2015 Annual Report

George Weston Limited

Weston

Footnote Legend

(1) See Section 19, "Non-GAAP Financial Measures", of the Company's 2015 Management's Discussion and Analysis.
(2) For financial definitions and ratios refer to the Glossary beginning on page 142.
(3) To be read in conjunction with "Forward-Looking Statements" beginning on page 4.
(4) Certain 2014 figures have been amended. See Section 19, "Non-GAAP Financial Measures", of the Company's 2015 Management's Discussion and Analysis.

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Financial Highlights[2]

As at or for the years ended December 31 ($ millions except where otherwise indicated)	**2015 (52 weeks)**	2014[4] (53 weeks)
Consolidated Operating Results		
Sales	**$ 46,894**	$ 43,918
Sales excluding 53rd week	***46,894***	*43,109*
Adjusted EBITDA[1]	**3,826**	3,530
Adjusted EBITDA[1] excluding 53rd week	***3,826***	*3,453*
Depreciation and amortization[i]	**1,686**	1,542
Net interest expense and other financing charges	**681**	815
Adjusted net interest expense and other financing charges[1]	**585**	566
Income taxes	**384**	24
Adjusted income taxes[1]	**571**	479
Net earnings	**864**	134
Net earnings attributable to shareholders of the Company	**527**	126
Net earnings available to common shareholders of the Company	**483**	82
Net earnings available to common shareholders of the Company excluding 53rd week[ii]	***483***	*53*
Adjusted net earnings available to common shareholders of the Company[1]	**717**	680
Adjusted net earnings available to common shareholders of the Company[1] excluding 53rd week[ii]	***717***	*651*
Consolidated Financial Position and Cash Flows		
Cash and cash equivalents, short term investments and security deposits	**$ 2,667**	$ 2,497
Cash flows from operating activities	**3,367**	2,851
Fixed asset purchases and intangible asset additions	**1,500**	1,214
Free cash flow[1]	**1,280**	1,033
Total debt	**13,154**	13,875
Consolidated Per Common Share ($)		
Basic net earnings	**$ 3.78**	$ 0.64
Adjusted basic net earnings[1]	**5.61**	5.32
Consolidated Financial Measures and Ratios		
Adjusted EBITDA margin[1]	**8.2%**	8.0%
Adjusted return on average equity attributable to common shareholders of the Company[1]	**10.7%**	11.4%
Adjusted return on capital[1]	**10.6%**	12.3%
Reportable Operating Segments		
Weston Foods		
Sales	**$ 2,144**	$ 1,923
Sales excluding 53rd week	***2,144***	*1,892*
Adjusted EBITDA[1]	**285**	311
Adjusted EBITDA[1] excluding 53rd week	***285***	*305*
Adjusted EBITDA margin[1]	**13.3%**	16.2%
Depreciation and amortization[i]	**94**	70
Loblaw		
Sales	**$ 45,394**	$ 42,611
Sales excluding 53rd week	***45,394***	*41,822*
Retail gross profit[iii]	**11,689**	9,734
Retail gross profit excluding 53rd week	***11,689***	*9,534*
Adjusted EBITDA[1]	**3,541**	3,219
Adjusted EBITDA[1] excluding 53rd week	***3,541***	*3,148*
Adjusted EBITDA margin[1]	**7.8%**	7.6%
Depreciation and amortization[i]	**1,592**	1,472

(i) Depreciation and amortization includes $536 million (2014 – $417 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $11 million (2014 – nil) of accelerated depreciation recorded by Weston Foods, related to restructuring and other charges.

(ii) The impact of the 53rd week on net earnings available to common shareholders of the Company is estimated based on applying the 2014 effective tax rate to the 53rd week net earnings before income taxes of $77 million, net of non-controlling interest.

(iii) Retail gross profit in 2015 includes a charge of $4 million (2014 – $190 million) related to inventory measurement and other conversion differences associated with the implementation of a perpetual inventory system at Loblaw, $46 million related to the impairment of Loblaw drug retail ancillary assets held for sale and a charge of $8 million related to Loblaw apparel inventory. In addition, retail gross profit in 2014 includes a charge of $798 million related to the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold.

Report to Shareholders[3]

George Weston Limited's 2015 performance reflects the continued execution of strategic priorities set by each of the Company's operating segments. Progress in 2015, supported by our strong portfolio of businesses with market leading positions, reinforces our confidence that the Company is well-positioned for stable, long term growth and profitability.

In 2015, Loblaw made significant progress on its strategic framework to deliver the best in food experience, best in health and beauty, operational excellence and growth. Loblaw has been actively improving its product and service offerings, as well as its processes and operations. The improvement in the performance of the Retail business drove Loblaw's growth in 2015. The Retail business delivered positive same-store sales in both food and drug and stable margins amidst a highly competitive retail environment and continued negative pressures from healthcare reform. In 2015, Loblaw realized net synergies related to the acquisition of Shoppers Drug Mart in excess of the initial plan, maintained its focus on realizing efficiencies in food retail and achieved its deleveraging target. In 2016, Loblaw will continue to focus on maintaining a stable trading environment and expects to achieve operating leverage, by completing its synergy program, realizing net efficiencies, and returning capital to shareholders.

In 2015, Weston Foods focused on capital investments and building capabilities across the organization, delivering sales growth and results that were in line with expectations. In 2016, Weston Foods expects top line growth and productivity gains to offset the cost impact of continued investments as it remains focused on the execution of its strategic priorities to position itself 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 and Chief Executive Officer

Toronto, Canada
March 2, 2016

Management's Discussion and Analysis

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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 63 to 139 of this Annual Report. The Company's audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB"). The audited annual 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.

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 19, "Non-GAAP Financial Measures", of this MD&A for more information on the Company's non-GAAP financial measures.

A glossary of terms and ratios used throughout this Annual Report can be found beginning on page 142.

The information in this MD&A is current to March 2, 2016, unless otherwise noted.

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, opportunities and legal and regulatory matters. 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 anticipated benefits associated with the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart"), future liquidity, planned capital investments, and status and impact of 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 7, "Liquidity and Capital Resources", Section 18, "Outlook", and Section 19, "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", "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 2016 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 13, "Enterprise Risks and Risk Management", of this MD&A and the Company's Annual Information Form ("AIF") for the year ended December 31, 2015. Such risks and uncertainties include:

- changes to the regulation of generic prescription drug prices, the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- failure to realize benefits from investments in Loblaw Companies Limited's ("Loblaw") new IT systems;

- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- public health events including those related to food and drug safety;
- failure by Loblaw to realize the anticipated strategic benefits associated with the acquisition of Shoppers Drug Mart;
- the inability of the Company to effectively develop and execute its strategy;
- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies associated with the Company's major initiatives, including those from restructuring;
- failure by Loblaw's franchisees or Shoppers Drug Mart licensees ("Associates") to operate in accordance with prescribed procedures or standards, or disruptions to Loblaw's relationship with its franchisees or Associates;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements, which could lead to work stoppages;
- changes in the Company's income, capital, commodity, property and other tax and regulatory liabilities, including changes in tax laws, regulations or future assessments;
- reliance on the performance and retention of third-party service providers, including those associated with the Company's supply chain and Loblaw's apparel business;
- issues with vendors in both advanced and developing markets;
- 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;
- failure to merchandise effectively or in a manner that is responsive to customer demand;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- the inability of the Company to anticipate, identify and react to consumer and retail trends;
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates, changes in interest rates, currency exchange rates and derivative and commodity prices;
- the impact of potential environmental liabilities; and
- the inability of Loblaw to collect on or 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, 2015. 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 includes retail businesses, a bank and Choice Properties. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, retail banking, credit card services, insurance and wireless mobile products and services. Loblaw also holds an 83.0% effective interest in Choice Properties, which owns, leases and manages income-producing commercial properties. The Weston Foods operating segment includes a leading fresh bakery business in Canada and frozen, artisan bakery and biscuit businesses throughout North America.

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, investing in targeted areas of growth to build capabilities and positioning the business for sustainable, long term growth and profitability. As part of its strategic framework, Weston Foods will:

- continue to drive operational excellence and realize productivity gains;
- 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 its presence, organically, through partnerships or acquisitions.

Loblaw's strategic framework is anchored by its purpose of "*Live Life Well*" and its commitment to produce industry leading financial results through operational excellence. At the core of this framework is 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 the 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 putting its pharmacy customers first, its desire to provide high quality health and wellness products, a diverse and differentiated beauty offering and convenient locations and hours of operation to meet individuals' wellness needs.

Loblaw's operational excellence goals include driving efficiencies and realizing operating synergies from its retail businesses. This includes product innovation, development of its emerging businesses and loyalty program initiatives. Loblaw is also focused on continued growth from President's Choice Financial Services and Choice Properties segments.

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 13, "Enterprise Risks and Risk Management" of this MD&A and in the Company's AIF for the year ended December 31, 2015.

4. KEY FINANCIAL PERFORMANCE INDICATORS

The Company has identified specific key financial performance indicators to measure the progress of short and long term objectives. Certain key financial performance indicators are set out below:

Key Financial Performance Indicators[(2)]

($ millions except where otherwise indicated) As at or for the years ended December 31	**2015** **(52 weeks)**	2014[(4)] (53 weeks)
Sales	**$ 46,894**	$ 43,918
Sales excluding 53rd week	***$ 46,894***	*$ 43,109*
Loblaw Retail gross profit[(i)]	**$ 11,689**	$ 9,734
Retail gross profit excluding 53rd week	***$ 11,689***	*$ 9,534*
Adjusted EBITDA[(1)]	**$ 3,826**	$ 3,530
Adjusted EBITDA[(1)] excluding 53rd week	***$ 3,826***	*$ 3,453*
Adjusted EBITDA margin[(1)]	**8.2%**	8.0%
Net earnings attributable to shareholders of the Company	**$ 527**	$ 126
Net earnings available to common shareholders of the Company	**$ 483**	$ 82
Net earnings available to common shareholders of the Company excluding 53rd week[(ii)]	***$ 483***	*$ 53*
Adjusted net earnings available to common shareholders of the Company[(1)]	**$ 717**	$ 680
Adjusted net earnings available to common shareholders of the Company[(1)] excluding 53rd week[(ii)]	***$ 717***	*$ 651*
Basic net earnings per common share ($)	**$ 3.78**	$ 0.64
Basic net earnings per common share ($) excluding 53rd week[(ii)]	***$ 3.78***	*$ 0.41*
Adjusted basic net earnings per common share[(1)] ($)	**$ 5.61**	$ 5.32
Adjusted basic net earnings per common share[(1)] ($) excluding 53rd week[(ii)]	***$ 5.61***	*$ 5.09*
Cash and cash equivalents, short term investments and security deposits	**$ 2,667**	$ 2,497
Cash flows from operating activities	**$ 3,367**	$ 2,851
Free cash flow[(1)]	**$ 1,280**	$ 1,033
Total debt	**$ 13,154**	$ 13,875
Adjusted return on average equity attributable to common shareholders of the Company	**10.7%**	11.4%
Adjusted return on capital	**10.6%**	12.3%

(i) Retail gross profit in 2015 includes a charge of $4 million (2014 – $190 million) related to inventory measurement and other conversion differences associated with the implementation of a perpetual inventory system at Loblaw, $46 million related to the impairment of Loblaw drug retail ancillary assets held for sale and a charge of $8 million related to Loblaw apparel inventory. In addition, retail gross profit in 2014 includes a charge of $798 million related to the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold.

(ii) The impact of the 53rd week on net earnings available to common shareholders of the Company is estimated based on applying the 2014 effective tax rate to the 53rd week net earnings before income taxes of $77 million, net of non-controlling interest.

5. OVERALL FINANCIAL PERFORMANCE

5.1 CONSOLIDATED RESULTS OF OPERATIONS

($ millions except where otherwise indicated) For the years ended December 31	2015 (52 weeks)	2014[4] (53 weeks)	$ Change	% Change
Sales	**$ 46,894**	**$ 43,918**	**$ 2,976**	**6.8 %**
Sales excluding 53rd week	***$ 46,894***	*$ 43,109*	*$ 3,785*	*8.8 %*
Adjusted EBITDA[1]	**$ 3,826**	$ 3,530	$ 296	8.4 %
Adjusted EBITDA[1] excluding 53rd week	***$ 3,826***	*$ 3,453*	*$ 373*	*10.8 %*
Adjusted EBITDA margin[1]	**8.2%**	8.0%		
Depreciation and amortization[i]	**$ 1,686**	$ 1,542	$ 144	9.3 %
Net interest expense and other financing charges	**$ 681**	$ 815	$ (134)	(16.4)%
Adjusted net interest expense and other financing charges[1]	**$ 585**	$ 566	$ 19	3.4 %
Income taxes	**$ 384**	$ 24	$ 360	1,500.0 %
Adjusted income taxes[1]	**$ 571**	$ 479	$ 92	19.2 %
Adjusted income tax rate[1]	**27.2%**	26.0%		
Net earnings	**$ 864**	**$ 134**	**$ 730**	**544.8 %**
Net earnings attributable to shareholders of the Company	**$ 527**	**$ 126**	**$ 401**	**318.3 %**
Net earnings available to common shareholders of the Company	**$ 483**	**$ 82**	**$ 401**	**489.0 %**
Net earnings available to common shareholders of the Company excluding 53rd week[ii]	***$ 483***	*$ 53*	*$ 430*	*811.3 %*
Adjusted net earnings available to common shareholders of the Company[1]	**$ 717**	$ 680	$ 37	5.4 %
Adjusted net earnings available to common shareholders of the Company[1] excluding 53rd week[ii]	***$ 717***	*$ 651*	*$ 66*	*10.1 %*
Basic net earnings per common share ($)	**$ 3.78**	**$ 0.64**	**$ 3.14**	**490.6 %**
Basic net earnings per common share ($) excluding 53rd week[ii]	***$ 3.78***	*$ 0.41*	*$ 3.37*	*822.0 %*
Adjusted basic net earnings per common share[1] ($)	**$ 5.61**	$ 5.32	$ 0.29	5.5 %
Adjusted basic net earnings per common share[1] ($) excluding 53rd week[ii]	***$ 5.61***	*$ 5.09*	*$ 0.52*	*10.2 %*

(i) Depreciation and amortization includes $536 million (2014 – $417 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $11 million (2014 – nil) of accelerated depreciation recorded by Weston Foods, related to restructuring and other charges.

(ii) The impact of the 53rd week on net earnings available to common shareholders of the Company is estimated based on applying the 2014 effective tax rate to the 53rd week net earnings before income taxes of $77 million, net of non-controlling interest.

As a result of the Company's reporting calendar, the fourth quarter and full year 2014 included an extra week of operations (the "53rd week") compared to 2015. The 53rd week of 2014 resulted in an additional $809 million of sales, $77 million of operating income, and estimated impacts on net earnings available to common shareholders and basic net earnings per common share of $29 million and $0.23 per share, respectively.

In the second quarter of 2014, Loblaw acquired all of the outstanding shares of Shoppers Drug Mart. As a result, the Company's 2015 results include Shoppers Drug Mart. In 2014, the Company's results include Shoppers Drug Mart beginning from the date of acquisition in the second quarter of 2014.

Net earnings available to common shareholders of the Company

Adjusted net earnings available to common shareholders of the Company[(1)] for 2015 were $717 million ($5.61 per common share) compared to $680 million ($5.32 per common share) in 2014, an increase of $37 million ($0.29 per common share). The increase included the negative year-over-year impact of the 53rd week of $29 million ($0.23 per common share). Excluding the 53rd week, adjusted net earnings available to common shareholders of the Company[(1)] increased $66 million ($0.52 per common share), primarily due to an increase in Loblaw earnings including the positive impact of the year-over-year contribution from Shoppers Drug Mart in the first quarter of 2015, partially offset by the impact of the reduction in the Company's ownership in Loblaw in the second quarter of 2014. In addition, the increase in adjusted net earnings available to common shareholders of the Company[(1)] included the following:

- consistent underlying operating performance at Loblaw, partially offset by a decline in the underlying operating performance at Weston Foods;
- a reduction in depreciation and amortization in Loblaw's Retail segment due to an increase in the estimated useful life of certain IT systems and lower depreciation on older IT, supply chain and other store assets, partially offset by an increase in depreciation and amortization at Weston Foods due to investments in capital;
- an increase in adjusted net interest expense and other financing charges[(1)] driven by higher interest on long term debt as a result of debt issuances by Choice Properties to third parties, partially offset by repayments on Loblaw's unsecured term loan facility, obtained in connection with the acquisition of Shoppers Drug Mart ("Acquisition Term Loan"); and
- an increase in the adjusted income tax rate[(1)] resulting from a 2% increase in the Alberta provincial statutory corporate income tax rate from 10% to 12% and other non-deductible items.

Net earnings available to common shareholders of the Company increased by $401 million ($3.14 per common share) to $483 million ($3.78 per common share) compared to 2014. The increase included the negative year-over-year impact of the 53rd week. Excluding the 53rd week, net earnings available to common shareholders of the Company increased $430 million ($3.37 per common share). In addition to the items described above, the increase in net earnings available to common shareholders of the Company included the year-over-year favourable net impact of the following significant items:

- the favourable impact of a charge incurred in 2014 of $798 million ($2.08 per common share) related to the fair value increment on the acquired inventory sold associated with the acquisition of Shoppers Drug Mart;
- the favourable impact of charges related to inventory measurement and other conversion differences related to the conversion of IT systems at Loblaw's corporate stores in the prior year of $190 million ($0.49 per common share), partially offset by a charge related to the conversion of Loblaw's franchise stores in 2015 of $33 million ($0.09 per common share);
- the favourable impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares of $173 million ($1.02 per common share);
- the favourable impact of higher foreign currency translation gains of $71 million ($0.45 per common share);

partially offset by,

- the unfavourable impact of restructuring and other related costs of $127 million ($0.41 per common share);
- the unfavourable impact of the impairment of Loblaw's drug retail business ancillary assets held for sale in 2015 of $112 million ($0.28 per common share);
- the unfavourable impact of Loblaw's accelerated finalization of transitioning of certain grocery stores to more cost effective and efficient operating terms under collective agreements ("Labour Agreements") of $55 million ($0.14 per common share); and
- the unfavourable impact of an increase in deferred tax expense as a result of the increase in the Alberta statutory corporate income tax rate of $45 million ($0.19 per common share).

Sales

($ millions except where otherwise indicated) For the years ended December 31	**2015 (52 weeks)**	2014 (53 weeks)	$ Change	% Change
Weston Foods	**$ 2,144**	$ 1,923	$ 221	11.5%
Loblaw	**$ 45,394**	$ 42,611	$ 2,783	6.5%
Intersegment	**$ (644)**	$ (616)	$ (28)	
Consolidated	**$ 46,894**	$ 43,918	$ 2,976	6.8%
53rd week		*$ (809)*		
Consolidated excluding 53rd week	**$ 46,894**	$ 43,109	$ 3,785	8.8%

The Company's 2015 consolidated sales were $46,894 million, an increase of $2,976 million compared to 2014. The increase included the negative year-over-year impact of the 53rd week of $809 million. Excluding the 53rd week, the Company's consolidated sales increased $3,785 million impacted by each of its reportable operating segments as follows:

- Positively by 0.6% due to sales growth of 13.3% at Weston Foods. Sales included the positive impact of foreign currency translation of approximately 8.1%. Excluding the impact of foreign currency translation, sales increased by 5.2% primarily due to the combined positive impact of pricing and changes in sales mix, and an increase in volumes.

- Positively by 8.3% due to sales growth of 8.5% at Loblaw, primarily driven by Retail. Retail sales increased by $3,527 million, or 8.6%, and included the contribution from Shoppers Drug Mart of $2,596 million in the first quarter of 2015. Food retail (Loblaw) same-store sales growth was 1.9% and the food retail annual average internal food price index was moderately higher than the annual average national food price inflation of 4.1% as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI"). CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores. Drug retail (Shoppers Drug Mart) same-store sales growth was 4.3%.

Adjusted EBITDA[1]

($ millions except where otherwise indicated) For the years ended December 31	2015 (52 weeks)	2014[4] (53 weeks)	$ Change	% Change
Weston Foods	**$ 285**	$ 311	$ (26)	(8.4)%
Loblaw	**$ 3,541**	$ 3,219	$ 322	10.0 %
Consolidated	**$ 3,826**	$ 3,530	$ 296	8.4 %
53rd week		*$ (77)*		
Consolidated excluding 53rd week	**$ 3,826**	$ 3,453	$ 373	10.8 %

The Company's 2015 adjusted EBITDA[1] increased by $296 million to $3,826 million compared to 2014 and included the negative year-over-year impact of the 53rd week of $77 million. Excluding the 53rd week, adjusted EBITDA[1] increased $373 million impacted by each of its reportable operating segments as follows:

- Negatively by 0.6% due to a decrease of 6.6% in adjusted EBITDA[1] at Weston Foods. Despite the increase in sales, adjusted EBITDA[1] declined primarily due to investments in the business, new plant costs and higher input costs.
- Positively by 11.4% due to an increase of 12.5% in adjusted EBITDA[1] at Loblaw. The increase included the contribution from Shoppers Drug Mart in the first quarter of 2015. Excluding this contribution, the increase in adjusted EBITDA[1] was primarily driven by higher sales and the increase in Retail gross profit percentage, partially offset by an increase in selling, general and administrative expenses ("SG&A"). Adjusted EBITDA[1] was positively impacted by net synergies of $242 million (2014 – $101 million).

Depreciation and Amortization

($ millions except where otherwise indicated) For the years ended December 31	2015 (52 weeks)	2014 (53 weeks)	$ Change	% Change
Weston Foods	**$ 94**	$ 70	$ 24	34.3 %
Loblaw	**$ 1,592**	$ 1,472	$ 120	8.2 %
Consolidated	**$ 1,686**	$ 1,542	$ 144	9.3 %

Depreciation and amortization in 2015 was $1,686 million, an increase of $144 million compared to 2014, and included $536 million (2014 – $417 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart and $11 million (2014 – nil) of accelerated depreciation incurred by Weston Foods. Excluding these amounts, depreciation and amortization increased $14 million driven by:

- the contribution of Shoppers Drug Mart in the first quarter of 2015 of $60 million; and
- higher depreciation due to investments in capital at Weston Foods;

partially offset by,

- a decrease in depreciation and amortization in Loblaw's Retail segment due to an increase in the estimated useful life of certain IT systems, and lower depreciation on older IT, supply chain and other store assets.

Net Interest Expense and Other Financing Charges

($ millions) For the years ended December 31	**2015** **(52 weeks)**	2014 (53 weeks)
Net interest expense and other financing charges	**$ 681**	$ 815
Add: Fair value adjustment of the Trust Unit liability	**(55)**	(12)
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	**(26)**	(199)
Accelerated amortization of deferred financing costs	**(15)**	(23)
Shoppers Drug Mart net financing charges		(15)
Adjusted net interest expense and other financing charges[(1)]	**$ 585**	$ 566

Net interest expense and other financing charges decreased by $134 million to $681 million compared to 2014. Adjusted net interest expense and other financing charges[(1)] were $585 million, an increase of $19 million compared to 2014, primarily driven by:

- higher interest expense on long term debt as a result of debt issuances by Choice Properties to third parties and debt acquired with Shoppers Drug Mart;
- lower interest income on cash and cash equivalents and short term investments; and
- higher interest expense on Guaranteed Investment Certificates ("GICs") used to fund the growth of credit card receivables in Loblaw's Financial Services segment;

partially offset by,

- lower interest expense on long term debt due to repayments on Loblaw's Acquisition Term Loan and Loblaw's repayment of Medium Term Notes ("MTNs") in 2014; and
- lower interest expense due to the redemption of Loblaw's capital securities in 2015.

Income Taxes

($ millions except where otherwise indicated) For the years ended December 31	2015 (52 weeks)	2014[4] (53 weeks)
Income taxes	**$ 384**	$ 24
Add: Tax impact of items excluded from adjusted earnings before taxes[1][i]	**232**	455
Provincial income tax rate change	**(45)**	
Adjusted income taxes[1]	**$ 571**	$ 479
Effective income tax rate applicable to earnings before taxes	**30.8%**	15.2%
Adjusted income tax rate applicable to adjusted earnings before taxes[1]	**27.2%**	26.0%

(i) See the EBITDA and adjusted EBITDA table and the adjusted net interest expense and other financing charges table included in Section 19, "Non-GAAP Financial Measures", of this MD&A for a complete list of items excluded from adjusted earnings before taxes[1].

The effective tax rate in 2015 was 30.8%, an increase of 15.6% compared to 2014. The increase was primarily attributable to:

- the increase in the current and deferred tax expense resulting from an increase in the Alberta statutory corporate income tax rate, as described below; and
- the non-deductible fair value loss (2014 – loss) on the Trust Unit liability.

The adjusted income tax rate[1] was 27.2%, an increase of 1.2% compared to 2014. The increase was primarily attributable to the increase in current tax resulting from a 2% increase in the Alberta provincial statutory corporate income tax rate from 10% to 12% and other non-deductible items.

In 2015, the Company recorded a charge of $45 million related to the remeasurement of its deferred tax liabilities as a result of the increase in the Alberta provincial statutory rate.

In 2015, Loblaw was reassessed by the Canada Revenue Agency ("CRA") and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron Bank Limited ("Glenhuron"), a wholly owned Barbadian subsidiary, should be treated and taxed as income in Canada. The reassessments were for the 2000 to 2010 taxation years totaling $341 million including interest and penalties as at the time of reassessment. Loblaw believes it is likely that the CRA will issue reassessments for the 2011 to 2013 taxation years on the same or similar basis. Loblaw strongly disagrees with the CRA's position and has filed a Notice of Appeal. No amount for any reassessments has been provided for in the Company's consolidated financial statements. 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 material negative impact on the Company's reputation, results of operations and financial position in the year(s) of resolution.

5.2 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, 2015 and 2014. 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)	**2015** **(52 weeks)**	2014[4] (53 weeks)	2013 (52 weeks)
Sales	**$ 46,894**	**$ 43,918**	**$ 33,582**
Sales excluding 53rd week	***$ 46,894***	*$ 43,109*	*$ 33,582*
Adjusted EBITDA[1]	**$ 3,826**	$ 3,530	$ 2,420
Adjusted EBITDA[1] excluding 53rd week	***$ 3,826***	*$ 3,453*	*$ 2,420*
Adjusted EBITDA margin[1]	**8.2%**	8.0%	7.2%
Depreciation and amortization[i]	**$ 1,686**	$ 1,542	$ 891
Net interest expense and other financing charges	**$ 681**	$ 815	$ 497
Adjusted net interest expense and other financing charges[1]	**$ 585**	$ 566	$ 403
Income taxes	**$ 384**	$ 24	$ 273
Adjusted income taxes[1]	**$ 571**	$ 479	$ 285
Adjusted income tax rate[1]	**27.2%**	26.0%	25.2%
Net earnings[ii]	**$ 864**	**$ 134**	**$ 904**
Net earnings from continuing operations attributable to shareholders of the Company[ii]	**$ 527**	**$ 126**	**$ 614**
Net earnings from continuing operations available to common shareholders of the Company[ii]	**$ 483**	**$ 82**	**$ 570**
Net earnings from continuing operations available to common shareholders of the Company excluding 53rd week[iii]	***$ 483***	*$ 53*	*$ 570*
Adjusted net earnings from continuing operations available to common shareholders of the Company[1][ii]	**$ 717**	$ 680	*$ 542*
Adjusted net earnings from continuing operations available to common shareholders of the Company[1] excluding 53rd week[ii][iii]	***$ 717***	*$ 651*	*$ 542*
Net earnings per common share ($) – basic			
Continuing operations	**$ 3.78**	**$ 0.64**	**$ 4.47**
Net earnings[ii]	**$ 3.78**	**$ 0.64**	**$ 4.93**
Basic net earnings per common share ($) excluding 53rd week[iii]	***$ 3.78***	*$ 0.41*	*$ 4.93*
Net earnings per common share ($) – diluted			
Continuing operations	**$ 3.74**	$ 0.64	$ 4.43
Net earnings[ii]	**$ 3.74**	$ 0.64	$ 4.89
Adjusted basic net earnings per common share from continuing operations[1] ($)	**$ 5.61**	$ 5.32	$ 4.25
Adjusted basic net earnings per common share from continuing operations[1] ($) excluding 53rd week[iii]	***$ 5.61***	*$ 5.09*	*$ 4.25*
Dividends declared per share type ($):			
Common shares	**$ 1.695**	$ 1.675	$ 1.625
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) Depreciation and amortization includes $536 million (2014 – $417 million; 2013 – nil) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $11 million (2014 – nil; 2013 – $4 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other charges.
(ii) Net earnings and basic and diluted net earnings per common share in 2013 includes income related to discontinued operations of $58 million and $0.46, respectively.
(iii) The impact of the 53rd week on net earnings available to common shareholders of the Company is estimated based on applying the 2014 effective tax rate to the 53rd week net earnings before income taxes of $77 million, net of non-controlling interest.

Consolidated results for the last three years were impacted by the initial public offering 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 the 53rd week, the Company's reportable operating segments had the following sales trends over the last three years:

- Weston Foods sales have been positively impacted by foreign currency translation and volume growth in both 2015 and 2014. The combined impact of pricing and changes in sales mix had a positive impact on sales in 2015 and a negative impact in 2014.
- Loblaw's Retail segment has driven the growth in Loblaw sales over the last three years, Retail segment sales have continued to grow in spite of the pressure of an intensely competitive retail market and an uncertain economic and regulatory environment. The acquisition of Shoppers Drug Mart positively impacted sales in both 2015 and 2014. Food retail same-store sales growth was 1.9% in 2015 (2014 – 2.0%). Drug retail same-store sales growth was 4.3% in 2015 (2014 – 2.6%).

Adjusted basic net earnings per common share from continuing operations(1) The Company's adjusted basic net earnings per common share(1) in 2015 and 2014 excluded a number of items described in Section 19, "Non-GAAP Financial Measures", of this MD&A. In 2013, 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 the underlying operating performance at Loblaw in both 2015 and 2014, driven by the Retail segment including the acquisition of Shoppers Drug Mart and the positive contribution from net synergies related to the acquisition;
- a decline in underlying operating performance at Weston Foods in 2015 and 2014. Despite an increase in sales, Weston Foods was negatively impacted by higher input costs, including the negative impact of foreign exchange, investments in the business and new plant costs;
- increases in depreciation and amortization in both of the Company's reportable operating segments in 2015 and 2014, primarily due to Loblaw's acquisition of Shoppers Drug Mart in 2014 and investments in capital at Weston Foods in 2015;
- an increase in adjusted net interest and other financing charges(1) in both 2015 and 2014 primarily as a result of interest on Loblaw's Acquisition Term Loan and debt issuances by Choice Properties to third parties;
- increases in the adjusted income tax rate(1) in both 2015 and 2014; and
- 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 2015 (2014 – approximately 46%; 2013 – approximately 63%).

Total Assets and Long Term Financial Liabilities

($ millions)	Dec. 31, 2015	As at Dec. 31, 2014[i]	Dec. 31, 2013
Total assets	**$ 37,802**	$ 37,146	$ 24,604
Total long term debt	**$ 12,276**	$ 12,726	$ 8,944
Capital securities[ii]		225	224
Trust Unit liability	**552**	494	478
Total long term financial liabilities	**$ 12,828**	$ 13,445	$ 9,646

(i) Certain 2014 figures have been restated. See note 5 of the Company's 2015 audited consolidated financial statements.
(ii) In 2014, capital securities became due within one year and were presented in current liabilities.

In 2015, total assets increased by 1.8% and total long term financial liabilities decreased by 4.6% compared to 2014. The increase in total assets was primarily due to investments in capital at both Weston Foods and Loblaw and the consolidation of Loblaw's franchisees. The decrease in total long term financial liabilities was primarily due to repayments on Loblaw's Acquisition Term Loan, partially offset debt issuances by Choice Properties to third parties.

In 2014, total assets and total long term financial liabilities increased by 51.0% and 39.4%, respectively, compared to 2013. These increases were primarily driven by the acquisition of Shoppers Drug Mart, including the issuance of debt, net of repayments, by Loblaw to finance the acquisition and debt issuances by Choice Properties to third parties.

6. RESULTS OF REPORTABLE OPERATING SEGMENTS

The following discussion provides details of the 2015 results of operations of each of the Company's reportable operating segments.

6.1 WESTON FOODS OPERATING RESULTS

($ millions except where otherwise indicated) For the years ended December 31	2015 (52 weeks)	2014 (53 weeks)	$ Change	% Change
Sales	**$ 2,144**	$ 1,923	$ 221	11.5 %
Sales excluding 53rd week	***$ 2,144***	*$ 1,892*	*$ 252*	*13.3 %*
Adjusted EBITDA[1]	**$ 285**	$ 311	$ (26)	(8.4)%
Adjusted EBITDA[1] excluding 53rd week	***$ 285***	*$ 305*	*$ (20)*	*(6.6)%*
Adjusted EBITDA margin[1]	**13.3%**	16.2%		
Depreciation and amortization[i]	**$ 94**	$ 70	$ 24	34.3 %

(i) Depreciation and amortization includes $11 million (2014 – nil) of accelerated depreciation recorded as restructuring and other charges.

Sales Weston Foods sales in 2015 were $2,144 million, an increase of $221 million, or 11.5%, compared to 2014. The increase included the negative year-over-year impact of the 53rd week of $31 million. Excluding the 53rd week, sales increased $252 million, or 13.3% and included the positive impact of foreign currency translation of approximately 8.1%. Excluding the impact of foreign currency translation and the 53rd week, sales increased by 5.2% primarily due to the combined positive impact of pricing and changes in sales mix, and an increase in volumes.

Adjusted EBITDA[1] Weston Foods adjusted EBITDA[1] in 2015 was $285 million, a decrease of $26 million compared to 2014. The decrease included the negative year-over-year impact of the 53rd week of $6 million. Excluding the 53rd week, the decline in adjusted EBITDA[1] was $20 million. Despite the increase in sales, adjusted EBITDA[1] declined primarily due to investments in the business, new plant costs and higher input costs.

Weston Foods adjusted EBITDA margin(1) was 13.3% compared to 16.2% in 2014. The decline in adjusted EBITDA margin(1) was due to the factors impacting adjusted EBITDA(1), as described above.

Depreciation and Amortization Weston Foods depreciation and amortization was $94 million in 2015, an increase of $24 million compared to 2014. Depreciation and amortization included $11 million (2014 – nil) of accelerated depreciation related to the planned closures of cake manufacturing facilities approved in 2015. Excluding this amount, the increase in 2015 was $13 million and was due to investments in capital.

Weston Foods Other Business Matters

Restructuring Weston Foods continuously evaluates strategic and cost reduction initiatives related to its manufacturing assets, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. Restructuring activities related to these initiatives are ongoing and in 2015, Weston Foods recorded restructuring and other charges of $26 million (2014 – $7 million), including $11 million (2014 – nil) of accelerated depreciation. These charges primarily relate to restructuring plans approved in 2015 to close three cake manufacturing facilities in Canada and the United States ("U.S."). Weston Foods expects that these closures will be completed by the end of the second quarter of 2016 with production transferring to other facilities.

6.2 LOBLAW OPERATING RESULTS

($ millions except where otherwise indicated) For the years ended December 31	**2015** **(52 weeks)**	2014(4) (53 weeks)	$ Change	% Change
Sales	**$ 45,394**	$ 42,611	$ 2,783	6.5%
Sales excluding 53rd week	***$ 45,394***	*$ 41,822*	*$ 3,572*	*8.5%*
Retail gross profit(i)	**$ 11,689**	$ 9,734	$ 1,955	20.1%
Retail gross profit(i) excluding 53rd week	***$ 11,689***	*$ 9,534*	*$ 2,155*	*22.6%*
Adjusted EBITDA(1)	**$ 3,541**	$ 3,219	$ 322	10.0%
Adjusted EBITDA(1) excluding 53rd week	***$ 3,541***	*$ 3,148*	*$ 393*	*12.5%*
Adjusted EBITDA margin(1)	**7.8%**	7.6%		
Depreciation and amortization(ii)	**$ 1,592**	$ 1,472	$ 120	8.2%

(i) Retail gross profit in 2015 includes a charge of $4 million (2014 – $190 million) related to inventory measurement and other conversion differences associated with the implementation of a perpetual inventory system at Loblaw, $46 million related to the impairment of Loblaw drug retail ancillary assets held for sale and a charge of $8 million related to Loblaw apparel inventory. In addition, retail gross profit in 2014 includes a charge of $798 million related to the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold.

(ii) Depreciation and amortization includes $536 million (2014 – $417 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

Sales Loblaw sales for 2015 were $45,394 million, an increase of $2,783 million compared to 2014, primarily driven by Retail. The increase in Retail sales included the negative year-over-year impact of the 53rd week of $789 million. Excluding the 53rd week, Retail sales increased by $3,527 million, or 8.6%, and included the contribution from Shoppers Drug Mart of $2,596 million in the first quarter of 2015. Food retail sales were $32,672 million in 2015 (2014 – $32,107 million) and drug retail sales were $11,797 million in 2015 (2014 – $8,835 million).

Excluding the 53rd week and the contribution from Shoppers Drug Mart in the first quarter of 2015, the increase in Retail sales was primarily due to the following factors:

- food retail same-store sales growth was 3.5%, after excluding gas bar (0.9%) and the negative impact of a change in distribution model by a tobacco supplier (0.7%). Including these impacts, food retail same-store sales growth was 1.9%. Loblaw's food retail annual average internal food price index was moderately higher than the annual average national food price inflation of 4.1% as measured by CPI. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores;

- drug retail same-store sales growth was 4.3%, including same-store pharmacy sales growth of 3.7% and same-store front store sales growth of 4.7%;
- during 2015, 47 food and drug stores were opened and 62 food and drug stores were closed, resulting in a decrease in Retail net square footage of 0.1 million square feet, or 0.1%, primarily driven by Loblaw's store closure plan announced during 2015. In the first quarter of 2015, Loblaw completed the divestitures pursuant to a Consent Agreement with the Competition Bureau related to the acquisition of Shoppers Drug Mart.

In 2014, Loblaw modified its fee arrangements with the franchisees of certain franchise banners. The modified arrangements resulted in a negative annual impact to food retail sales and gross profit of approximately $140 million, with an offsetting positive impact to SG&A. In 2016, Loblaw will implement these modified fee arrangements with the remaining franchise banners. In 2016, the incremental annual impact of modified fee arrangements to the remaining franchise banners is expected to result in a negative impact to food retail sales and gross profit of approximately $60 million, with an offsetting positive impact to SG&A.

Retail Gross Profit Loblaw Retail gross profit was $11,689 million, an increase of $1,955 million compared to 2014. The increase included the negative year-over-year impact of the 53rd week of $200 million. Excluding the 53rd week, Retail gross profit increased $2,155 million, primarily due to higher sales, as described above, an increase in Retail gross profit percentage and the favourable year-over-year net impact of the following:

- the prior year charge of $798 million related to the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold; and
- the favourable year-over-year impact of $186 million related to inventory measurement and other conversion differences associated with the implementation of a perpetual inventory system at Loblaw;

partially offset by,

- a charge of $46 million related to the impairment of drug retail ancillary assets held for sale in the fourth quarter of 2015; and
- a charge of $8 million related to apparel inventory in the second quarter of 2015.

Excluding the 53rd week and the favourable year-over-year net impact of the items noted above, Retail gross profit increased by $1,225 million to $11,747 million and Retail gross profit percentage was 26.4% compared to 25.7% in 2014. The increase in Retail gross profit included:

- the contribution from Shoppers Drug Mart of $1,024 million in the first quarter of 2015; and
- a positive impact of 10 basis points due to the consolidation of franchises, as described below;

partially offset by,

- a negative impact of 30 basis points from the modifications to certain franchise fee arrangements, as described above.

Excluding these impacts, Retail gross profit percentage was 25.8% an increase of 10 basis point compared to 2014. The increase was due to:

- the achievement of operational synergies in both food and drug retail;

partially offset by,

- the decline in drug retail gross profit percentage due to the impact of healthcare reform.

Adjusted EBITDA[(1)] Loblaw adjusted EBITDA[(1)] was $3,541 million, an increase of $322 million compared to 2014. The increase included the negative year-over-year impact of the 53rd week of $71 million. Excluding the 53rd week, adjusted EBITDA[(1)] increased $393 million primarily driven by the increase in Retail gross profit, as described above, partially offset by an increase in Retail SG&A of $842 million. As a percentage of sales, SG&A increased by 50 basis points compared to 2014 and was impacted by:

- the contribution from Shoppers Drug Mart in the first quarter of 2015; and
- a positive impact of 30 basis points from the modifications to certain franchise fee arrangements;

partially offset by,

- a negative impact of 20 basis points due to the consolidation of franchises.

Excluding the above impacts, SG&A percentage was flat due to the following factors:
- higher store and store support costs; and
- unfavourable foreign exchange impacts;

offset by,
- favourable changes in the fair value of Loblaw's investments in its franchise business; and
- efficiencies achieved in food retail supply chain, administration and IT.

Depreciation and Amortization Loblaw depreciation and amortization was $1,592 million, an increase of $120 million compared to 2014 and included $536 million (2014 – $417 million) in amortization of intangible assets related to the acquisition of Shoppers Drug Mart. Excluding this amount, depreciation and amortization increased by $1 million, driven by the Retail segment including:
- the contribution of Shoppers Drug Mart in the first quarter of 2015 of $60 million;

partially offset by,
- an increase in the estimated useful life of certain IT systems; and
- lower depreciation on older IT, supply chain and other store assets.

Loblaw Other Business Matters

Impairment of Drug Retail Ancillary Assets Held for Sale During 2015, Loblaw commenced actively marketing the sale of certain assets of its Shoppers ancillary healthcare businesses. As a result, Loblaw recorded a charge of $112 million in the fourth quarter of 2015 associated with the write-down of the assets and other related restructuring charges. Of the $112 million charge, $46 million was recognized in Retail gross profit and the remainder in Retail SG&A. Subsequent to the end of 2015, Loblaw signed an agreement for the sale of certain of these assets. Loblaw expects the annualized impact of the divestitures to be a decrease in Retail sales of approximately $245 million and an increase in operating income of $14 million.

Inventory Measurement As of the end of 2015, Loblaw had completed the conversion of all of its franchised grocery stores to a new IT system that includes a perpetual inventory system. The remeasurement of inventory owned by the franchises as a result of implementing the system resulted in a decrease in inventory value of $33 million in the fourth quarter of 2015 and year-to-date. The remeasurement resulted in a charge of $4 million in Retail gross profit related to consolidated franchises and $29 million to Retail SG&A related to non-consolidated franchises.

Consolidation of Franchises In 2015, Loblaw implemented a new, simplified franchise agreement ("Franchise Agreement") for its franchised food retail stores. For financial reporting purposes, the franchise stores subject to the Franchise Agreement were consolidated. All new franchises will be subject to the Franchise Agreement. Existing franchises will be converted to the Franchise Agreement as their existing agreements expire. As at year end 2015, 85 franchises were consolidated and the impacts of the consolidation were as follows:

(unaudited) (millions of Canadian dollars)	**2015 (12 Weeks)**	**2015 (52 weeks)**
Sales	**$ 28**	**$ 56**
Retail gross profit	**32**	**58**
Adjusted EBITDA[(1)]	**(4)**	**(12)**
Depreciation and amortization	**3**	**5**
Net loss attributable to Non-Controlling Interest	**(3)**	**(9)**

Loblaw expects that the impact in 2016 of new and current consolidated franchises will be incremental Retail sales of approximately $320 million, an increase to adjusted EBITDA[(1)] of approximately $40 million and an increase in depreciation and amortization of approximately $20 million.

Closure of Certain Unprofitable Retail Locations In 2015, Loblaw finalized a plan that will result in the closure of 52 unprofitable retail locations across a range of banners and formats. Loblaw expects that the closures will be completed by the end of the second quarter of 2016. On an annualized basis, the closures will decrease sales by approximately $300 million but will result in a favourable impact of approximately $30 million to operating income and $5 million to depreciation and amortization.

The restructuring and other related costs associated with the plan are expected to total approximately $133 million. Loblaw recorded a recovery of $7 million in the fourth quarter of 2015 and a charge of $124 million year-to-date. The charge included $92 million for severance and lease termination costs and $39 million for asset impairments associated with these retail locations. Loblaw expects approximately $9 million to be recognized as the remaining stores close.

During 2015, 33 of the 52 planned Loblaw retail locations were closed.

Accelerated Finalization of Labour Agreements Over the past five years, Loblaw has been transitioning stores to more cost effective and efficient operating terms under Labour Agreements. Loblaw was committed to the transition and accordingly accelerated the finalization of these Labour Agreements for the majority of the remaining stores in the fourth quarter of 2015. Loblaw incurred a charge of approximately $55 million in Retail SG&A related to the completion of this process in the fourth quarter of 2015.

7. LIQUIDITY AND CAPITAL RESOURCES

7.1 CASH FLOWS

($ millions) For the years ended December 31	**2015 (52 weeks)**	2014 (53 weeks)	Change
Cash and cash equivalents, beginning of period	**$ 1,333**	$ 2,869	$ (1,536)
Cash flows from operating activities	**$ 3,367**	$ 2,851	$ 516
Cash flows used in investing activities	**$ (1,407)**	$ (5,584)	$ 4,177
Cash flows (used in) from financing activities	**$ (1,918)**	$ 1,172	$ (3,090)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 38**	$ 25	$ 13
Cash and cash equivalents, end of period	**$ 1,413**	$ 1,333	$ 80

Cash Flows from Operating Activities The year-over-year increase in cash inflows in 2015 was $516 million, primarily due to an improvement in Loblaw's non-cash working capital driven by a change in inventory, an increase in trade payables and other liabilities, and an increase in provisions.

Cash Flows used in Investing Activities The year-over-year decrease in cash outflows in 2015 was $4.2 billion, primarily due to cash used to fund the acquisition of Shoppers Drug Mart in 2014, partially offset by cash inflows from security deposits and short term investments in 2014 which were used to partially fund the acquisition, and higher capital investments at Loblaw and Weston Foods.

The following table summarizes the Company's year-to-date capital investments by each of its reportable operating segments:

($ millions) For the years ended December 31	**2015 (52 weeks)**	2014 (53 weeks)
Weston Foods	**$ 259**	$ 128
Loblaw	**1,241**	1,086
Total capital investments	**$ 1,500**	$ 1,214

Of Loblaw's capital investments in 2015 approximately 47% (2014 – 57%) was spent on retail operations, 34% (2014 – 27%) on IT and supply chain projects, 15% (2014 – 11%) on Choice Properties' development projects and 4% (2014 – 5%) on other infrastructure projects.

Loblaw expects to invest approximately $1.3 billion in capital investments in 2016. Approximately 44% of these funds are expected to be dedicated to investing in retail operations, 28% will be spent on IT and supply chain projects, 22% on Choice Properties' development projects and 6% on infrastructure and other projects.

Weston Foods expects to make capital investments of approximately $300 million in 2016.

Cash Flows (used in) from Financing Activities The year-over-year increase in cash outflows in 2015 was $3.1 billion, primarily due to Loblaw's net drawings on its Acquisition Term Loan in 2014 and its subsequent repayment in 2015, as described below, and Loblaw's redemption of capital securities which was partly offset by the cash proceeds from its issuance of preferred shares.

In 2015, significant long term debt transactions included:

- Loblaw's net repayments of $931 million on its unsecured term loan facilities;
- Loblaw's net repayment of $100 million senior and subordinated term notes by *Eagle Credit Card Trust*® ("*Eagle*"); and
- Choice Properties' issuances of $450 million aggregate principal amount of senior unsecured debentures.

In 2014, significant long term debt transactions included:

- Loblaw's full drawings on its $3.5 billion Acquisition Term Loan;
- Loblaw's replacement and subsequent sale of $1.5 billion of Choice Properties' transferor notes to third parties and use of proceeds and existing cash to repay $1.6 billion of its Acquisition Term Loan;
- Loblaw's repayments of $671 million of its Acquisition Term Loan;
- Loblaw's repayment of the outstanding $478 million balance on the Shoppers Drug Mart revolving bank credit facility;
- Loblaw's repayments of $450 million of MTNs upon maturity;
- Choice Properties' issuances of $450 million aggregate principal amount of senior unsecured debentures;
- GWL's issuance of a $200 million, 4.12% MTN; and
- GWL's repayment of a $200 million, 5.05% MTN upon maturity.

Free Cash Flow[1]

($ millions) For the years ended December 31	**2015 (52 weeks)**	2014 (53 weeks)	Change
Free cash flow[1]	**$ 1,280**	$ 1,033	$ 247

The year-over-year increase in free cash flow[1] in 2015 was $247 million, primarily due to higher cash flows from operating activities, as described above, partially offset by higher capital investments at Loblaw and Weston Foods.

7.2 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 investment 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.

Subsequent to year end 2015, the Company converted approximately $240 million U.S. dollars to Canadian dollars and recorded a gain of approximately $110 million in operating income.

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

Loblaw and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at year end 2015 and throughout the year, Loblaw and Choice Properties were in compliance with these covenants.

For details on the Company's cash flows, see Section 7.1, "Cash Flows", of this MD&A.

Deleveraging In 2015, Loblaw achieved its debt reduction target of $1.7 billion, established on the acquisition of Shoppers Drug Mart, by the net repayments on Loblaw's unsecured term loan facilities, the redemption of Loblaw's capital securities and Loblaw's repayment of a $350 million MTN at maturity, partially offset by the issuances of Choice Properties' $450 million senior unsecured debentures.

Total Debt The following table presents total debt, as monitored by management:

	As at	
($ millions)	**Dec. 31, 2015**	Dec. 31, 2014
Bank indebtedness	**$ 143**	$ 162
Short term debt	**1,086**	1,101
Long term debt due within one year	**1,348**	420
Long term debt	**10,928**	12,306
Certain other liabilities	**30**	28
Fair value of financial derivatives related to the above debt	**(381)**	(367)
Capital securities		225
Total debt	**$ 13,154**	$ 13,875

Management targets credit metrics consistent with those of an investment grade profile. The Company (excluding Loblaw) holds significant cash and cash equivalents and short term investments and as a result monitors its leverage on a net debt basis. The Company (excluding Loblaw) has total debt of $1,420 million (2014 – $1,393 million) and cash and cash equivalents and short term investments of $1,497 million (2014 – $1,385 million), resulting in a $77 million net cash position (2014 – $8 million net debt position).

As Loblaw's debt reduction target has been achieved, Loblaw's management is focused on managing total debt on a segmented basis to ensure that each of the operating segments are employing a capital structure that is appropriate for the industry in which it operates.

- Loblaw targets maintaining Retail segment credit metrics consistent with those of investment grade retailers. Loblaw monitors the Retail segment's debt to adjusted EBITDA[1] ratio as a measure of the leverage being employed. The Retail segment debt to adjusted EBITDA[1] ratio decreased primarily as a result of an increase in adjusted EBITDA[1] and the debt reduction progress in 2015.
- Choice Properties targets maintaining credit metrics consistent with those of investment grade Real Estate Investment Trusts ("REIT"). Choice Properties monitors metrics relevant to the REIT industry including targeting an appropriate debt to total assets ratio.
- President's Choice Bank's ("PC Bank") 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 the Office of the Superintendent of Financial Institutions. As at the end of 2015 and throughout the year, PC Bank has met all applicable regulatory requirements.

The following summarizes significant changes to the Company's total debt:

Loblaw Unsecured Term Loan Facilities In 2015, Loblaw obtained $250 million through an unsecured term loan facility bearing interest at a rate equal to the Bankers' Acceptance rate plus 1.13%, maturing March 30, 2019.

In connection with the financing of the acquisition of Shoppers Drug Mart, Loblaw obtained a $3.5 billion Acquisition Term Loan. During 2015, Loblaw repaid $1,181 million of the Acquisition Term Loan (2014 – $2,271 million), resulting in an outstanding balance of $48 million as at year end 2015 (2014 – $1,229 million).

Loblaw Capital Securities In 2015, Loblaw redeemed all of its outstanding 9.0 million, 5.95% non-voting Second Preferred Shares, Series A (authorized – 12.0 million), which were classified as other financial liabilities, for a face value of $225 million. The redemption was funded primarily through the proceeds received from the issuance of the Second Preferred Shares, Series B.

Medium Term Notes and Debentures The following table summarizes MTNs and debentures issued in 2015 and 2014:

($ millions)	Interest Rate	Maturity Date	**2015** **Principal Amount**	2014 Principal Amount
Choice Properties senior unsecured debentures[(i)]				
- Series E	2.30%	September 14, 2020	**$ 250**	
- Series F	4.06%	November 24, 2025	**200**	
- Series C	3.50%	February 8, 2021		$ 250
- Series D	4.29%	February 8, 2024		200
GWL MTN	4.12%	June 17, 2024		200
Shoppers Drug Mart MTN[(ii)]	2.01%	May 24, 2016		225
Shoppers Drug Mart MTN[(ii)]	2.36%	May 24, 2018		275
Total MTNs and Debentures issued			**$ 450**	$ 1,150

(i) Offerings were made under Choice Properties' Short Form Base Shelf Prospectus. Choice Properties used these proceeds to repay existing debt and for general business purposes.
(ii) Loblaw assumed these MTNs in connection with the acquisition of Shoppers Drug Mart.

Subsequent to year end 2015, Choice Properties entered into certain bond forward contracts with a notional value of $300 million and issued an early redemption notice for its $300 million Series 5 3.00% senior unsecured debentures at par effective March 7, 2016.

The following table summarizes MTNs repaid in 2014:

($ millions)	Interest Rate	Maturity Date	Principal Amount
GWL MTN	5.05%	March 10, 2014	$ 200
Loblaw MTN	6.00%	March 3, 2014	100
Loblaw MTN	4.85%	May 8, 2014	350
Total MTNs repaid			$ 650

There were no repayments in 2015.

Committed Credit Facilities The components of the committed lines of credit as at year end 2015 and 2014 were as follows:

	As at			
	Dec. 31, 2015		Dec. 31, 2014	
($ millions)	**Available**	**Drawn**	Available	Drawn
Loblaw's committed credit facility[i]	**$ 1,000**		$ 1,000	
Choice Properties' committed credit facility[ii]	**500**		500	$ 122
Committed Credit Facilities	**$ 1,500**		$ 1,500	$ 122

(i) In 2015, Loblaw amended its credit facility agreement to extend the maturity date to March 31, 2020, with all other terms and conditions remaining substantially the same.
(ii) In 2015, Choice Properties amended its credit facility agreement to extend the maturity date to July 5, 2020, with all other terms and conditions remaining substantially the same.

Short Form Base Shelf Prospectus ("Prospectus") In 2015, GWL filed a Prospectus allowing for the potential issuance of up to $1.0 billion of debentures and preferred shares, or any combination thereof over a 25-month period.

In 2015, Loblaw filed a Prospectus allowing for the potential issuance of up to $1.5 billion of debentures and preferred shares, or any combination thereof. The Prospectus expires in 2017. In 2015, Loblaw issued $225 million of preferred shares under this Prospectus.

In 2015, Choice Properties filed a Prospectus allowing for the potential issuance of up to $2.0 billion of Units and debt securities, or any combination thereof over a 25-month period.

Subsequent to year end 2015, Choice Properties filed a Prospectus Supplement (under its Prospectus dated October 14, 2015) regarding the issuance of (i) $250 million aggregate principal amount of Series G senior unsecured debentures, bearing interest at a rate of 3.196% per annum and maturing on March 7, 2023, and (ii) $100 million aggregate principal amount of Series H senior unsecured debentures, bearing interest at a rate of 5.268% per annum and maturing on March 7, 2046.

7.3 FINANCIAL CONDITION

	As at	
	Dec. 31, 2015	Dec. 31, 2014
Adjusted return on average equity attributable to common shareholders of the Company[1]	**10.7%**	11.4%
Adjusted return on capital[1]	**10.6%**	12.3%

The adjusted return on average equity attributable to common shareholders of the Company[1] and the adjusted return on capital[1] declined as at year end 2015 compared to year end 2014, as the full year contribution of Shoppers Drug Mart was more than offset by the post-acquisition capital being fully reflected.

7.4 CREDIT RATINGS

In 2015, Standard & Poor's reaffirmed credit ratings and outlook for GWL, Loblaw and Choice Properties. Also in 2015, Dominion Bond Rating Service ("DBRS") reaffirmed credit ratings and trends for GWL, Loblaw and Choice Properties.

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

	DBRS		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

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

	DBRS		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
Second Preferred shares, Series B	Pfd-3	Stable	P-3 (high)	n/a

In 2015, Loblaw's Second Preferred Shares, Series B were rated by DBRS and Standard & Poor's concurrent with their issuance.

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

	DBRS		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

7.5 OTHER SOURCES OF FUNDING

Independent Securitization Trusts Loblaw, through PC Bank, participates in various securitization programs that provide a source of funds for the operation of its credit card business. PC Bank maintains and monitors the co-ownership interest in credit card receivables with independent securitization trusts, including *Eagle* and the Other Independent Securitization Trusts, in accordance with its financing requirements.

The following table summarizes the amounts securitized to independent securitization trusts:

	As at	
($ millions)	**Dec. 31, 2015**	Dec. 31, 2014
Securitized to independent securitization trusts:		
Securitized to *Eagle*	**$ 650**	$ 750
Securitized to the Other Independent Securitization Trusts	**550**	605
Total securitized to independent securitization trusts	**$ 1,200**	$ 1,355

In 2015, the five-year $350 million 3.58% senior and subordinated term notes issued by *Eagle* matured and were repaid. In addition, *Eagle* issued $250 million senior and subordinated term notes with a weighted average interest rate of 2.23% maturing on September 17, 2020. The notes issued by *Eagle* are MTNs, which are collateralized by PC Bank's credit card receivables.

In 2015, *Eagle* filed a Prospectus for the potential issuance of up to $1.0 billion of notes over a 25-month period.

In 2015, PC Bank recorded a $55 million net reduction of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts. As at year end 2015, the corresponding short term debt was $550 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.

The aggregate gross potential liability under these arrangements for the Other Independent Securitization Trusts was $56 million (2014 – $61 million), which represented approximately 10% (2014 – 10%) of the securitized credit card receivables amount. As at year end 2015, the aggregate gross potential liability under these arrangements for *Eagle* was $36 million (2014 – $68 million), which represented approximately 6% (2014 – 9%) of the *Eagle* notes outstanding.

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. PC Bank was in compliance with this requirement as at year end 2015 and throughout the year.

The undrawn commitments on facilities available from the Other Independent Securitization Trusts as at year end 2015 were $175 million (2014 – $120 million).

Independent Funding Trusts As at year end 2015, the independent funding trusts had drawn $529 million (2014 – $498 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts. In 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. As at year end 2015, Loblaw had provided a letter of credit in the amount of $53 million (2014 – $50 million) for the benefit of the independent funding trusts representing not less than 10% (2014 – 10%) of the principal amount of loans outstanding.

Guaranteed Investment Certificates The following table summarizes PC Bank's GIC activity, before commissions, for the years ended December 31, 2015 and December 31, 2014:

($ millions)	2015	2014
Balance, beginning of year	**$ 634**	$ 430
GICs issued	**211**	261
GICs matured	**(36)**	(57)
Balance, end of year	**$ 809**	$ 634

As at year end 2015, $112 million in GICs were recorded as long term debt due within one year (2014 – $29 million).

Associate Guarantee Loblaw has arranged for its 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 2015, Loblaw's maximum obligation in respect of such guarantees was $570 million (2014 – $570 million), with an aggregate amount of $483 million (2014 – $476 million) in available lines of credit allocated to the Associates by the various banks. As at year end 2015, Associates had drawn an aggregate amount of $143 million (2014 – $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 sheets. 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.

7.6 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, 2015:

(number of common shares)		Authorized	Outstanding
Common shares		Unlimited	127,911,661
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, 2015 and December 31, 2014:

(number of common shares)	**2015**	2014
Issued and outstanding, beginning of year	**127,901,231**	127,899,410
Issued for settlement of stock options	**144,386**	312,583
Purchased and cancelled	**(133,956)**	(310,762)
Issued and outstanding, end of year	**127,911,661**	127,901,231
Shares held in trusts, beginning of year	**(291,304)**	(218,726)
Purchased for future settlement of RSUs and PSUs	**(71,858)**	(127,000)
Released for settlement of RSUs and PSUs	**91,131**	54,422
Shares held in trusts, end of year	**(272,031)**	(291,304)
Issued and outstanding net of shares held in trusts, end of year	**127,639,630**	127,609,927
Weighted average outstanding, net of shares held in trusts	**127,675,501**	127,788,025

As at year end 2015, a total of 1,532,828 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.

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 of Directors ("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 2015 and 2014, the Board raised the quarterly common share dividend by $0.005 to $0.425 and $0.42 per share, respectively. The Board declared dividends as follows:

($)	2015	2014
Dividends declared per share[(i)]:		
Common share	$ 1.695	$ 1.675
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, 2016. Dividends declared on Preferred Shares, Series I were paid on December 15, 2015.

The following table summarizes the Company's cash dividends declared subsequent to year end 2015:

($)		
Dividends declared per share[(i)]	– Common share	$ 0.425
	– 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, 2016. Dividends declared on Preferred Shares, Series I are payable on March 15, 2016.

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

($ millions except where otherwise indicated)	2015 (52 weeks)	2014 (53 weeks)
Purchased for future settlement of RSUs and PSUs (number of shares)	71,858	127,000
Purchased and cancelled (number of shares)	133,956	310,762
Cash consideration paid		
Purchased and held in trusts	$ (7)	$ (11)
Purchased and cancelled	$ (14)	$ (29)

In 2015, GWL renewed its NCIB program to purchase on the Toronto Stock Exchange ("TSX") or enter into equity derivative contracts to purchase up to 6,395,929 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.

7.7 CONTRACTUAL OBLIGATIONS

The following table summarizes certain of the Company's significant contractual obligations and other obligations as at year end 2015:

Summary of Contractual Obligations

	Payments due by year						
($ millions)	2016	2017	2018	2019	2020	Thereafter	Total
Total debt[(i)]	$ 3,071	$ 1,341	$ 1,800	$ 1,939	$ 1,666	$ 8,381	$ 18,198
Foreign exchange forward contracts	611						611
Operating leases[(ii)]	695	670	626	579	510	2,618	5,698
Contracts for purchases of real property and capital investment projects[(iii)]	169						169
Purchase obligations[(iv)]	257	140	99	5	1		502
Total contractual obligations	$ 4,803	$ 2,151	$ 2,525	$ 2,523	$ 2,177	$ 10,999	$ 25,178

(i) Includes short term debt, bank indebtedness, Loblaw's certain other liabilities, and the fair value of the equity forward included in other assets. Total debt also includes fixed interest payments on long term debt which 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 2015.

(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 2015, 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.

8. 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 $963 million (2014 – $677 million).

GWL and Loblaw had agreements to cash collateralize certain uncommitted credit facilities up to amounts of $45 million (2014 – $45 million) and $149 million (2014 – $141 million), respectively. As at year end 2015, GWL and Loblaw had $45 million (2014 – $45 million) and $2 million (2014 – $7 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 2015, the guarantee on behalf of PC Bank to MasterCard® was U.S. $190 million (2014 – U.S. $170 million).

9. QUARTERLY RESULTS OF OPERATIONS

9.1 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, 2015 and December 31, 2014 contained 52 weeks and 53 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 financial information derived from the Company's unaudited interim period condensed consolidated financial statements for each of the eight most recently completed quarters.

Selected Quarterly Information (unaudited)

($ millions except where otherwise indicated)	**2015**					2014[4]				
	Fourth Quarter (12 weeks)	**Third Quarter (16 weeks)**	**Second Quarter (12 weeks)**	**First Quarter (12 weeks)**	**Total (audited)**	Fourth Quarter (13 weeks)	Third Quarter (16 weeks)	Second Quarter (12 weeks)	First Quarter (12 weeks)	Total (audited)
Sales	**$ 11,248**	**$ 14,386**	**$ 10,851**	**$ 10,409**	**$ 46,894**	$ 11,734	$ 13,974	$10,598	$ 7,612	$ 43,918
Adjusted EBITDA[1]	**$ 946**	**$ 1,117**	**$ 913**	**$ 850**	**$ 3,826**	$ 1,022	$ 1,101	$ 859	$ 548	$ 3,530
Depreciation and amortization[i]	**$ 401**	**$ 509**	**$ 388**	**$ 388**	**$ 1,686**	$ 410	$ 521	$ 400	$ 211	$ 1,542
Net earnings (loss)	**$ 216**	**$ 248**	**$ 154**	**$ 246**	**$ 864**	$ 296	$ 130	$ (456)	$ 164	$ 134
Net earnings (loss) attributable to shareholders of the Company	**$ 148**	**$ 161**	**$ 51**	**$ 167**	**$ 527**	$ 161	$ 53	$ (208)	$ 120	$ 126
Net earnings (loss) available to common shareholders of the Company	**$ 138**	**$ 147**	**$ 41**	**$ 157**	**$ 483**	$ 151	$ 39	$ (218)	$ 110	$ 82
Net earnings (loss) per common share ($) - basic	**$ 1.08**	**$ 1.15**	**$ 0.32**	**$ 1.23**	**$ 3.78**	$ 1.18	$ 0.30	$ (1.71)	$ 0.86	$ 0.64
Net earnings (loss) per common share ($) - diluted	**$ 1.08**	**$ 1.15**	**$ 0.31**	**$ 1.23**	**$ 3.74**	$ 1.17	$ 0.30	$ (1.71)	$ 0.85	$ 0.64
Adjusted basic net earnings per common share [1] ($)	**$ 1.43**	**$ 1.66**	**$ 1.33**	**$ 1.19**	**$ 5.61**	$ 1.58	$ 1.59	$ 1.25	$ 0.89	$ 5.32
Average quarterly national food price inflation (as measured by CPI)	**4.1%**	**3.8%**	**3.9%**	**4.6%**	**4.1%**	3.5%	2.8%	2.5%	1.2%	2.5%
Food retail same-store sales growth	**2.4%**	**1.3%**	**2.1%**	**2.0%**	**1.9%**	2.4%	2.6%	1.8%	0.9%	2.0%
Drug retail same-store sales growth	**5.0%**	**4.9%**	**3.8%**	**3.1%**	**4.3%**	3.8%	2.5%	2.5%	1.4%	2.6%

(i) Depreciation and amortization includes amortization of intangible assets acquired with Shoppers Drug Mart recorded by Loblaw beginning in the second quarter of 2014 and accelerated depreciation recorded by Weston Foods in 2015, related to restructuring and other charges.

Impact of Trends and Seasonality on Quarterly Results Consolidated quarterly results for the last eight quarters were impacted by the following significant items: 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 2015 quarterly sales were positively impacted by foreign currency translation when compared to the same periods in 2014. Excluding the impact of foreign currency translation, quarterly sales were positively impacted by the combined positive impact of pricing and changes in sales mix in all four quarters. Volumes increased in the first and fourth quarters and remained flat in the second and third quarters of 2015.
- Loblaw's average quarterly internal retail food price index in 2015 and 2014 remained higher than or in line with the average quarterly national retail food price inflation as measured by CPI. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores.
- Over the past eight quarters, Loblaw's net retail square footage increased by 18.0 million square feet to 69.9 million square feet, primarily due to the acquisition of Shoppers Drug Mart in 2014.

In addition, the fourth quarter of 2014 included the impact of the 53rd week.

Adjusted basic net earnings per common share[1] Consolidated quarterly adjusted basic net earnings per common share[1] for the last eight quarters excluded a number of items as described in Section 19, "Non-GAAP Financial Measures", of this MD&A and by each of the Company's reportable operating segments as follows:

- At Weston Foods, year-over-year quarterly adjusted EBITDA[1] during 2015 was negatively impacted by investments in the business, new plant costs and higher input costs. These costs were partially offset by an increase in sales.
- At Loblaw, fluctuations in year-over-year quarterly adjusted EBITDA[1] during 2015 reflected the contribution from Shoppers Drug Mart in the first quarter, an improvement in the underlying operating performance of Loblaw's Retail segment in the first, second and third quarters and the stable underlying operating performance of Loblaw's Retail segment in the fourth quarter.

In addition to the items described above, consolidated quarterly adjusted basic net earnings per common share[1] during 2015 were impacted by:

- an increase in quarterly depreciation and amortization including the contribution of Shoppers Drug Mart in the first quarter and a decline in depreciation and amortization in the second, third and fourth quarters due to lower depreciation and amortization at Loblaw partially offset by higher depreciation and amortization at Weston Foods;
- an increase in quarterly adjusted net interest and other financing charges[1] in the first half of 2015 primarily as a result of Loblaw's drawings on its Acquisition Term Loan and a decline in quarterly adjusted net interest and other financing charges[1] in the second half of 2015 as a result of repayments on Loblaw's Acquisition Term Loan;
- a higher quarterly adjusted income tax rate[1] throughout 2015; and
- a decrease in 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.

9.2 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 (unaudited) ($ millions except where otherwise indicated)	Quarters Ended **Dec. 31, 2015 (12 Weeks)**	Dec. 31, 2014 (13 Weeks)	$ Change	% Change
Sales	**$ 11,248**	**$ 11,734**	**$ (486)**	**(4.1)%**
Sales excluding 53rd week	***$ 11,248***	*$ 10,925*	*$ 323*	*3.0 %*
Adjusted EBITDA(1)	**$ 946**	$ 1,022	$ (76)	(7.4)%
Adjusted EBITDA(1) excluding 53rd week	***$ 946***	*$ 945*	*$ 1*	*0.1 %*
Adjusted EBITDA margin(1)	**8.4%**	8.7%		
Depreciation and amortization(i)	**$ 401**	$ 410	$ (9)	(2.2)%
Net interest expense and other financing charges	**$ 139**	$ 231	$ (92)	(39.8)%
Adjusted net interest expense and other financing charges(1)	**$ 143**	$ 153	$ (10)	(6.5)%
Income taxes	**$ 66**	$ 95	$ (29)	(30.5)%
Adjusted income taxes(1)	**$ 144**	$ 155	$ (11)	(7.1)%
Adjusted income tax rate(1)	**27.1%**	26.6%		
Net earnings	**$ 216**	**$ 296**	**$ (80)**	**(27.0)%**
Net earnings attributable to shareholders of the Company	**$ 148**	**$ 161**	**$ (13)**	**(8.1)%**
Net earnings available to common shareholders of the Company	**$ 138**	**$ 151**	**$ (13)**	**(8.6)%**
Net earnings available to common shareholders of the Company excluding 53rd week	***$ 138***	*$ 122*	*$ 16*	*13.1 %*
Adjusted net earnings available to common shareholders of the Company(1)	**$ 183**	$ 202	$ (19)	(9.4)%
Adjusted net earnings available to common shareholders of the Company(1) excluding 53rd week(ii)	***$ 183***	*$ 173*	*$ 10*	*5.8 %*
Basic net earnings per common share ($)	**$ 1.08**	**$ 1.18**	**$ (0.10)**	**(8.5)%**
Basic net earnings per common share ($) excluding 53rd week(ii)	***$ 1.08***	*$ 0.95*	*$ 0.13*	*13.7 %*
Adjusted basic net earnings per common share(1) ($)	**$ 1.43**	$ 1.58	$ (0.15)	(9.5)%
Adjusted basic net earnings per common share(1) ($) excluding 53rd week(ii)	***$ 1.43***	*$ 1.35*	*$ 0.08*	*5.9 %*
Dividends declared per share ($):				
Common shares	**$ 0.425**	$ 0.420		
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		

(i) Depreciation and amortization includes $124 million (2014 – $124 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $6 million (2014 – nil) of accelerated depreciation recorded by Weston Foods, related to restructuring and other charges.

(ii) The impact of the 53rd week on net earnings available to common shareholders of the Company is estimated based on applying the 2014 effective tax rate to the 53rd week net earnings before income taxes of $77 million, net of non-controlling interest.

As a result of the Company's reporting calendar, the fourth quarter of 2014 included a 53rd week. The 53rd week of 2014 resulted in an additional $809 million of sales, $77 million of operating income, and estimated impacts on net earnings available to common shareholders and basic net earnings per common share of $29 million and $0.23 per share, respectively.

Net earnings available to common shareholders of the Company

Adjusted net earnings available to common shareholders of the Company[(1)] decreased by $19 million ($0.15 per common share) to $183 million ($1.43 per common share) in the fourth quarter of 2015 compared to the same period in 2014. The decrease included the negative year-over-year impact of the 53rd week of $29 million ($0.23 per common share). Excluding the 53rd week, adjusted net earnings available to common shareholders of the Company[(1)] increased $10 million ($0.08 per common share) primarily due to:

- consistent underlying operating performance at Loblaw, partially offset by a decline in the underlying operating performance at Weston Foods;
- a reduction in depreciation and amortization primarily driven by Loblaw's Retail segment due to an increase in the estimated useful life of certain IT systems and lower depreciation on older IT and other store assets, partially offset by an increase in depreciation and amortization at Weston Foods due to investments in capital; and
- a reduction in adjusted net interest expense and other financing charges[(1)] driven by lower interest on long term debt as a result of repayments on Loblaw's Acquisition Term Loan.

Net earnings available to common shareholders of the Company decreased by $13 million ($0.10 per common share) to $138 million ($1.08 per common share) in the fourth quarter of 2015 compared to the same period in 2014. The decrease included the negative year-over-year impact of the 53rd week. Excluding the 53rd week, net earnings available to common shareholders of the Company increased $16 million ($0.13 per common share). In addition to the items described above, the increase in net earnings available to common shareholders of the Company included the favourable year-over-year net impact of the following significant items:

- the favourable impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares of $68 million ($0.40 per common share);
- the favourable impact of a charge incurred in the fourth quarter of 2014 of $69 million ($0.17 per common share) related to the fair value increment on the acquired inventory sold associated with the acquisition of Shoppers Drug Mart; and
- the favourable impact of higher foreign currency translation gains of $22 million ($0.10 per common share);

partially offset by,

- the unfavourable impact of the impairment of Loblaw's drug retail business ancillary assets held for sale in the fourth quarter of 2015 of $112 million ($0.28 per common share);
- the unfavourable impact of Loblaw's accelerated finalization of transitioning of certain grocery stores to more cost effective and efficient operating terms under Labour Agreements in the fourth quarter of 2015 of $55 million ($0.14 per common share);
- the unfavourable impact of a charge related to inventory measurement and other conversion differences associated with the conversion of Loblaw's franchise grocery stores to new IT systems in the fourth quarter of 2015 of $33 million ($0.09 per common share); and
- the unfavourable impact of Loblaw's modifications to certain franchise fee arrangements with franchisees of certain franchise banners of $32 million ($0.08 per common share).

Sales

(unaudited) ($ millions except where otherwise indicated)	Quarters Ended Dec. 31, 2015 (12 Weeks)	Dec. 31, 2014 (13 Weeks)	$ Change	% Change
Weston Foods	**$ 527**	$ 469	$ 58	12.4 %
Loblaw	**$ 10,865**	$ 11,413	$ (548)	(4.8)%
Intersegment	**$ (144)**	$ (148)	$ 4	
Consolidated	**$ 11,248**	$ 11,734	$ (486)	(4.1)%
53rd week		*$ (809)*		
Consolidated excluding 53rd week	***$ 11,248***	*$ 10,925*	*$ 323*	*3.0 %*

Sales in the fourth quarter of 2015 were $11,248 million, a decrease of $486 million compared to the same period in 2014. The decrease included the negative year-over-year impact of the 53rd week of $809 million. Excluding the 53rd week, the Company's fourth quarter consolidated sales increased $323 million impacted by each of its reportable operating segments as follows:

- Positively by 0.8% due to sales growth of 20.3% at Weston Foods. Sales included the positive impact of foreign currency translation of approximately 10.3%. Excluding the impact of foreign currency translation, sales increased by 10.0% primarily due to the combined positive impact of pricing and changes in sales mix, and an increase in volumes.
- Positively by 2.2% due to sales growth of 2.3% at Loblaw, primarily driven by Retail. Retail sales increased by $231 million, or 2.2%, compared to the same period in 2014. Food retail same-store sales growth was 2.4% and the food retail average quarterly internal food price index was moderately higher than the average quarterly national food price inflation of 4.1% as measured by CPI. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores. Drug retail same-store sales growth was 5.0%.

Adjusted EBITDA[1]

(unaudited) ($ millions except where otherwise indicated)	Quarters Ended **Dec. 31, 2015 (12 Weeks)**	Dec. 31, 2014 (13 Weeks)	$ Change	% Change
Weston Foods	**$ 67**	$ 74	$ (7)	(9.5)%
Loblaw	**$ 879**	$ 948	$ (69)	(7.3)%
Consolidated	**$ 946**	$ 1,022	$ (76)	(7.4)%
53rd week		*$ (77)*		
Consolidated excluding 53rd week	***$ 946***	*$ 945*	*$ 1*	*0.1 %*

Adjusted EBITDA[1] in the fourth quarter of 2015 decreased by $76 million to $946 million compared to the same period in 2014. The decrease included the negative year-over-year impact of the 53rd week of $77 million. Excluding the 53rd week, the Company's fourth quarter adjusted EBITDA[1] increased $1 million impacted by each of its reportable operating segments as follows:

- Negatively by 0.1% due to a decrease of 1.5% in adjusted EBITDA[1] at Weston Foods. Despite the increase in sales, adjusted EBITDA[1] declined primarily due to higher input costs, new plant costs and investments in the business.
- Positively by 0.2% due to an increase of 0.2% in adjusted EBITDA[1] at Loblaw, including an increase in adjusted EBITDA[1] at Choice Properties (net of intersegment eliminations) partially offset by a decline in adjusted EBITDA[1] in Retail. Retail adjusted EBITDA[1] was positively impacted by net synergies of $69 million (2014 – $49 million).

Depreciation and Amortization

(unaudited) ($ millions except where otherwise indicated)	Quarters Ended **Dec. 31, 2015 (12 Weeks)**	Dec. 31, 2014 (13 Weeks)	$ Change	% Change
Weston Foods	**$ 25**	$ 17	$ 8	47.1 %
Loblaw	**$ 376**	$ 393	$ (17)	(4.3)%
Consolidated	**$ 401**	$ 410	$ (9)	(2.2)%

Depreciation and amortization was $401 million in the fourth quarter of 2015, a decrease of $9 million compared to the same period in 2014, and included $124 million (2014 – $124 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart and $6 million (2014 – nil) of accelerated depreciation incurred by Weston Foods. Excluding these amounts, depreciation and amortization decreased by $15 million driven by:

- a decrease in Retail depreciation and amortization due to an increase in the estimated useful life of certain IT systems, as disclosed in the first quarter of 2015, and lower depreciation on older IT and other store assets;

partially offset by,

- higher depreciation due to investments in capital at Weston Foods.

Net Interest Expense and Other Financing Charges

(unaudited) ($ millions)	Quarters Ended **Dec. 31, 2015 (12 weeks)**	Dec. 31, 2014 (13 weeks)
Net interest expense and other financing charges	**$ 139**	$ 231
Add: Fair value adjustment of the Trust Unit liability	**(5)**	(14)
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	**9**	(59)
Accelerated amortization of deferred financing costs		(5)
Adjusted net interest expense and other financing charges[1]	**$ 143**	$ 153

In the fourth quarter of 2015, net interest expense and other financing charges decreased by $92 million to $139 million compared to the same period in 2014. Adjusted net interest expense and other financing charges[1] were $143 million, a decrease of $10 million compared to the same period in 2014, primarily driven by:

- lower interest expense on long term debt due to repayments on Loblaw's Acquisition Term Loan and Loblaw's repayment of MTNs in 2014; and
- lower interest expense due to the redemption of Loblaw's capital securities in 2015;

partially offset by,

- higher interest expense on long term debt as a result of debt issuances by Choice Properties to third parties; and
- higher interest expense on GICs used to fund the growth of credit card receivables in Loblaw's Financial Services segment.

Income Taxes

(unaudited) ($ millions except where otherwise indicated)	Quarters Ended **Dec. 31, 2015 (12 weeks)**	Dec. 31, 2014 (13 weeks)
Income taxes	**$ 66**	$ 95
Add: Tax impact of items excluded from adjusted earnings before taxes[1](i)	**78**	60
Adjusted income taxes[1]	**$ 144**	$ 155
Effective income tax rate applicable to earnings before taxes	**23.4%**	24.3%
Adjusted income tax rate applicable to adjusted earnings before taxes[1]	**27.1%**	26.6%

(i) See the EBITDA and adjusted EBITDA table and the adjusted net interest expense and other financing charges table included in Section 19, "Non-GAAP Financial Measures", of this MD&A for a complete list of items excluded from adjusted earnings before taxes[1].

The effective tax rate in the fourth quarter of 2015 was 23.4%, a decrease of 0.9% compared to the same period in 2014. The decrease in the effective tax rate was primarily attributable to:

- a decrease in certain non-deductible items, including the fair value loss (2014 – loss) on the Trust Unit liability;

partially offset by,

- an increase in current tax resulting from the increase in the Alberta statutory corporate income tax rate.

The adjusted income tax rate[1] for the fourth quarter of 2015 was 27.1%, an increase of 0.5% compared to the same period in 2014. The increase in the adjusted income tax rate[1] was primarily attributable to the increase in the current tax resulting from the increase in the Alberta statutory corporate income tax rate and other non-deductible items.

Cash Flows

(unaudited) ($ millions)	Quarters Ended Dec. 31, 2015 (12 weeks)	Dec. 31, 2014 (13 weeks)	Change
Cash and cash equivalents, beginning of period	**$ 1,605**	$ 1,304	$ 301
Cash flows from operating activities	**$ 684**	$ 1,090	$ (406)
Cash flows used in investing activities	**$ (268)**	$ (450)	$ 182
Cash flows used in financing activities	**$ (624)**	$ (622)	$ (2)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 16**	$ 11	$ 5
Cash and cash equivalents, end of period	**$ 1,413**	$ 1,333	$ 80

Cash Flows from Operating Activities The year-over-year decrease in cash inflows in the fourth quarter of 2015 was $406 million, primarily due to lower cash earnings including the negative year-over-year impact of the 53rd week and an increase in credit card receivables.

Cash Flows used in Investing Activities The year-over-year decrease in cash outflows in the fourth quarter of 2015 was $182 million, primarily due to the release of funds from security deposits held by Loblaw to fund the repayment of *Eagle* notes in the fourth quarter of 2015.

Cash Flows used in Financing Activities The year-over-year increase in cash outflows in the fourth quarter of 2015 was $2 million, primarily due to an increase in Loblaw's repurchases of shares under its NCIB program, partially offset by lower net repayments of long term debt, as described below, a reduction in bank indebtedness and the timing of dividend payments.

In the fourth quarter of 2015, significant long term debt transactions included:

- Loblaw's repayment of $350 million senior and subordinated term notes by *Eagle*; and
- Choice Properties' issuance of $200 million aggregate principal amount of senior unsecured debentures.

In the fourth quarter of 2014, significant long term debt transactions included:

- Loblaw's repayment of $321 million on its Acquisition Term Loan.

Free Cash Flow[1]

(unaudited) ($ millions)	Quarters Ended Dec. 31, 2015 (12 weeks)	Dec. 31, 2014 (13 weeks)	Change
Free cash flow[1]	**$ 39**	$ 504	$ (465)

The year-over-year decrease in free cash flow[1] in the fourth quarter of 2015 was $465 million, primarily due to the decrease in cash flows from operating activities including the negative year-over-year impact of the 53rd week and higher capital investments at Weston Foods and Loblaw.

10. FOURTH QUARTER RESULTS OF REPORTABLE OPERATING SEGMENTS

The following discussion provides details of the 2015 fourth quarter results of operations of each of the Company's reportable operating segments.

10.1 WESTON FOODS FOURTH QUARTER OPERATING RESULTS (UNAUDITED)

(unaudited) ($ millions except where otherwise indicated)	Quarters Ended **Dec. 31, 2015 (12 weeks)**	Quarters Ended Dec. 31, 2014 (13 weeks)	$ Change	% Change
Sales	**$ 527**	$ 469	$ 58	12.4 %
Sales excluding 53rd week	***$ 527***	*$ 438*	*$ 89*	*20.3 %*
Adjusted EBITDA[1]	**$ 67**	$ 74	$ (7)	(9.5)%
Adjusted EBITDA[1] excluding 53rd week	***$ 67***	*$ 68*	*$ (1)*	*(1.5)%*
Adjusted EBITDA margin[1]	**12.7%**	15.8%		
Depreciation and amortization[(i)]	**$ 25**	$ 17	$ 8	47.1 %

(i) Depreciation and amortization includes $6 million (2014 – nil) of accelerated depreciation recorded as restructuring and other charges.

Sales Weston Foods sales in the fourth quarter of 2015 were $527 million, an increase of $58 million, or 12.4%, compared to the same period in 2014. The increase included the negative year-over-year impact of the 53rd week of $31 million. Excluding the 53rd week, sales increased by $89 million, or 20.3% and included the positive impact of foreign currency translation of approximately 10.3%. Excluding the impact of foreign currency translation and the 53rd week, sales increased by 10.0% primarily due to the combined positive impact of pricing and changes in sales mix, and an increase in volumes.

Adjusted EBITDA[1] Weston Foods adjusted EBITDA[1] in the fourth quarter of 2015 was $67 million, a decrease of $7 million compared to the same period in 2014. The decrease included the negative year-over-year impact of the 53rd week of $6 million. Excluding the 53rd week, adjusted EBITDA[1] decreased by $1 million. Despite the increase in sales, adjusted EBITDA[1] declined primarily due to higher input costs, new plant costs and investments in the business.

Adjusted EBITDA margin[1] in the fourth quarter of 2015 was 12.7% compared to 15.8% in the same period in 2014. The decline in adjusted EBITDA margin[1] in the fourth quarter of 2015 was due to the factors impacting adjusted EBITDA[1], as described above.

Depreciation and Amortization Weston Foods depreciation and amortization was $25 million in the fourth quarter of 2015, an increase of $8 million compared to 2014. Depreciation and amortization included $6 million (2014 – nil) of accelerated depreciation related to the planned closures of cake manufacturing facilities approved in 2015. Excluding this amount, the increase in the fourth quarter of 2015 was $2 million and was due to investments in capital.

Weston Foods Other Business Matters

Restructuring During the fourth quarter of 2015, Weston Foods recorded restructuring and other charges of $8 million (2014 – $2 million), including $6 million (2014 – nil) of accelerated depreciation. For details see Section 6.1, "Weston Foods Operating Results", of this MD&A.

10.2 LOBLAW FOURTH QUARTER OPERATING RESULTS (UNAUDITED)

(unaudited) ($ millions except where otherwise indicated)	Quarters Ended **Dec. 31, 2015** **(12 weeks)**	Dec. 31, 2014 (13 weeks)	$ Change	% Change
Sales	**$ 10,865**	$ 11,413	$ (548)	(4.8)%
Sales excluding 53rd week	***$ 10,865***	*$ 10,624*	*$ 241*	*2.3 %*
Retail gross profit(i)	**$ 2,794**	$ 2,925	$ (131)	(4.5)%
Retail gross profit(i) excluding 53rd week	***$ 2,794***	*$ 2,725*	*$ 69*	*2.5 %*
Adjusted EBITDA(1)	**$ 879**	$ 948	$ (69)	(7.3)%
Adjusted EBITDA(1) excluding 53rd week	***$ 879***	*$ 877*	*$ 2*	*0.2 %*
Adjusted EBITDA margin(1)	**8.1%**	8.3%		
Depreciation and amortization(ii)	**$ 376**	$ 393	$ (17)	(4.3)%

(i) Retail gross profit includes a charge of $46 million related to the impairment of drug retail ancillary assets held for sale and a charge of $4 million related to inventory measurement and other conversion differences for Loblaw's franchise grocery stores in the fourth quarter of 2015. Retail gross profit includes a charge of $69 million in the fourth quarter of 2014 related to the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold.

(ii) Depreciation and amortization includes $124 million (2014 – $124 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

Sales Loblaw sales in the fourth quarter of 2015 were $10,865 million, a decrease of $548 million compared to the same period in 2014, primarily driven by Retail. The decrease in Retail sales included the negative year-over-year impact of the 53rd week of $789 million. Excluding the 53rd week, Retail sales increased by $231 million, or 2.2%, compared to the same period in 2014 and included food retail sales of $7,631 million (2014 – $7,536 million) and drug retail sales of $2,975 million (2014 – $2,839 million).

The increase in Retail sales on a comparable 12 week basis was primarily due to the following factors:

- food retail same-store sales growth was 3.1%, after excluding gas bar (0.5%) and the negative impact of a change in distribution model by a tobacco supplier (0.2%). Including these impacts, food retail same-store sales growth was 2.4%. Loblaw's food retail average quarterly internal food price index was moderately higher than the average quarterly national food price inflation of 4.1% as measured by CPI. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores;
- drug retail same-store sales growth was 5.0%, including same-store pharmacy sales growth of 4.2% and same-store front store sales growth of 5.7%; and
- 47 food and drug stores were opened and 62 food and drug stores were closed in the last 12 months, resulting in a decrease in Retail net square footage of 0.1 million square feet, or 0.1%, primarily driven by Loblaw's store closure plan announced during 2015.

In 2014, Loblaw modified its fee arrangements with the franchisees of certain franchise banners. The modified arrangements resulted in an annual reduction of food retail sales and gross profit, with a corresponding decrease in SG&A. In the fourth quarter of 2015, the modified arrangements had a negative impact of $32 million to food retail sales and gross profit, with an offsetting positive impact to SG&A.

Retail Gross Profit Loblaw Retail gross profit in the fourth quarter of 2015 was $2,794 million, a decrease of $131 million compared to the same period in 2014. The decrease included the negative year-over-year impact of the 53rd week of $200 million. Excluding the 53rd week, Retail gross profit increased $69 million and included the favourable year-over-year net impact of the following items:

- a prior year charge of $69 million related to the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold;

partially offset by,

- a charge of $46 million related to the impairment of Loblaw's drug retail ancillary assets held for sale in the fourth quarter of 2015; and
- a charge of $4 million related to inventory measurement and other conversion differences for Loblaw's franchise grocery stores in the fourth quarter of 2015.

Excluding the 53rd week and the favourable year-over-year net impact of the items noted above, Retail gross profit increased $50 million compared to the same period in 2014. Retail gross profit percentage of 26.8% decreased by 10 basis points in the fourth quarter of 2015, and was impacted by:

- a positive impact of approximately 30 basis points from the consolidation of franchises, which commenced in the second quarter of 2015; and
- a negative impact of approximately 30 basis points from the modifications to certain franchise fee arrangements.

Excluding these impacts, Retail gross profit percentage decreased 10 basis points and included the following:

- a decline in drug retail gross profit percentage, primarily due to the impact of healthcare reform;

partially offset by,

- the achievement of operational synergies in both food and drug retail.

Adjusted EBITDA[(1)] Loblaw adjusted EBITDA[(1)] in the fourth quarter of 2015 was $879 million, a decrease of $69 million compared to the same period in 2014. The decrease included the negative year-over-year impact of the 53rd week of $71 million. Excluding the 53rd week, adjusted EBITDA[(1)] increased $2 million and included an increase in adjusted EBITDA[(1)] at Choice Properties (net of intersegment eliminations) partially offset by a decline in Retail adjusted EBITDA[(1)]. Retail adjusted EBITDA[(1)] decreased $3 million driven by an increase in SG&A of $53 million, or 10 basis points, partially offset by an increase in Retail gross profit, as described above. As a percentage of sales, the increase in SG&A was impacted by the following:

- a positive impact of approximately 30 basis points from the modifications to certain franchise fee arrangements; and
- a negative impact of approximately 30 basis points from the consolidation of franchises.

Excluding these impacts, as a percentage of sales, SG&A was essentially flat compared to the same period in 2014 and included the following:

- non-recurring transactions that had positive impacts in the prior year;
- unfavourable foreign exchange impacts; and
- higher store and store support costs;

partially offset by,

- favourable changes in the fair value of Loblaw's investments in its franchise business.

Depreciation and Amortization Loblaw's depreciation and amortization was $376 million in the fourth quarter of 2015, a decrease of $17 million compared to the same period in 2014, and included $124 million (2014 – $124 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart. The decline in depreciation and amortization was driven by:

- an increase in the estimated useful life of certain IT systems; and
- lower depreciation on older IT and other store assets.

Loblaw Other Business Matters

For details see Section 6.2, "Loblaw Operating Results", of this MD&A.

11. 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, 2015.

12. 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, 2015.

In designing such controls, it should be recognized that due to inherent limitations, any control, 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 2015 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

13. 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 the Company's Enterprise Risk Management ("ERM") program.

Risk appetite and governance The Board has approved an ERM policy and a risk appetite statement and oversees the ERM program, including through a review of the Company's risks and risk prioritization. The risk appetite statement articulates key aspects of our businesses, values, and brands and provides directional guidance on risk taking. Key risk indicators are used to monitor and report on risk performance and whether the Company is operating within its risk appetite. Risk owners are assigned relevant risks by management and are responsible for managing risk and implementing risk mitigation strategies.

ERM program The ERM program assists all areas of the business in managing risks within appropriate levels of tolerance by bringing a systematic approach and methodology for evaluating, measuring and monitoring key risks. The results of the ERM program and other business planning processes are used to identify emerging risks to the Company, prioritize risk mitigation activities and develop a risk-based internal audit plan.

Risks are not eliminated through the ERM program, but rather, are identified and managed in line with the Company's risk appetite and within understood risk tolerances. The ERM program is designed to:

- facilitate effective corporate governance by providing a consolidated view of risks across the Company;

- enable the Company to focus on key risks that could impact its strategic objectives in order to reduce harm to financial performance through responsible risk management;
- ensure that the Company's risk appetite and tolerances are defined and understood;
- promote a culture of awareness of risk management and compliance within the Company;
- assist in developing consistent risk management methodologies and tools across the Company including methodologies for the identification, assessment, measurement and monitoring of the risks; and
- anticipate and provide early warnings of risks through key risk indicators.

ERM framework Risk identification and assessments are important elements of the Company's ERM process and framework. An annual ERM assessment is completed to assist in the update and identification of internal and external risks. This assessment is carried out in parallel with strategic planning through interviews, surveys and facilitated workshops with management and the Board to align stakeholder views. This assessment is completed for each business unit and aggregated where appropriate. 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 on its strategies and achieve its objectives.

Risk monitoring and reporting At least semi-annually, management provides an update to the Board (or a Committee of the Board) 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 year) risk level is assessed to monitor potential long term risk impacts, which may assist in risk mitigation planning activities.

Any of the key risks has the potential to negatively affect the Company and its financial performance. The Company has risk management strategies in place for key risks. However, there can be no assurance that the 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.

13.1 OPERATING RISKS AND RISK MANAGEMENT

Operating Risks The following risks are a subset of the key risks identified through the ERM program. They should be read in conjunction with the full set of risks inherent in the Company's business, as included in the Company's Annual Information Form for the year ended December 31, 2015, which is hereby incorporated by reference:

Healthcare Reform	Franchise Relationships
Cyber Security and Data Breaches	Labour Relations
IT Systems Implementations and Data Management	Regulatory and Tax
Inventory Management	Legal Proceedings
Product Safety and Public Health	Competitive Environment
Shoppers Drug Mart Enterprise Harmonization and Synergies	Commodity Prices
Execution of Strategic Initiatives	Consumer Retail and Customer Trends

Healthcare Reform 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 or financial performance of the Company.

Cyber Security and Data Breaches The Company depends on the uninterrupted operation of its IT systems, networks and services including internal and public internet sites, data hosting and processing facilities, cloud-based services and hardware such as point-of-sale processing at stores to operate its business.

In the ordinary course of business, the Company collects, processes, transmits and retains confidential, sensitive and personal information ("Confidential Information") regarding the Company and its employees and vendors and, in the case of Loblaw, its franchisees, associates, customers and credit card holders. Some of this Confidential Information is held and managed by third party service providers. As with other large and prominent companies, the Company is regularly subject to cyberattacks and such attempts are occurring more frequently, are constantly evolving in nature and are becoming more sophisticated.

The Company has implemented security measures, including employee training, monitoring and testing, maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access of Confidential Information and to reduce the likelihood of disruptions to its IT systems. The Company also has security processes, protocols and standards that are applicable to its third party service providers.

Despite these measures, all of the Company's information systems, including its back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failures due to a variety of reasons, including physical theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events.

The Company or its third party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the Company's security measures or those of our third party service providers' information systems.

As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the Company's security measures or those of its third party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the Company's or its third party service providers' security measures, which could result in a breach of employee, franchisee, associate, customer or credit card holder privacy or Confidential Information.

If the Company does not allocate and effectively manage the resources necessary to build and sustain reliable IT infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or the Company's or its third party service providers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the Company's business could be disrupted and the Company could, among other things, be subject to: transaction errors; processing inefficiencies; the loss of, or failure to attract new customers; the loss of revenue; the loss or unauthorized access to Confidential Information or other assets; the loss of or damage to intellectual property or trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

IT Systems Implementations and Data Management 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 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. Loblaw also depends on relevant and reliable information to operate its business. As the volume of data being generated and reported continues to increase across Loblaw, data accuracy, quality and governance are required for effective decision making.

Failure to successfully adopt or implement appropriate processes to support the new IT systems, or failure to effectively leverage or convert data from one system to another, may preclude Loblaw from optimizing its overall performance and could result in inefficiencies and duplication in processes, which could in turn adversely affect the reputation, operations or 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.

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 adversely affect the financial performance of the Company. Although the new IT system is intended to provide Loblaw with increased visibility to integrated costing and sales information at store level, failure to effectively implement the new IT system and applicable processes may increase the risks associated with managing inventory, including the risk that inaccurate inventory could result in inaccurate financial statements.

Product Safety and Public Health The Company's products may expose it to risks associated with product safety and defects and product handling in relation to the manufacturing, design, packaging and labeling, storage, distribution, and display of products. The Company cannot assure that active management of these risks, including maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems, will eliminate the risks related to food and product safety. The Company could be adversely affected in the event of a significant outbreak of food-borne illness or food safety issues including food tampering or contamination, health and wellness, including pharmaceuticals, general merchandise products, manufactured products, or baked goods. In addition, failure to trace or locate any contaminated or defective products or ingredients could affect the Company's ability to be effective in a recall situation. Loblaw is also subject to risk associated with errors made through medication dispensing or errors related to patient services or consultation. The occurrence of such events or incidents, as well as the failure to maintain the cleanliness and health standards at Loblaw's store level or the Company's manufacturing facilities, could result in harm to customers, negative publicity or damage to the Company's brands, reputation, operations or financial performance and could lead to unforeseen liabilities from legal claims or otherwise.

Shoppers Drug Mart Enterprise Harmonization and Synergies The successful implementation of the Shoppers Drug Mart acquisition requires significant effort on the part of management of Loblaw. Ineffective change management practices and harmonization decisions could cause disruptions to operations or may negatively impact colleague engagement. Management attention will be required in order to successfully achieve the appropriate culture transformation, growth opportunities and cost efficiencies envisioned in the acquisition. Failure to successfully execute enterprise harmonization or 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.

Execution of Strategic Initiatives The Company undertakes from time to time acquisitions and dispositions that meet its strategic objectives. The Company holds significant cash and short term investments and is continuing to evaluate strategic opportunities for the use or deployment of these funds. The use or deployment of the funds and the execution of the Company's capital plans could pose a risk if they do not align with the Company's strategic objectives or if the Company experiences integration difficulties on the acquisition of any businesses. 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. In addition, the Company may not be able to realize upon the synergies, business opportunities and growth prospects expected from any such investment opportunities or from the execution of the Company's strategies. Finally, any acquisition or divestiture activities may present unanticipated costs and managerial and operational risks, including the diversion of management's time and attention from day-to-day activities. If the Company's strategies are not effectively developed and executed, it could negatively affect the reputation, operations or financial performance of the Company.

Franchisee Relationships Loblaw has entered into agreements with third party franchisees that permit the franchisees to own and operate retail stores in accordance with prescribed procedures and standards. A substantial portion of Loblaw's revenues and earnings comes from amounts paid by franchisees in connection with their store operations and leased property. Franchisees are independent operators and their operations may be negatively affected by factors beyond Loblaw's control. If franchisees do not operate their stores in accordance with Loblaw's standards or otherwise in accordance with good business practices, franchisee fees and rent paid to Loblaw could be negatively affected, which in turn could negatively affect the Company's reputation, operations or financial performance. In addition, 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, fees or rent.

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 or financial performance of the Company. Supply chain or system changes by Loblaw could cause or be perceived to cause disruptions to franchised store operations and could result in negative effects on the financial performance of franchisees. Reputational damage or adverse consequences for the Company, including litigation and disruption to revenue from franchised stores could result.

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. Renegotiating collective agreements or the failure to successfully 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 such as higher labour costs and those implications could be material.

Regulatory and Tax The Company is subject to a wide variety of laws and regulations across all countries in which it does business, including those laws involving product liability, labour and employment, anti-trust and competition, intellectual property, privacy, environmental and other matters. The Company is subject to taxation by various taxation authorities in Canada and a number of foreign jurisdictions. Changes to any of the laws, rules, regulations or policies (collectively, "laws") applicable to the Company's business, including tax laws, and laws affecting the production, processing, preparation, distribution, packaging and labelling of food, health and wellness, including pharmaceuticals, or general merchandise products could have an adverse impact on the operational or financial 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.

During the second quarter of 2015, Loblaw was reassessed by the CRA and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary, should be treated, and taxed, as income in Canada. The reassessments were for the 2000 to 2010 taxation years totaling $341 million including interest and penalties as at the time of reassessment. The Company believes it is likely that the CRA will issue reassessments for the 2011 to 2013 taxation years on the same or similar basis. The Company strongly disagrees with the CRA's position and has filed a Notice of Appeal. No amount for any reassessments has been provided for in the Company's consolidated financial statements. 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 material negative impact on the Company's reputation, results of operations and financial position in the year(s) of resolution.

As part of the review undertaken by the Competition Bureau of the Company's acquisition 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 Loblaw and 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.

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.

Loblaw is subject to externally imposed capital requirements from 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 4.5%, a Tier 1 capital ratio of 6.0% and a total capital ratio of 8.0%. In addition to the regulatory capital ratios requirement, PC Bank is subject to the Basel III Leverage ratio effective January 1, 2015. As at year end 2015 and throughout the year, PC Bank has met all applicable regulatory requirements.

In 2014, OSFI 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. As at year end 2015, PC Bank was in compliance with the LCR standard.

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 REIT Exception under the Income Tax Act (Canada) and as such is not subject to specified investment flow-through rules. There can be no assurance that the Canadian federal income tax laws will not be changed in a manner which adversely affects Choice Properties. If Choice Properties ceases to qualify for these and other classifications and exceptions, the taxation of Choice Properties and unitholders, including Loblaw and certain wholly-owned subsidiaries of GWL, could be materially adversely different in certain respects, which could in turn materially adversely affect the trading price of the Units.

Legal Proceedings From time to time, the Company is involved in and subject to legal proceedings, including class actions, regarding commercial relationships, employment matters, product liability, personal injury claims, protection of intellectual property and other matters. The proceedings involve suppliers, associates, franchisees, regulators, tax authorities or other persons. The potential outcome of litigation proceedings and claims is uncertain. Some of these proceedings could result in a material adverse effect on the Company's reputation, results of operation or financial performance.

On August 26, 2015, the Company was served with a proposed class action, which was commenced in the Ontario Superior Court of Justice against the Company, Loblaw and certain of its subsidiaries and others in connection with the collapse of the Rana Plaza complex in Dhaka, Bangladesh in 2013. The claim seeks approximately $2 billion in damages. The Company believes the class action is without merit and intends to vigorously defend itself against any claims arising out of any such action.

Shoppers Drug Mart has been served with an Amended Statement of Claim in a class action proceeding that has been filed in 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 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. The Court imposed a class closing date based on the date of certification. New Associates after July 9, 2013 are not members of the class. 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.

Competitive Environment The retail industry in Canada is highly competitive. Weston Foods' competitors include multi-national food processing companies as well as national and smaller-scale bakery operations in North America.

Loblaw competes against a wide variety of retailers including supermarket and retail drug store operators, as well as mass merchandisers, warehouse clubs, online 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. In addition, 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 and retail drug store markets. Loblaw'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 reduced profitability. If Loblaw is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be adversely affected. Loblaw closely monitors its competitors and their strategies, market developments and market share trends.

Failure by Weston Foods or Loblaw to sustain their competitive position could adversely affect the Company's financial performance.

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.

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 anticipate the tastes and dietary habits of consumers and deliver products that satisfy changing consumer preferences in a highly competitive environment on a timely basis. The failure of Weston Foods to anticipate, identify and react to shifting consumer and retail customer trends and preferences through successful innovation and enhanced manufacturing capability could adversely result in reduced demand for its products, which could in turn affect the financial performance of the Company.

13.2 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 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:

Liquidity	Common Share and Trust Unit Prices
Foreign Currency Exchange Rates	Interest Rates
Credit	

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 risk if it fails to maintain appropriate levels of cash and short term investments, is unable to access sources of funding or 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.

Foreign Currency Exchange Rates The Company's consolidated financial statements are expressed in Canadian dollars, however a portion of the Company's (excluding Loblaw'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 Holdings GmbH 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 2015 and 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.

Credit The Company is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to the Company including 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 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 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, Weston Holdings Limited ("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 $104.98 (2014 – $100.80) per Loblaw common share as at year end 2015. 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.

Interest Rates The Company is exposed to interest rate risk from fluctuations in interest rates on its floating rate debt and from the refinancing of existing financial instruments. The Company manages interest rate risk by monitoring the respective mix of fixed and floating rate debt and by taking action as necessary to maintain an appropriate balance considering current market conditions, with the objective of maintaining the majority of its debt at fixed interest rates.

14. 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 80,769,249 of GWL's common shares, representing approximately 63% (2014 – 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 2015, the Company made rental payments to Wittington in the amount of $4 million (2014 – $4 million). As at year end 2015 and 2014, there were no rental payments outstanding.

In 2015, 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 $40 million (2014 – $35 million). As at year end 2015, $2 million (2014 – $3 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. The joint venture did not have any operating activity in 2015 and 2014. Choice Properties uses the equity method of accounting to record its 40% interest in the joint venture. As at year end 2015, $9 million (2014 – $6 million) was included in other assets related to its interests in joint ventures.

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 2015, 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)	**2015 (52 weeks)**	2014 (53 weeks)
Salaries, director fees and other short term employee benefits	**$ 14**	$ 17
Share-based compensation	**12**	9
Total compensation	**$ 26**	$ 26

15. 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. These estimates are derived from past experience, actual operating results and budgets.

Customer Loyalty Awards 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 estimated fair value per point is based on the program reward schedule, which for the *PC* Points and *PC Plus* programs is $1 for every 1,000 points. For the *Shoppers Optimum* program, the estimated fair value is determined based on the expected weighted average redemption levels for future redemptions, including special redemption events. Breakage rates are primarily based on historical redemption experience. 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.

16. CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

Intangible Assets The classification of software costs requires judgment to determine whether such costs should be classified as fixed assets or intangible assets. Management has reviewed the classification of the Company's software costs, primarily related to the implementation of Loblaw's new IT systems, and has determined that it would be appropriate to present certain costs as intangible assets. The Company implemented the change retrospectively in 2015 with the following effect to the periods ended as indicated:

Consolidated Balance Sheet

Increase (decrease) ($ millions)	As at Dec. 31, 2014
Fixed assets	$ (498)
Intangible assets	$ 498

In addition, Loblaw reassessed and revised the useful life of its new IT systems from five to seven years. This revision represents a change in estimate resulting in a reduction in annual depreciation and amortization expense of approximately $34 million compared to 2014.

17. FUTURE ACCOUNTING STANDARDS

In 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16"), replacing IAS 17, "Leases" and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") has been adopted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In 2014, the IASB issued IFRS 15, replacing IAS 18, "Revenue", IAS 11, "Construction Contracts", and related interpretations. 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, 2018, 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", and related interpretations. 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, and therefore the Company will apply these amendments in the first quarter of 2016. The

Company does not expect any material impact on its financial statement disclosures as a result of adopting these amendments.

18. OUTLOOK[3]

Weston Foods expects sales growth generated by new capacity and productivity improvements to drive an increase in adjusted EBITDA[1] in 2016 when compared to 2015. The increase in adjusted EBITDA[1] is expected to be greater in the second half of the year as new plant capacity and capability come on-line. Depreciation is projected to increase in 2016 when compared to 2015, and largely offset the improvement in adjusted EBITDA[1]. Management expects to make capital investments of approximately $300 million in 2016.

Loblaw remains focused on its strategic framework, 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 that targets positive same-store sales and stable gross margin; surfacing efficiencies; delivering synergies as a result of its acquisition of Shoppers Drug Mart; and returning capital to shareholders. In 2016, Loblaw expects to:

- deliver positive same-store sales and stable gross margin in its Retail segment in a highly competitive grocery market and with continued negative pressure from healthcare reform;
- grow adjusted net earnings;
- invest approximately $1.3 billion in capital expenditures, including $1.0 billion in its Retail segment; and
- return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

For 2016, the Company expects growth in net earnings to be driven by an increase in net earnings at Loblaw, and the positive impact of the Company's increased ownership in Loblaw as a result of Loblaw's share repurchases.

19. NON-GAAP FINANCIAL MEASURES

The Company uses the following non-GAAP financial measures: EBITDA, adjusted EBITDA and adjusted EBITDA margin, adjusted net earnings attributable to shareholders of the Company, adjusted net earnings available to common shareholders of the Company, adjusted basic net earnings per common share, adjusted return on average equity attributable to common shareholders of the Company, adjusted return on capital and free cash flow. In addition to these items, the following measures are used by management in calculating adjusted basic net earnings per common share: adjusted net interest expense and other financing charges, adjusted income taxes and adjusted income tax rate. 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 2015, management no longer excludes Choice Properties' general and administrative costs in the calculation of certain non-GAAP financial measures when analyzing consolidated and segment underlying operating performance.

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 and Adjusted EBITDA The Company believes adjusted EBITDA is useful in assessing and making decisions regarding 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 investment program and debt reduction objectives.

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

	Quarters Ended							
				Dec. 31, 2015 (12 weeks)				Dec. 31, 2014 (13 weeks)
($ millions)	**Weston Foods**	**Loblaw**	**Other[(i)]**	**Consolidated**	Weston Foods	Loblaw	Other[(i)]	Consolidated
Net earnings attributable to shareholders of the Company				**$ 148**				$ 161
Add impact of the following:								
Non-controlling interests				**68**				135
Income taxes				**66**				95
Net interest expense and other financing charges				**139**				231
Operating income	**$ 42**	**$ 314**	**$ 65**	**$ 421**	$ 74	$ 505	$ 43	$ 622
Depreciation and amortization	**25**	**376**		**401**	17	393		410
EBITDA	**$ 67**	**$ 690**	**$ 65**	**$ 822**	$ 91	$ 898	$ 43	$ 1,032
Operating income	**$ 42**	**$ 314**	**$ 65**	**$ 421**	$ 74	$ 505	$ 43	$ 622
Add impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart		**124**		**124**		124		124
Restructuring and other charges	**8**	**(7)**		**1**	2			2
Impairment of drug retail ancillary assets held for sale		**112**		**112**				
Accelerated finalization of Labour Agreements		**55**		**55**				
Charge related to inventory measurement and other conversion differences		**33**		**33**				
Fixed asset and other related impairments, net of recoveries		**4**		**4**		1		1
Pension annuities and buy-outs	**3**	**6**		**9**				
Shoppers Drug Mart net divestitures and acquisition costs						14		14
Modifications to certain franchise fee arrangements		**(8)**		**(8)**		(40)		(40)
Fair value adjustment of derivatives	**(5)**	**(6)**		**(11)**	(7)	4		(3)
Recognition of fair value increment on inventory sold						69		69
Fair value adjustment of Shoppers Drug Mart's share-based compensation liability						2		2
Net insurance proceeds					(12)			(12)
Foreign currency translation			**(65)**	**(65)**			(43)	(43)
Adjusted operating income	**$ 48**	**$ 627**		**$ 675**	$ 57	$ 679		$ 736
Depreciation and amortization excluding the impact of the above adjustments[(ii)]	**19**	**252**		**271**	17	269		286
Adjusted EBITDA	**$ 67**	**$ 879**		**$ 946**	$ 74	$ 948		$ 1,022

(i) Represents 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.

(ii) Depreciation and amortization for the calculation of adjusted EBITDA excludes $124 million (2014 – $124 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $6 million (2014 – nil) of accelerated depreciation recorded by Weston Foods, related to restructuring and other charges.

				Years Ended				
				Dec. 31, 2015 (52 weeks)				Dec. 31, 2014 (53 weeks)
($ millions)	**Weston Foods**	**Loblaw**	**Other[(i)]**	**Consolidated**	Weston Foods	Loblaw	Other[(i)]	Consolidated
Net earnings attributable to shareholders of the Company				**$ 527**				$ 126
Add impact of the following:								
Non-controlling interests				**337**				8
Income taxes				**384**				24
Net interest expense and other financing charges				**681**				815
Operating income	**$ 177**	**$ 1,593**	**$ 159**	**$ 1,929**	$ 231	$ 654	$ 88	$ 973
Depreciation and amortization	**94**	**1,592**		**1,686**	70	1,472		1,542
EBITDA	**$ 271**	**$ 3,185**	**$ 159**	**$ 3,615**	$ 301	$ 2,126	$ 88	$ 2,515
Operating income	**$ 177**	**$ 1,593**	**$ 159**	**$ 1,929**	$ 231	$ 654	$ 88	$ 973
Add impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart		**536**		**536**		417		417
Restructuring and other charges	**26**	**154**		**180**	7	46		53
Impairment of drug retail ancillary assets held for sale		**112**		**112**				
Accelerated finalization of Labour Agreements		**55**		**55**				
Charge related to inventory measurement and other conversion differences		**33**		**33**		190		190
Fixed asset and other related impairments, net of recoveries		**13**		**13**		16		16
Charge related to apparel inventory		**8**		**8**				
Pension annuities and buy-outs	**3**	**8**		**11**				
Shoppers Drug Mart net divestitures and acquisition costs		**2**		**2**		72		72
Modifications to certain franchise fee arrangements		**(8)**		**(8)**		(40)		(40)
Fair value adjustment of derivatives	**(5)**	**(21)**		**(26)**	(4)	4		
Recognition of fair value increment on inventory sold						798		798
Fair value adjustment of Shoppers Drug Mart's share-based compensation liability						7		7
Inventory loss (net insurance proceeds)	**1**			**1**	(1)			(1)
MEPP settlement payment					8			8
Foreign currency translation			**(159)**	**(159)**			(88)	(88)
Adjusted operating income	**$ 202**	**$ 2,485**		**$ 2,687**	$ 241	$ 2,164		$ 2,405
Depreciation and amortization excluding the impact of the above adjustments[(ii)]	**83**	**1,056**		**1,139**	70	1,055		1,125
Adjusted EBITDA	**$ 285**	**$ 3,541**		**$ 3,826**	$ 311	$ 3,219		$ 3,530

(i) Represents 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.

(ii) Depreciation and amortization for the calculation of adjusted EBITDA excludes $536 million (2014 – $417 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $11 million (2014 – nil) of accelerated depreciation recorded by Weston Foods, related to restructuring and other charges.

The following items impacted operating income in the fourth quarters of 2015 and 2014, and on a year-to-date basis:

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. Loblaw expects to recognize annual amortization of approximately $550 million associated with the acquired intangible assets for the next nine years and decreasing thereafter.

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. For details on the restructuring and other charges incurred by each of the Company's reportable operating segments see Section 6.1, "Weston Foods Operating Results" and Section 6.2, "Loblaw Operating Results" of this MD&A.

Impairment of drug retail ancillary assets held for sale In the fourth quarter of 2015, Loblaw began actively marketing the sale of certain assets of its Shoppers ancillary healthcare businesses which resulted in a charge associated with the write-down of the assets and other related restructuring charges.

Accelerated finalization of Labour Agreements Over the past five years, Loblaw has been transitioning stores to more cost effective and efficient operating terms under Labour Agreements. In the fourth quarter of 2015, Loblaw accelerated the finalization of these Labour Agreements for the majority of the remaining stores and incurred a charge related to the completion of this process.

Charge related to inventory measurement and other conversion differences As of the end of 2015, Loblaw had completed the conversion of all of its franchised grocery stores to the new IT systems that include a perpetual inventory system. In the fourth quarter of 2015 and year-to-date, the remeasurement of inventory owned by the franchises as a result of implementing the perpetual inventory system resulted in a decrease in inventory value and a remeasurement charge. During 2014, Loblaw completed the conversion of its corporate grocery locations and associated distribution centres.

Fixed asset and other related impairments, net of recoveries At each balance sheet date, the Company assesses and, when required, records impairments and recoveries of previous impairments related to the carrying value of its fixed assets, investment properties and intangible assets.

Charge related to apparel inventory In 2015, Loblaw entered into an agreement to liquidate certain older Canadian apparel inventory in the U.S. and recorded a charge to cost of inventories sold.

Pension annuities and buy-outs In 2015, the Company completed several annuity purchases and pension buy-outs with respect to former employees designed to reduce its defined benefit pension plan obligation and decrease future pension volatility and risks.

Shoppers Drug Mart net divestitures and acquisition costs In the first quarter of 2015, Loblaw completed the remaining divestitures required by the Competition Bureau and recorded a net loss of $2 million. In the fourth quarter of 2014 and year-to-date, Loblaw recorded a net divestiture loss of $14 million and $12 million, respectively. Also in 2014, Loblaw incurred $60 million of acquisition-related costs.

Modifications to certain franchise fee arrangements Loblaw modified its fee arrangements with franchisees of certain franchise banners. As a result of this modification, Loblaw re-evaluated the recoverable amount of franchise-related financial instruments which resulted in the reversal of previously recorded impairments.

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, fuels 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. 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.

Recognition of 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 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 the related inventory was sold.

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 was exposed to market price fluctuations in its common share price as these awards were settled in cash and the associated liability was recorded at fair value each reporting date based on the market price of Loblaw's common shares. On November 10, 2014, Loblaw amended these awards so they are settled in shares and accordingly exposure to market price fluctuations has been eliminated.

Inventory loss (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. In 2015, a charge of $1 million (approximately U.S. $1 million) was recorded in SG&A. In 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, was received and recorded in SG&A.

Multi-employer pension plan ("MEPP") 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, which was recorded in SG&A in the Company's consolidated statement of earnings.

Foreign currency translation 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 cash equivalents and short term investments held by foreign operations, is recorded in SG&A and the associated tax, if any, is recorded in income taxes. In the fourth quarter of 2015, a foreign currency translation gain of $65 million (2014 – $43 million) was recorded in SG&A as a result of the appreciation of the U.S. dollar relative to the Canadian dollar. Income tax expense of $8 million (2014 – nil) was also recorded associated with this foreign currency translation gain. Year-to-date, a foreign currency translation gain of $159 million (2014 – $88 million) was recorded in SG&A as a result of the appreciation of the U.S. dollar relative to the Canadian dollar. Income tax expense of $13 million (2014 – nil) was also recorded associated with this foreign currency translation gain. Subsequent to year end 2015, the Company converted approximately $240 million U.S. dollars to Canadian dollars and recorded a gain of approximately $110 million in operating income.

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	
($ millions)	**Dec. 31, 2015 (12 weeks)**	Dec. 31, 2014 (13 weeks)	**Dec. 31, 2015 (52 weeks)**	Dec. 31, 2014 (53 weeks)
Net interest expense and other financing charges	**$ 139**	$ 231	**$ 681**	$ 815
Add: Fair value adjustment of the Trust Unit liability	**(5)**	(14)	**(55)**	(12)
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	**9**	(59)	**(26)**	(199)
Accelerated amortization of deferred financing costs		(5)	**(15)**	(23)
Shoppers Drug Mart net financing charges				(15)
Adjusted net interest expense and other financing charges	**$ 143**	$ 153	**$ 585**	$ 566

In addition to certain items described in the "EBITDA and Adjusted EBITDA" section above, the following items impacted net interest expense and other financing charges in the fourth quarters of 2015 and 2014, and on a year-to-date basis:

Fair value adjustment of the 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 date based on the market price of Trust Units at the end of each period. An increase (decrease) in the market price of Trust Units results in a charge (income) to net interest expense and other financing charges.

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. 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 2015 and 2014, Loblaw recorded charges related to the accelerated amortization of deferred financing costs due to the early repayment of its Acquisition Term Loan.

Shoppers Drug Mart net financing charges In addition to the net divestitures and acquisition costs as described in the "EBITDA and Adjusted EBITDA" section above, in 2014, Loblaw incurred net charges in connection with financing related to the acquisition of Shoppers Drug Mart.

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	
($ millions except where otherwise indicated)	**Dec. 31, 2015 (12 weeks)**	Dec. 31, 2014 (13 weeks)	**Dec. 31, 2015 (52 weeks)**	Dec. 31, 2014 (53 weeks)
Adjusted operating income(i)	**$ 675**	$ 736	**$ 2,687**	$ 2,405
Adjusted net interest expense and other financing charges(i)	**143**	153	**585**	566
Adjusted earnings before taxes	**$ 532**	$ 583	**$ 2,102**	$ 1,839
Income taxes	**$ 66**	$ 95	**$ 384**	$ 24
Add: Tax impact of items excluded from adjusted earnings before taxes(ii)	**78**	60	**232**	455
Provincial income tax rate change			**(45)**	
Adjusted income taxes	**$ 144**	$ 155	**$ 571**	$ 479
Effective income tax rate applicable to earnings before taxes	**23.4%**	24.3%	**30.8%**	15.2%
Adjusted income tax rate applicable to adjusted earnings before taxes	**27.1%**	26.6%	**27.2%**	26.0%

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

In addition to certain items described in the "EBITDA and Adjusted EBITDA" and "Adjusted Net Interest Expense and Other Financing Charges" sections above, the following item impacted income taxes and the effective income tax rate in 2015:

Provincial income tax rate change In 2015, the government of Alberta announced an increase to the provincial corporate income tax rate from 10% to 12% effective July 1, 2015. As a result, the Company recorded a charge related to the remeasurement of deferred tax liabilities.

Adjusted Basic Net Earnings per Common Share and Adjusted Net Earnings The Company believes adjusted basic net earnings per common share and adjusted net earnings 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 and adjusted net earnings to GAAP basic net earnings per common share reported for the periods ended as indicated.

	Quarters Ended		Years Ended	
($ except where otherwise indicated)	**Dec. 31, 2015 (12 weeks)**	Dec. 31, 2014 (13 weeks)	**Dec. 31, 2015 (52 weeks)**	Dec. 31, 2014 (53 weeks)
Basic net earnings per common share	**$ 1.08**	$ 1.18	**$ 3.78**	$ 0.64
Add impact of the following[i]:				
Amortization of intangible assets acquired with Shoppers Drug Mart	**0.32**	0.33	**1.40**	1.09
Restructuring and other charges	**0.01**	0.01	**0.58**	0.17
Impairment of drug retail ancillary assets held for sale	**0.28**		**0.28**	
Accelerated finalization of Labour Agreements	**0.14**		**0.14**	
Charge related to inventory measurement and other conversion differences	**0.09**		**0.09**	0.49
Pension annuities and buy-outs	**0.04**		**0.04**	
Fixed asset and other related impairments, net of recoveries	**0.02**		**0.04**	0.05
Charge related to apparel inventory			**0.02**	
Shoppers Drug Mart net divestitures and acquisition costs		0.04	**0.01**	0.29
Modifications to certain franchise fee arrangements	**(0.03)**	(0.11)	**(0.03)**	(0.11)
Fair value adjustment of derivatives	**(0.04)**	(0.03)	**(0.08)**	(0.01)
Recognition of fair value increment on inventory sold		0.17		2.08
Fair value adjustment of Shoppers Drug Mart's share-based compensation liability				0.02
Inventory loss (net insurance proceeds)		(0.06)	**0.01**	(0.01)
MEPP settlement payment				0.04
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	**(0.05)**	0.35	**0.15**	1.17
Fair value adjustment of the Trust Unit liability	**0.01**	0.03	**0.09**	0.04
Accelerated amortization of deferred financing costs		0.01	**0.04**	0.06
Provincial income tax rate change			**0.19**	
Foreign currency translation	**(0.44)**	(0.34)	**(1.14)**	(0.69)
Adjusted basic net earnings per common share	**$ 1.43**	$ 1.58	**$ 5.61**	$ 5.32
Weighted average common shares outstanding (millions)	**127.6**	127.7	**127.7**	127.8
Adjusted net earnings attributable to shareholders of the Company ($ millions)	**$ 193**	$ 212	**$ 761**	$ 724
Prescribed dividends on preferred shares in share capital ($ millions)	**10**	10	**44**	44
Adjusted net earnings available to common shareholders of the Company ($ millions)	**$ 183**	$ 202	**$ 717**	$ 680

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

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

	Quarters Ended		Years Ended	
($ millions)	**Dec. 31, 2015 (12 weeks)**	Dec. 31, 2014 (13 weeks)	**Dec. 31, 2015 (52 weeks)**	Dec. 31, 2014 (53 weeks)
Cash flows from operating activities	**$ 684**	$ 1,090	**$ 3,367**	$ 2,851
Less: Interest paid	**120**	139	**587**	604
Fixed asset purchases	**421**	351	**1,267**	984
Intangible asset additions	**104**	96	**233**	230
Free cash flow	**$ 39**	$ 504	**$ 1,280**	$ 1,033

20. ADDITIONAL INFORMATION

Additional information about the Company, including its 2015 AIF and other disclosure documents, has been filed electronically with the Canadian securities regulatory authorities through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com.

This Annual Report includes selected information on Loblaw, a public 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 website at www.loblaw.ca.

Toronto, Canada

March 2, 2016

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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 and
Chief Executive Officer

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

March 2, 2016
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, 2015 and December 31, 2014, 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, 2015 and December 31, 2014, 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 2, 2016
Toronto, Canada

Consolidated Statements of Earnings

For the years ended December 31 (millions of Canadian dollars except where otherwise indicated)	2015 (52 weeks)	2014 (53 weeks)
Revenue	**$ 46,894**	$ 43,918
Operating Expenses		
Cost of inventories sold (note 12)	**33,667**	32,727
Selling, general and administrative expenses (note 32)	**11,298**	10,218
	44,965	42,945
Operating Income	**1,929**	973
Net Interest Expense and Other Financing Charges (note 6)	**681**	815
Earnings Before Income Taxes	**1,248**	158
Income Tax (note 7)	**384**	24
Net Earnings	**864**	134
Attributable to:		
Shareholders of the Company	**527**	126
Non-Controlling Interests	**337**	8
Net Earnings	**$ 864**	$ 134
Net Earnings per Common Share ($) (note 8)		
Basic	**$ 3.78**	$ 0.64
Diluted	**$ 3.74**	$ 0.64

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 (millions of Canadian dollars)	2015 (52 weeks)	2014 (53 weeks)
Net earnings	**$ 864**	$ 134
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustment (note 32)	**151**	75
Unrealized gain on cash flow hedges (note 32)	**1**	
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial gains (losses) (note 28)	**143**	(59)
Other comprehensive income	**295**	16
Comprehensive Income	**1,159**	150
Attributable to:		
Shareholders of the Company	**736**	151
Non-Controlling Interests	**423**	(1)
Comprehensive Income	**$ 1,159**	$ 150

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

As at December 31 (millions of Canadian dollars)	2015	2014(i)
ASSETS		
Current Assets		
Cash and cash equivalents (note 9)	**$ 1,413**	$ 1,333
Short term investments (note 9)	**1,166**	1,072
Accounts receivable (note 10)	**1,478**	1,318
Credit card receivables (note 11)	**2,790**	2,630
Inventories (note 12)	**4,517**	4,463
Income taxes recoverable		30
Prepaid expenses and other assets	**279**	223
Assets held for sale (note 13)	**71**	23
Total Current Assets	**11,714**	11,092
Fixed Assets (note 14)	**11,352**	10,938
Investment Properties (note 15)	**160**	185
Intangible Assets (note 16)	**9,292**	9,786
Goodwill (note 17)	**3,836**	3,756
Deferred Income Taxes (note 7)	**156**	215
Security Deposits (note 9)	**88**	92
Franchise Loans Receivable (note 32)	**329**	399
Other Assets (note 18)	**875**	683
Total Assets	**$ 37,802**	$ 37,146
LIABILITIES		
Current Liabilities		
Bank indebtedness (note 35)	**$ 143**	$ 162
Trade payables and other liabilities	**5,381**	4,934
Provisions (note 20)	**180**	130
Income taxes payable	**73**	
Short term debt (note 21)	**1,086**	1,101
Long term debt due within one year (note 22)	**1,348**	420
Associate interest	**216**	193
Capital securities (note 24)		225
Total Current Liabilities	**8,427**	7,165
Provisions (note 20)	**157**	103
Long Term Debt (note 22)	**10,928**	12,306
Trust Unit Liability (note 32)	**552**	494
Deferred Income Taxes (note 7)	**1,990**	1,980
Other Liabilities (note 23)	**818**	849
Total Liabilities	**22,872**	22,897
EQUITY		
Share Capital (note 25)	**1,008**	997
Contributed Surplus (notes 26 & 29)	**19**	80
Retained Earnings	**6,441**	6,125
Accumulated Other Comprehensive Income	**231**	87
Total Equity Attributable to Shareholders of the Company	**7,699**	7,289
Non-Controlling Interests	**7,231**	6,960
Total Equity	**14,930**	14,249
Total Liabilities and Equity	**$ 37,802**	$ 37,146

(i) Certain 2014 figures have been restated (see notes 2 and 5).

Leases (note 31). Contingent liabilities (note 34). Financial guarantees (note 35). Restructuring and other charges (note 37).
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	Foreign Currency Translation Adjustment	Cash Flow Hedges	Total Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at Dec. 31, 2014	$ 180	$ 817	**$ 997**	**$ 80**	**$ 6,125**	$ 87		**$ 87**	**$ 6,960**	**$ 14,249**
Net earnings					**527**				**337**	**864**
Other comprehensive income[(i)]					**65**	143	$ 1	**144**	**86**	**295**
Comprehensive income					**592**	143	1	**144**	**423**	**1,159**
Effect of share-based compensation (notes 25 & 29)	11		**11**	**3**	**(1)**				**(1)**	**12**
Shares purchased and cancelled (note 25)					**(14)**					**(14)**
Net effect of shares held in trusts (notes 25 & 29)					**(1)**					**(1)**
Loblaw capital transactions and dividends (notes 26 & 29)				**(64)**					**(151)**	**(215)**
Dividends declared										
Per common share ($)										
– $1.695					**(217)**					**(217)**
Per preferred share ($)										
– Series I – $1.45					**(13)**					**(13)**
– Series III – $1.30					**(10)**					**(10)**
– Series IV – $1.30					**(10)**					**(10)**
– Series V – $1.19					**(10)**					**(10)**
	$ 11		**$ 11**	**$ (61)**	**$ (276)**				**$ (152)**	**$ (478)**
Balance as at Dec. 31, 2015	$ 191	$ 817	**$ 1,008**	**$ 19**	**$ 6,441**	$ 230	$ 1	**$ 231**	**$ 7,231**	**$ 14,930**

(i) Other comprehensive income includes actuarial gains of $143 million, $65 million of which is presented above in retained earnings and $78 million in non-controlling interests. Also included in non-controlling interests is a foreign currency translation gain of $8 million.

(millions of Canadian dollars except where otherwise indicated)	Common Shares	Preferred Shares	Total Share Capital	Contributed Surplus	Retained Earnings	Foreign Currency Translation Adjustment	Total Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
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[(i)]					**(46)**	71	**71**	**(9)**	**16**
Comprehensive income (loss)					**80**	71	**71**	**(1)**	**150**
Effect of share-based compensation (notes 25 & 29)	25		**25**	**21**				**9**	**55**
Shares purchased for cancellation (note 25)					**(29)**				**(29)**
Net effect of shares held in trusts (notes 25 & 29)					**(7)**				**(7)**
Loblaw capital transactions and dividends (notes 26 & 29)				**(6)**	**1,078**			**4,364**	**5,436**
Dividends declared									
Per common share ($)									
– $1.675					**(214)**				**(214)**
Per preferred share ($)									
– 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**

(i) 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. Also included in non-controlling interests is a foreign currency translation gain of $4 million.

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31 (millions of Canadian dollars)	2015 (52 weeks)	2014[(i)] (53 weeks)
Operating Activities		
Net earnings	**$ 864**	$ 134
Add:		
Net interest expense and other financing charges (note 6)	**681**	815
Income taxes (note 7)	**384**	24
Depreciation and amortization	**1,686**	1,542
Recognition of fair value increment on inventory sold (note 12)		798
Charge related to inventory measurement and other conversion differences (note 12)	**4**	190
Fixed asset and other related impairments (note 14)	**73**	16
Foreign currency translation gain (note 32)	**(159)**	(88)
	3,533	3,431
Change in credit card receivables (note 11)	**(160)**	(92)
Change in non-cash working capital	**220**	(319)
Income taxes paid	**(263)**	(317)
Interest received	**13**	35
Other	**24**	113
Cash Flows from Operating Activities	**3,367**	2,851
Investing Activities		
Acquisition of Shoppers Drug Mart Corporation, net of cash acquired (note 5)		(6,619)
Fixed asset purchases (note 14)	**(1,267)**	(984)
Intangible asset additions (note 16)	**(233)**	(230)
Cash assumed on initial consolidation of franchises (note 5)	**33**	
Change in short term investments	**57**	502
Change in security deposits	**10**	1,704
Other	**(7)**	43
Cash Flows used in Investing Activities	**(1,407)**	(5,584)
Financing Activities		
Change in bank indebtedness	**(19)**	(133)
Change in short term debt (note 21)	**(15)**	41
Interest paid	**(587)**	(604)
Redemption of Loblaw capital securities (note 24)	**(225)**	
Long term debt – Issued (note 22)	**1,186**	6,064
– Retired (note 22)	**(1,783)**	(3,536)
Share capital – Issued (notes 25 & 29)	**9**	21
– Purchased and held in trusts (note 25)	**(7)**	(11)
– Purchased and cancelled (note 25)	**(14)**	(29)
Loblaw common share capital – Issued (notes 26 & 29)	**63**	129
– Purchased and held in trusts (note 26)	**(63)**	
– Purchased and cancelled (note 26)	**(280)**	(178)
Loblaw preferred share capital – Issued (note 26)	**221**	
Dividends – To common shareholders	**(162)**	(267)
– To preferred shareholders	**(36)**	(52)
– To minority shareholders	**(229)**	(273)
Other	**23**	
Cash Flows (used in) from Financing Activities	**(1,918)**	1,172
Effect of foreign currency exchange rate changes on cash and cash equivalents	**38**	25
Change in Cash and Cash Equivalents	**80**	(1,536)
Cash and Cash Equivalents, Beginning of Period	**1,333**	2,869
Cash and Cash Equivalents, End of Period	**$ 1,413**	$ 1,333

(i) Certain 2014 figures have been restated (see note 2).

See accompanying notes to the consolidated financial statements.

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 Choice Properties. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, retail banking, credit card services, insurance and wireless mobile products and services. Loblaw also holds an 83.0% effective interest in Choice Properties, which owns, leases and manages income-producing commercial properties. The Weston Foods operating segment includes a leading fresh bakery business in Canada and frozen, artisan bakery and biscuit businesses throughout North America.

As at year end 2015, GWL's ownership interest in Loblaw was approximately 46% (2014 – 46%). The Company has the ability to direct the activities of Loblaw and consequently consolidates Loblaw.

As at year end 2015, GWL and Loblaw held effective interests in Choice Properties of 5.6% (2014 – 5.4%) and 83.0% (2014 – 82.9%), respectively.

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 2, 2016.

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:

- defined benefit pension plan assets with the obligations related to these pension plans measured at their discounted present value as described in note 28;
- amounts recognized for cash-settled share-based compensation arrangements as described in note 29; and
- certain financial instruments as described in note 32.

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, 2015 and December 31, 2014 contained 52 weeks and 53 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, 2014 – 46%). 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 non-controlling interests 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") as well as the franchisees of its food retail stores that are subject to a new, simplified franchise agreement ("Franchise Agreement"). 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 Corporation's ("Shoppers Drug Mart") trademarks. The consolidation of the Associates and the new franchisees is based on the concept of control, for accounting purposes, which was determined to exist, through agreements that govern the relationships between Loblaw and the Associates and franchisees. 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. The Associates' corporations and the franchisees remain separate legal entities.

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 consolidated franchise stores and Associates, and sales to non-consolidated franchise stores, and independent wholesale 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 non-consolidated franchises. Revenue also includes service fees from non-consolidated franchises, and independent wholesale account customers, which are recognized when services are rendered.

On the initial sale of franchising arrangements, Loblaw offered products and services as part of a multiple deliverable arrangement. Prior to the implementation of the new Franchise Agreement, the initial sales to non-consolidated franchise stores were recorded using a relative fair value approach.

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.

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.

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 consists primarily of receivables from Loblaw's vendors, non-consolidated franchisees, government and third-party drug plans arising from prescription drug sales, 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.

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.

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 maintains and monitors co-ownership interest in credit card receivables with independent securitization trusts, in accordance with its financing requirements. 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 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. Loblaw provides a standby letter of credit for the benefit of the independent securitization trusts.

Eagle Credit Card Trust® PC Bank participates in a single seller revolving co-ownership securitization program with *Eagle Credit Card Trust® ("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 consolidates *Eagle* as a structured entity.

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. These trusts are unconsolidated structured entities.

Franchise Loans Receivable Franchise loans receivable are comprised of amounts due from non-consolidated franchises for loans issued through a structure involving consolidated independent funding trusts. These trusts, which are considered structured entities, were created to provide loans to franchises to facilitate their purchase of inventory and fixed assets. Each franchise provides security to the independent funding trust for its obligations by way of a general security agreement. In the event that a franchise 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 its 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 a reduction 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 is 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 annually and are adjusted for prospectively, if appropriate. Estimated useful lives are as follows:

Buildings	10 to 40 years
Equipment and fixtures	2 to 16 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[(i)] and useful life[(ii)]

(i) 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.
(ii) 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 grouping 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 balances outstanding on 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, available-for-sale financial assets, 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 forwards and futures, 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 item in a designated hedging relationship. The Company has cash flow hedges which are used to manage exposure to fluctuations in foreign currency exchange and interest rates. The effective portion of the change in fair value of the hedging item is recorded in other comprehensive income. If the change in fair value of the hedging item is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded in net earnings. Amounts accumulated in other comprehensive income are reclassified to net earnings when the hedged item is recognized in net earnings.

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(i)	Fair value
Short term investments	Fair value through profit and loss(i)	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(i)	Fair value
Franchise loans receivable	Loans and receivables	Amortized cost
Certain other assets	Loans and receivables	Amortized cost
Certain long term investments	Available-for-sale	Fair value(ii)
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(iii)	Fair value
Certain other liabilities	Other liabilities	Amortized cost
Capital securities	Other liabilities	Amortized cost
Derivatives	Fair value through profit and loss(iii)	Fair value

(i) Financial instruments designated at fair value through profit and loss.
(ii) Measured at fair value through other comprehensive income until realized through disposal or impairment.
(iii) 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 the current year. 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; • 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 other comprehensive income. 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 high quality corporate 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 and subsequently reclassified from accumulated other comprehensive income 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 to 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.

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. 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 accumulated 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 accumulated 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 ("SG&A") 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, now hold converted 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.

Changes to Significant Accounting Policies

Intangible Assets The classification of software costs requires judgment to determine whether such costs should be classified as fixed assets or intangible assets. Management has reviewed the classification of the Company's software costs, primarily related to the implementation of Loblaw's new information technology ("IT") systems, and has determined that it would be appropriate to present certain costs as intangible assets. The Company implemented the change retrospectively in 2015 with the following effect to the periods ended as indicated:

Consolidated Balance Sheet

Increase (decrease) ($ millions)	As at Dec. 31, 2014
Fixed assets	$ (498)
Intangible assets	$ 498

In addition, Loblaw reassessed and revised the useful life of its new IT systems from five to seven years. This revision represents a change in estimate resulting in a reduction in annual depreciation and amortization expense of approximately $34 million compared to 2014.

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.

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. These estimates are derived from past experience, actual operating results and budgets.

Customer Loyalty Awards 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 estimated fair value per point is based on the program reward schedule, which for the *PC* Points and *PC Plus* programs is $1 for every 1,000 points. For the *Shoppers Optimum* program, the estimated fair value is determined based on the expected weighted average redemption levels for future redemptions, including special redemption events. Breakage rates are primarily based on historical redemption experience. 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 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16"), replacing IAS 17, "Leases" and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") has been adopted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In 2014, the IASB issued IFRS 15, replacing IAS 18, "Revenue", IAS 11, "Construction Contracts", and related interpretations. 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, 2018, 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", and related interpretations. 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, and therefore the Company will apply these amendments in the first quarter of 2016. The Company does not expect any material impact on its financial statement disclosures as a result of adopting these amendments.

Note 5. Business Acquisitions

Acquisition of Shoppers Drug Mart Corporation In 2015, Loblaw finalized the purchase price allocation of Shoppers Drug Mart. The final purchase price allocation was 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	2,360
Deferred income tax assets	68
Other assets	7
Bank indebtedness	(295)
Trade payables and other liabilities	(1,026)
Income taxes payable	(11)
Associate interest	(174)
Provisions	(19)
Long term debt	(1,127)
Deferred income tax liabilities	(2,225)
Other liabilities	(164)
Total net assets acquired	$ 12,273

The final purchase price allocation included revisions retrospective to the date of acquisition, resulting in restatements to the Company's comparative period consolidated balance sheets. In 2015, Loblaw revised its fair value estimate of the *Shoppers Optimum* loyalty program liability, resulting in increased trade payables and other liabilities of $102 million, decreased deferred income tax liabilities of $27 million and increased goodwill of $75 million.

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
Shoppers Optimum loyalty program		490	18 years
Other		555	5 to 10 years
Total intangible assets	$	9,440	

Pursuant to a Consent Agreement reached with the Competition Bureau in 2014 ("Consent Agreement"), Loblaw was required to divest 16 Shoppers Drug Mart stores, two of its franchise grocery stores, as well as nine of its in-store pharmacy operations.

In 2015, Loblaw met the requirement by completing all required divestitures with the sale of three remaining Shoppers Drug Mart stores. Loblaw received gross proceeds of $9 million and recorded a loss of $2 million in operating income related to these final divestitures. Since the closing of the acquisition, Loblaw received gross proceeds of $69 million and recognized a cumulative net divestitures loss of $14 million.

Consolidation of Franchises Loblaw treats the consolidation of existing franchises as business acquisitions. The acquisition date was the date the franchisee enters into a new Franchise Agreement with Loblaw. The assets acquired and liabilities assumed through the consolidation have been valued at the acquisition date using fair values, which approximate the franchise carrying values at the date of acquisition. The results of operations of the acquired franchises have been included in Loblaw's results of operations from the date of acquisition. As at year end 2015, Loblaw has not yet finalized the purchase price allocation related to these acquisitions. The following table summarizes the amounts recognized for the assets acquired, the liabilities assumed and the non-controlling interests recognized at the acquisition date:

($ millions)		
Net assets acquired:		
Cash and cash equivalents	$	33
Inventories		46
Fixed assets		52
Trade payables and other liabilities[(i)]		(33)
Other liabilities[(i)]		(84)
Non-controlling interests		(14)
Total net assets acquired	$	

(i) On consolidation, trade payables and other liabilities and other liabilities eliminate against existing accounts receivable, franchise loans receivable and franchise investments held by Loblaw.

Other Business Acquisitions In 2015, Loblaw acquired the net assets of a grocery store, including land and a building, for total consideration of $41 million, and has allocated $21 million to goodwill. Loblaw has not yet finalized the purchase price allocation related to this acquisition.

Note 6. Net Interest Expense and Other Financing Charges

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

($ millions)	2015 (52 weeks)	2014 (53 weeks)
Interest expense:		
Long term debt[(i)]	$ 555	$ 545
Fair value adjustment of the Trust Unit liability (note 32)	55	12
Forward sale agreement[(ii)]	3	175
Acquisition of Shoppers Drug Mart - net financing charges		18
Borrowings related to credit card receivables	37	37
Trust Unit distributions	31	30
Independent funding trusts	14	15
Post-employment and other long term employee benefits (note 28)	14	13
Dividends on capital securities (note 24)	8	14
Bank indebtedness	6	6
Capitalized interest (capitalization rate 5.7% (2014 – 6.2%)) (notes 14 &16)	(5)	(4)
	$ 718	$ 861
Interest income:		
Accretion income	$ (21)	$ (25)
Short term interest income	(15)	(16)
Security deposits[(iii)]	(1)	(5)
	$ (37)	$ (46)
Net interest expense and other financing charges	$ 681	$ 815

(i) Includes accelerated amortization of deferred financing costs of $15 million (2014 – $23 million) related to the early repayment of Loblaw's $3.5 billion unsecured term loan facility, obtained in connection with the acquisition of Shoppers Drug Mart (see note 22).

(ii) Includes a non-cash charge of $26 million (2014 – $199 million) related to the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares (see note 32). 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 included is forward accretion income of $40 million (2014 – $42 million) and the forward fee of $17 million (2014 – $18 million) associated with the forward sale agreement.

(iii) 2014 includes interest income of $3 million related to the $1.6 billion of proceeds from the issuance of Loblaw's senior unsecured notes previously held in escrow, which were used to partially fund the acquisition of Shoppers Drug Mart.

Note 7. Income Taxes

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

($ millions)	2015 (52 weeks)	2014 (53 weeks)
Current income taxes		
Current period	**$ 363**	$ 318
Adjustment in respect of prior periods	**5**	(43)
Deferred income taxes		
Origination and reversal of temporary differences	**(23)**	(291)
Effect of change in income tax rates(i)	**45**	
Adjustment in respect of prior periods	**(6)**	40
Income taxes	**$ 384**	$ 24

(i) In 2015, the government of Alberta announced an increase to the provincial corporate income tax rate from 10% to 12% effective July 1, 2015. As a result, the Company recorded a charge of $45 million related to the remeasurement of deferred tax liabilities.

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

($ millions)	2015 (52 weeks)	2014 (53 weeks)
Defined benefit plan actuarial gains (losses) (note 28)	**$ 52**	$ (22)
Other comprehensive income	**$ 52**	$ (22)

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:

	2015	2014
Weighted average basic Canadian federal and provincial statutory income tax rate	**26.2%**	26.0%
Net increase (decrease) resulting from:		
Earnings in jurisdictions taxed at rates different from the Canadian statutory income tax rates	**0.5**	0.7
Impact of foreign currency translation gains	**(1.6)**	(5.7)
Non-taxable and non-deductible amounts	**0.6**	(6.8)
Impact of fair value adjustment of Trust Unit liability	**1.3**	1.9
Impact of statutory income tax rate changes on deferred income tax balances	**3.7**	
Other	**0.1**	(0.9)
Effective income tax rate applicable to earnings before income taxes	**30.8%**	15.2%

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

($ millions)	As at Dec. 31, 2015	Dec. 31, 2014
Deductible temporary differences	**$ 43**	$ 26
Income tax losses and credits	**82**	68
Unrecognized deferred income tax assets	**$ 125**	$ 94

The income tax losses and credits expire in the years 2026 to 2035. 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, 2015	Dec. 31, 2014[(i)]
Trade payables and other liabilities	**$ 93**	$ 79
Other liabilities	**339**	365
Fixed assets	**(550)**	(560)
Goodwill and intangible assets	**(1,768)**	(1,832)
Other assets	**(39)**	(82)
Non-capital losses carried forward (expiring 2030 to 2035)	**51**	163
Capital losses carried forward	**23**	20
Other	**17**	82
Net deferred income tax liabilities	**$ (1,834)**	$ (1,765)
Recorded on the consolidated balance sheets as follows:		
Deferred income tax assets	**$ 156**	$ 215
Deferred income tax liabilities	**(1,990)**	(1,980)
Net deferred income tax liabilities	**$ (1,834)**	$ (1,765)

(i) Certain 2014 figures have been restated (see note 5).

Note 8. Basic and Diluted Net Earnings per Common Share

($ millions except where otherwise indicated)	2015 (52 weeks)	2014 (53 weeks)
Net earnings attributable to shareholders of the Company	**$ 527**	$ 126
Prescribed dividends on preferred shares in share capital	**(44)**	(44)
Net earnings available to common shareholders of the Company	**$ 483**	$ 82
Reduction in net earnings due to dilution at Loblaw	**(3)**	
Net earnings available to common shareholders for diluted earnings per share	**$ 480**	$ 82
Weighted average common shares outstanding (in millions) (note 25)	**127.7**	127.8
Dilutive effect of share-based compensation[(i)] (in millions)	**0.5**	0.4
Diluted weighted average common shares outstanding (in millions)	**128.2**	128.2
Basic net earnings per common share ($)	**$ 3.78**	$ 0.64
Diluted net earnings per common share ($)	**$ 3.74**	$ 0.64

(i) Excluded from the computation of diluted net earnings per common share were 347,225 (2014 – 501,963) potentially dilutive instruments, as they were anti-dilutive.

Note 9. 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

	As at	
($ millions)	**Dec. 31, 2015**	Dec. 31, 2014
Cash	**$ 508**	$ 586
Cash equivalents:		
Bankers' acceptances	**331**	175
Government treasury bills	**225**	490
Corporate commercial paper	**193**	82
Bank term deposits	**136**	
Government agency securities	**20**	
Cash and cash equivalents	**$ 1,413**	$ 1,333

Short Term Investments

	As at	
($ millions)	**Dec. 31, 2015**	Dec. 31, 2014
Bankers' acceptances	**$ 52**	$ 31
Government treasury bills	**562**	344
Corporate commercial paper	**222**	376
Government agency securities	**324**	297
Other	**6**	24
Short term investments	**$ 1,166**	$ 1,072

Security Deposits

($ millions)	As at Dec. 31, 2015	Dec. 31, 2014
Cash	**$ 47**	$ 52
Government treasury bills	**36**	31
Government agency securities	**5**	9
Security deposits	**$ 88**	$ 92

During 2015, GWL and Loblaw had agreements to cash collateralize certain uncommitted credit facilities up to amounts of $45 million (2014 – $45 million) and $149 million (2014 – $141 million), respectively. As at year end 2015, GWL and Loblaw had $45 million (2014 – $45 million) and $2 million (2014 – $7 million) deposited with major financial institutions, respectively, and classified as security deposits on the consolidated balance sheets.

Note 10. Accounts Receivable

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

	As at							
	Dec. 31, 2015				Dec. 31, 2014			
($ millions)	**0 - 90 days**	**> 90 days**	**> 180 days**	**Total**	0 - 90 days	> 90 days	> 180 days	Total
Accounts receivable	**$ 1,356**	**$ 58**	**$ 64**	**$ 1,478**	$ 1,212	$ 39	$ 67	$ 1,318

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

($ millions)	2015	2014
Allowance, beginning of year	**$ (99)**	$ (122)
Net (additions) reversals	**(7)**	23
Allowance, end of year	**$ (106)**	$ (99)

Credit risk associated with accounts receivable is discussed in note 33.

Note 11. Credit Card Receivables

The components of credit card receivables were as follows:

($ millions)	As at Dec. 31, 2015	Dec. 31, 2014
Gross credit card receivables	**$ 2,844**	$ 2,684
Allowance for credit card receivables	**(54)**	(54)
Credit card receivables	**$ 2,790**	$ 2,630
Securitized to independent securitization trusts		
Securitized to *Eagle*	**$ 650**	$ 750
Securitized to Other Independent Securitization Trusts	**550**	605
Total securitized to independent securitization trusts	**$ 1,200**	$ 1,355

Loblaw, through PC Bank, participates in various securitization programs that provide a source of funds for the operation of its credit card business. PC Bank maintains and monitors the co-ownership interest in credit card receivables with independent securitization trusts, including *Eagle* and the Other Independent Securitization Trusts, in accordance with its financing requirements.

The associated liability of *Eagle* is recorded in long term debt (see note 22). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short term debt (see note 21).

In 2015, PC Bank decreased its co-ownership interest in securitized receivables held with *Eagle* by $100 million. In addition, PC Bank recorded a $55 million net reduction of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts. Subsequent to year end 2015, PC Bank reduced $100 million of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts.

Loblaw has arranged letters of credit on behalf of PC Bank, for the benefit of the Independent Securitization Trusts (see note 35).

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. PC Bank was in compliance with this requirement as at year end 2015 and throughout the year.

The following is an aging of gross credit card receivables:

	As at							
				Dec. 31, 2015				Dec. 31, 2014
		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	**$ 2,652**	**$ 162**	**$ 30**	**$ 2,844**	$ 2,505	$ 150	$ 29	$ 2,684

The following are continuities of allowances for credit card receivables:

($ millions)	**2015**	2014
Allowance, beginning of year	**$ (54)**	$ (47)
Provision for losses	**(118)**	(121)
Recoveries	**(16)**	(19)
Write-offs	**134**	133
Allowance, end of year	**$ (54)**	$ (54)

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

Note 12. Inventories

The components of inventories were as follows:

($ millions)	As at Dec. 31, 2015	Dec. 31, 2014
Raw materials and supplies	**$ 77**	$ 61
Finished goods	**4,440**	4,402
Inventories	**$ 4,517**	$ 4,463

As at year end 2015, inventories included a charge of $85 million (2014 – $23 million) recorded by Loblaw for the write-down of inventories below cost to net realizable value, of which $46 million related to the anticipated sale of certain assets of the Shoppers ancillary healthcare businesses (see note 37). 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 2015 or 2014.

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 the related inventory was sold.

In 2014, 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.

Note 13. Assets Held for Sale

Loblaw holds certain assets, primarily 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. In 2015, Loblaw recorded a gain of $1 million (2014 – $4 million) from the sale of these assets, excluding the impact of completed divestitures related to the acquisition of Shoppers Drug Mart (see note 5). There were no impairment or other charges recognized on these properties during 2015 or 2014.

In 2015, Loblaw commenced actively marketing the sale of certain assets of its Shoppers ancillary healthcare businesses. As at year end 2015, assets totaling $17 million, including inventory of $16 million and fixed assets of $1 million, were classified as assets held for sale.

As at year end 2014, assets of $8 million, including intangible assets of $3 million, inventories of $3 million and fixed assets of $2 million, relating to the three Shoppers Drug Mart stores sold in the first quarter of 2015, were included in assets held for sale.

Note 14. Fixed Assets

The following is a continuity of the cost and accumulated depreciation and impairment losses of fixed assets for the year ended December 31, 2015:

($ millions)	Land	Buildings	Equipment and fixtures	Leasehold improvements	Finance leases - land, buildings, equipment and fixtures	Assets under construction	Total
Cost, beginning of year	$ 1,828	$ 7,649	$ 6,874	$ 1,779	$ 818	$ 723	$ 19,671
Additions	2	1	157	114	103	978	1,355
Disposals		(1)	(102)	(53)	(37)	(10)	(203)
Transfer to assets held for sale			(2)				(2)
Transfer to investment properties	(10)	(29)					(39)
Transfer from assets under construction	77	402	417	37		(933)	
Transfer from intangible assets			1				1
Business acquisitions	8	9	54	1			72
Foreign exchange	1	25	70			19	115
Cost, end of year	$ 1,906	$ 8,056	$ 7,469	$ 1,878	$ 884	$ 777	$ 20,970
Accumulated depreciation and impairment losses, beginning of year	$ 3	$ 2,740	$ 5,054	$ 631	$ 295	$ 10	$ 8,733
Depreciation		211	504	161	58		934
Impairment losses		19	42	13			74
Reversal of impairment losses		(14)		(1)			(15)
Disposals		(2)	(99)	(46)	(14)		(161)
Transfer to investment properties		(7)					(7)
Foreign exchange		11	49				60
Accumulated depreciation and impairment losses, end of year	$ 3	$ 2,958	$ 5,550	$ 758	$ 339	$ 10	$ 9,618
Carrying amount as at:							
December 31, 2015	$ 1,903	$ 5,098	$ 1,919	$ 1,120	$ 545	$ 767	$ 11,352

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

($ millions)	Land	Buildings	Equipment and fixtures[(i)]	Leasehold improvements	Finance leases - land, buildings, equipment and fixtures	Assets under construction[(i)]	Total[(i)]
Cost, beginning of year	$ 1,706	$ 7,114	$ 6,158	$ 860	$ 568	$ 623	$ 17,029
Additions	7	13	104	82	102	761	1,069
Disposals	(12)	(15)	(110)	(11)	(14)	(13)	(175)
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	320	32		(650)	
Business acquisitions[(ii)]	88	268	380	830	162	72	1,800
Foreign exchange	1	13	33			3	50
Cost, end of year	$ 1,828	$ 7,649	$ 6,874	$ 1,779	$ 818	$ 723	$ 19,671
Accumulated depreciation and impairment losses, beginning of year	$ 2	$ 2,551	$ 4,640	$ 503	$ 261	$ 7	$ 7,964
Depreciation		210	479	133	47	1	870
Impairment losses	1	11	12	13	1	2	40
Reversal of impairment losses	(1)	(31)	(1)	(2)			(35)
Disposals		(10)	(88)	(9)	(14)		(121)
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	$ 5,054	$ 631	$ 295	$ 10	$ 8,733
Carrying amount as at:							
December 31, 2014	$ 1,825	$ 4,909	$ 1,820	$ 1,148	$ 523	$ 713	$ 10,938

(i) Certain 2014 figures have been restated (see note 2).
(ii) Includes $1,792 million related to the acquisition of Shoppers Drug Mart (see note 5).

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 2015, the net carrying amount of leased land and buildings was $479 million (2014 – $466 million) and the net carrying amount of leased equipment and fixtures was $66 million (2014 – $57 million).

Assets under Construction The cost of additions to properties under construction for 2015 was $978 million (2014 – $761 million). Included in this amount were capitalized borrowing costs of $4 million (2014 – $3 million) with a weighted average capitalization rate of 5.7% (2014 – 6.2%) (see note 6).

Security and Assets Pledged As at year end 2015, Loblaw had fixed assets with a carrying amount of $231 million (2014 – $191 million) which were encumbered by mortgages of $82 million (2014 – $86 million) (see note 22).

Fixed Asset Commitments As at year end 2015, the Company had entered into commitments of $169 million (2014 – $261 million) for the construction, expansion and renovation of buildings and the purchase of real property.

Impairment Losses and Reversals In 2015, Loblaw recorded $18 million (2014 – $26 million) of impairment losses on fixed assets in respect of eight CGUs (2014 – 13 CGUs) in its Retail segment. The recoverable amount was based on the greater of the CGU's fair value less costs to sell and its value in use. Approximately 75% (2014 – 23%) of impaired CGUs had carrying values which were $14 million (2014 – $7 million) greater than their fair value less costs to sell. The remaining 25% (2014 – 77%) of impaired CGUs had carrying values which were $4 million (2014 – $19 million) greater than their value in use.

In 2015, Loblaw recorded $15 million (2014 – $35 million) of impairment reversals on fixed assets in respect of six CGUs (2014 – 14 CGUs) in its Retail segment. Impairment reversals are recorded where the recoverable amount of the retail location exceeds its carrying amount. Approximately 50% (2014 – 93%) of CGUs with impairment reversals had fair value less costs to sell which were $7 million (2014 – $33 million) greater than their carrying values. The remaining 50% (2014 – 7%) of CGUs with impairment reversals had value in use which were $8 million (2014 – $2 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 2015 (2014 – 8.0% to 8.5%).

In 2015, Loblaw recorded impairment losses on its fixed assets of $23 million relating to the announced closures of approximately 52 unprofitable retail locations across a range of banners and formats, and $24 million relating to the anticipated sale of certain assets of the Shoppers ancillary healthcare businesses (see note 37).

Loblaw incurred additional impairment losses of $9 million (2014 - $14 million) related to store closures, renovations and conversions of retail locations. Impairment losses are recorded where the carrying amount of the retail location exceeds its recoverable amount.

Note 15. Investment Properties

The following are continuities of the cost and accumulated depreciation and impairment losses of investment properties for the years ended December 31, 2015 and December 31, 2014:

($ millions)		2015		2014
Cost, beginning of year	$	255	$	172
Acquisition of Shoppers Drug Mart (note 5)				16
Additions				16
Disposals		(5)		(4)
Transfer from fixed assets		39		56
Transfer to assets held for sale		(53)		(1)
Cost, end of year	$	236	$	255
Accumulated depreciation and impairment losses, beginning of year	$	70	$	73
Depreciation		3		2
Impairment losses		12		11
Reversal of impairment losses		(1)		
Disposals		(3)		(2)
Transfer from (to) fixed assets		7		(9)
Transfer to assets held for sale		(12)		(5)
Accumulated depreciation and impairment losses, end of year	$	76	$	70

		As at		
($ millions)		Dec. 31, 2015		Dec. 31, 2014
Carrying amount	$	160	$	185
Fair value	$	194	$	225

During 2015, Loblaw recognized in operating income $7 million (2014 – $7 million) of rental income and incurred direct operating costs of $2 million (2014 – $3 million) related to its investment properties. In addition, Loblaw recognized direct operating costs of $3 million (2014 – $2 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 2015, the pre-tax discount rates used in the valuations for investment properties ranged from 7.75% to 9.50% (2014 – 6.00% to 9.75%) and the terminal capitalization rates ranged from 6.75% to 8.75% (2014 – 5.50% to 8.50%).

In 2015, Loblaw recorded impairment losses on investment properties of $12 million (2014 – $11 million) in operating income, including $9 million relating to the announced closures of approximately 52 unprofitable retail locations, as the carrying amounts of all impaired properties were lower than their recoverable amounts (note 37). Loblaw recorded $1 million of reversals of impairment losses on investment properties (2014 – nil) in operating income where their fair values less costs to sell were greater than their carrying values.

Note 16. Intangible Assets

The following is a continuity of the cost and accumulated amortization and impairment losses of intangible assets for the year ended December 31, 2015:

($ millions)	Indefinite life intangible assets	Definite life internally generated intangible assets	Definite life trademarks and brand names	Software	Definite life other intangible assets	Total
Cost, beginning of year	$ 3,461	$ 20	$ 25	$ 1,639	$ 5,989	$ 11,134
Business acquisitions					25	25
Additions				216	17	233
Disposal				(2)	(3)	(5)
Write-off cost of fully amortized assets					(1)	(1)
Transfer to fixed assets				(1)		(1)
Impact of foreign currency translation					17	17
Cost, end of year	$ 3,461	$ 20	$ 25	$ 1,852	$ 6,044	$ 11,402
Accumulated amortization and impairment losses, beginning of year		$ 19	$ 6	$ 852	$ 471	$ 1,348
Amortization		1	1	220	538	760
Disposal				(2)	(1)	(3)
Impairment losses					3	3
Write-off amortization of fully amortized assets					(1)	(1)
Impact of foreign currency translation					3	3
Accumulated amortization and impairment losses, end of year		$ 20	$ 7	$ 1,070	$ 1,013	$ 2,110
Carrying amount as at:						
December 31, 2015	$ 3,461		$ 18	$ 782	$ 5,031	$ 9,292

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

($ millions)	Indefinite life intangible assets	Definite life internally generated intangible assets[(i)]	Definite life trademarks and brand names	Software[(i)]	Definite life other intangible assets	Total[(i)]
Cost, beginning of year	$ 71	$ 20	$ 23	$ 1,190	$ 179	$ 1,483
Business acquisitions[(ii)]	3,390		2	230	5,828	9,450
Additions		3		222	5	230
Disposal		(3)		(3)	(2)	(8)
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	$ 20	$ 25	$ 1,639	$ 5,989	$ 11,134
Accumulated amortization and impairment losses, beginning of year		$ 19	$ 5	$ 600	$ 54	$ 678
Amortization			1	255	420	676
Write-off amortization of fully amortized assets				(3)	(1)	(4)
Transfer to assets held for sale					(3)	(3)
Impact of foreign currency translation					1	1
Accumulated amortization and impairment losses, end of year		$ 19	$ 6	$ 852	$ 471	$ 1,348
Carrying amount as at:						
December 31, 2014	$ 3,461	$ 1	$ 19	$ 787	$ 5,518	$ 9,786

(i) Certain 2014 figures have been restated (see note 2).
(ii) Includes $9,440 million related to the acquisition of Shoppers Drug Mart (see note 5).

Indefinite Life Intangible Assets 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 2015 and 2014 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 17).

Software Software is comprised of software purchases and development costs. Included in these amounts are capitalized borrowing costs of $1 million (2014 – $1 million).

Definite Life Other Intangible Assets Definite life other intangible assets recorded by Loblaw are primarily comprised of Shoppers Drug Mart prescription files and the carrying value of the *Shoppers Optimum* loyalty program (see note 5).

The Company completed its assessments of impairment indicators for definite life intangible assets and concluded that there were no indications of impairment during 2015 and 2014.

Note 17. Goodwill

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

($ millions)	2015	2014[(i)]
Cost, beginning of year	**$ 4,818**	$ 2,427
Business acquisitions[(ii)]	**50**	2,375
Impact of foreign currency translation	**30**	16
Cost, end of year	**$ 4,898**	$ 4,818
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	**$ 3,836**	$ 3,756

(i) Certain 2014 figures have been restated (see note 5).
(ii) Includes $21 million related to the acquisition of a grocery store in 2015 and $2,360 million related to the acquisition of Shoppers Drug Mart in 2014 (see note 5).

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

	As at	
($ millions)	**Dec. 31, 2015**	Dec. 31, 2014
Weston Foods	**$ 314**	$ 278
Shoppers Drug Mart	**2,390**	2,369
Market	**360**	337
Discount	**459**	459
T&T Supermarket Inc.	**129**	129
Other	**184**	184
Carrying amount of goodwill	**$ 3,836**	$ 3,756

The Company completed its 2015 and 2014 annual impairment tests for goodwill 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 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 7.0% (2014 – 6.0% to 6.5%) 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 2015, the after-tax discount rates used in the recoverable amount calculations ranged from 6.5% to 9.5% (2014 – 8.5% to 9.5%). The pre-tax discount rates ranged from 8.7% to 12.9% (2014 – 11.4% 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% (2014 – 2.0%). The budgeted adjusted EBITDA growth is based on the strategic plans approved by GWL's and Loblaw's Boards.

Note 18. Other Assets

The components of other assets were as follows:

($ millions)	As at Dec. 31, 2015	As at Dec. 31, 2014
Fair value of equity forward (note 32)	**$ 381**	$ 367
Sundry investments and other receivables	**119**	141
Net accrued benefit plan asset (note 28)	**204**	109
Other	**171**	66
Other assets	**$ 875**	$ 683

Note 19. Customer Loyalty Awards Program Liability

The liability associated with Loblaw's customer loyalty awards programs ("loyalty liability") is included in trade payables and other liabilities. The carrying amount of the loyalty liability was as follows:

($ millions)	Dec. 31, 2015	Dec. 31, 2014
Loyalty liability	**$ 229**	$ 229

Note 20. 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 of provisions for the years ended December 31, 2015 and December 31, 2014:

($ millions)	2015	2014
Provisions, beginning of year	**$ 233**	$ 201
Acquisition of Shoppers Drug Mart (note 5)		19
Additions	**209**	89
Payments	**(102)**	(79)
Reversals	**(13)**	(3)
Impact of foreign currency translation	**10**	6
Provisions, end of year	**$ 337**	$ 233

($ millions)	As at Dec. 31, 2015	As at Dec. 31, 2014
Carrying amount of provisions recorded in:		
Current provisions	**$ 180**	$ 130
Non-current provisions	**157**	103
Provisions	**$ 337**	$ 233

The Company's accrued insurance liabilities were $85 million (2014 – $84 million), of which $47 million (2014 – $50 million) was included in non-current provisions and $38 million (2014 – $34 million) in current provisions. Included in total accrued insurance liabilities were $29 million (2014 – $30 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 2015 U.S. workers' compensation cost and liability was 2.0% (2014 – 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 $5 million in 2015 (2014 – $4 million).

As at year end 2015, $140 million (2014 – $37 million) was included in Loblaw's provisions relating to the restructuring initiatives (see note 37).

Note 21. Short Term Debt

The components of short term debt were as follows:

	As at	
($ millions)	**Dec. 31, 2015**	Dec. 31, 2014
Other Independent Securitization Trusts (note 11)	**$ 550**	$ 605
Series B Debentures[(i)]	**536**	496
Short term debt	**$ 1,086**	$ 1,101

(i) Series B Debentures issued by GWL are due on demand, and pay a current weighted average interest rate of 1.43% (2014 – 1.77%). The Series A, 7.00% (see note 22) and Series B Debentures are secured by a pledge of 9.6 million Loblaw common shares.

Other Independent Securitization Trusts The outstanding short term debt balances relate to credit card receivables securitized to the Other Independent Securitization Trusts with recourse. In 2015, PC Bank recorded a $55 million net reduction of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts.

The securitization agreements between PC Bank and the Other Independent Securitization Trusts are renewed and extended on an annual basis. The existing agreements were renewed in 2015, with their respective maturity dates extended to 2017 and 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 2015 were $175 million (2014 – $120 million).

Note 22. Long Term Debt

The components of long term debt were as follows:

($ millions)	As at Dec. 31, 2015	Dec. 31, 2014
Unsecured Term Loan Facility		
1.13% + Bankers' Acceptance, due 2019	**$ 250**	
1.45% + Bankers' Acceptance, due 2019	**48**	$ 1,229
Medium Term Notes and Debentures		
George Weston Limited Notes		
Series A, 7.00%, due 2031[(i)]	**466**	466
3.78%, due 2016	**350**	350
4.12%, due 2024	**200**	200
7.10%, due 2032	**150**	150
6.69%, due 2033	**100**	100
Loblaw Companies Limited Notes		
7.10%, due 2016	**300**	300
3.75%, due 2019	**800**	800
5.22%, due 2020	**350**	350
4.86%, due 2023	**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	**(46)**	(57)
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 Notes		
2.01%, due 2016	**225**	225
2.36%, due 2018	**275**	275
Choice Properties Debentures		
Series A 3.55%, due 2018	**400**	400
Series B 4.90%, due 2023	**200**	200
Series C 3.50%, due 2021	**250**	250
Series D 4.29%, due 2024	**200**	200
Series E 2.30%, due 2020	**250**	
Series F 4.06%, due 2025	**200**	
Series 5 3.00%, due 2016	**300**	300
Series 6 3.00%, due 2017	**200**	200
Series 7 3.00%, due 2019	**200**	200
Series 8 3.60%, due 2020	**300**	300
Series 9 3.60%, due 2021	**200**	200
Series 10 3.60%, due 2022	**300**	300
Long Term Debt Secured by Mortgage		
3.15% - 7.42%, due 2017 - 2029 (note 14)	**82**	86
Guaranteed Investment Certificates		
1.10% - 3.78%, due 2016 - 2020	**809**	634
Independent Securitization Trust		
3.58%, due 2015		350
2.91%, due 2018	**400**	400
2.23%, due 2020	**250**	
Independent Funding Trusts	**529**	498
Finance Lease Obligations (note 31)	**629**	600
Committed Credit Facility		122
Transaction costs and other	**(22)**	(33)
Total long term debt	**$ 12,276**	$ 12,726
Less amount due within one year	**1,348**	420
Long term debt	**$ 10,928**	$ 12,306

(i) The Series A, 7.00% and Series B Debentures (see note 21) are secured by a pledge of 9.6 million Loblaw common shares.

Significant long term debt transactions are described below:

Unsecured Term Loan Facilities In 2015, Loblaw obtained $250 million through an unsecured term loan facility bearing interest at a rate equal to the Bankers' Acceptance rate plus 1.13%, maturing March 30, 2019.

In connection with the financing of the acquisition of Shoppers Drug Mart, Loblaw obtained a $3,500 million unsecured term loan facility ("Acquisition Term Loan"). During 2015, Loblaw repaid $1,181 million of the Acquisition Term Loan (2014 – $2,271 million), resulting in an outstanding balance of $48 million as at year end 2015 (2014 – $1,229 million). Since the acquisition, Loblaw has repaid $3,452 million of the Acquisition Term Loan, including the use of net proceeds of $1,500 million from the sale of Choice Properties transferor notes to third parties and proceeds from the $250 million unsecured term loan obtained in 2015, both of which had a neutral impact on long term debt. Also used to repay the Acquisition Term Loan were $66 million of net proceeds from the store divestitures required pursuant to the Consent Agreement.

In 2014, Loblaw incurred $41 million in financing costs related to the unsecured term loan facility, which were capitalized. During 2015, the amortization of the financing costs related to the Acquisition Term Loan was $16 million (2014 – $25 million). Of the amortized amount, $15 million (2014 – $23 million) was accelerated due to early repayments on the facility.

The Loblaw unsecured term loan facilities contain certain financial covenants (see note 27).

Medium Term Notes ("MTNs") and Debentures The following table summarizes MTNs and debentures issued in 2015 and 2014:

($ millions)	Interest Rate	Maturity Date	**2015 Principal Amount**	2014 Principal Amount
Choice Properties senior unsecured debentures(i)				
- Series E	2.30%	September 14, 2020	**$ 250**	
- Series F	4.06%	November 24, 2025	**200**	
- Series C	3.50%	February 8, 2021		$ 250
- Series D	4.29%	February 8, 2024		200
GWL MTN	4.12%	June 17, 2024		200
Shoppers Drug Mart MTN(ii)	2.01%	May 24, 2016		225
Shoppers Drug Mart MTN(ii)	2.36%	May 24, 2018		275
Total MTNs and Debentures issued			**$ 450**	$ 1,150

(i) Offerings were made under Choice Properties' Short Form Base Shelf Prospectus.
(ii) Loblaw assumed these MTNs in connection with the acquisition of Shoppers Drug Mart.

The following table summarizes MTNs repaid in 2014:

($ millions)	Interest Rate	Maturity Date	Principal Amount
GWL MTN	5.05%	March 10, 2014	$ 200
Loblaw MTN	6.00%	March 3, 2014	100
Loblaw MTN	4.85%	May 8, 2014	350
Total MTNs repaid			$ 650

There were no repayments in 2015.

Subsequent to year end 2015, Choice Properties issued an early redemption notice for its $300 million Series 5 3.00% senior unsecured debentures at par effective March 7, 2016.

In 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 in 2016 through 2022. The remaining terms and conditions were substantially similar to the original notes. Loblaw subsequently sold the replacement notes to unrelated parties and received net proceeds of $1,500 million. Loblaw used these proceeds and existing cash to partially repay the Acquisition Term Loan as discussed above.

Guaranteed Investment Certificates ("GICs") The following table summarizes PC Bank's GIC activity, before commissions, for the years ended December 31, 2015 and December 31, 2014:

($ millions)		**2015**		2014
Balance, beginning of year	**$**	**634**	$	430
GICs issued		**211**		261
GICs matured		**(36)**		(57)
Balance, end of year	**$**	**809**	$	634

Independent Securitization Trust In 2015, the five-year $350 million 3.58% senior and subordinated term notes issued by *Eagle* matured and were repaid. In addition, *Eagle* issued $250 million senior and subordinated term notes with a weighted average interest rate of 2.23% maturing on September 17, 2020. The notes issued by *Eagle* are MTNs, which are collateralized by PC Bank's credit card receivables (see note 11). Loblaw has arranged letters of credit for the benefit of the *Eagle* notes issued prior to 2015 and outstanding as at year end 2015 (see note 35).

Independent Funding Trusts As at year end 2015, the independent funding trusts had drawn $529 million (2014 – $498 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts. In 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 35).

Committed Credit Facilities The components of the committed lines of credit as at year end 2015 and 2014 were as follows:

	As at						
			Dec. 31, 2015				Dec. 31, 2014
($ millions)		**Available**	**Drawn**		Available		Drawn
Loblaw's committed credit facility(i)	**$**	**1,000**		$	1,000		
Choice Properties' committed credit facility(ii)		**500**			500	$	122
Committed Credit Facilities	**$**	**1,500**		$	1,500	$	122

(i) In 2015, Loblaw amended its credit facility agreement to extend the maturity date to March 31, 2020, with all other terms and conditions remaining substantially the same.
(ii) In 2015, Choice Properties amended its credit facility agreement to extend the maturity date to July 5, 2020, with all other terms and conditions remaining substantially the same.

These facilities contain certain financial covenants (see note 27).

In 2014, upon closing of the Shoppers Drug Mart acquisition, the outstanding balance of $478 million owing on Shoppers Drug Mart's revolving bank credit facility, was repaid and the facility was cancelled.

Long Term Debt due Within One Year The following table summarizes long term debt due within one year:

($ millions)	As at Dec. 31, 2015	Dec. 31, 2014
GWL MTN	**$ 350**	
Loblaw MTN	**300**	
Shoppers Drug Mart MTN	**225**	
Choice Properties debenture	**300**	
Eagle		$ 350
Finance lease obligations	**56**	38
GICs	**112**	29
Long term debt secured by mortgage	**5**	3
Long term debt due within one year	**$ 1,348**	$ 420

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

($ millions)	As at Dec. 31, 2015
2016	**$ 1,348**
2017	**903**
2018	**1,377**
2019	**1,567**
2020	**1,339**
Thereafter	**5,810**
Long Term Debt (excludes transaction costs and effect of coupon repurchases)	**$ 12,344**

See note 32 for the fair value of long term debt.

Note 23. Other Liabilities

The components of other liabilities were as follows:

($ millions)	As at Dec. 31, 2015	Dec. 31, 2014
Net defined benefit plan obligation (note 28)	**$ 368**	$ 370
Other long term employee benefit obligation	**124**	124
Deferred lease obligation	**101**	77
Fair value of acquired leases	**90**	104
Share-based compensation liability (note 29)	**5**	7
Other	**130**	167
Other liabilities	**$ 818**	$ 849

Note 24. Capital Securities

In 2015, Loblaw redeemed all of its outstanding 9.0 million, 5.95% non-voting Second Preferred Shares, Series A (authorized – 12.0 million), which were classified as other financial liabilities, for a face value of $225 million. The redemption was funded primarily through the proceeds received from the issuance of the Second Preferred Shares, Series B (see note 26).

Note 25. Share Capital

The components of share capital were as follows:

($ millions)	As at Dec. 31, 2015	Dec. 31, 2014
Common share capital	**$ 191**	$ 180
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	**$ 1,008**	$ 997

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, 2015 and December 31, 2014:

	2015		2014	
($ millions except where otherwise indicated)	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of year	**127,901,231**	**$ 180**	127,899,410	$ 155
Issued for settlement of stock options (note 29)	**144,386**	**11**	312,583	25
Purchased and cancelled	**(133,956)**		(310,762)	
Issued and outstanding, end of year	**127,911,661**	**$ 191**	127,901,231	$ 180
Shares held in trusts, beginning of year	**(291,304)**		(218,726)	
Purchased for future settlement of RSUs and PSUs	**(71,858)**		(127,000)	
Released for settlement of RSUs and PSUs (note 29)	**91,131**		54,422	
Shares held in trusts, end of year	**(272,031)**		(291,304)	
Issued and outstanding net of shares held in trusts, end of year	**127,639,630**	**$ 191**	127,609,927	$ 180
Weighted average outstanding, net of shares held in trusts	**127,675,501**		127,788,025	

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 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 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 2015 and 2014, the Board raised the quarterly common share dividend by $0.005 to $0.425 and $0.42 per share, respectively. The Board declared dividends as follows:

($)	2015	2014
Dividends declared per share(i):		
Common share	$ 1.695	$ 1.675
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, 2016. Dividends declared on Preferred Shares, Series I were paid on December 15, 2015.

The following table summarizes the Company's cash dividends declared subsequent to year end 2015:

($)		
Dividends declared per share[(i)]	– Common share	**$ 0.425**
	– 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, 2016. Dividends declared on Preferred Shares, Series I are payable on March 15, 2016.

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

($ millions except where otherwise indicated)	**2015 (52 weeks)**	2014 (53 weeks)
Purchased for future settlement of RSUs and PSUs (number of shares)	**71,858**	127,000
Purchased and cancelled (number of shares)	**133,956**	310,762
Cash consideration paid		
Purchased and held in trusts	**$ (7)**	$ (11)
Purchased and cancelled	**$ (14)**	$ (29)
Premium charged to retained earnings	**$ 21**	$ 40

There was a nominal reduction in share capital in 2015 and 2014, as a result of the Company's activity under its NCIB program.

In 2015, GWL renewed its NCIB program to purchase on the Toronto Stock Exchange ("TSX") or enter into equity derivative contracts to purchase up to 6,395,929 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 26. Loblaw Capital Transactions

Loblaw Preferred Shares In 2015, Loblaw issued 9.0 million 5.30% non-voting Second Preferred Shares, Series B (authorized – unlimited), with a face value of $225 million. These shares entitle the holder to receive fixed cumulative preferential cash dividends of approximately $1.325 per share per annum, as and when declared by Loblaw's Board of Directors, which will accrue from the date of issue and are payable quarterly on the last day of March, June, September and December of each year. The Second Preferred Shares, Series B do not have a fixed maturity date and are not redeemable at the option of the holder.

As at year end 2015, the Second Preferred Shares, Series B in the amount of $221 million net of $4 million of after-tax issuance costs, and cash dividends declared of $7 million, were presented as a component of non-controlling interests in the Company's consolidated balance sheet.

Loblaw Common Shares The following table summarizes Loblaw's common share activity under its share-based compensation arrangements and NCIB program, and includes the impact on the Company's consolidated financial statements for the periods ended as indicated:

($ millions except where otherwise indicated)	2015 (52 weeks)	2014 (53 weeks)
Shared-based compensation (number of shares)	**2,724,662**	4,048,766
Purchased under NCIB program (number of shares)	**(5,308,733)**	(3,353,800)
	(2,584,071)	694,966
Cash consideration received (paid)		
Issued for settlement of stock options	**$ 63**	$ 129
Purchased and held in trusts	**(63)**	
Purchased and cancelled	**(280)**	(178)
	$ (280)	$ (49)
Increase (decrease) in contributed surplus		
Share-based compensation	**$ 16**	$ 28
Purchased and held in trusts	**(15)**	
Purchased and cancelled	**(65)**	(34)
	$ (64)	$ (6)

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

Note 27. 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;
- 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;
- utilizing short term funding sources to manage its working capital requirements and long term funding sources to manage the long term capital investments of the business; and
- targeting an appropriate leverage and capital structure for the Company and each of its reportable operating segments.

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:

($ millions)	As at Dec. 31, 2015	As at Dec. 31, 2014
Bank indebtedness	**$ 143**	$ 162
Short term debt	**1,086**	1,101
Long term debt due within one year	**1,348**	420
Long term debt	**10,928**	12,306
Certain other liabilities	**30**	28
Fair value of financial derivatives related to the above debt	**(381)**	(367)
Capital securities		225
Total debt	**$ 13,154**	$ 13,875
Equity attributable to shareholders of the Company	**7,699**	7,289
Total capital under management	**$ 20,853**	$ 21,164

Short Form Base Shelf Prospectus ("Prospectus") In 2015, GWL filed a Prospectus allowing for the potential issuance of up to $1.0 billion of debentures and preferred shares, or any combination thereof over a 25-month period.

In 2015, Loblaw filed a Prospectus allowing for the potential issuance of up to $1.5 billion of debentures and preferred shares, or any combination thereof. The Prospectus expires in 2017. In 2015, Loblaw issued $225 million of preferred shares under this Prospectus.

In 2015, Choice Properties filed a Prospectus allowing for the potential issuance of up to $2.0 billion of Units and debt securities, or any combination thereof over a 25-month period.

In 2015, *Eagle* filed a Prospectus for the potential issuance of up to $1.0 billion of notes over a 25-month period.

Covenants and Regulatory Requirements Loblaw is subject to certain key financial and non-financial covenants under its existing credit facility, unsecured term loan facilities, 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. As at year end 2015 and throughout the year, 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. As at year end 2015 and throughout the year, 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 4.5%, a Tier 1 capital ratio of 6.0% and a total capital ratio of 8.0%. In addition to the regulatory capital ratios requirement, PC Bank is subject to the Basel III Leverage ratio effective January 1, 2015. As at year end 2015 and throughout the year, PC Bank has met all applicable regulatory requirements.

In 2014, OSFI 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. As at year end 2015, PC Bank was in compliance with the LCR standard.

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 2015.

Note 28. 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 GWL's and Loblaw's Boards in fulfilling their general oversight responsibilities for the plans. The Committees assist the Boards with oversight of management's 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 2016 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, 2015		Dec. 31, 2014	
($ millions)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	Defined Benefit Pension Plans	Other Defined Benefit Plans
Present value of funded obligations	**$ (2,281)**		$ (2,423)	
Present value of unfunded obligations	**(184)**	**$ (166)**	(131)	$ (204)
Total present value of defined benefit obligations	**$ (2,465)**	**$ (166)**	$ (2,554)	$ (204)
Fair value of plan assets	**2,485**		2,502	
Total funded status of surpluses (obligations)	**$ 20**	**$ (166)**	$ (52)	$ (204)
Assets not recognized due to asset ceiling	**(18)**		(5)	
Total net defined benefit plan surplus (obligation)	**$ 2**	**$ (166)**	$ (57)	$ (204)
Recorded on the consolidated balance sheets as follows:				
Other assets (note 18)	**$ 204**		$ 109	
Other liabilities (note 23)	**$ (202)**	**$ (166)**	$ (166)	$ (204)

The following are the continuities of the fair value of plan assets and the present value of the defined benefit plan obligations:

			2015			2014
($ 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	**$ 2,502**		**$ 2,502**	$ 2,044		$ 2,044
Acquisition of Shoppers Drug Mart (note 5)				161		161
Employer contributions(i)	**(11)**		**(11)**	58		58
Employee contributions	**4**		**4**	4		4
Benefits paid	**(109)**		**(109)**	(107)		(107)
Interest income	**98**		**98**	101		101
Actuarial gains in other comprehensive income	**120**		**120**	242		242
Settlements(ii)	**(122)**		**(122)**			
Other(iii)	**3**		**3**	(1)		(1)
Fair value, end of year	**$ 2,485**		**$ 2,485**	$ 2,502		$ 2,502
Changes in the present value of the defined benefit plan obligations						
Balance, beginning of year	**$ 2,554**	**$ 204**	**$ 2,758**	$ 2,017	$ 174	$ 2,191
Acquisition of Shoppers Drug Mart (note 5)				173	6	179
Current service cost	**63**	**7**	**70**	53	7	60
Interest cost	**102**	**8**	**110**	102	8	110
Benefits paid	**(118)**	**(7)**	**(125)**	(114)	(6)	(120)
Employee contributions	**4**		**4**	4		4
Actuarial (gains) losses in other comprehensive income	**(42)**	**(46)**	**(88)**	310	15	325
Settlements(ii)	**(111)**		**(111)**			
Contractual termination benefits(iv)				1		1
Special termination benefits(iv)				2		2
Other(iii)	**13**		**13**	6		6
Balance, end of year	**$ 2,465**	**$ 166**	**$ 2,631**	$ 2,554	$ 204	$ 2,758

(i) 2015 employer contributions are offset by a $50 million refund of employer contributions from the assets of one of the Company's supplemental plans.
(ii) Relates to annuity purchases and pension buy-outs completed in 2015.
(iii) Includes foreign exchange impact on U.S. defined benefit pension plans.
(iv) Relates to the reduction of head office and administrative positions at Loblaw in 2014 (see note 37).

In 2015, the Company completed several annuity purchases and pension buy-outs with respect to former employees. These activities are designed to reduce the Company's defined benefit pension plan obligations and decrease future risks and volatility associated with these obligations. The Company paid $122 million from the impacted plans' assets to settle $111 million of pension obligations and recorded settlement charges of $11 million in SG&A. The settlement charges resulted from the discount rates used to value the annuity purchases and pension buy-outs being lower than the discount rates used to value the Company's defined benefit plan obligations.

For the year ended 2015, the actual return on plan assets was $218 million (2014 – $343 million).

The net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants – 44% (2014 – 42%)
- Deferred plan participants – 10% (2014 – 11%)
- Retirees – 46% (2014 – 47%)

During 2016, the Company expects to contribute approximately $35 million (2015 – contributed $39 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:

			2015 (52 weeks)			2014 (53 weeks)
($ millions)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Current service cost	**$ 63**	**$ 7**	**$ 70**	$ 53	$ 7	$ 60
Interest cost on net defined benefit plan obligations	**4**	**8**	**12**	1	8	9
Settlement charges(i)	**11**		**11**			
Contractual and special termination benefits(ii)				3		3
Other	**8**		**8**	6		6
Net post-employment defined benefit costs	**$ 86**	**$ 15**	**$ 101**	$ 63	$ 15	$ 78

(i) Relates to annuity purchases and pension buy-outs completed in 2015.
(ii) Relates to the reduction of head office and administrative positions at Loblaw in 2014 (see note 37).

The actuarial (gains) losses recognized in other comprehensive income for defined benefit plans were as follows:

	2015 (52 weeks)			2014 (53 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	**$ (120)**		**$ (120)**	$ (242)		$ (242)
Experience adjustments	**(10)**	**$ (45)**	**(55)**	18	$ (1)	17
Actuarial (gains) losses from change in demographic assumptions	**(22)**	**(1)**	**(23)**	34	3	37
Actuarial (gains) losses from change in financial assumptions	**(10)**		**(10)**	258	13	271
Change in liability arising from asset ceiling	**13**		**13**	(2)		(2)
Total net actuarial (gains) losses recognized in other comprehensive income before income taxes	**$ (149)**	**$ (46)**	**$ (195)**	$ 66	$ 15	$ 81
Income tax expense (recovery) on actuarial (gains) losses (note 7)	**40**	**12**	**52**	(18)	(4)	(22)
Actuarial (gains) losses net of income tax expense (recovery)	**$ (109)**	**$ (34)**	**$ (143)**	$ 48	$ 11	$ 59

The cumulative actuarial losses (gains) before income taxes recognized in equity for the Company's defined benefit plans were as follows:

	2015			2014		
($ millions)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Cumulative amount, beginning of year	**$ 206**	**$ (11)**	**$ 195**	$ 140	$ (26)	$ 114
Net actuarial (gains) losses recognized in the year before income taxes	**(149)**	**(46)**	**(195)**	66	15	81
Cumulative amount, end of year	**$ 57**	**$ (57)**	**$**	$ 206	$ (11)	$ 195

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, 2015			Dec. 31, 2014	
Equity securities							
Canadian – pooled funds		**$**	**99**	**4%**	$	336	13%
Foreign – pooled funds			**884**	**36%**		570	23%
Total equity securities		**$**	**983**	**40%**	$	906	36%
Debt securities							
Fixed income securities	– government	**$**	**677**	**27%**	$	789	31%
	– corporate		**211**	**8%**		273	11%
Fixed income pooled funds(i)	– government		**455**	**18%**		375	15%
	– corporate		**67**	**3%**		70	3%
Total debt securities		**$**	**1,410**	**56%**	$	1,507	60%
Other investments		**$**	**70**	**3%**	$	54	2%
Cash and cash equivalents		**$**	**22**	**1%**	$	20	1%
Refundable tax on account with CRA					$	15	1%
Total		**$**	**2,485**	**100%**	$	2,502	100%

(i) Both government and corporate securities may be included within the same fixed income pooled fund.

As at year end 2015 and 2014, 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 as prices or indirectly, either derived from prices or as per agreements for contractual returns.

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):

	2015		2014	
	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%**	4.00%	4.00%
Rate of compensation increase	**3.50%**	**n/a**	3.50%	n/a
Mortality table[i]	**CPM-RPP2014Pub/Priv Generational**	**CPM-RPP2014Pub/Priv Generational**	CPM-RPP2014Pub/Priv Generational	CPM-RPP2014Pub/Priv Generational
Net Defined Benefit Plan Cost				
Discount rate	**4.00%**	**4.00%**	4.75%	4.50%
Rate of compensation increase	**3.50%**	**n/a**	3.50%	n/a
Mortality table[i]	**CPM-RPP2014Pub/Priv Generational**	**CPM-RPP2014Pub/Priv Generational**	CPM-RPP2014Priv Generational	CPM-RPP2014Priv Generational

n/a – not applicable

(i) Public or private sector mortality table is used depending on the prominent demographics of each plan.

The weighted average duration of the defined benefit obligations as at year end 2015 is 16.2 years (2014 – 15.1 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 2015 was estimated at 4.50% and is expected to remain at 4.50% by year end 2016 and thereafter.

Sensitivity of Key Actuarial Assumptions The following table outlines the key assumptions for 2015 (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[(i)]	Defined Benefit Plan Obligations	Net Defined Benefit Plan Cost[(i)]
Discount rate		4.00%	4.00%	4.00%	4.00%
Impact of:	1% increase	$ (367)	$ (31)	$ (21)	
	1% decrease	$ 434	$ 30	$ 26	$ 1
Expected growth rate of health care costs				4.50%	4.50%
Impact of:	1% increase	n/a	n/a	$ 18	$ 2
	1% decrease	n/a	n/a	$ (15)	$ (2)

n/a – not applicable

(i) 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 2015, the Company recognized an expense of $61 million (2014 – $65 million) in operating income, which represents the contributions made in connection with MEPPs. During 2016, the Company expects to continue to make contributions into these MEPPs.

Loblaw, together with its franchises, is the largest participating employer in the Canadian Commercial Workers Industry Pension Plan ("CCWIPP"), with approximately 52,000 (2014 – 52,000) employees as members. Included in the 2015 expense described above are contributions of $59 million (2014 – $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 SG&A. Weston Foods continues to participate in the MEPP but as a new employer as defined by the plan pursuant to its collective bargaining agreement.

(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)	2015 (52 weeks)	2014 (53 weeks)
Net post-employment defined benefit cost[(i)]	$ 101	$ 78
Defined contribution costs[(ii)]	29	26
Multi-employer pension plan costs[(iii)]	61	65
Total net post-employment benefit costs	$ 191	$ 169
Other long term employee benefit costs[(iv)]	28	31
Net post-employment and other long term employee benefit costs	$ 219	$ 200
Recorded on the consolidated statements of earnings as follows:		
Operating income (note 30)	$ 205	$ 187
Net interest expense and other financing charges (note 6)	14	13
Net post-employment and other long term employee benefits costs	$ 219	$ 200

(i) Includes settlement charges of $11 million related to annuity purchases and pension buy-outs completed in 2015.
(ii) Amounts represent the Company's contributions made in connection with defined contribution plans.
(iii) Amounts represent the Company's contributions made in connection with MEPPs and include the MEPP settlement payment of $8 million in 2014.
(iv) Other long term employee benefit costs include $2 million (2014 – $4 million) of net interest expense and other financing charges.

Note 29. 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 costs recognized in SG&A related to its share-based compensation arrangements in 2015 was $85 million (2014 – $83 million).

The following is the carrying amount of the Company's share-based compensation arrangements:

	As at	
($ millions)	Dec. 31, 2015	Dec. 31, 2014
Trade payables and other liabilities	$ 4	$ 3
Other liabilities (note 23)	$ 5	$ 7
Contributed surplus	$ 118	$ 115

Details related to the share-based compensation plans of GWL and Loblaw are as follows:

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:

	2015			2014		
	Options (number of shares)		**Weighted Average Exercise Price/Share**	Options (number of shares)		Weighted Average Exercise Price/Share
Outstanding options, beginning of year	**1,438,145**	**$**	**71.63**	1,491,168	$	68.18
Granted	**292,432**	**$**	**100.61**	374,981	$	82.22
Exercised	**(144,386)**	**$**	**61.97**	(312,583)	$	67.20
Forfeited/cancelled	**(53,363)**	**$**	**61.46**	(107,996)	$	73.59
Expired				(7,425)	$	72.21
Outstanding options, end of year	**1,532,828**	**$**	**78.42**	1,438,145	$	71.63
Options exercisable, end of year	**655,105**	**$**	**71.54**	572,702	$	67.60

The following table summarizes information about GWL's outstanding stock options:

	2015						
	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**
$59.56 - $70.25	**519,466**	**3**	**$**	**65.20**	**361,856**	**$**	**65.70**
$70.26 - $81.49	**389,786**	**3**	**$**	**76.13**	**231,389**	**$**	**77.79**
$81.50 - $111.66	**623,576**	**6**	**$**	**90.87**	**61,860**	**$**	**82.29**
	1,532,828		**$**	**78.42**	**655,105**	**$**	**71.54**

During 2015, GWL issued common shares on the exercise of stock options with a weighted average market share price of $109.24 (2014 – $84.54) per common share and received $9 million (2014 – $21 million) of cash consideration.

During 2015, GWL granted stock options with a weighted average exercise price of $100.61 (2014 – $82.22) per common share and a fair value of $4 million (2014 – $5 million). The assumptions used to measure the grant date fair value of the GWL options granted during the years ended under the Black-Scholes stock option valuation model were as follows:

	2015	2014
Expected dividend yield	**1.7%**	2.0%
Expected share price volatility	**17.5% - 21.6%**	17.9% - 23.7%
Risk-free interest rate	**0.8% - 1.4%**	1.5% - 2.0%
Expected life of options	**4.7 - 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 2015 was 2.9% (2014 – 3.5%).

The following is a summary of Loblaw's stock option plan activity:

	2015			2014		
	Options (number of shares)		**Weighted Average Exercise Price/Share**	Options (number of shares)		Weighted Average Exercise Price/Share
Outstanding options, beginning of year	**8,364,884**	**$**	**38.42**	10,995,995	$	37.37
Granted	**1,571,495**	**$**	**63.62**	1,688,368	$	47.67
Converted options				1,026,118	$	35.26
Exercised	**(1,735,959)**	**$**	**36.19**	(3,536,489)	$	36.47
Forfeited/cancelled	**(789,015)**	**$**	**44.13**	(1,074,427)	$	40.75
Expired				(734,681)	$	45.49
Outstanding options, end of year	**7,411,405**	**$**	**43.77**	8,364,884	$	38.42
Options exercisable, end of year	**2,862,545**	**$**	**37.41**	3,195,241	$	35.95

The following table summarizes information about Loblaw's outstanding stock options:

	2015						
	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**
$30.99 - $36.26	**2,311,974**	**3**	**$**	**34.56**	**1,138,051**	**$**	**34.20**
$36.27 - $47.03	**2,547,326**	**3**	**$**	**39.19**	**1,553,901**	**$**	**38.62**
$47.04 - $69.83	**2,552,105**	**6**	**$**	**56.69**	**170,593**	**$**	**47.78**
	7,411,405		**$**	**43.77**	**2,862,545**	**$**	**37.41**

During 2015, Loblaw issued common shares on the exercise of stock options with a weighted average market share price of $67.04 (2014 – $51.20) per common share and received cash consideration of $63 million (2014 – $129 million).

During 2015, Loblaw granted stock options with a weighted average exercise price of $63.62 (2014 – $47.67) per common share and a fair value of $14 million (2014 – $13 million). The fair value of converted Shoppers Drug Mart stock options to Loblaw stock options in 2014 was $13 million. The assumptions used to measure the grant date or conversion date fair value of the Loblaw options granted and converted during the years ended as indicated under the Black-Scholes stock option valuation model were as follows:

	2015	2014
Expected dividend yield	**1.5%**	1.8%
Expected share price volatility	**18.3% - 20.1%**	18.5% - 23.2%
Risk-free interest rate	**0.6% - 1.4%**	1.1% - 1.9%
Expected life of options	**3.9 - 6.3 years**	1.0 - 6.5 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at year end 2015 was 10.0% (2014 – 11.0%).

Restricted Share Unit Plans The following is a summary of GWL's and Loblaw's RSU plan activity:

	GWL		Loblaw	
(Number of Awards)	**2015**	2014	**2015**	2014
Outstanding RSUs, beginning of year	**190,959**	184,242	**1,462,790**	1,084,514
Granted	**85,593**	75,875	**313,964**	435,976
Converted RSUs(i)				542,175
Settled	**(68,349)**	(53,399)	**(802,957)**	(494,912)
Forfeited	**(5,927)**	(15,759)	**(92,213)**	(104,963)
Reinvested(ii)			**6,208**	
Outstanding RSUs, end of year	**202,276**	190,959	**887,792**	1,462,790

(i) In the second quarter of 2014, Loblaw converted Shoppers Drug Mart RSUs to Loblaw RSUs, which initially required settlement in cash. On November 10, 2014, Loblaw amended the plan for the then remaining converted RSUs to require settlement in shares. The fair value of these converted awards on the amendment date was $32 million. These converted RSUs vested on December 1, 2015.
(ii) Converted RSUs earned Loblaw dividends which were reinvested as additional RSUs.

The fair value of GWL's and Loblaw's RSUs granted during 2015 was $8 million (2014 – $6 million) and $19 million (2014 – $20 million), respectively.

During 2014, Loblaw settled $2 million of Shoppers Drug Mart converted RSUs in cash prior to amending the RSU plan for converted awards to require settlement in shares on November 10, 2014.

Performance Share Unit Plans The following is a summary of GWL's and Loblaw's PSU plan activity:

	GWL		Loblaw	
(Number of Awards)	**2015**	2014	**2015**	2014
Outstanding PSUs, beginning of year	**138,467**	85,117	**1,019,304**	309,110
Granted	**38,122**	55,024	**306,027**	871,355
Settled	**(23,947)**	(1,023)	**(80,881)**	(17,365)
Forfeited	**(17,617)**	(651)	**(144,094)**	(143,796)
Outstanding PSUs, end of year	**135,025**	138,467	**1,100,356**	1,019,304

The fair value of GWL's and Loblaw's PSUs granted during 2015 was $4 million (2014 – $4 million) and $19 million (2014 – $39 million), respectively.

Settlement of Awards from Shares Held in Trusts The following table summarizes GWL's settlement of RSUs and PSUs from shares held in trusts for the years ended as indicated:

(Number of Awards)	**2015**	2014
Settled	**92,296**	54,422
Released from trusts (note 25)	**91,131**	54,422

During 2015, the settlement of awards from shares held in trusts resulted in an increase of $6 million (2014 – $4 million) in retained earnings. There were nominal increases in share capital in 2015 and 2014 related to these settlements.

Director Deferred Share Unit Plans The following is a summary of GWL's and Loblaw's DSU plan activity:

	GWL		Loblaw	
(Number of Awards)	**2015**	2014	**2015**	2014
Outstanding DSUs, beginning of year	**210,131**	188,197	**263,824**	226,601
Granted	**18,250**	18,131	**28,598**	31,322
Reinvested	**3,125**	3,803	**3,731**	5,901
Settled	**(40,765)**		**(112,431)**	
Outstanding DSUs, end of year	**190,741**	210,131	**183,722**	263,824

The fair value of GWL's and Loblaw's DSUs granted during 2015 was $2 million (2014 – $2 million) and $2 million (2014 – $2 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 2015, the number of converted DSUs outstanding was 62,547 (2014 – 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)	**2015**	2014	**2015**	2014
Outstanding EDSUs, beginning of year	**28,398**	3,950	**22,915**	22,126
Granted	**6,524**	23,904	**5,087**	4,929
Reinvested	**565**	544	**381**	599
Settled	**(175)**		**(4,360)**	(4,739)
Outstanding EDSUs, end of year	**35,312**	28,398	**24,023**	22,915

The fair value of GWL's and Loblaw's EDSUs granted during 2015 and 2014 was nominal.

Note 30. Employee Costs

Included in operating income were the following employee costs:

($ millions)	**2015 (52 weeks)**	2014 (53 weeks)
Wages, salaries and other short term employee benefits	**$ 5,434**	$ 4,892
Post-employment benefits (note 28)	**179**	160
Other long term employee benefits (note 28)	**26**	27
Share-based compensation (note 29)	**81**	79
Capitalized to fixed assets	**(37)**	(30)
Employee costs	**$ 5,683**	$ 5,128

Note 31. Leases

The Company leases certain of Loblaw's retail stores, Weston Foods' 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)	2016	2017	2018	2019	2020	Thereafter	**Dec. 31, 2015**	Dec. 31, 2014
Operating lease payments	$ 695	$ 670	$ 626	$ 579	$ 510	$ 2,618	**$ 5,698**	$ 5,926
Sub-lease income	(57)	(48)	(41)	(31)	(21)	(97)	**(295)**	(331)
Net operating lease payments	$ 638	$ 622	$ 585	$ 548	$ 489	$ 2,521	**$ 5,403**	$ 5,595

In 2015, the Company recorded operating lease expenses of $704 million (2014 – $588 million) and sub-lease income of $65 million (2014 – $61 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 (2014 – $1 million) and $6 million (2014 – $3 million), respectively, and were also recognized in operating income.

Operating Leases – As Lessor Future minimum lease payments to be received by Loblaw relating to properties that are leased to third parties are as follows:

	Payments to be received by year						As at	
($ millions)	2016	2017	2018	2019	2020	Thereafter	**Dec. 31, 2015**	Dec. 31, 2014
Net operating lease income	$ 127	$ 105	$ 90	$ 69	$ 55	$ 163	**$ 609**	$ 647

As at year end 2015, Loblaw leased certain owned land and buildings with a cost of $2,591 million (2014 – $2,578 million) and related accumulated depreciation of $698 million (2014 – $718 million). For the year ended 2015, rental income was $141 million (2014 – $148 million) and contingent rent was $5 million (2014 – $3 million), both of which were recognized in operating income.

Finance Leases – As Lessee Future minimum lease payments relating to Loblaw's finance leases are as follows:

	Payments due by year						As at	
($ millions)	2016	2017	2018	2019	2020	Thereafter	**Dec. 31, 2015**	Dec. 31, 2014
Finance lease payments	$ 89	$ 82	$ 69	$ 62	$ 58	$ 700	**$ 1,060**	$ 1,091
Less future finance charges	(33)	(31)	(28)	(26)	(25)	(288)	**(431)**	(491)
Present value of minimum lease payments	$ 56	$ 51	$ 41	$ 36	$ 33	$ 412	**$ 629**	$ 600

In 2015, contingent rent recognized by Loblaw as an expense in respect of finance leases was $1 million (2014 – $1 million).

Certain assets classified as finance leases have been sub-leased by Loblaw to third parties. Future sub-lease income relating to these sub-lease agreements are as follows:

	Payments to be received by year						As at	
($ millions)	2016	2017	2018	2019	2020	Thereafter	**Dec. 31, 2015**	Dec. 31, 2014
Sub-lease income	$ 15	$ 13	$ 12	$ 12	$ 11	$ 35	**$ 98**	$ 89

As at year end 2015, the sub-lease income earned under finance leases was $15 million (2014 – $16 million).

Note 32. 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, 2015				Dec. 31, 2014
($ millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets								
Cash and cash equivalents	**$ 1,220**	**$ 193**		**$ 1,413**	$ 1,251	$ 82		$ 1,333
Short term investments	**$ 938**	**$ 228**		**$ 1,166**	$ 672	$ 400		$ 1,072
Security deposits	**$ 88**			**$ 88**	$ 92			$ 92
Franchise loans receivable			**$ 329**	**$ 329**			$ 399	$ 399
Certain other assets	**$ 25**	**$ 2**	**$ 59**	**$ 86**		$ 8	$ 64	$ 72
Derivatives included in accounts receivable	**$ (6)**	**$ 10**		**$ 4**	$ (4)			$ (4)
Derivatives included in prepaid expenses and other assets		**$ 37**		**$ 37**		$ 10		$ 10
Derivatives included in other assets		**$ 381**		**$ 381**		$ 367		$ 367
Financial liabilities								
Derivatives included in trade payables and other liabilities	**$ 6**		**$ 7**	**$ 13**		$ 11	$ 4	$ 15
Capital securities[(i)]					$ 234			$ 234
Long term debt		**$ 13,345**		**$ 13,345**		$ 13,854		$ 13,854
Trust Unit liability	**$ 552**			**$ 552**	$ 494			$ 494
Certain other liabilities			**$ 20**	**$ 20**			$ 28	$ 28

(i) Recorded in current liabilities as at year end 2014.

The carrying values of the Company's financial instruments approximate their fair values except for long term debt and capital securities.

There were no transfers between the levels of the fair value hierarchy.

During 2015, a gain of $18 million (2014 – $11 million) was recognized in operating income on financial instruments designated as fair value through profit or loss. In addition, a net loss of $23 million (2014 – $215 million) was recognized in earnings before income taxes on financial instruments required to be classified as fair value through profit or loss.

Embedded Derivatives The Level 3 financial instruments classified as fair value through profit or loss consist of Loblaw 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 one of the inputs would result in a significantly higher (lower) fair value measurement.

As at year end 2015, the fair value of the embedded foreign currency derivatives classified as Level 3 and recorded in trade payables and other liabilities was $7 million (2014 – $4 million). In addition, in 2015, a fair value loss of $3 million (2014 – nominal loss) was recognized in operating income. A 1% increase (decrease) in foreign currency exchange rates would result in an additional gain (loss) of $2 million in fair value.

Cash and Cash Equivalents, Short Term Investments and Security Deposits As at year end 2015, the Company had cash and cash equivalents, short term investments and security deposits of $2,667 million (2014 – $2,497 million), including U.S. of $932 million (2014 – U.S. $1,025 million) that was held primarily by Dunedin Holdings GmbH ("Dunedin"), a subsidiary of GWL, and certain of its affiliates (see note 9).

In 2015, a gain of $151 million (2014 – $75 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, in 2015, a gain of $159 million (2014 – $88 million) was recorded in SG&A 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.

Subsequent to year end 2015, the Company converted approximately $240 million U.S. dollars to Canadian dollars and recorded a gain of approximately $110 million in operating income.

Equity Derivative Contracts As at year end 2015, Weston Holdings Limited ("WHL"), a subsidiary of GWL, held an outstanding 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 2015, the forward price had increased to $104.98 (2014 – $100.80) per Loblaw common share under the terms of the agreement and the fair value of this forward sale agreement of $381 million (2014 – $367 million) was recorded in other assets (see note 18). In 2015, a fair value loss of $26 million (2014 – $199 million) was recorded in net interest expense and other financing charges related to this agreement (see note 6).

Trust Unit Liability Trust Units held by Choice Properties 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 holders, subject to certain restrictions. As at year end 2015, the fair value of the Trust Unit liability was $552 million (2014 – $494 million). During 2015, a fair value loss of $55 million (2014 – $12 million) was recognized in net interest expense and other financing charges (see note 6).

Franchise Loans Receivable and Franchise Investments in Other Assets As at year end 2015, the value of Loblaw franchise loans receivable of $329 million (2014 – $399 million) was recorded on the consolidated balance sheets. During 2015, Loblaw recorded an impairment loss of $1 million (2014 – $12 million) in operating income related to these loans receivable.

As at year end 2015, the value of Loblaw franchise investments was $54 million (2014 – $62 million) and was recorded in other assets. During 2015, Loblaw recorded a net gain of $31 million (2014 – loss of $3 million) in operating income related to these investments.

Securities Investments In 2015, PC Bank purchased and designated certain long term investments as available-for-sale financial assets, which are measured at fair value through other comprehensive income. As at year end 2015, the fair value of these investments of $25 million was included in other assets. During 2015, PC Bank recorded a nominal fair value loss in other comprehensive income related to these investments. These investments are considered part of the liquid securities required to be held by PC Bank to meet its LCR standard, which was established under the OSFI's final Guideline on LARs, effective January 1, 2015.

Other 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. Loblaw also maintains other financial derivatives including foreign exchange forwards, electricity forwards and fuel exchange traded futures and options. During 2015, net realized and unrealized gains of $61 million (2014 – net realized and unrealized losses of $4 million) were recognized in operating income related to these derivatives.

The following table summarizes the cumulative unrealized impact of these other derivatives included in the consolidated balance sheets:

($ millions)	As at Dec. 31, 2015	Dec. 31, 2014
Cumulative unrealized gain (loss) recorded in accounts receivable	**$ 4**	$ (4)
Cumulative unrealized gain recorded in prepaid expenses and other assets	**$ 33**	$ 10
Cumulative unrealized loss recorded in trade payables and other liabilities	**$ 6**	$ 11

The following is a description of Loblaw's financial instruments that qualify for hedge accounting as cash flow hedges:

Foreign Exchange Forwards In 2015, PC Bank entered into U.S. dollar foreign exchange forward agreements to hedge its exposure on certain U.S. dollar payables. These agreements, which mature by December 2016, qualify for hedge accounting as cash flow hedges of future foreign currency transactions. Accordingly, in 2015, PC Bank recorded an unrealized fair value gain of $3 million in other comprehensive income related to the effective portion of these agreements.

As at year end 2015, a cumulative unrealized fair value gain of $4 million was included in prepaid expenses and other assets related to these forwards.

Bond Forward In 2015, in connection with expected funding needs in the latter half of the year, PC Bank entered into bond forward agreements with a notional value of $350 million to hedge its exposure to interest rate changes prior to obtaining financing and settled these agreements within the year. These agreements qualified for hedge accounting as cash flow hedges of future interest payments. Accordingly upon maturity of these bond forward agreements, PC Bank deferred a loss of $2 million in accumulated other comprehensive income to be recognized in operating income as future interest payments are made.

Subsequent to year end 2015, Choice Properties entered into certain bond forward agreements with a notional value of $300 million.

Note 33. 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:

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 risk if it fails to maintain appropriate levels of cash and short term investments, is unable to access sources of funding or 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, 2015:

($ millions)	2016	2017	2018	2019	2020	Thereafter	Total[iii]
Long term debt including interest payments[i]	$ 1,828	$ 1,336	$ 1,797	$ 1,937	$ 1,663	$ 8,759	$ 17,320
Foreign exchange forward contracts	611						611
Short term debt (note 21)	1,086						1,086
Bank indebtedness	143						143
Certain other liabilities[ii]	14	5	3	2	3	3	30
	$ 3,682	$ 1,341	$ 1,800	$ 1,939	$ 1,666	$ 8,762	$ 19,190

(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 2015.

(ii) Contractual amount of Loblaw's obligation related to certain other liabilities.

(iii) The Trust Unit liability 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.

Foreign Currency Exchange Rate Risk The Company's consolidated financial statements are expressed in Canadian dollars, however a portion of the Company's (excluding Loblaw'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 2015, an appreciation of the Canadian dollar of one cent relative to the U.S. dollar would result in a loss of $13 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 2015 and 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.

Credit Risk The Company is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to the Company including 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 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 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 32).

Refer to notes 10 and 11 for additional information on the credit quality performance of Loblaw's credit card receivables and other receivables, mentioned above, of Loblaw and Weston Foods.

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 an increase 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 an increase of $47 million in net interest expense and other financing charges.

Interest Rate Risk The Company is exposed to interest rate risk from fluctuations in interest rates on its floating rate debt and from the refinancing of existing financial instruments. The Company manages interest rate risk by monitoring the respective mix of fixed and floating rate debt and by taking action as necessary to maintain an appropriate balance considering current market conditions, with the objective of maintaining the majority of its debt at fixed interest rates. The Company estimates that a 100 basis point increase (decrease) in short term interest rates, with all other variables held constant, would result in a decrease (increase) of $12 million in net interest expense and other financing charges.

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 as at year end 2015, a 10% decrease in relevant commodity prices, with all other variables held constant, would result in a net loss of $9 million in earnings before income taxes. This amount excludes the offsetting impact of the commodity price risk inherent in the transactions being hedged.

Note 34. 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 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.

On August 26, 2015, the Company was served with a proposed class action, which was commenced in the Ontario Superior Court of Justice against the Company, Loblaw and certain of its subsidiaries and others in connection with the collapse of the Rana Plaza complex in Dhaka, Bangladesh in 2013. The claim seeks approximately $2 billion in damages. The Company believes the class action is without merit and intends to vigorously defend itself against any claims arising out of any such action.

Shoppers Drug Mart has been served with an Amended Statement of Claim in a class action proceeding that has been filed in the Ontario Superior Court of Justice ("the Court") 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 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 Court certified as a class proceeding portions of the action. The Court imposed a class closing date based on the date of certification. New Associates after July 9, 2013 are not members of the class. 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 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 the second quarter of 2015, Loblaw was reassessed by the Canada Revenue Agency ("CRA") and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron Bank Limited ("Glenhuron"), a wholly owned Barbadian subsidiary, should be treated and taxed as income in Canada. The reassessments were for the 2000 to 2010 taxation years totaling $341 million including interest and penalties as at the time of reassessment. Loblaw believes it is likely that the CRA will issue reassessments for the 2011 to 2013 taxation years on the same or similar basis. Loblaw strongly disagrees with the CRA's position and has filed a Notice of Appeal. No amount for any reassessments has been provided for in the Company's consolidated financial statements (see note 35).

In 2010, GWL received a reassessment from the CRA challenging GWL's characterization of a gain reported in a previous year's tax return filing. GWL appealed the CRA's assessment and the appeal was allowed by the Tax Court of Canada on February 15, 2015. The CRA did not appeal the Tax Court of Canada's decision.

Indemnification Provisions The Company from time to time enters into agreements in the normal course of its business, such as service and outsourcing arrangements, leases agreements in connection with business or asset acquisitions or dispositions, and other types of commercial agreements. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breaches of representations and warranties or in respect of 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. In addition, the terms of these indemnification provisions vary in amount and certain indemnification provisions do not provide for a maximum potential indemnification amount. Indemnity amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. As a result, the Company is unable to reasonably estimate its total maximum potential liability in respect of indemnification provisions. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

Note 35. 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 guarantees with a gross potential liability of approximately $551 million (2014 – $384 million). In addition, Loblaw has provided to third parties the following significant guarantees:

Associate Guarantees Loblaw has arranged for its 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 2015, Loblaw's maximum obligation in respect of such guarantees was $570 million (2014 – $570 million), with an aggregate amount of $483 million (2014 – $476 million) in available lines of credit allocated to the Associates by the various banks. As at year end 2015, Associates had drawn an aggregate amount of $143 million (2014 – $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 sheets. 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 22). As at year end 2015, Loblaw has agreed to provide a credit enhancement of $53 million (2014 – $50 million) in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% (2014 – 10%) of the principal amount of the loans outstanding. This credit enhancement allows the independent funding trusts to provide financing to Loblaw's franchisees. As well, each franchisee provides security to the independent funding trusts for its obligations by way of a general security agreement. In the event that a 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 $18 million (2014 – $17 million). Additionally, Loblaw has guaranteed lease obligations of a third-party distributor in the amount of $7 million (2014 – $13 million).

Glenhuron Bank Limited Surety Bond In 2015, in connection with the CRA's reassessment of Loblaw on certain income earned by Glenhuron (see note 34), Loblaw arranged for a surety bond of $132 million to the Ministry of Finance in order to dispute the reassessments.

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 2015, the guarantee on behalf of PC Bank to MasterCard® was U.S. $190 million (2014 – U.S. $170 million).

Loblaw had in place 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 $107 million (2014 – $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.

The aggregate gross potential liability under these arrangements for the Other Independent Securitization Trusts was $56 million (2014 – $61 million), which represented approximately 10% (2014 – 10%) of the securitized credit card receivables amount (see note 21). As at year end 2015, the aggregate gross potential liability under these arrangements for *Eagle* was $36 million (2014 – $68 million), which represented approximately 6% (2014 – 9%) of the *Eagle* notes outstanding (see note 22).

Choice Properties Letters of credit to support guarantees related to its investment properties including maintenance and development obligations to municipal authorities are issued by Choice Properties. As at year end 2015, the aggregate gross potential liability related to these letters of credit totaled $28 million (2014 – $23 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 certain 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 36. 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 80,769,249 of GWL's common shares, representing approximately 63% (2014 – 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 2015, the Company made rental payments to Wittington in the amount of $4 million (2014 – $4 million). As at year end 2015 and 2014, there were no rental payments outstanding.

In 2015, 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 $40 million (2014 – $35 million). As at year end 2015, $2 million (2014 – $3 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. The joint venture did not have any operating activity in 2015 and 2014. Choice Properties uses the equity method of accounting to record its 40% interest in the joint venture. As at year end 2015, $9 million (2014 – $6 million) was included in other assets related to its interests in joint ventures.

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 28.

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 2015, 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)	**2015 (52 weeks)**	2014 (53 weeks)
Salaries, director fees and other short term employee benefits	**$ 14**	$ 17
Share-based compensation	**12**	9
Total compensation	**$ 26**	$ 26

Note 37. Restructuring and Other Charges

During 2015, Loblaw recorded $124 million of restructuring and other related costs in operating income associated with the announced closures of approximately 52 unprofitable retail locations across a range of banners and formats. Of this amount, $92 million related to severance and other store closure costs and $32 million related to impairment of assets. As at year end 2015, there were 33 retail location closures. Loblaw expects that the remaining closures will be completed by the end of the second quarter of 2016.

In 2015, Loblaw began actively marketing the sale of certain assets of its Shoppers ancillary healthcare businesses which resulted in a charge associated with the write-down of the assets and other related restructuring charges. As a result, Loblaw recorded $112 million of restructuring and other related costs in operating income. Of this amount, $73 million related to the write-down of various assets with the remainder relating to other closure costs. Subsequent to year end 2015, Loblaw signed an agreement for the sale of certain of these assets.

During 2015, Weston Foods recorded restructuring and other charges of $26 million (2014 – $7 million) in SG&A, of which $11 million (2014 – nil) related to accelerated depreciation. These charges primarily relate to restructuring plans approved in 2015 to close three cake manufacturing facilities in Canada and the U.S.

During 2014, Loblaw recorded $46 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.

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(ii) and adjusted operating income(ii). Neither reportable operating segment is reliant on any single external customer.

($ millions)	2015 (52 weeks)	2014(i) (53 weeks)
Revenue		
Weston Foods	**$ 2,144**	$ 1,923
Loblaw	**45,394**	42,611
Intersegment	**(644)**	(616)
Consolidated	**$ 46,894**	$ 43,918
Adjusted EBITDA(ii)(iii)		
Weston Foods	**$ 285**	$ 311
Loblaw	**3,541**	3,219
Total	**$ 3,826**	$ 3,530
Depreciation and Amortization(iv)		
Weston Foods	**$ 83**	$ 70
Loblaw	**1,056**	1,055
Total	**$ 1,139**	$ 1,125
Adjusted Operating Income(ii)(iii)		
Weston Foods	**$ 202**	$ 241
Loblaw	**2,485**	2,164
Impact of certain items(v)	**(917)**	(1,520)
Other(vi)	**159**	88
Consolidated operating income	**$ 1,929**	$ 973
Net Interest Expense and Other Financing Charges		
Weston Foods	**$ 77**	$ 250
Loblaw	**644**	584
Other(vii)	**(14)**	(14)
Intersegment(viii)	**(26)**	(5)
Consolidated net interest expense and other financing charges	**$ 681**	$ 815

(i) Certain 2014 figures have been amended.
(ii) Excludes certain items and is used internally by management when analyzing segment underlying operating performance.
(iii) For financial definitions refer to the Glossary beginning on page 142.
(iv) Excludes $536 million (2014 – $417 million) of amortization of intangible assets acquired with Shoppers Drug Mart, recorded by Loblaw, and $11 million (2014 – nil) of accelerated depreciation recorded by Weston Foods, included in restructuring and other charges.
(v) The impact of certain items excluded by management includes restructuring and other charges, impairment of drug retail ancillary assets held for sale at Loblaw, a charge related to labour agreements at Loblaw, a charge related to the change in inventory measurement and other conversion differences at Loblaw, fixed asset and other related impairments, net of recoveries, at Loblaw, a charge related to apparel inventory at Loblaw, charges related to pension annuities and buy-outs, certain charges related to the acquisition of Shoppers Drug Mart, modifications to certain franchise fee arrangements at Loblaw, the fair value adjustment of derivatives, fair value adjustment of Shoppers Drug Mart's share-based compensation liability at Loblaw, inventory loss incurred (net insurance proceeds received) by Weston Foods and MEPP settlement payment by Weston Foods.
(vi) Represents 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.
(vii) Represents the Trust Unit distributions from Choice Properties to GWL.
(viii) 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, 2015	As at Dec. 31, 2014[i]
Total Assets		
Weston Foods	**$ 2,470**	$ 2,105
Loblaw	**34,099**	33,919
Other[ii]	**1,502**	1,350
Intersegment	**(269)**	(228)
Consolidated	**$ 37,802**	$ 37,146

(i) Certain 2014 figures have been restated (see note 5).
(ii) 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)	2015 (52 weeks)	2014 (53 weeks)
Additions to Fixed Assets and Intangible Assets		
Weston Foods	**$ 259**	$ 128
Loblaw	**1,241**	1,086
Consolidated	**$ 1,500**	$ 1,214

The Company operates primarily in Canada and the United States.

($ millions)	2015 (52 weeks)	2014 (53 weeks)
Revenue (excluding intersegment)		
Canada	**$ 45,777**	$ 43,004
United States	**1,117**	914
Consolidated	**$ 46,894**	$ 43,918

($ millions)	As at Dec. 31, 2015	Dec. 31, 2014[i]
Fixed Assets and Goodwill and Intangible Assets		
Canada	**$ 23,712**	$ 23,974
United States	**768**	506
Consolidated	**$ 24,480**	$ 24,480

(i) Certain 2014 figures have been restated (see note 5).

Three Year Summary

CONSOLIDATED INFORMATION[i]

As at or for the years ended December 31 ($ millions except where otherwise indicated)	**2015** **(52 weeks)**	2014[ii] (53 weeks)	2013[ii] (52 weeks)
Operating Results			
Sales	**46,894**	43,918	33,582
Adjusted EBITDA[iii]	**3,826**	3,530	2,420
Depreciation and Amortization[iv]	**1,686**	1,542	891
Net interest expense and other financing charge	**681**	815	497
Adjusted net interest expense and other financing charges[iii]	**585**	566	403
Income taxes	**384**	24	273
Adjusted income taxes[iii]	**571**	479	285
Net earnings[v]	**864**	134	904
Net earnings from continuing operations	**864**	134	846
Net earnings from continuing operations attributable to shareholders of the Company	**527**	126	614
Net earnings from continuing operations available to common shareholders of the Company	**483**	82	570
Adjusted net earnings from continuing operations available to shareholders of the Company[iii]	**717**	680	542
Financial Position			
Fixed assets	**11,352**	10,938	9,065
Goodwill and intangible assets	**13,128**	13,542	2,170
Total assets	**37,802**	37,146	24,604
Cash and cash equivalents, short term investments and security deposits	**2,667**	2,497	6,150
Total debt	**13,154**	13,875	9,743
Total equity attributable to shareholders of the Company	**7,699**	7,289	6,313
Total equity	**14,930**	14,249	8,901
Cash Flows			
Cash flows from operating activities of continuing operations	**3,367**	2,851	1,738
Fixed asset purchases and intangible asset additions	**1,500**	1,214	988
Free cash flow[iii]	**1,280**	1,033	284
Per Common Share ($)			
Basic net earnings from continuing operations[v]	**3.78**	0.64	4.47
Adjusted basic net earnings from continuing operations[iii]	**5.61**	5.32	4.25
Financial Measures and Ratios			
Adjusted EBITDA margin (%)[iii]	**8.2**	8.0	7.2
Adjusted return on average equity attributable to common shareholders of the company (%)[iii]	**10.7%**	11.4%	10.5%
Adjusted return on capital (%)[iii]	**10.6%**	12.3%	11.4%

(i) For financial definitions and ratios refer to the Glossary beginning on page 142.
(ii) Certain 2014 and 2013 figures have been restated (see notes 2 and 5 to the consolidated financial statements).
(iii) See non-GAAP financial measures beginning on page 54.
(iv) Includes $536 million (2014 – $417 million; 2013 – nil) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $11 million (2014 – nil; 2013 – $4 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other charges.
(v) Net earnings and basic and diluted net earnings per common share in 2013 includes income related to discontinued operations of $58 million and $0.46, respectively.

SEGMENT INFORMATION[i]

As at or for the years ended December 31 ($ millions except where otherwise indicated)		2015 (52 weeks)	2014[ii] (53 weeks)	2013[ii] (52 weeks)
OPERATING RESULTS				
Revenue	Weston Foods	**2,144**	1,923	1,812
	Loblaw	**45,394**	42,611	32,371
	Intersegment	**(644)**	(616)	(601)
	Consolidated	**46,894**	43,918	33,582
Adjusted EBITDA[iii]	Weston Foods	**285**	311	322
	Loblaw	**3,541**	3,219	2,098
	Consolidated	**3,826**	3,530	2,420
Adjusted EBITDA Margin (%)[iii]	Weston Foods	**13.3**	16.2	17.8
	Loblaw	**7.8**	7.6	6.5
	Consolidated	**8.2**	8.0	7.2
Depreciation and Amortization[iv]	Weston Foods	**94**	70	67
	Loblaw	**1,592**	1,472	824
	Consolidated	**1,686**	1,542	891
FINANCIAL POSITION				
Fixed Assets	Weston Foods	**872**	642	550
	Loblaw	**10,480**	10,296	8,515
	Consolidated	**11,352**	10,938	9,065
Total Assets	Weston Foods	**2,470**	2,105	2,067
	Loblaw	**34,099**	33,919	20,901
	Other[v]	**1,502**	1,350	1,845
	Intersegment	**(269)**	(228)	(209)
	Consolidated	**37,802**	37,146	24,604
CASH FLOWS				
Fixed Asset Purchases and Intangible Asset Additions	Weston Foods	**259**	128	111
	Loblaw	**1,241**	1,086	877
	Consolidated	**1,500**	1,214	988

(i) For financial definitions and ratios refer to the Glossary beginning on page 142.
(ii) Certain 2014 and 2013 figures have been restated (see note 2 to the consolidated financial statements).
(iii) See non-GAAP financial measures beginning on page 54.
(iv) Includes $536 million (2014 – $417 million; 2013 – nil) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $11 million (2014 – nil; 2013 – $4 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other charges.
(v) 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 54).

Adjusted EBITDA
Adjusted operating income before depreciation and amortization (see non-GAAP financial measures beginning on page 54).

Adjusted EBITDA margin
Adjusted EBITDA divided by sales (see non-GAAP financial measures beginning on page 54).

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 54).

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 54).

Adjusted net earnings from continuing operations attributable to shareholders of the Company
Net earnings from continuing operations attributable to 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 54)

Adjusted net earnings from continuing operations available to common shareholders of the Company
Adjusted net earnings from continuing operations attributable to shareholders of the Company less preferred dividends (see non-GAAP financial measures beginning on page 54).

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 54).

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 54).

Adjusted return on average equity attributable to common shareholders of the Company
Adjusted net earnings available to common shareholders of the Company divided by average total equity attributable to common shareholders of the Company (see non-GAAP financial measures beginning on page 54).

Adjusted return on capital
Tax-effected adjusted operating income divided by average capital (see non-GAAP financial measures beginning on page 54).

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
Total debt, plus total equity attributable to shareholders of the Company, less cash and cash equivalents, short term investments and amounts held in escrow.

Capital under management
Total debt plus total equity attributable to shareholders of the Company.

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 54).

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 54).

Major expansion/contraction
Expansion/contraction of a store that results in an increase/decrease in square footage that is greater 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 gross profit
Loblaw retail sales less cost of merchandise inventories sold.

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, 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, 2015 and December 31, 2014 contained 52 weeks and 53 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; former Director, Associated British Foods, plc.

A. Charles Baillie, O.C., B.A., M.B.A., LL.D. (1,2)
Corporate Director; former Chair, Alberta Investment Management Corporation; Retired Chairman and Chief Executive Officer, The Toronto-Dominion Bank; former Director, Canadian National Railway Company and TELUS Corporation; Chancellor Emeritus, Queen's University; former President and Chair, Art Gallery of Ontario's Board of Trustees.

Paviter S. Binning, F.C.M.A.
President and Chief Executive Officer 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, President's Choice Bank; former Director and Chief Financial Officer, Hanson plc and Marconi Corporation plc.

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, Power Corporation of Canada, Power Financial Corporation, Graymont Limited, Brown Thomas Group Limited, De Bijenkorf B.V., 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, Loblaw Companies Limited, President's Choice Bank.

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; former Chairman of Alderwoods Group, Inc.; former Director, Ainsworth Lumber Co. Ltd., Canadian Imperial Bank of Commerce.

Isabelle Marcoux, B.A., LL.B.(4*)
Chair, Transcontinental Inc.; Director, Rogers Communications Inc., Power Corporation of Canada; Co-Chair of Centraide of Greater Montreal's Campaign.

Sarabjit S. Marwah, B.A., M.A., M.B.A.(1)
Corporate Director; former Vice-Chairman and Chief Operating Officer, The Bank of Nova Scotia; Director, Cineplex Inc., TELUS Corporation; Trustee, Hospital for Sick Children; former Director, Torstar Corporation; past Chair, Humber River Regional Hospital.

Gordon M. Nixon, C.M., O.Ont.(1)
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., BlackRock, Inc.; former Director, Royal Bank of Canada, Advisory Board Member, KingSett Canadian Real Estate Income Fund L.P.; Chairman, MaRS Discovery District; Chair, Queen's University Capital Campaign, Trustee, Art Gallery of Ontario.

J. Robert S. Prichard, O.C., O.Ont., LL.B., M.B.A., LL.M., LL.D.(2*,3,4)
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, Barrick Gold Corporation, Onex Corporation; former Director, Torstar Corporation, Four Seasons Hotels Inc.; Trustee, Hospital for Sick Children.

Thomas F. Rahilly, B.A., M.A., LL.B.(2,3*,4)
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*,2,3)
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, President's Choice Bank, Sun Life Financial Inc.; Chair, Canadian Institute for Advanced Research; Trustee, University Health Network, Chair, Leadership Council for The Ivey Institute for Leadership.

Galen G. Weston, B.A., M.B.A.
Deputy Chairman of the Corporation; Executive Chairman and President, Loblaw Companies Limited; Chairman and Trustee, Choice Properties Real Estate Investment Trust; Director, Wittington Investments, Limited.

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

Corporate Officers

W. Galen Weston, O.C.
Executive Chairman

Paviter S. Binning
President and Chief Executive Officer

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 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 2015, there were 127,911,661 common shares issued and outstanding.

The average 2015 daily trading volume of the Company's common shares was 140,620.

Preferred Shares
At year end 2015, 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 2015 daily trading volume of the Company's preferred shares was:

Series I:	5,591
Series III:	5,005
Series IV:	4,398
Series V:	5,325

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 2016 are:

Series I

Record Date	Payment Date
Feb. 29	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 2016 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 10, 2016, at 11:00 a.m. (EST) at The Royal Conservatory, TELUS Centre for Performance and Learning, Koerner Hall, 273 Bloor Street West, Toronto, Ontario, Canada.

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.

Weston

www.weston.ca