. The CRA's position is that certain income earned by Glenhuron in Barbados in respect of the 2000 to 2010 taxation years should be treated, and taxed, as income in Canada.

Based on the proposal letter from the CRA, if the CRA and the relevant provincial tax authorities were to prevail in all of these reassessments, which Loblaw believes would be unlikely, the estimated total tax and interest for the 2000 to 2010 taxation years would be approximately $440 million, which would increase as interest accrues. However, Loblaw is in discussions with the CRA about the amount of taxes in dispute. Loblaw believes it is likely that the CRA and the relevant provincial tax authorities will issue reassessments for 2011 to 2013 on the same or similar basis. No amount for any reassessments has been provided for in the Company's consolidated financial statements.

Subsequent to the end of 2014, Loblaw received a letter from the CRA stating that the CRA will be proceeding with the reassessments. Loblaw expects to receive reassessments from the CRA and the relevant provincial tax authorities sometime in the coming months. Loblaw strongly disagrees with the CRA's position and intends to vigorously defend its position including appealing the reassessments when they are received. Loblaw will make

cash payments or provide other forms of security on a portion of the taxes in dispute. If Loblaw is successful in defending its position, in whole or in part, some or all of the cash payments or security would be returned to Loblaw.

During 2010, GWL received a reassessment from the CRA challenging GWL's characterization of a gain reported in a previous year's tax return filing. The amount of the tax and applicable interest that would be payable if the CRA was successful in its assertion would be approximately $68 million. GWL appealed the CRA's assessment and the appeal was allowed by the Tax Court of Canada on February 15, 2015. The deadline for the CRA to initiate an appeal of the Court's decision is March 23, 2015. No amount has been provided for in the Company's consolidated financial statements.

Indemnification Provisions The Company from time to time enters into agreements in the normal course of its business, such as service and outsourcing arrangements and leases, and 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 or with 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 such 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.

Note 36. Financial Guarantees

The Company established letters of credit used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and performance guarantees with a gross potential liability of approximately $384 million (2013 – $442 million). In addition, Loblaw has provided to third parties the following significant guarantees:

Associate Guarantees Loblaw has arranged for its Shoppers Drug Mart Associates to obtain financing to facilitate their inventory purchases and fund their working capital requirements by providing guarantees to various Canadian chartered banks that support Associate loans. As at year end 2014, Loblaw's maximum obligation in respect of such guarantees was $570 million, with an aggregate amount of $476 million in available lines of credit allocated to the Associates by the various banks. As at year end 2014, Associates had drawn an aggregate amount of $162 million against these available lines of credit. Any amounts drawn by the Associates are included in bank indebtedness on the Company's consolidated balance sheet. As recourse in the event that any payments are made under the guarantees, Loblaw holds a first-ranking security interest on all assets of Associates, subject to certain prior-ranking statutory claims.

Independent Funding Trusts The full balance relating to the debt of the independent funding trusts has been consolidated on the balance sheets of the Company (see note 23). As at year end 2014, Loblaw has agreed to provide a credit enhancement of $50 million (2013 – $48 million) in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% (2013 – 10%) of the principal amount of the loans outstanding. This credit enhancement allows the independent funding trusts to provide financing to Loblaw's independent franchisees. As well, each independent franchisee provides security to the independent funding trusts for its obligations by way of a general security agreement. In the event that an independent franchisee defaults on its loan and Loblaw has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trusts would assign the loan to Loblaw and draw upon this standby letter of credit. This standby letter of credit has never been drawn upon. 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, Loblaw has assigned leases to third parties. Loblaw remains contingently liable for these lease obligations in the event any of the assignees are in default of their lease obligations. The minimum rent, which does not include other lease related expenses such as property tax and common area maintenance charges, was in aggregate, approximately $17 million (2013 – $14 million). Additionally, Loblaw has guaranteed lease obligations of a third-party distributor in the amount of $13 million (2013 – $17 million).

Financial Services Loblaw has provided a guarantee on behalf of PC Bank to MasterCard® International Incorporated ("MasterCard®") for accepting PC Bank as a card member and licensee of MasterCard®. As at year end 2014, the guarantee on behalf of PC Bank to MasterCard® was U.S. $170 million (2013 – U.S. $170 million).

In 2014, Loblaw arranged for an irrevocable standby letter of credit from a major Canadian chartered bank on behalf of one of its wholly-owned subsidiaries in the amount of $91 million.

Letters of credit for the benefit of independent securitization trusts with respect to the securitization programs of PC Bank have been issued by major financial institutions. These standby letters of credit can be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables. Loblaw has agreed to reimburse the issuing banks for any amount drawn on the standby letters of credit.

As at year end 2014, the aggregate gross potential liability under these arrangements for the Other Independent Securitization Trusts was $61 million (2013 – $54 million), which represented 10% (2013 – 9%) of the securitized credit card receivables amount (see note 22). As at year end 2014, the aggregate gross potential liability under these arrangements for *Eagle* was $68 million (2013 – nil), which represented 9% (2013 – nil) of the *Eagle* notes outstanding (see note 23).

Choice Properties Letters of credit to support performance guarantees related to its investment properties including maintenance and development obligations to municipal authorities are issued by Choice Properties. As at year end 2014, the aggregate gross potential liability related to these letters of credit totaled $23 million (2013 – $20 million).

Choice Properties' credit facility and debentures are guaranteed by each of the General Partner, the Partnership and any other person that becomes a subsidiary of Choice Properties (with some exceptions). In the case of default by Choice Properties, the Indenture Trustee will be entitled to seek redress from the Guarantors for the guaranteed obligations in the same manner and upon the same terms that it may seek to enforce the obligations of Choice Properties. These guarantees are intended to eliminate structural subordination, which would otherwise arise as a consequence of Choice Properties' assets being primarily held in its various subsidiaries.

Note 37. Related Party Transactions

The Company's majority shareholder is Mr. W. Galen Weston, who beneficially owns, directly and indirectly through private companies which he controls, including Wittington, a total of 80,746,099 of GWL's common shares, representing approximately 63% (2013 – 63%) of GWL's outstanding common shares. The Company's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions.

Transactions between the Company and its consolidated entities have been eliminated on consolidation and are not disclosed in this note.

In 2014, the Company made rental payments to Wittington in the amount of $4 million (2013 – $4 million). As at year end 2014 and 2013, there were no rental payments outstanding.

In 2014, inventory purchases from Associated British Foods plc, a related party by virtue of Mr. W. Galen Weston being a director of such entity's parent company, amounted to $35 million (2013 – $31 million). As at year end 2014, $3 million (2013 – $4 million) was included in trade payables and other liabilities relating to these inventory purchases.

Joint Venture In 2014, a joint venture, formed between Choice Properties and Wittington, completed the acquisition of property from Loblaw. The joint venture intends to develop the acquired site into a mixed-used property, anchored by a Loblaw food store. As at year end 2014, the joint venture did not have any operating activity. Choice Properties uses the equity method of accounting to record its 40% interest in the joint venture, which is included in other assets (see note 20).

Post-Employment Benefit Plans The Company sponsors a number of post-employment plans, which are related parties. Contributions made by the Company to these plans are disclosed in note 29.

Income Tax Matters From time to time, the Company and Wittington may enter into agreements to make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations. In 2014, these elections and accompanying agreements did not have a material impact on the Company.

Compensation of Key Management Personnel The Company's key management personnel is comprised of certain members of the executive team of GWL, Loblaw, Weston Foods and Wittington, as well as members of the Boards of GWL, Loblaw and Wittington to the extent that they have the authority and responsibility for planning, directing and controlling the day-to-day activities of the Company.

Annual compensation of key management personnel that is directly attributable to the Company was as follows:

($ millions)	**2014 (53 weeks)**	2013 (52 weeks)
Salaries, director fees and other short term employee benefits	**$ 17**	$ 19
Share-based compensation	**9**	12
Total compensation	**$ 26**	$ 31

Note 38. Segment Information

The Company has two reportable operating segments: Weston Foods and Loblaw. The accounting policies of the reportable operating segments are the same as those described in the Company's summary of significant accounting policies (see note 2). The Company measures each reportable operating segment's performance based on adjusted EBITDA[2] and adjusted operating income[2]. Neither reportable operating segment is reliant on any single external customer.

($ millions)	2014 (53 weeks)	2013[1] (52 weeks)
Revenue		
Weston Foods	**$ 1,923**	$ 1,812
Loblaw	**42,611**	32,371
Intersegment	**(616)**	(601)
Consolidated	**$ 43,918**	$ 33,582
Adjusted EBITDA[2]		
Weston Foods	**$ 311**	$ 322
Loblaw	**3,228**	2,098
Total	**$ 3,539**	$ 2,420
Depreciation and Amortization[3]		
Weston Foods	**$ 70**	$ 63
Loblaw	**1,055**	824
Total	**$ 1,125**	$ 887
Adjusted Operating Income[2]		
Weston Foods	**$ 241**	$ 259
Loblaw	**2,173**	1,274
Impact of certain items[4]	**(1,529)**	8
Other[5]	**88**	75
Consolidated operating income	**$ 973**	$ 1,616
Net Interest Expense and Other Financing Charges		
Weston Foods	**$ 250**	$ 54
Loblaw	**584**	458
Other[6]	**(14)**	(6)
Intersegment[7]	**(5)**	(9)
Consolidated net interest expense and other financing charges	**$ 815**	$ 497

(1) Certain 2013 figures have been amended (see note 2).
(2) Excludes certain items and is used internally by management when analyzing segment underlying operating performance.
(3) Excludes $417 million (2013 – nil) of amortization of intangible assets acquired with Shoppers Drug Mart recorded by Loblaw and accelerated depreciation of $4 million incurred in 2013 by Weston Foods, included in restructuring and other charges.
(4) The impact of certain items excluded by management includes restructuring and other charges, the fair value adjustment of derivatives, fixed asset and other related impairments at Loblaw net of recoveries, net insurance proceeds received by Weston Foods, the MEPP settlement payment and withdrawal liability by Weston Foods, restructuring of franchise fees at Loblaw, the fair value adjustment of Shoppers Drug Mart's share-based compensation liability, certain costs relating to Choice Properties, certain costs and charges and divestiture loss relating to the acquisition of Shoppers Drug Mart, a charge related to the change in inventory valuation methodology at Loblaw, and defined benefit plan amendments.
(5) Represents the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and short term investments held by foreign operations.
(6) Represents the Trust Unit distributions from Choice Properties to GWL.
(7) Represents the elimination of the fair value adjustment of the Trust Unit liability related to GWL's direct investment in Choice Properties.

($ millions)	As at Dec. 31, 2014	As at Dec. 31, 2013[1]
Total Assets		
Weston Foods	**$ 2,105**	$ 2,067
Loblaw	**33,844**	20,901
Other[2]	**1,350**	1,845
Intersegment	**(228)**	(209)
Consolidated	**$ 37,071**	$ 24,604

(1) Certain 2013 figures have been amended (see note 2).
(2) Other includes cash and cash equivalents and short term investments held by foreign operations that have the same functional currency as that of the Company and GWL's direct investment in Choice Properties.

($ millions)	2014 (53 weeks)	2013 (52 weeks)
Additions to Fixed Assets and Intangible Assets		
Weston Foods	**$ 128**	$ 111
Loblaw	**1,086**	877
Consolidated	**$ 1,214**	$ 988

The Company operates primarily in Canada and the United States.

($ millions)	**2014 (53 weeks)**	2013 (52 weeks)
Revenue (excluding intersegment)		
Canada	**$ 43,004**	$ 32,771
United States	**914**	811
Consolidated	**$ 43,918**	$ 33,582

($ millions)	As at **Dec. 31, 2014**	Dec. 31, 2013
Fixed Assets and Goodwill and Intangible Assets		
Canada	**$ 23,899**	$ 10,808
United States	**506**	427
Consolidated	**$ 24,405**	$ 11,235

Three Year Summary

CONSOLIDATED INFORMATION[1]

As at or for the years ended December 31 ($ millions except where otherwise indicated)	**2014** **(53 weeks)**	2013[2] (52 weeks)	2012 (52 weeks)
Operating Results			
Sales	**43,918**	33,582	32,742
EBITDA[3]	**2,515**	2,507	2,233
Adjusted EBITDA[3]	**3,539**	2,420	2,377
Operating income	**973**	1,616	1,393
Adjusted operating income[3]	**2,414**	1,533	1,541
Net interest expense and other financing charges[4]	**815**	497	441
Adjusted net interest expense and other financing charges[3]	**566**	403	406
Net earnings	**134**	904	708
Discontinued operations		58	
Net earnings from continuing operations	**134**	846	708
Net earnings from continuing operations attributable to shareholders of the Company	**126**	614	475
Adjusted net earnings from continuing operations attributable to shareholders of the Company[3]	**728**	586	589
Financial Position			
Fixed assets	**11,436**	9,655	9,452
Goodwill and intangible assets	**12,969**	1,580	1,571
Total assets	**37,071**	24,604	21,804
Cash and cash equivalents, short term investments and security deposits	**2,497**	6,150	4,075
Adjusted debt[3]	**11,388**	7,483	5,807
Total equity attributable to shareholders of the Company	**7,289**	6,313	5,693
Total equity	**14,249**	8,901	8,072
Cash Flows			
Cash flows from operating activities of continuing operations	**2,851**	1,738	1,852
Fixed asset purchases	**1,124**	976	1,110
Free cash flow[3]	**1,033**	284	243
Per Common Share ($)			
Basic net earnings from continuing operations	**0.64**	4.47	3.36
Adjusted basic net earnings from continuing operations[3]	**5.35**	4.25	4.25
Financial Measures and Ratios			
Sales growth (%)	**30.8**	2.6	1.1
Adjusted EBITDA margin (%)[3]	**8.1**	7.2	7.3
Adjusted operating margin (%)[3]	**5.5**	4.6	4.7
Adjusted debt[3] to adjusted EBITDA[3]	**3.2x**	3.1x	2.4x

(1) For financial definitions and ratios refer to the Glossary beginning on page 138.
(2) Certain 2013 figures have been amended (see note 2 to the consolidated financial statements).
(3) See non-GAAP financial measures beginning on page 52.
(4) 2014 included a non-cash charge of $199 million (2013 – non-cash income of $1 million) related to the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares. Also included in 2014 is a non-cash charge of $12 million (2013 – $18 million) related to the fair value adjustment of the Trust Unit liability (see note 6 to the consolidated financial statements).

SEGMENT INFORMATION[1]

As at or for the years ended December 31 ($ millions except where otherwise indicated)		2014 (53 weeks)	2013[2] (52 weeks)	2012 (52 weeks)
OPERATING RESULTS				
Sales	Weston Foods	**1,923**	1,812	1,765
	Loblaw	**42,611**	32,371	31,604
	Intersegment	**(616)**	(601)	(627)
	Consolidated	**43,918**	33,582	32,742
EBITDA[3]	Weston Foods	**301**	305	293
	Loblaw	**2,126**	2,127	1,964
	Other[4]	**88**	75	(24)
	Consolidated	**2,515**	2,507	2,233
Adjusted EBITDA[3]	Weston Foods	**311**	322	333
	Loblaw	**3,228**	2,098	2,044
	Consolidated	**3,539**	2,420	2,377
Operating Income	Weston Foods	**231**	238	230
	Loblaw	**654**	1,303	1,187
	Other[4]	**88**	75	(24)
	Consolidated	**973**	1,616	1,393
Adjusted Operating Income[3]	Weston Foods	**241**	259	274
	Loblaw	**2,173**	1,274	1,267
	Consolidated	**2,414**	1,533	1,541
FINANCIAL POSITION				
Fixed Assets	Weston Foods	**642**	550	479
	Loblaw	**10,794**	9,105	8,973
	Consolidated	**11,436**	9,655	9,452
Total Assets	Weston Foods	**2,105**	2,067	1,979
	Loblaw	**33,844**	20,901	18,121
	Other[5]	**1,350**	1,845	1,704
	Intersegment	**(228)**	(209)	
	Consolidated	**37,071**	24,604	21,804
CASH FLOWS				
Fixed Asset Purchases	Weston Foods	**128**	111	93
	Loblaw	**996**	865	1,017
	Consolidated	**1,124**	976	1,110
FINANCIAL MEASURES AND RATIOS				
Sales Growth (Decline) (%)	Weston Foods	**6.1**	2.7	(0.4)
	Loblaw	**31.6**	2.4	1.1
	Consolidated	**30.8**	2.6	1.1
Adjusted EBITDA Margin (%)[3]	Weston Foods	**16.2**	17.8	18.9
	Loblaw	**7.6**	6.5	6.5
	Consolidated	**8.1**	7.2	7.3
Adjusted Operating Margin (%)[3]	Weston Foods	**12.5**	14.3	15.5
	Loblaw	**5.1**	3.9	4.0
	Consolidated	**5.5**	4.6	4.7

(1) For financial definitions and ratios refer to the Glossary beginning on page 138.
(2) Certain 2013 figures have been amended (see note 2 to the consolidated financial statements).
(3) See non-GAAP financial measures beginning on page 52.
(4) EBITDA and operating income for the year includes a gain of $88 million (2013 – $75 million) related to the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and short term investments held by foreign operations.
(5) Other includes cash and cash equivalents and short term investments held by foreign operations that have the same functional currency as that of the Company and GWL's direct investment in Choice Properties.

Glossary

Adjusted basic net earnings per common share from continuing operations
Adjusted net earnings from continuing operations available to common shareholders of the Company divided by the weighted average number of common shares outstanding during the period (see non-GAAP financial measures beginning on page 52).

Adjusted debt
Bank indebtedness, short term debt, long term debt, Trust Unit liability, capital securities, certain other liabilities and the fair value of certain financial derivative liabilities less independent securitization trusts in short term and long term debt, Trust Unit liability, independent funding trusts and President's Choice Bank's guaranteed investment certificates (see non-GAAP financial measures beginning on page 52).

Adjusted debt to adjusted EBITDA
Adjusted debt divided by adjusted EBITDA (see non-GAAP financial measures beginning on page 52).

Adjusted EBITDA
Adjusted operating income before depreciation and amortization (see non-GAAP financial measures beginning on page 52).

Adjusted EBITDA margin
Adjusted EBITDA divided by sales (see non-GAAP financial measures beginning on page 52).

Adjusted income taxes
Income taxes adjusted for the tax impact of items included in adjusted operating income less adjusted net interest and other financing charges (see non-GAAP financial measures beginning on page 52).

Adjusted income tax rate
Adjusted income taxes divided by adjusted operating income less adjusted net interest and other financing charges (see non-GAAP financial measures beginning on page 52).

Adjusted net earnings from continuing operations available to common shareholders of the Company
Net earnings from continuing operations available to common shareholders of the Company adjusted for items that are not necessarily reflective of the Company's underlying operating performance (see non-GAAP financial measures beginning on page 52).

Adjusted net interest expense and other financing charges
Net interest expense and other financing charges adjusted for items that are not necessarily reflective of the Company's ongoing net financing costs (see non-GAAP financial measures beginning on page 52).

Adjusted operating income
Operating income adjusted for items that are not necessarily reflective of the Company's underlying operating performance (see non-GAAP financial measures beginning on page 52).

Adjusted operating margin
Adjusted operating income divided by sales (see non-GAAP financial measures beginning on page 52).

Basic net earnings per common share from continuing operations
Net earnings from continuing operations available to common shareholders of the Company divided by the weighted average number of common shares outstanding during the period.

Capital investment
Fixed asset purchases and intangible asset additions.

Control brand
A brand and associated trademark that is owned by Loblaw for use in connection with its own products and services.

Conversion
A store that changes from one Loblaw banner to another Loblaw banner.

Diluted net earnings per common share from continuing operations
Net earnings from continuing operations available to common shareholders of the Company adjusted for the impact of dilutive items divided by the weighted average number of common shares outstanding during the period adjusted for the impact of dilutive items.

EBITDA
Operating income before depreciation and amortization (see non-GAAP financial measures beginning on page 52).

Free cash flow
Cash flows from operating activities of continuing operations less interest paid, fixed asset purchases and intangible asset additions (see non-GAAP financial measures beginning on page 52).

Gross profit/margin
Sales less cost of inventories sold including inventory shrink divided by sales.

Major expansion/contraction
Expansion/contraction of a store that results in an increase/decrease in square footage that is greater/less than 25% of the square footage of the store prior to the expansion/contraction.

Minor expansion
Expansion of a store that results in an increase in square footage that is less than or equal to 25% of the square footage of the store prior to the expansion.

Net earnings from continuing operations attributable to shareholders of the Company
Net earnings from continuing operations less non-controlling interests.

Net earnings from continuing operations available to common shareholders of the Company
Net earnings from continuing operations attributable to shareholders of the Company less preferred dividends.

New store
A newly constructed store, acquisition, conversion or major expansion.

Operating income
Net earnings before net interest expense and other financing charges and income taxes.

Renovation
A capital investment in a store resulting in no significant change to the store square footage.

Retail sales
Combined sales of stores owned by Loblaw's corporate stores, those owned by Loblaw's independent franchisees and associate-owned drug stores.

Retail square footage
Retail square footage includes Loblaw's corporate stores, independent franchised stores and associate-owned drug stores.

Same-store sales
Retail sales from the same location for stores in operation in that location in both periods excluding sales from a store that has undergone a major expansion or contraction in the period.

Total equity attributable to common shareholders of the Company
Total equity less preferred shares outstanding and non-controlling interests.

Total equity attributable to shareholders of the Company
Total equity less non-controlling interests.

Weighted average common shares outstanding
The number of common shares outstanding determined by relating the portion of time within the period the common shares were outstanding to the total time in that period.

Year
The Company's year end is December 31. Activities are reported on a fiscal year ending on the Saturday closest to December 31, usually 52 weeks in duration but includes a 53rd week every five to six years. The years ended December 31, 2014 and December 31, 2013 contained 53 weeks and 52 weeks, respectively.

Corporate Directory

Board of Directors

W. Galen Weston, O.C., B.A., LL.D.
Executive Chairman of the Corporation; Chairman, Holt, Renfrew & Co., Limited, Brown Thomas Group Limited and Selfridges & Co. Ltd.; President, The W. Garfield Weston Foundation; former Chairman, Loblaw Companies Limited and former Director Associated British Foods, plc.

A. Charles Baillie, O.C., B.A., M.B.A., LL.D. (1,2,5*)
Corporate Director; former Chair, Alberta Investment Management Corporation; Retired Chairman and Chief Executive Officer, The Toronto-Dominion Bank; Director, Canadian National Railway Company and TELUS Corporation; Chancellor Emeritus, Queen's University; past President and Chair, Art Gallery of Ontario's Board of Trustees.

Paviter S. Binning, F.C.M.A.
President of the Corporation; former Executive Vice President, Chief Financial Officer and Chief Restructuring Officer, Nortel Networks Corporation and Nortel Networks Limited; Director, Loblaw Companies Limited and President's Choice Bank; former Director and Chief Financial Officer, Hanson plc and Marconi Corporation plc.

Darren Entwistle, B.A., M.B.A., LL.D.(4)
Executive Chair and Director, TELUS Corporation; Director, Canadian Board Diversity Council, Canadian Council of Chief Executives; former Director, TD Bank Financial Group and The Toronto-Dominion Bank; former President and Chief Executive Officer of TELUS Corporation.

Anthony R. Graham, LL.D.(2,3)
Vice Chairman and Director, Wittington Investments, Limited, President of Selfridges Group Limited; President and Chief Executive Officer, Sumarria Inc.; Director, Loblaw Companies Limited, Power Corporation of Canada, Power Financial Corporation, President's Choice Bank, Graymont Limited, Brown Thomas Group Limited, Holt, Renfrew & Co., Limited, Selfridges & Co. Ltd. and Grupo Calidra, S.A. de C.V.; Director, Art Gallery of Ontario, Canadian Institute for Advanced Research, Luminato, St. Michael's Hospital and Trans Canada Trail Foundation and Chairman of the Ontario Arts Foundation, the Shaw Festival Theatre Endowment Foundation; former Director, Garbell Holdings Limited.

John S. Lacey, B.A.
Chairman of the Advisory Board, Brookfield Private Equity Group; Consultant to the Board and to the Board of Loblaw Companies Limited; former President and Chief Executive Officer, The Oshawa Group; Director, Loblaw Companies Limited, TELUS Corporation and Ainsworth Lumber Co. Ltd.; former Chairman of Alderwoods Group, Inc.; former Director, Canadian Imperial Bank of Commerce.

Isabelle Marcoux, B.A., LL.B.(4*)
Chair, Transcontinental Inc.; Director, Rogers Communications Inc., Power Corporation of Canada.

Sarabjit S. Marwah, B.A., M.A., M.B.A.(1,5)
Corporate Director; former Vice-Chairman and Chief Operating Officer, The Bank of Nova Scotia; Director, Cineplex Inc.; Trustee, Hospital for Sick Children; former Director, Torstar Corporation; past Chair, Humber River Regional Hospital.

Gordon M. Nixon, C.M., O.Ont.(1,5)
Corporate Director; former President and Chief Executive Officer of Royal Bank of Canada; former Chief Executive Officer of RBC Dominion Securities Inc.; Director, BCE Inc.; former Director, Royal Bank of Canada; Chairman, MaRS Discovery District; Chair, Queen's University Capital Campaign; Advisory Board Member, KingSett Canadian Real Estate Income Fund L.P.

J. Robert S. Prichard, O.C., O.Ont., LL.B., M.B.A., LL.M., LL.D.(2*,3)
Non-Executive Chair, Torys LLP; Chair, Bank of Montreal and Metrolinx; former President and Chief Executive Officer, Metrolinx and Torstar Corporation; President Emeritus, University of Toronto; Director, Onex Corporation; former Director, Torstar Corporation, Four Seasons Hotels Inc.; Trustee, Hospital for Sick Children; Member, Ontario's Economic Advisory Panel.

Thomas F. Rahilly, B.A., M.A., LL.B.(1,2,3*,4,5)
Corporate Director; former Vice-Chairman, RBC Capital Markets; former Director, Wittington Investments, Limited.

Barbara G. Stymiest, B.A., F.C.A., F.C.P.A.(1*,3)
Corporate Director; former member of the Group Executive, Royal Bank of Canada; former Chief Executive Officer, TMX Group Inc.; former Executive Vice-President and Chief Financial Officer, BMO Capital Markets; former Partner of Ernst & Young LLP; Director, BlackBerry Limited, Sun Life Financial Inc., Chair, Canadian Institute for Advanced Research; Trustee, University Health Network.

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

Corporate Officers

W. Galen Weston, O.C.
Executive Chairman

Paviter S. Binning
President

Gordon A.M. Currie
Executive Vice President,
Chief Legal Officer

Rashid Wasti
Executive Vice President,
Chief Talent Officer

Richard Dufresne
Executive Vice President,
Chief Financial Officer

Brian Bidulka
Deputy Chief Financial Officer

Robert A. Balcom
Senior Vice President,
General Counsel - Canada and Secretary

Khush Dadyburjor
Senior Vice President,
Strategy

Geoffrey H. Wilson
Senior Vice President,
Investor Relations,
Business Intelligence and Communications

Paul Barnicke
Vice President,
Tax

Allison Doner
Vice President,
Controller

David Farnfield
Vice President,
Commodities

Nadeem Mansour
Vice President,
Internal Audit Services

John Poos
Vice President,
Pension and Benefits

Tamara Rebanks
Vice President,
Community Affairs

John Williams
Vice President,
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", "WN.PR.C", "WN.PR.D" and "WN.PR.E".

Common Shares
At year end 2014, there were 127,901,231 common shares issued and outstanding.

The average 2014 daily trading volume of the Company's common shares was 117,663.

Preferred Shares
At year end 2014, there were 9,400,000 preferred shares Series I, 8,000,000 preferred shares Series III, 8,000,000 preferred shares Series IV and 8,000,000 preferred shares Series V issued and outstanding.

The average 2014 daily trading volume of the Company's preferred shares was:

Series I: 5,687
Series III: 5,303
Series IV: 4,266
Series V: 5,924

Preferred Dividend Dates
The declaration and payment of quarterly preferred dividends are made subject to approval by the Board of Directors. The record and payment dates for 2015 are:

Series I

Record Date	Payment Date
Feb. 28	March 15
May 31	June 15
Aug. 31	Sept. 15
Nov. 30	Dec. 15

Series III, Series IV and Series V

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

Common Dividend Policy
The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Board of Directors which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. Over time, it is the Company's intention to increase the amount of the dividend while retaining appropriate free cash flow to reduce debt and finance future growth.

Common Dividend Dates
The declaration and payment of quarterly common dividends are made subject to approval by the Board of Directors. The anticipated record and payment dates for 2015 are:

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

Printing: TC Transcontinental Printing www.tcprinting.tc

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 Investor Services Inc.
100 University Avenue
Toronto, Canada M5J 2Y1

Toll Free Tel: 1.800.564.6253 (Canada and U.S.A.)
International Tel: 514.982.7555 (direct dial)
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 Investor Services Inc.

Independent Auditors
KPMG LLP
Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada

Annual Meeting
The George Weston Limited Annual Meeting of Shareholders will be held on Tuesday, May 12, 2015, at 11:00 a.m. at The Royal Conservatory, TELUS Centre for Performance and Learning, Koerner Hall, 273 Bloor Street West, Toronto, Ontario, Canada.

Trademarks
George Weston Limited, Loblaw Companies Limited and their respective subsidiaries own a number of trademarks. These trademarks are the exclusive property of George Weston Limited, Loblaw Companies Limited and their respective 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, Senior Vice President, Investor Relations, Business Intelligence and Communications, at the Company's Executive Office or by e-mail at investor@weston.ca.

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

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

Ce rapport est disponible en français.

This 2014 Annual Report was printed in Canada on
Enviro 100, which contains 100% post-consumer waste
and is processed chlorine-free, using biogas energy.

Weston

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