

Financial Results

Management's Statement of Responsibility for Financial Reporting	90
Independent Auditors' Report	91
Consolidated Financial Statements	94
Consolidated Statements of Earnings	94
Consolidated Statements of Comprehensive Income	94
Consolidated Balance Sheets	95
Consolidated Statements of Changes in Equity	96
Consolidated Statements of Cash Flows	97
Notes to the Consolidated Financial Statements	98
Note 1. Nature and Description of the Reporting Entity	98
Note 2. Significant Accounting Policies	98
Note 3. Critical Accounting Estimates and Judgments	113
Note 4. Future Accounting Standard	115
Note 5. Subsidiaries	115
Note 6. Business Acquisitions	116
Note 7. Net Interest Expense and Other Financing Charges	117
Note 8. Income Taxes	118
Note 9. Basic and Diluted Net Earnings per Common Share	119
Note 10. Cash and Cash Equivalents, Short Term Investments and Security Deposits	120
Note 11. Accounts Receivable	120
Note 12. Credit Card Receivables	121
Note 13. Inventories	123
Note 14. Assets Held for Sale and Disposition	123
Note 15. Fixed Assets	124
Note 16. Investment Properties	126
Note 17. Equity Accounted Joint Ventures	127
Note 18. Intangible Assets	128
Note 19. Goodwill	130
Note 20. Other Assets	131
Note 21. Customer Loyalty Awards Program Liability	131
Note 22. Provisions	131
Note 23. Short Term Debt	132
Note 24. Long Term Debt	133
Note 25. Other Liabilities	137
Note 26. Share Capital	137
Note 27. Loblaw Capital Transactions	140
Note 28. Capital Management	141
Note 29. Post-Employment and Other Long Term Employee Benefits	142
Note 30. Equity-Based Compensation	147
Note 31. Employee Costs	154
Note 32. Leases	154
Note 33. Financial Instruments	157
Note 34. Financial Risk Management	160
Note 35. Contingent Liabilities	162
Note 36. Financial Guarantees	163
Note 37. Related Party Transactions	165
Note 38. Segment Information	166
Three Year Summary	170
Glossary	172

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 certify as to the design and operating effectiveness of internal controls over financial reporting. A dedicated control compliance team reviews and evaluates internal controls, the results of which are shared with management on a quarterly basis.

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]

Galen G. Weston
Chairman and
Chief Executive Officer

[signed]

Richard Dufresne
President and
Chief Financial Officer

Toronto, Canada
February 24, 2020

Independent Auditors' Report

TO THE SHAREHOLDERS OF GEORGE WESTON LIMITED

Opinion

We have audited the consolidated financial statements of George Weston Limited (the "Entity"), which comprise:

- the consolidated balance sheets as at December 31, 2019 and December 31, 2018
- the consolidated statements of earnings for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter - Change in Accounting Policy

We draw attention to Note 2 to the financial statements which indicates that the Entity has changed its accounting policy for leases as of January 1, 2019 due to the adoption of IFRS 16 Leases and has applied that change using a modified retrospective approach.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document entitled "2019 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis and a document entitled "2019 Annual Report" filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Independent Auditors' Report

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Sebastian Distefano.

Toronto, Canada
February 24, 2020

Consolidated Statements of Earnings

For the years ended December 31

(millions of Canadian dollars except where otherwise indicated)

	2019	2018 ⁽ⁱ⁾
Revenue	\$ 50,109	\$ 48,568
Operating Expenses		
Cost of inventories sold (note 13)	34,166	33,340
Selling, general and administrative expenses (note 33)	12,985	12,643
	47,151	45,983
Operating Income	2,958	2,585
Net Interest Expense and Other Financing Charges (note 7)	1,704	948
Earnings Before Income Taxes	1,254	1,637
Income Tax (note 8)	431	639
Net Earnings	823	998
Attributable to:		
Shareholders of the Company (note 9)	242	574
Non-Controlling Interests	581	424
Net Earnings	\$ 823	\$ 998
Net Earnings per Common Share (\$) (note 9)		
Basic	\$ 1.29	\$ 4.02
Diluted	\$ 1.26	\$ 3.99

(i) Certain comparative figures have been restated to conform with current year presentation.

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31

(millions of Canadian dollars)

	2019	2018 ⁽ⁱ⁾
Net earnings	\$ 823	\$ 998
Other comprehensive (loss) income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustment (note 33)	(49)	91
Unrealized losses on cash flow hedges (note 33)	(7)	(3)
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial gains (note 29)	1	92
Adjustment to fair value of investment properties (note 16)	10	16
Other comprehensive (loss) income	(45)	196
Comprehensive Income	778	1,194
Attributable to:		
Shareholders of the Company	202	717
Non-Controlling Interests	576	477
Comprehensive Income	\$ 778	\$ 1,194

(i) Certain comparative figures have been restated to conform with current year presentation.

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

As at December 31 (millions of Canadian dollars)	2019	2018 ⁽ⁱ⁾
ASSETS		
Current Assets		
Cash and cash equivalents (note 10)	\$ 1,834	\$ 1,521
Short term investments (note 10)	229	281
Accounts receivable (note 11)	1,375	1,329
Credit card receivables (note 12)	3,518	3,309
Inventories (note 13)	5,270	5,001
Prepaid expenses and other assets	256	370
Assets held for sale (note 14)	203	44
Total Current Assets	12,685	11,855
Fixed Assets (note 15)	11,773	12,101
Right-of-Use Assets (note 32)	4,074	–
Investment Properties (note 16)	4,888	4,847
Equity Accounted Joint Ventures (note 17)	605	734
Intangible Assets (note 18)	7,488	7,958
Goodwill (note 19)	4,775	4,781
Deferred Income Taxes (note 8)	250	286
Security Deposits (note 10)	76	87
Franchise Loans Receivable (note 33)	19	78
Other Assets (note 20)	1,180	1,087
Total Assets	\$ 47,813	\$ 43,814
LIABILITIES		
Current Liabilities		
Bank indebtedness (note 36)	\$ 18	\$ 56
Trade payables and other liabilities	5,906	5,762
Loyalty liability (note 21)	191	228
Provisions (note 22)	147	205
Income taxes payable	53	171
Short term debt (note 23)	1,489	1,579
Long term debt due within one year (note 24)	1,842	1,343
Lease liabilities due within one year (note 32)	857	–
Associate interest	280	260
Total Current Liabilities	10,783	9,604
Provisions (note 22)	90	167
Long Term Debt (note 24)	12,712	13,975
Lease Liabilities (note 32)	4,250	–
Trust Unit Liability (note 33)	3,601	2,658
Deferred Income Taxes (note 8)	2,245	2,515
Other Liabilities (note 25)	957	691
Total Liabilities	34,638	29,610
EQUITY		
Share Capital (note 26)	3,626	3,583
Retained Earnings	4,766	5,017
Contributed Surplus (notes 27 & 30)	(979)	(799)
Accumulated Other Comprehensive Income	196	239
Total Equity Attributable to Shareholders of the Company	7,609	8,040
Non-Controlling Interests	5,566	6,164
Total Equity	13,175	14,204
Total Liabilities and Equity	\$ 47,813	\$ 43,814

(i) Certain comparative figures have been restated to conform with current year presentation. Contingent liabilities (note 35). See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board

[signed]
Galen C. Weston
Chairman and
Chief Executive Officer

[signed]
Barbara C. Stymiest
Director

Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated)	Common Shares	Preferred Shares	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	Total Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at Dec. 31, 2018	\$ 2,766	\$ 817	\$ 3,583	\$ 5,017	\$ (799)	\$ 231	\$ -	\$ 8	\$ 239	\$ 6,164	\$ 14,204
Impact of adopting IFRS 16 (note 2)	-	-	-	(115)	-	-	-	-	-	(394)	(509)
Restated balance as at Jan. 1, 2019	\$ 2,766	\$ 817	\$ 3,583	\$ 4,902	\$ (799)	\$ 231	\$ -	\$ 8	\$ 239	\$ 5,770	\$ 13,695
Net earnings	-	-	-	242	-	-	-	-	-	581	823
Other comprehensive income (loss) ⁽ⁱ⁾	-	-	-	3	-	(49)	(4)	10	(43)	(5)	(45)
Comprehensive income (loss)	-	-	-	245	-	(49)	(4)	10	(43)	576	778
Effect of equity-based compensation (notes 26 & 30)	47	-	47	(1)	(10)	-	-	-	-	(3)	33
Shares purchased and cancelled (note 26)	(4)	-	(4)	(21)	-	-	-	-	-	-	(25)
Net effect of shares held in trusts (notes 26 & 30)	-	-	-	5	-	-	-	-	-	-	5
Loblaw capital transactions and dividends (notes 27 & 30)	-	-	-	-	(170)	-	-	-	-	(777)	(947)
Dividends declared											
Per common share (\$)											
- \$2.090	-	-	-	(321)	-	-	-	-	-	-	(321)
Per preferred share (\$)											
- Series I - \$1.45	-	-	-	(13)	-	-	-	-	-	-	(13)
- Series III - \$1.30	-	-	-	(10)	-	-	-	-	-	-	(10)
- Series IV - \$1.30	-	-	-	(10)	-	-	-	-	-	-	(10)
- Series V - \$1.1875	-	-	-	(10)	-	-	-	-	-	-	(10)
	43	-	43	(381)	(180)	-	-	-	-	(780)	(1,298)
Balance as at Dec. 31, 2019	\$ 2,809	\$ 817	\$ 3,626	\$ 4,766	\$ (979)	\$ 182	\$ (4)	\$ 18	\$ 196	\$ 5,566	\$ 13,175

(millions of Canadian dollars except where otherwise indicated)	Common Shares	Preferred Shares	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment ⁽ⁱ⁾	Cash Flow Hedges ⁽ⁱⁱ⁾	Adjustment to Fair Value on Transfer of Investment Properties	Total Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at Dec. 31, 2017	\$ 221	\$ 817	\$ 1,038	\$ 7,188	\$ (432)	\$ 139	\$ 1	\$ -	\$ 140	\$ 6,861	\$ 14,795
Impact of adopting IFRS 9	-	-	-	(36)	-	-	-	-	-	(36)	(72)
Restated balance as at Jan. 1, 2018	\$ 221	\$ 817	\$ 1,038	\$ 7,152	\$ (432)	\$ 139	\$ 1	\$ -	\$ 140	\$ 6,825	\$ 14,723
Net earnings	-	-	-	574	-	-	-	-	-	424	998
Other comprehensive income (loss) ⁽ⁱ⁾	-	-	-	47	-	92	(4)	8	96	53	196
Comprehensive income (loss)	-	-	-	621	-	92	(4)	8	96	477	1,194
Effect of equity-based compensation (notes 26 & 30)	12	-	12	-	(9)	-	-	-	-	(1)	2
Shares purchased and cancelled (note 26)	(14)	-	(14)	(109)	-	-	-	-	-	-	(123)
Net effect of shares held in trusts (notes 26 & 30)	-	-	-	10	-	-	-	-	-	-	10
Spin-out of Choice Properties	2,547	-	2,547	(2,353)	-	-	3	-	3	(73)	124
Loblaw capital transactions and dividends (notes 27 & 30)	-	-	-	-	(350)	-	-	-	-	(1,064)	(1,414)
Dividends declared											
Per common share (\$)											
- \$1.950	-	-	-	(261)	-	-	-	-	-	-	(261)
Per preferred share (\$)											
- Series I - \$1.45	-	-	-	(13)	-	-	-	-	-	-	(13)
- Series III - \$1.30	-	-	-	(10)	-	-	-	-	-	-	(10)
- Series IV - \$1.30	-	-	-	(10)	-	-	-	-	-	-	(10)
- Series V - \$1.1875	-	-	-	(10)	-	-	-	-	-	-	(10)
Tax impact on conversion of Class C LP Units	-	-	-	-	(8)	-	-	-	-	-	(8)
	2,545	-	2,545	(2,756)	(367)	-	3	-	3	(1,138)	(1,713)
Balance as at Dec. 31, 2018	\$ 2,766	\$ 817	\$ 3,583	\$ 5,017	\$ (799)	\$ 231	\$ -	\$ 8	\$ 239	\$ 6,164	\$ 14,204

(i) Certain comparative figures have been restated to conform with current year presentation.

(ii) Other comprehensive income (loss) includes actuarial gain of \$1 million (2018 - \$92 million), gain of \$3 million (2018 - \$47 million) which is presented above in retained earnings and loss of \$2 million (2018 - gain of \$45 million) in non-controlling interests. Also included in non-controlling interests is foreign currency translation loss of \$1 million in 2018, unrealized loss on cash flow hedges of \$3 million (2018 - gain of \$1 million) and fair value gain on transfer of investment properties of \$8 million in 2018. See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31 (millions of Canadian dollars)	2019	2018 ⁽ⁱ⁾
Operating Activities		
Net earnings	\$ 823	\$ 998
Add:		
Net interest expense and other financing charges (note 7)	1,704	948
Income taxes (note 8)	431	639
Depreciation and amortization	2,318	1,746
Asset impairments, net of recoveries	54	21
Adjustment to fair value of investment properties	85	48
Foreign currency translation gain (note 33)	–	(17)
Change in provisions (note 22)	(54)	(188)
	5,361	4,195
Change in credit card receivables (note 12)	(209)	(307)
Change in non-cash working capital	(7)	(644)
Income taxes paid	(656)	(557)
Interest received	35	44
Interest received from finance leases (note 32)	4	–
Other	27	(12)
Cash Flows from Operating Activities	4,555	2,719
Investing Activities		
Fixed asset and investment properties purchases (notes 15 & 16)	(1,155)	(1,250)
Intangible asset additions (note 18)	(403)	(343)
Business acquisition, net of cash acquired (note 6)	–	(1,619)
Cash assumed on initial consolidation of franchises (note 6)	20	18
Proceeds from disposal of assets	87	189
Lease payments received from finance leases	8	–
Change in short term investments (note 10)	52	832
Change in security deposits (note 10)	7	(1)
Other	(108)	(82)
Cash Flows used in Investing Activities	(1,492)	(2,256)
Financing Activities		
Change in bank indebtedness	(38)	(54)
Change in short term debt (note 23)	(90)	321
Proceeds from other financing (note 25)	435	–
Interest paid	(891)	(992)
Long term debt – Issued (note 24)	1,438	4,880
– Repayments (note 24)	(1,690)	(3,565)
Cash rent paid on lease liabilities – Interest (note 32)	(214)	–
Cash rent paid on lease liabilities – Principal (note 32)	(520)	–
Share capital – Issued (notes 26 & 30)	40	134
– Purchased and held in trusts (note 26)	(6)	–
– Purchased and cancelled (note 26)	(25)	(123)
Loblaw common share capital – Issued (notes 27 & 30)	82	78
– Purchased and held in trusts (note 27)	(62)	(36)
– Purchased and cancelled (note 27)	(937)	(1,082)
Choice Properties units – Issued (note 5)	345	–
– Issuance Costs	(14)	–
Dividends – To common shareholders	(319)	(241)
– To preferred shareholders	(44)	(44)
– To minority shareholders	(228)	(228)
Other	(12)	(35)
Cash Flows used in Financing Activities	(2,750)	(987)
Effect of foreign currency exchange rate changes on cash and cash equivalents	–	11
Change in Cash and Cash Equivalents	313	(513)
Cash and Cash Equivalents, Beginning of Year	1,521	2,034
Cash and Cash Equivalents, End of Year	\$ 1,834	\$ 1,521

(i) Certain comparative figures have been restated to conform with current year presentation. See accompanying notes to the consolidated financial statements.

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 2S5. The Company's parent is Wittington Investments, Limited ("Wittington").

On November 1, 2018, the Company and Loblaw Companies Limited ("Loblaw") completed a reorganization under which Loblaw spun out its approximate 61.6% effective interest in Choice Properties Real Estate Investment Trust ("Choice Properties") to the Company (the "reorganization" or the "spin-out"). In connection with the reorganization, the Company issued approximately 26.6 million common shares to Loblaw shareholders other than the Company and its subsidiaries ("Loblaw minority shareholders"). Following the reorganization, the Company owned an approximate 65.4% effective interest in Choice Properties directly (which includes the approximate 3.8% interest in Choice Properties directly owned by GWL prior to the reorganization) and Choice Properties became a reportable operating segment of the Company. During the second quarter of 2019, Choice Properties completed an equity offering. As at December 31, 2019, the Company's ownership interest in Choice Properties was 62.9% (see note 5).

The Company operates through its three reportable operating segments, Loblaw, Choice Properties and Weston Foods. Other and Intersegment includes eliminations, intersegment adjustments related to consolidation and cash and short term investments held by the Company. Effective in the first quarter of 2019, all other company level activities that are not allocated to the reportable operating segments, such as interest expense, corporate activities and administrative costs are included in Other and Intersegment. Weston Foods and Other and Intersegment comparative figures have been restated to conform to the current year presentation.

Loblaw has two reportable operating segments, Retail and Financial Services. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise and financial services.

Choice Properties owns, manages and develops a high-quality portfolio of commercial retail, industrial, office and residential properties across Canada.

Weston Foods is a North American bakery making bread, rolls, cupcakes, donuts, biscuits, cakes, pies, cones and wafers, artisan baked goods and more.

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 February 24, 2020.

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:

- investment properties as described in note 16;
- defined benefit pension plan assets with the obligations related to these pension plans measured at their discounted present value as described in note 29;
- amounts recognized for cash-settled equity-based compensation arrangements as described in note 30; and
- certain financial instruments as described in note 33.

The significant accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements for all periods presented, with the exception of IFRS 16, "Leases" ("IFRS 16").

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. Each of the years ended December 31, 2019 and December 31, 2018 contained 52 weeks. The next 53-week year will occur in fiscal year 2020.

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 and Choice Properties (see note 5).

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 Corporation ("Shoppers Drug Mart") licensees ("Associates") as well as the franchisees of its food retail stores that are subject to a simplified franchise agreement ("Franchise Agreement") implemented in 2015. 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 trademarks. The consolidation of Associates and the new franchisees is based on the concept of control, for accounting purposes, which was determined to exist through the 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 control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which the Company expects to be entitled to, including variable consideration to the extent that it is highly probable that a significant reversal will not occur.

Loblaw Retail revenue includes the 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 amount of consideration to which the Company expects to be entitled to, net of estimated returns, sales incentives and franchise fee reductions. The Company recognizes revenue made through corporate stores, consolidated franchise stores and Associates at the time the point of sale is made or when service is delivered to the customers. The Company recognizes revenue made through non-consolidated franchise stores and independent wholesale customers at the time of delivery of inventory and when administrative and management services are rendered.

On the initial sale of franchising arrangements, the Company offered products and services as part of an arrangement with multiple performance obligations. Prior to the implementation of the Franchise Agreement implemented in 2015, the initial sale to non-consolidated franchise stores were recorded using a relative fair value approach.

Customer loyalty awards are accounted for as a separate performance obligation of the sales transaction in which they are granted. The Company defers revenue at the time the award is earned by members based on the relative fair value of the award. The relative fair value is determined by allocating consideration between the fair value of the loyalty awards earned by loyalty program members, net of breakage, and the goods and services on which the awards were earned, based on their relative stand-alone selling price.

Notes to the Consolidated Financial Statements

For certain sale of goods in which the Company earns commissions, including but not limited to lottery and third party gift cards, the Company records net revenue as an agent on the basis that the Company does not control pricing or bear inventory risk.

Loblaw Financial Services revenue includes interest income on credit card loans, credit card service fees, commissions, and other revenue related to financial services. Interest income is recognized using the effective interest method. Credit card service fees are recognized when services are rendered. Commission revenue is recorded on a net basis. 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.

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.

INCOME TAXES Current and deferred taxes are recognized in the consolidated statements of earnings, except for current and deferred taxes related to a business combination, or amounts charged directly to equity or other comprehensive income, which are recognized in the consolidated balance sheets.

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 temporary differences as well as 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 recorded 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" and a real estate investment trust ("REIT") under the Income Tax Act (Canada). Certain legislation relating to the federal income taxation of Specified Investment Flow Through trusts or partnerships ("SIFT") provides 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.

Under the SIFT rules, the taxation regime will not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions") and distributions may be deducted against the REIT's taxable income. Choice Properties has reviewed the SIFT rules and has assessed its interpretation and application to Choice Properties' assets and revenue and has determined that it meets the REIT Conditions. The Trustees intend to annually distribute all taxable income directly earned by Choice Properties to Unitholders and to deduct such distributions for income tax purposes and, accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the consolidated financial statements of Choice Properties related to its Canadian investment properties.

Choice Properties also consolidates certain taxable entities in Canada and in the United States for which current and deferred income taxes are recorded. 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.

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 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. For credit-impaired credit card receivables, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The Company applies the expected credit loss ("ECL") model to assess for impairment on its credit card receivables at each balance sheet date. Credit card receivables are assessed collectively for impairment by applying the three-stage approach. Refer to the Impairment of Financial Assets policy for details of each stage. The application of the ECL model requires PC Bank to apply significant judgments, assumptions and estimations (see note 3).

Impairment losses are recorded in selling, general and administrative expenses ("SG&A") in the consolidated statements of earnings with the carrying amount of the credit card receivables 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 conditions and changes in factors 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 credit card receivables at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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 franchisees for loans issued through a structure involving consolidated independent funding trusts. These trusts, which are considered structured entities, were created to provide loans to franchisees 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 the Company 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 the Company and draw upon a standby letter of credit. The Company has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit. The carrying amount of franchise loan receivables approximates fair value.

INVENTORIES The Company values inventories at the lower of cost and net realizable value. Cost includes the costs of purchases net of vendor allowances plus other costs, such as transportation, that are directly incurred to bring inventories to their present location and condition. Loblaw's retail store inventories, Loblaw's inventories at distribution centres and Weston Foods'

Notes to the Consolidated Financial Statements

inventories are measured at weighted average cost. Shoppers Drug Mart's inventories are measured at weighted average cost or 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 goods or services delivered to the vendor or for direct reimbursement of selling costs incurred to promote goods. The consideration is then recognized as a reduction of the cost incurred in the consolidated statements of earnings.

ASSETS HELD FOR SALE 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 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. For transactions in which the sale of a fixed asset satisfies the requirements of IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), and the asset is leased back by the Company, the Company recognizes, in operating income, only the amount of gains or losses that relates to the rights transferred to the purchaser.

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 ⁽ⁱ⁾
Assets held under financing leases ⁽ⁱ⁾	Lesser of term of the lease and useful life ⁽ⁱⁱ⁾

(i) As determined under IAS 17, "Leases", which is only applicable for the 2018 comparative year.

(ii) If it is reasonably certain that the Company will obtain ownership by the end of the lease term, assets held under financing leases and associated leasehold improvements are depreciated over the useful life of the asset on the same basis as owned assets.

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.

LEASES The Company did not restate prior year comparative information under the modified retrospective approach upon the implementation of IFRS 16. Therefore, the comparative information continues to be reported under applicable accounting policies under International Accounting Standard ("IAS") 17, "Leases" ("IAS 17") and related interpretations.

Policy applicable prior to January 1, 2019

As a Lessee At inception of a contract, the Company determines whether a contract is or contains a lease. A contract is or contains a lease if the fulfillment of the arrangement depends upon a specific asset and if the arrangement conveys a right to control the use of the underlying asset. The right to control the use of the underlying asset is met when the Company has the right to operate the asset, controls the physical access to the asset or obtains substantially all output from the asset.

The Company classifies leases that substantially transferred all the risk and rewards as finance leases. Assets held under finance leases are recognized at the lower of the fair value of the leased asset or the present value of the minimum lease payments, discounted at the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. Assets held under finance leases are depreciated under the applicable Fixed Assets policy. Finance lease payments are apportioned between interest expense and the reduction of finance lease obligations.

Operating leases are not recognized on the balance sheets. Operating lease payments are recognized in cost of inventories sold and SG&A on a straight-line basis over the lease term.

As a Lessor The Company recognizes rental income from operating leases on a straight-line basis over the lease term.

Policy applicable from January 1, 2019

As a Lessee At inception of a contract, the Company determines whether a contract is or contains a lease. A contract is or contains a lease if the contract gives the Company the right to control the use of an identified asset for the duration of the lease term in exchange for consideration. When a contract contains both lease and non-lease components, the Company will allocate the consideration in the contract to each of the components on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Relative stand-alone prices are determined by maximizing the most observable supplier prices for a similar asset and/or service.

The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. Lease payments for assets that are exempt through the short term or low-value exemptions and variable payments not based on an index or rate are recognized in cost of inventories sold and SG&A on the most systematic basis.

The measurement of lease liabilities includes the fixed and in-substance fixed payments and variable lease payments that depend on an index or a rate, less any lease incentives receivable. If applicable, lease liabilities will also include a purchase option exercise price if the Company is reasonably certain to exercise that option, termination penalties if the lease term also reflects the termination option and amounts expected to be payable under a residual value guarantee. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in Management's assessment of whether it will exercise a renewal or termination option or a change in future lease payments due to a change in index or rate. Right-of-use assets are adjusted by the same remeasurement amount.

Right-of-use assets are measured at the initial amount of the lease liabilities plus any initial direct costs, lease payments made at or before the commencement date net of lease incentives received, and decommissioning costs. Subsequent to initial measurement, the Company applies the cost model with the exception of the fair value model application to right-of-use assets that meet the definition of investment properties. Right-of-use assets are measured at cost less accumulated depreciation, accumulated impairment losses and any remeasurements of lease liabilities. The assets are depreciated on a straight-line basis over the earlier of the assets' useful lives or the end of the lease terms. Right-of-use 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.

Discount rates used in the present value calculation are the interest rates implicit in the leases, or if the rates cannot be readily determined, the Company's incremental borrowing rates. Lease terms applied are the contractual non-cancellable periods of the leases plus periods covered by an option to renew the leases if the Company is reasonably certain to exercise that option and the periods covered by an option to terminate the leases if the Company is reasonably certain not to exercise that option.

For sale and leaseback transactions, the Company applies the requirements of IFRS 15 to determine whether the transfer of the asset should be accounted for as a sale. If the transfer of the asset is a sale, the Company will measure the right-of-use asset

Notes to the Consolidated Financial Statements

arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company.

As a Lessor At the date the Company makes the underlying leased asset available for use to the lessee, the Company classifies each lease as either an operating lease or a finance lease. A lease is a finance lease if it transfers substantially all the risks and rewards of the underlying asset to the lessee; otherwise, the lease is an operating lease. Rental income from operating leases is recognized on a straight-line basis over the lease term. Rental income from finance leases is recognized on a systematic basis that reflects the Company's rate of return on the net investment in the leased asset.

When the Company is an intermediate lessor, it will assess the sublease classification by reference to the right-of-use asset. The Company considers factors such as whether the sublease term covers a major portion of the head lease term.

INVESTMENT PROPERTIES Investment properties are properties owned by the Company that are held to either earn rental income, for capital appreciation, or both. The Company'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 the Company's operating activities.

Investment property assets are measured using the fair value model. Under the fair value model, investment properties are initially measured at cost and subsequently measured at fair value. Fair value is determined based on available market evidence. If market evidence is not readily available in less active markets, the Company uses alternative valuation methods such as discounted cash flow projections or recent transaction prices. Under the discounted cash flow methodology, discount rates are applied to the projected annual operating cash flows, generally over a minimum term of ten years, including a terminal value of the investment properties based on a capitalization rate applied to the estimated net operating income, a non-GAAP measure, in the terminal year. Gains and losses on fair value are recognized in operating income in the period in which they are incurred. Gains and losses from disposal of investment properties are determined by comparing the fair value of disposal proceeds and the carrying amount and are recognized in operating income.

When a property changes from own use to investment property, the property is remeasured to fair value. Any gain arising from the remeasurement is recognized in profit or loss to the extent that it reverses a previous impairment loss on that property, with any remaining gain recognized in the Company's other comprehensive income. Any loss on remeasurement is recognized in profit or loss. However, to the extent a previous gain on remeasurement is included in the revaluation surplus for that property, the loss is first recognized in the Company's other comprehensive income to reduce the revaluation surplus within equity. Upon sale of an investment property that was previously classified as fixed assets, amounts included in the revaluation reserve is transferred to retained earnings.

JOINT ARRANGEMENTS The Company, through Choice Properties, owns investments under joint arrangements. Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures depending on Choice Properties' rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement.

Joint Ventures A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

Choice Properties' investment in a joint venture is recorded using the equity method and is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize Choice Properties' share of the profit or loss and other comprehensive income of the joint venture. The Company's share of the joint venture's profit or loss is recognized in the Company's operating income and other comprehensive income.

The financial statements of the equity-accounted investment are prepared for the same reporting period as Choice Properties. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company's.

A joint venture is considered to be impaired if there is objective evidence of impairment, as a result of one or more events that occurred after initial recognition of the joint venture, and that event has a negative impact on the future cash flows of the joint venture that can be reliably estimated.

Joint Operations A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The financial statements of the joint operations are prepared for the same reporting period as Choice Properties. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company's. The Company recognizes its proportionate share of assets, liabilities, revenues and expenses of the joint operations.

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. Amortization expense for intangible assets is recognized in SG&A.

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, deferred tax assets and investment properties, 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, including right-of-use 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 retail 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. If the CGU or CGU grouping includes right-of-use assets in its carrying amount, the pre-tax discount rate reflects the risks associated with the exclusion of lease payments from the estimated future cash flows. 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, up to an asset's individual recoverable amount. 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 and reversals are recognized in SG&A.

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 drawn by Loblaw's Associates.

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. Upon initial recognition, financial instruments, including derivatives and embedded derivatives in certain contracts, are measured at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified as fair value through profit or loss.

Notes to the Consolidated Financial Statements

Classification and Measurement The classification and measurement approach for financial assets reflect the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit and loss ("FVTPL"). Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- The financial asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVOCI.

Financial assets are not reclassified subsequent to their initial recognition unless the Company identifies changes in its business model in managing financial assets.

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL.

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. The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

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

Asset / Liability	Classification / Measurement
Cash and cash equivalents	Amortized cost
Short term investments	Amortized cost
Accounts receivable	Amortized cost
Credit card receivables	Amortized cost
Security deposits	Fair value through profit and loss
Franchise loans receivable	Amortized cost
Certain other assets	Amortized cost / fair value through profit and loss
Certain long term investments	Fair value through other comprehensive income
Bank indebtedness	Amortized cost
Trade payables and other liabilities	Amortized cost
Short term debt	Amortized cost
Long term debt	Amortized cost
Trust Unit liability	Fair value through profit and loss
Certain other liabilities	Amortized cost
Derivatives	Fair value through profit and loss / fair value through other comprehensive income

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 sheet. The Company does not use derivative instruments for speculative purposes. Embedded derivatives are separated from the host contract and accounted for separately on the consolidated balance sheet at fair value if the host contract is not a financial asset. 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. The Company ensures that the hedge accounting relationships are aligned with the Company's risk management objectives and strategy and applies a more qualitative and forward-looking approach to assessing hedge effectiveness. The Company's risk management strategy and hedging activities are disclosed in Note 33 "Financial Instruments" and Note 34 "Financial Risk Management".

Fair Value The Company measures financial assets and financial 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 FVTPL, 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 FVTPL financial assets and financial liabilities are recognized in net earnings 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 FVTPL financial assets are recorded in net earnings.

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: <ul style="list-style-type: none"> · Quoted market prices or dealer quotes for similar instruments; and · The fair values of other derivative instruments are determined based on observable market information as well as valuations determined by external valutors with experience in financial markets.
Long Term Debt, Trust Unit Liability 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.

Notes to the Consolidated Financial Statements

Impairment of Financial Assets The Company applies a forward-looking ECL model at each balance sheet date to financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments.

The ECL model outlines a three-stage approach to reflect the increase in credit risks of a financial instrument:

- Stage 1 is comprised of all financial instruments that have not had a significant increase in credit risks since initial recognition or that have low credit risk at the reporting date. The Company is required to recognize impairment for Stage 1 financial instruments based on the expected losses over the expected life of the instrument arising from loss events that could occur during the 12 months following the reporting date.
- Stage 2 is comprised of all financial instruments that have had a significant increase in credit risks since initial recognition but that do not have objective evidence of a credit loss event. For Stage 2 financial instruments the impairment is recognized based on the expected losses over the expected life of the instrument arising from loss events that could occur over the expected life. The Company is required to recognize a lifetime ECL for Stage 2 financial instruments.
- Stage 3 is comprised of all financial instruments that have objective evidence of impairment at the reporting date. The Company is required to recognize impairment based on a lifetime ECL for Stage 3 financial instruments.

The ECL model applied to financial assets require judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. Consideration of how changes in economic factors affect ECLs are determined on a probability-weighted basis.

Impairment losses are recorded in SG&A 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 conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss is reversed. 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.

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 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 ("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 EQUITY-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 substantially all settled in common shares and are accounted for as equity-settled awards.

The Company and Loblaw's stock options outstanding have a seven year term to expiry, vest 20% 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 historical volatility of GWL or Loblaw 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 three year performance period. 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. Dividends paid may be reinvested in RSUs and PSUs and are treated as capital transactions.

Notes to the Consolidated Financial Statements

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, Loblaw's and Choice Properties' 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 capital transactions. 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 EQUITY-BASED COMPENSATION PLANS Unit Options, Restricted Units ("RUs"), Performance Units ("PUs"), Trustee Deferred Units ("DUs"), and Unit-Settled Restricted Units ("URUs") issued by Choice Properties, and certain DSUs and stock options are accounted for as cash-settled awards. The fair value of the amount payable to recipients in respect of these cash settled awards is re-measured at each balance sheet date, and a compensation expense is recognized in SG&A over the vesting period for each tranche with a corresponding change in the liability.

Choice Properties' Unit Options have a five to ten year term, vest 25% cumulatively on each anniversary date of the grant and are exercisable at the designated Unit price, which is based on the greater of the volume weighted average trading price of a Unit for 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 is valued separately using a Black-Scholes option pricing model, and includes the following assumptions:

- The expected distribution yield is estimated based on the expected annual distribution prior to the balance sheet date and the closing Unit price as at the balance sheet date;
- The expected Unit price volatility is estimated based on the average volatility of investment grade entities in the Standard & Poor's/Toronto Stock Exchange ("TSX") REIT Index 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 balance sheet 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 expectations of option holder behaviour.

RUs entitle certain employees to receive the value of the RU award in cash or Units at the end of the applicable vesting period, which is usually three years in length. The RU plan provides for the crediting of additional RUs in respect of distributions paid on Units for the period when an RU is outstanding. The fair value of each RU granted is measured based on the market value of a Unit at the balance sheet date.

PUs entitle certain employees to receive the value of the PU award in cash or Units at the end of the applicable performance period, which is usually three years in length, based on Choice Properties achieving certain performance conditions. The PU plan provides for the crediting of additional PUs in respect of distributions paid on Units for the period when a PU is outstanding. The fair value of each PU granted is measured based on the market value of a Unit and an estimate of the performance conditions being met at the balance sheet date.

Members of the Choice Properties' Board of Trustees, who are not management of Choice Properties, are required to receive a portion of their annual retainer in the form of DUs and may also elect to receive up to 100% of their remaining fees in DUs. Distributions paid earn fractional DUs, which are treated as additional awards. DUs vest upon grant. The fair value of each DU granted is measured based on the market value of a Unit at the balance sheet date.

URUs are accounted for as cash-settled awards. Typically, full vesting of the URUs would not occur until the employee had remained with Choice Properties for three or five years from the grant date. Depending on the nature of the grant, the URUs are subject to a six- or seven-year holding period during which the Units cannot be disposed. The fair value of each URU granted is measured based on the market value of a Unit at the balance sheet date, less a discount to account for the vesting and holding period restriction placed on the URUs.

EMPLOYEE SHARE OWNERSHIP PLAN (“ESOP”) GWL’s and Loblaw’s contributions to the ESOPs are measured at cost and recorded as compensation expense in operating income when the contribution is made. The ESOPs are administered through a trust which purchases GWL’s and Loblaw’s common shares on the open market on behalf of its employees.

ACCOUNTING STANDARD IMPLEMENTED IN 2019

IFRS 16 In 2016, the IASB issued IFRS 16, replacing IAS 17 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. Lessees recognize a right-of-use asset representing its control of and right to use the underlying asset and a lease liability representing its obligation to make future lease payments. Lessor accounting remains similar to IAS 17.

IFRS 16 became effective for annual periods beginning on or after January 1, 2019. For leases where the Company is the lessee, it had the option of adopting a fully retrospective approach or a modified retrospective approach on transition to IFRS 16. The Company adopted the standard on January 1, 2019 using the modified retrospective approach. The Company applied the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening retained earnings as at January 1, 2019, and no restatement of the comparative period. Under the modified retrospective approach, the Company chose to measure all right-of-use assets retrospectively as if the standard had been applied since lease commencement dates using the Company’s incremental borrowing rates at the date of initial application.

Substantially all of the Company’s operating leases are real estate leases for retail stores, production plants, distribution centers and corporate offices. Other leased assets include passenger vehicles, trucks and equipment. The Company recognized right-of-use assets and lease liabilities for its operating leases except for certain low-value leases and classes of underlying assets in which the lease terms are 12 months or less. The depreciation expense on right-of-use assets and interest expense on lease liabilities replaced rent expense, which was previously recognized on a straight-line basis under IAS 17 over the term of a lease. There are no significant impacts to the Company’s existing finance leases under IAS 17 as a lessee.

The Company also has owned and leased properties which are leased and subleased to third parties, respectively. The subleases are primarily related to non-consolidated franchise stores, medical centres and ancillary tenants within stores. As an intermediate lessor, the Company reassessed the classification of its subleases by reference to the right-of-use assets arising from the head lease and recognized a corresponding finance lease receivable when the reassessment concluded that the subleases were finance leases.

IFRS 16 permits the use of recognition exemptions and practical expedients. The Company applied the following recognition exemptions and practical expedients:

- grandfathered the definition of leases for existing contracts at the date of initial application;
- applied the recognition exemption for certain low value leases and short-term trailer rentals and properties. The practical expedient for excluding leases for which the lease term ends within 12 months of the date of initial application was not elected by the Company;
- used portfolio application for leases with similar characteristics, such as vehicle and equipment leases;
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics at the date of initial application;
- excluded initial direct costs from the measurement of right-of-use assets at the date of initial application; and
- used hindsight in determining lease term at the date of initial application.

The Company did not exercise the practical expedient wherein a lessee may rely on its assessment of whether leases are onerous applying IAS 37, “Provisions, Contingent Liabilities and Contingent Assets” immediately before the date of initial application as an alternative to performing an impairment review. On the date of initial application, the Company applied the requirements of IAS 36, “Impairment of Assets” and recorded an impairment of \$62 million on right-of-use assets in opening retained earnings, which represents an incremental \$16 million to the previous onerous lease provision.

Notes to the Consolidated Financial Statements

The impact of adopting IFRS 16 on the Company's consolidated balance sheet as at January 1, 2019 was as follows:

Consolidated Balance Sheet

Increase / (Decrease) (\$ millions)	As reported as at Dec. 31, 2018	IFRS 16 Adjustments	As at Jan. 1, 2019
Current Assets			
Prepaid expenses and other assets ⁽ⁱ⁾	\$ 370	\$ (62)	\$ 308
Total Current Assets Impacted	\$ 370	\$ (62)	\$ 308
Fixed Assets			
Fixed Assets ⁽ⁱⁱ⁾	12,101	(435)	11,666
Right-of-Use Assets ⁽ⁱⁱⁱ⁾	–	4,114	4,114
Intangible Assets ⁽ⁱⁱⁱ⁾	7,958	(82)	7,876
Deferred Income Taxes ^(iv)	286	32	318
Other Assets ^(v)	1,087	85	1,172
Total Assets Impacted	\$ 21,802	\$ 3,652	\$ 25,454
Current Liabilities			
Trade payables and other liabilities ^(vi)	\$ 5,762	\$ (11)	\$ 5,751
Provisions ^(vii)	205	(4)	201
Long term debt due within one year ⁽ⁱⁱⁱ⁾	1,343	(37)	1,306
Lease liabilities due within one year ⁽ⁱⁱⁱ⁾	–	736	736
Total Current Liabilities Impacted	\$ 7,310	\$ 684	\$ 7,994
Provisions ^(vii)	167	(76)	91
Long Term Debt ⁽ⁱⁱⁱ⁾	13,975	(498)	13,477
Lease Liabilities ⁽ⁱⁱⁱ⁾	–	4,350	4,350
Deferred Income Taxes ^(iv)	2,515	(89)	2,426
Other Liabilities ^(vi)	691	(210)	481
Non-Controlling Interests	6,164	(394)	5,770
Retained Earnings ^(viii)	5,017	(115)	4,902
Total Liabilities and Equity Impacted	\$ 35,839	\$ 3,652	\$ 39,491

- (i) Relates to prepaid rent as at December 31, 2018, which is captured under lease liabilities due within one year after the implementation of IFRS 16.
- (ii) Leases previously classified as finance lease arrangements under IAS 17 were presented within fixed assets (see note 15), long term debt due within one year and long term debt (see note 24). Effective January 1, 2019, these balances are included in right-of-use assets, lease liabilities due within one year and lease liabilities (see note 32).
- (iii) Derecognize fair value of acquired leased assets on business combination as at December 31, 2018 (see note 18).
- (iv) Deferred income tax impacts resulting from the implementation entries at the date of initial application.
- (v) Recognize finance lease receivable as determined under IFRS 16.
- (vi) Derecognize deferred rent obligation, tenant inducements and fair value of acquired lease liabilities on business combination as at December 31, 2018 (see note 25).
- (vii) Derecognize the base rent portion of the onerous lease provision (see note 22).
- (viii) The cumulative effects of initial application are recorded in retained earnings with no restatement of the comparative period.

The Company used its incremental borrowing rates as at January 1, 2019 to measure lease liabilities. The weighted average incremental borrowing rate was 4.39%. The weighted average lease term remaining as at January 1, 2019 was approximately 10 years.

The following reconciliation is between lease liabilities recognized on January 1, 2019 and operating lease commitments disclosed under IAS 17 as at December 31, 2018 discounted using the incremental borrowing rates as at the date of initial application:

(\$ millions)	As at	
	Jan. 1, 2019	
Operating lease commitment as at December 31, 2018 as disclosed in the Company's notes to the consolidated financial statements	\$	4,826
Discounted using the weighted average incremental borrowing rate as at January 1, 2019 ⁽ⁱ⁾	\$	3,932
Finance lease obligations recognized as at December 31, 2018 ⁽ⁱⁱ⁾		535
Extension and termination options reasonably certain to be exercised ⁽ⁱⁱⁱ⁾		619
Lease liabilities recognized as at January 1, 2019	\$	5,086
Lease liabilities due within one year	\$	736
Lease liabilities		4,350
Total lease liabilities	\$	5,086

- (i) Operating lease commitments as at December 31, 2018 were disclosed based on undiscounted cash flows. Under IFRS 16, lease payment obligations are discounted using the Company's incremental borrowing rates.
- (ii) Finance lease obligations, as determined under IAS 17, were recognized in lease liabilities on January 1, 2019 at the carrying amount immediately before the date of initial application.
- (iii) Operating lease commitments as at December 31, 2018 reflected only the contractual lease payments. Under IFRS 16, lease liabilities include lease payments for renewal periods where management is reasonably certain to renew.

Note 3. Critical Accounting Estimates and Judgments

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

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

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the Company believes could have the most significant impact on the amounts recognized in the consolidated financial statements. The Company's significant accounting policies are disclosed in note 2.

BASIS OF CONSOLIDATION

Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining the entities that it controls and therefore consolidates. The Company controls an entity when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entity's 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.

Notes to the Consolidated Financial Statements

IMPAIRMENT OF NON-FINANCIAL ASSETS (GOODWILL, INTANGIBLE ASSETS, FIXED ASSETS AND RIGHT-OF-USE ASSETS)

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 and right-of-use 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. The Company has determined that each retail location is a separate CGU for the purposes of fixed asset and right-of-use asset impairment testing. For the purpose of goodwill and indefinite life intangible assets impairment testing, CGUs are grouped at the lowest level at which goodwill and indefinite life 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 the Boards at GWL and Loblaw. Discount rates are consistent with external industry information reflecting the risk associated with the specific cash flows.

CUSTOMER LOYALTY AWARDS PROGRAMS

Key Sources of Estimation Loblaw defers revenue at the time the award is earned by members based on the relative fair value of the award. The relative fair value is determined by allocating consideration between the fair value of the loyalty awards earned by loyalty program members, net of breakage, and the goods and services on which the awards were earned, based on their relative stand-alone selling price. The estimated fair value per point for the *PC Optimum*[®] program is determined based on the program reward schedule and is \$1 for every 1,000 points earned. The breakage rate of the program is an estimate of the amount of points that will never be redeemed. The rate is reviewed on an ongoing basis and is estimated utilizing historical redemption activity and anticipated earn and redeem behaviour of members.

IMPAIRMENT OF CREDIT CARD RECEIVABLES

Judgments Made in Relation to Accounting Policies Applied In each stage of the impairment model, impairment is determined based on the probability of default, loss given default, and expected exposures at default on drawn and undrawn exposures on credit card receivables, discounted using an average portfolio yield rate. The application of the ECL model requires management to apply the following significant judgments, assumptions and estimations:

- Movement of impairment measurement between the three stages of the ECL model, based on the assessment of the increase in credit risks on credit card receivables. The assessment of changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss experience and external credit scores;
- Thresholds for significant increase in credit risks based on changes in probability of default over the expected life of the instrument relative to initial recognition; and
- Forecasts of future economic conditions.

FAIR VALUE OF INVESTMENT PROPERTIES

Key Sources of Estimation The fair value of investment properties is dependent on available comparable transactions, future cash flows over the holding period, and discount rates and capitalization rates applicable to those assets. The review of anticipated cash flow involves assumptions relating to occupancy, market rental rates, net operating expenses, and residual value. In addition to reviewing anticipated cash flows, management assesses changes in the business climate and other factors, which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

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 and the timing and reversal of temporary differences.

PROVISIONS

Judgments made in Relation to Accounting Policies Applied and Key Sources of Estimation The recording of provisions requires management to make certain judgments regarding whether 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 if a reliable estimate of the amount of the obligation can be made. The Company has recorded provisions primarily in respect of restructuring, environmental and decommissioning liabilities, certain onerous costs on leased properties and legal claims. The Company reviews the merits, risks and uncertainties of each provision, based on current information, and the amount expected to be required to settle the obligation. Provisions are reviewed on an ongoing basis and are adjusted accordingly when new facts and events become known to the Company.

LEASES

Judgments Made in Relation to Accounting Policies Applied Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds, store performances and past business practice and the length of time remaining before the option is exercisable. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew. Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may impact management's assessment of lease term, and any changes in management's estimate of lease terms may have a material impact on the Company's balance sheet and statement of earnings.

Key Sources of Estimation In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate using a base risk-free interest rate estimated by reference to the Government of Canada bond yield with an adjustment that reflects the Company's credit rating, the security, lease term and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change due to changes in the business and macroeconomic environment.

Note 4. Future Accounting Standard

IFRS 17 In 2017, the IASB issued IFRS 17, "Insurance Contracts" ("IFRS 17") replacing IFRS 4, "Insurance Contracts". IFRS 17 introduces consistent accounting for all insurance contracts. The standard requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to these contracts. Additionally, IFRS 17 requires an entity to recognize profits as it delivers insurance services, rather than when it receives premiums. The standard is effective for annual periods beginning on or after January 1, 2021 and is to be applied retrospectively. However, the IASB has proposed deferring the effective date to January 1, 2022. While early adoption is permitted, the Company does not intend to early adopt IFRS 17. The Company is currently assessing the impact of the standard on its consolidated financial statements.

Note 5. Subsidiaries

The table below summarizes the Company's principal subsidiaries. The proportion of ownership interests held equals the voting rights held by the Company. GWL's ownership in Choice Properties and Loblaw is impacted by changes in Choice Properties' trust units and Loblaw's common share equity, respectively.

		As at			
		Dec. 31, 2019		Dec. 31, 2018	
		Number of shares / units held	Ownership interest	Number of shares / units held	Ownership interest
Loblaw	Common shares ⁽ⁱ⁾	187,815,136	52.2%	187,815,136	50.4%
	Class B LP Units ⁽ⁱⁱ⁾	389,961,783	n/a	389,961,783	n/a
	Trust Units	50,661,415	n/a	46,856,415	n/a
Choice Properties		440,623,198	62.9%	436,818,198	65.4%

(i) Includes 9.6 million Loblaw common shares pledged under the equity forward sale agreement (see note 33).

(ii) Class B LP Units ("Exchangeable Units") are economically equivalent to Trust Units, receive distributions equal to the distributions paid on Trust Units and are exchangeable, at the holder's option, into Trust Units.

In the second quarter of 2019, Choice Properties completed an offering of 30,042,250 trust units (the "Units") at a price of \$13.15 per Unit, for aggregate gross proceeds of approximately \$395 million, and net proceeds of approximately \$381 million (the "Offering"). The Offering consisted of 26,237,250 Units sold to a syndicate of underwriters and 3,805,000 Units purchased by the Company for approximately \$50 million. Choice Properties incurred issuance costs of \$14 million recorded in net interest expense and other financing charges (see note 7).

Notes to the Consolidated Financial Statements

Note 6. Business Acquisitions

CONSOLIDATION OF FRANCHISES Loblaw accounts for the consolidation of existing franchises as business acquisitions and consolidates its franchises as of the date the franchisee enters into a Franchise Agreement with Loblaw. The assets acquired and liabilities assumed through the consolidation are 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 were included in Loblaw's results of operations from the date of acquisition.

The following table summarizes the amounts recognized for the assets acquired, the liabilities assumed and the non-controlling interests recognized at the acquisition dates:

(\$ millions)	2019	2018
Net assets acquired:		
Cash and cash equivalents	\$ 20	\$ 18
Inventories	51	66
Fixed assets (note 15)	67	78
Trade payables and other liabilities ⁽ⁱ⁾	(48)	(36)
Other liabilities ⁽ⁱ⁾	(73)	(114)
Non-controlling interests	(17)	(12)
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.

CHOICE PROPERTIES' ACQUISITION OF CANADIAN REAL ESTATE INVESTMENT TRUST On May 4, 2018, Choice Properties acquired all the assets and assumed all the liabilities, including outstanding debt, of Canadian Real Estate Investment Trust ("CREIT") for total consideration of \$3,708 million. The consideration was comprised of \$1,652 million of cash and the issuance of 182,836,481 new Trust Units.

In the second quarter of 2019, the Company finalized the purchase price allocation. Deferred income tax liabilities and goodwill decreased by \$1 million to \$366 million. The final purchase price allocation is summarized below:

(\$ millions)	As at May 4, 2018
Net Assets Acquired:	
Cash and cash equivalents	\$ 32
Accounts receivable and other assets	50
Mortgages, loans and notes receivable ⁽ⁱ⁾	196
Equity accounted joint ventures	683
Investment properties	4,730
Intangible assets	30
Goodwill	366
Trade payables and other liabilities	(172)
Long term debt	(1,841)
Deferred income tax liabilities	(366)
Total Net Assets Acquired	\$ 3,708

(i) Included in other assets in the audited consolidated balance sheets.

Note 7. Net Interest Expense and Other Financing Charges

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

(\$ millions)	2019	2018
Interest expense:		
Long term debt	\$ 644	\$ 636
Lease liabilities (note 32)	214	–
Borrowings related to credit card receivables	45	41
Trust Unit distributions ⁽ⁱ⁾	203	126
Choice Properties issuance costs ⁽ⁱ⁾	14	–
Independent funding trusts	19	19
Post-employment and other long term employee benefits (note 29)	9	12
Bank indebtedness	6	8
Financial liabilities (note 25)	7	–
Capitalized interest (capitalization rate 4.0% (2018 - 4.0%)) (notes 15 & 18)	(4)	(6)
	\$ 1,157	\$ 836
Interest income:		
Accretion income	\$ (9)	\$ (5)
Short term interest income	(33)	(43)
	\$ (42)	\$ (48)
Forward sale agreement ⁽ⁱⁱ⁾	39	25
Fair value adjustment of the Trust Unit liability (note 33)	550	(41)
Charge related to Glenhuron Bank Limited (note 8)	–	176
Net interest expense and other financing charges	\$ 1,704	\$ 948

- (i) Choice Properties issued 182,836,481 new Trust Units to Trust Unitholders other than the Company and Loblaw in connection with the acquisition of CREIT (see note 6). In the second quarter of 2019, Choice Properties completed the Offering to sell 26,237,250 new Trust Units (see note 5). In the fourth quarter of 2019, Choice Properties' Board of Trustees declared a special non-cash distribution in the form of Trust Units.
- (ii) Included a charge of \$69 million (2018 - \$50 million) related to the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares (see note 33). The fair value adjustment of the forward sale agreement is non-cash and results from changes in the value of the underlying Loblaw common shares. At maturity, any cash paid under the forward sale agreement could be offset by the sale of the underlying Loblaw common shares. Also included is forward accretion income of \$50 million (2018 - \$47 million), and the forward fee of \$20 million (2018 - \$22 million), associated with the forward sale agreement.

Notes to the Consolidated Financial Statements

Note 8. Income Taxes

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

(\$ millions)	2019	2018
Current income taxes		
Current period	\$ 534	\$ 584
Charges related to Glenhuron Bank Limited	–	191
Adjustment in respect of prior periods	8	(70)
Deferred income taxes		
Origination and reversal of temporary differences	(80)	(89)
Effect of change in income tax rates	(10)	(62)
Adjustment in respect of prior periods	(21)	85
Income taxes	\$ 431	\$ 639

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

(\$ millions)	2019	2018
Net defined benefit plan actuarial gains (note 29)	\$ 1	\$ 34
Adjustment to fair value on transfer of investment properties	2	5
Total income tax recognized in other comprehensive income	\$ 3	\$ 39

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:

	2019	2018
Weighted average basic Canadian federal and provincial statutory income tax rate	26.7%	26.6%
Net (decrease) increase resulting from:		
Effect of tax rate in foreign jurisdictions	(0.7)	(1.0)
Charges related to Glenhuron Bank Limited	–	11.7
Impact of foreign currency translation	–	(0.2)
Non-deductible and non-taxable items	(1.2)	4.9
Impact of fair value adjustment of Trust Unit liability	11.7	(0.7)
Impact of income tax rate changes on deferred income tax balances	(0.8)	(3.8)
Adjustments in respect of prior periods	(0.8)	1.4
Other	(0.5)	0.1
Effective income tax rate applicable to earnings before income taxes	34.4%	39.0%

On September 7, 2018, the Tax Court of Canada (“Tax Court”) released its decision relating to Glenhuron Bank Limited (“Glenhuron”), a wholly-owned Barbadian subsidiary of Loblaw that was wound up in 2013. The Tax Court ruled that certain income earned by Glenhuron should be taxed in Canada based on a technical interpretation of the applicable legislation. On October 4, 2018, Loblaw filed a Notice of Appeal with the Federal Court of Appeal (see note 35). Although Loblaw believes in the merits of its position, it recorded a charge during the third quarter of 2018 of \$367 million, of which \$176 million was recorded in net interest expense and other financing charges and \$191 million was recorded in income taxes. Loblaw believes that this provision will be sufficient to cover its ultimate liability if the appeal is unsuccessful. In the third quarter of 2018, Loblaw made a cash payment of \$235 million to fund the tax and interest owing in light of the decision of the Tax Court. On October 15, 2019, the appeal was heard by the Federal Court of Appeal, with the court reserving judgment until a later date.

In the first quarter of 2018, voting control of Loblaw was acquired by a related group, which included the Company and Wittington, resulting in certain adjustments in respect to prior periods for tax purposes during the first quarter of 2018.

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

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018
Deductible temporary differences	\$ 19	\$ 26
Income tax losses and credits	185	164
Unrecognized deferred income tax assets	\$ 204	\$ 190

The portion of the income tax losses and credits which have a limited carry-forward period expire in the years 2026 to 2039. 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, 2019	Dec. 31, 2018
Trade payables and other liabilities	\$ 92	\$ 69
Other liabilities	141	352
Lease liabilities	1,160	–
Fixed assets	(1,037)	(1,062)
Right-of-use assets	(902)	–
Goodwill and intangible assets	(1,674)	(1,820)
Non-capital losses carried forward (expiring 2026 to 2039)	155	174
Capital losses carried forward	32	8
Other	38	50
Net deferred income tax liabilities	\$ (1,995)	\$ (2,229)
Recorded on the consolidated balance sheets as follows:		
Deferred income tax assets	\$ 250	\$ 286
Deferred income tax liabilities	(2,245)	(2,515)
Net deferred income tax liabilities	\$ (1,995)	\$ (2,229)

Note 9. Basic and Diluted Net Earnings per Common Share

(\$ millions except where otherwise indicated)	2019	2018
Net earnings attributable to shareholders of the Company	\$ 242	\$ 574
Prescribed dividends on preferred shares in share capital	(44)	(44)
Net earnings available to common shareholders of the Company	\$ 198	\$ 530
Reduction in net earnings due to dilution at Loblaw	(4)	(2)
Net earnings available to common shareholders for diluted earnings per share	\$ 194	\$ 528
Weighted average common shares outstanding (in millions) (note 26)	153.5	131.8
Dilutive effect of equity-based compensation ⁽ⁱ⁾ (in millions)	0.2	0.4
Diluted weighted average common shares outstanding (in millions)	153.7	132.2
Basic net earnings per common share (\$)	\$ 1.29	\$ 4.02
Diluted net earnings per common share (\$)	\$ 1.26	\$ 3.99

(i) Excluded from the computation of diluted net earnings per common share were 955,551 (2018 – 674,981) potentially dilutive instruments, as they were anti-dilutive.

Notes to the Consolidated Financial Statements

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

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

CASH AND CASH EQUIVALENTS

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018
Cash	\$ 775	\$ 661
Cash equivalents:		
Bankers' acceptances	557	258
Government treasury bills	262	405
Corporate commercial paper	240	197
Cash and cash equivalents	\$ 1,834	\$ 1,521

SHORT TERM INVESTMENTS

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018
Bankers' acceptances	\$ 32	\$ 85
Government treasury bills	61	143
Corporate commercial paper	136	52
Other	–	1
Short term investments	\$ 229	\$ 281

SECURITY DEPOSITS

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018
Cash	\$ 46	\$ 48
Government treasury bills	30	39
Security deposits	\$ 76	\$ 87

Note 11. Accounts Receivable

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

(\$ millions)	As at							
	Dec. 31, 2019				Dec. 31, 2018 ⁽ⁱ⁾			
	0 - 90 days	> 90 days	> 180 days	Total	0 - 90 days	> 90 days	> 180 days	Total
Accounts receivable	\$ 1,263	\$ 36	\$ 76	\$ 1,375	\$ 1,208	\$ 53	\$ 68	\$ 1,329

(i) Certain comparative figures have been restated to conform with current year presentation.

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

(\$ millions)	2019	2018
Allowance, beginning of year	\$ (34)	\$ (57)
Net write-offs	–	23
Allowance, end of year	\$ (34)	\$ (34)

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

Note 12. Credit Card Receivables

The components of credit card receivables were as follows:

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018 ⁽ⁱ⁾
Gross credit card receivables	\$ 3,714	\$ 3,476
Allowance for credit card receivables	(196)	(167)
Credit card receivables	\$ 3,518	\$ 3,309
Securitized to independent securitization trusts:		
Securitized to <i>Eagle Credit Card Trust</i> [®] (note 24)	\$ 1,000	\$ 750
Securitized to Other Independent Securitization Trusts (note 23)	775	915
Total securitized to independent securitization trusts	\$ 1,775	\$ 1,665

(i) Certain comparative figures have been restated to conform with current year presentation.

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.

On a year-to-date basis in 2019, PC Bank recorded a \$140 million net decrease of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts due to additional funding acquired from the *Eagle* issuance in 2019.

Loblaw has arranged letters of credit on behalf of PC Bank for the benefit of the Independent Securitization Trusts (see note 36).

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at year end 2019 and throughout the year.

The following is an aging of gross credit card receivables:

(\$ millions)	As at							
	Dec. 31, 2019				Dec. 31, 2018 ⁽ⁱ⁾			
	Current	1-90 days past due	> 90 days past due	Total	Current	1-90 days past due	> 90 days past due	Total
Gross credit card receivables	\$ 3,504	\$ 176	\$ 34	\$ 3,714	\$ 3,260	\$ 187	\$ 29	\$ 3,476

(i) Certain comparative figures have been restated to conform with current year presentation.

Notes to the Consolidated Financial Statements

The following are continuities of Loblaw's allowances for credit card receivables for the years ended December 31, 2019 and December 31, 2018:

(\$ millions)				2019
	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of the year	\$ 62	\$ 80	\$ 25	\$ 167
Increase / (Decrease) during the period:				
Transfers ⁽ⁱ⁾				
To Stage 1	31	(31)	–	–
To Stage 2	(7)	8	(1)	–
To Stage 3	(1)	(16)	17	–
New loans originated ⁽ⁱⁱⁱ⁾	9	13	3	25
New remeasurements ⁽ⁱⁱⁱ⁾	(22)	38	105	121
Write-offs	–	–	(139)	(139)
Recoveries	–	–	22	22
Balance, end of year	\$ 72	\$ 92	\$ 32	\$ 196

(i) Transfers reflect allowance movements between stages for loans that were recognized as of the beginning of the year.

(ii) New loans originated reflect the stage of loan, and the related loan balance, as of the end of the year.

(iii) Net remeasurement of loss allowance includes impact from changes in loan balances and credit quality during the year.

(\$ millions)				2018
	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of the year ⁽ⁱ⁾	\$ 51	\$ 71	\$ 23	\$ 145
Increase / (Decrease) during the period:				
Transfers ⁽ⁱⁱ⁾				
To Stage 1	26	(26)	–	–
To Stage 2	(4)	6	(2)	–
To Stage 3	(1)	(14)	15	–
New loans originated ⁽ⁱⁱⁱ⁾	9	14	3	26
New remeasurements ^(iv)	(19)	29	80	90
Write-offs	–	–	(120)	(120)
Recoveries	–	–	26	26
Balance, end of year	\$ 62	\$ 80	\$ 25	\$ 167

(i) Allowance at the beginning of 2018 included the impacts of the implementation of IFRS 9, "Financial Instruments".

(ii) Transfers reflect allowance movements between stages for loans that were recognized as of the beginning of the year.

(iii) New loans originated reflect the stage of loan, and the related loan balance, as of the end of the year.

(iv) Net remeasurement of loss allowance includes impact from changes in loan balances and credit quality during the year.

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

Note 13. Inventories

The components of inventories were as follows:

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018
Raw materials and supplies	\$ 70	\$ 68
Finished goods	5,200	4,933
Inventories	\$ 5,270	\$ 5,001

As at year end 2019, inventories included a charge of \$33 million (2018 - \$37 million) recorded by Loblaw for the write-down of inventories below cost to net realizable value. The write-down was included in cost of inventories sold in the consolidated statements of earnings. There were no reversals of previously recorded write-downs of inventories during 2019 and 2018.

Note 14. Assets Held for Sale and Disposition

Loblaw classifies 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 business segment. In 2019, Loblaw recorded a net gain of \$12 million (2018 - nominal loss) from the sale of these assets. Impairment charges of \$8 million were recognized on these properties in 2019 (2018 - \$3 million).

As at December 31, 2019, Choice Properties classified its only US retail property as an asset held for sale. Subsequent to year end 2019, the property was sold to a third-party for cash consideration of \$98 million, excluding transaction costs.

Notes to the Consolidated Financial Statements

Note 15. 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, 2019:

(\$ millions)	Land	Buildings and Building Improvements	Equipment and fixtures	Leasehold improvements	Finance leases - land, buildings, equipment and fixtures	Assets under construction	Total
Cost, beginning of year ⁽ⁱ⁾	\$ 2,050	\$ 8,895	\$ 9,164	\$ 2,217	\$ 951	\$ 747	\$ 24,024
IFRS 16 adjustments (note 2)	–	–	(42)	–	(951)	–	(993)
Restated balance, beginning of year	2,050	8,895	9,122	2,217	–	747	23,031
Additions ⁽ⁱⁱ⁾	5	32	167	52	–	852	1,108
Disposals	(7)	(18)	(205)	(18)	–	–	(248)
Transfer to assets held for sale	(9)	(4)	–	–	–	–	(13)
Net transfer to investment properties (note 16)	(12)	(36)	–	–	–	(1)	(49)
Net transfer to equity accounted joint ventures	–	(8)	–	–	–	–	(8)
Transfer from assets under construction	44	174	528	133	–	(879)	–
Business acquisitions (note 6)	–	38	66	(37)	–	–	67
Impact of foreign currency translation	–	(11)	(30)	–	–	(6)	(47)
Cost, end of year	\$ 2,071	\$ 9,062	\$ 9,648	\$ 2,347	\$ –	\$ 713	\$ 23,841
Accumulated depreciation and impairment losses, beginning of year ⁽ⁱ⁾	\$ 2	\$ 3,499	\$ 6,659	\$ 1,220	\$ 540	\$ 3	\$ 11,923
IFRS 16 adjustments (note 2)	–	–	(18)	–	(540)	–	(558)
Restated balance, beginning of year	2	3,499	6,641	1,220	–	3	11,365
Depreciation	–	227	561	163	–	–	951
Impairment losses	–	7	20	18	–	–	45
Reversal of impairment losses	–	(18)	(5)	(4)	–	–	(27)
Disposals	–	(18)	(198)	(14)	–	–	(230)
Transfer to assets held for sale	–	(1)	–	–	–	–	(1)
Transfer to investment properties (note 16)	–	(12)	–	–	–	–	(12)
Impact of foreign currency translation	–	(4)	(19)	–	–	–	(23)
Accumulated depreciation and impairment losses, end of year	\$ 2	\$ 3,680	\$ 7,000	\$ 1,383	\$ –	\$ 3	\$ 12,068
Carrying amount as at:							
December 31, 2019	\$ 2,069	\$ 5,382	\$ 2,648	\$ 964	\$ –	\$ 710	\$ 11,773

(i) Certain comparative figures have been restated to conform with current year presentation.

(ii) Additions to fixed assets includes \$13 million of non-cash consideration.

The following is a continuity of the cost and accumulated depreciation and impairment losses of fixed assets for the year ended December 31, 2018:

(\$ millions)	Land	Buildings and building improvements	Equipment and fixtures	Leasehold improvements	Finance leases - land, buildings, equipment and fixtures	Assets under construction	Total
Cost, beginning of year	\$ 2,016	\$ 8,560	\$ 8,452	\$ 2,089	\$ 937	\$ 705	\$ 22,759
Additions ⁽ⁱ⁾	49	48	301	121	20	710	1,249
Disposals	(34)	(10)	(100)	(21)	(6)	(4)	(175)
Transfer to assets held for sale	(15)	(15)	–	–	–	–	(30)
Net transfer (to) from investment properties ⁽ⁱ⁾ (note 16)	(7)	74	–	(3)	–	–	64
Transfer from assets under construction ⁽ⁱ⁾	40	219	382	31	–	(672)	–
Business acquisitions (note 6)	–	–	78	–	–	–	78
Impact of foreign currency translation	1	19	51	–	–	8	79
Cost, end of year	\$ 2,050	\$ 8,895	\$ 9,164	\$ 2,217	\$ 951	\$ 747	\$ 24,024
Accumulated depreciation and impairment losses, beginning of year	\$ 2	\$ 3,314	\$ 6,177	\$ 1,077	\$ 492	\$ 8	\$ 11,070
Depreciation ⁽ⁱ⁾	–	231	516	160	45	1	953
Impairment losses	–	20	19	20	3	(5)	57
Reversal of impairment losses	(1)	(35)	(1)	(11)	–	–	(48)
Disposals	1	(30)	(80)	(23)	–	(1)	(133)
Transfer to assets held for sale	–	(1)	–	–	–	–	(1)
Net transfer to investment properties (note 16)	–	(6)	–	(3)	–	–	(9)
Impact of foreign currency translation	–	6	28	–	–	–	34
Accumulated depreciation and impairment losses, end of year	\$ 2	\$ 3,499	\$ 6,659	\$ 1,220	\$ 540	\$ 3	\$ 11,923
Carrying amount as at:							
December 31, 2018	\$ 2,048	\$ 5,396	\$ 2,505	\$ 997	\$ 411	\$ 744	\$ 12,101

(i) Certain comparative figures have been restated to conform with current year presentation.

ASSETS UNDER CONSTRUCTION The cost of additions to properties under construction for 2019 was \$852 million (2018 – \$710 million). Included in this amount were capitalized borrowing costs of \$4 million (2018 – \$6 million) with a weighted average capitalization rate of 4.0% (2018 – 4.0%) (see note 7).

SECURITY AND ASSETS PLEDGED As at year end 2019, the Company had fixed assets with a carrying amount of \$58 million (2018 - \$72 million) which were encumbered by mortgages of \$38 million (2018 - \$27 million) (see note 24).

FIXED ASSET COMMITMENTS As at year end 2019, the Company had entered into commitments of \$773 million (2018 – \$310 million) for the construction, expansion and renovation of buildings and the purchase of real property.

IMPAIRMENT LOSSES AND REVERSALS OF FIXED ASSETS AND RIGHT-OF-USE ASSETS In 2019, the Company recorded \$41 million (2018 – \$50 million) of impairment losses on fixed assets and \$16 million (2018 - nil) of impairment losses on right-of-use assets (note 32) in respect of 32 CGUs (2018 – 23 CGUs). The recoverable amount was based on the greater of the CGU's fair value less costs to sell and its value in use. Approximately 6% (2018 – 26%) of impaired CGUs had carrying values which were \$3 million (2018 – \$16 million) greater than their fair value less costs to sell. The remaining 94% (2018 – 74%) of impaired CGUs had carrying values which were \$54 million (2018 – \$34 million) greater than their value in use.

Notes to the Consolidated Financial Statements

In 2019, the Company recorded \$27 million (2018 – \$48 million) of impairment reversals on fixed assets in respect of 10 CGUs (2018 – 38 CGUs). Impairment reversals are recorded where the recoverable amount of the retail location exceeds its carrying values. Approximately 30% (2018 – 34%) of CGUs with impairment reversals had fair value less costs to sell greater than their carrying values of \$12 million (2018 – \$13 million). The remaining 70% (2018 – 66%) of CGUs with impairment reversals had value in use of \$15 million (2018 – \$35 million) greater than their carrying values.

When determining the value in use of a retail location, the Company 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 are consistent with industry averages, all of which are consistent with strategic plans presented to GWL's and Loblaw's Boards. The estimate of the value in use of relevant CGUs was determined using a pre-tax discount rate of 8.0% to 8.5% at the end of 2019 (2018 – 8.0% to 8.5%).

Additional impairment losses of \$4 million (2018 – \$7 million) were incurred related to Loblaw's store closures, renovations and conversions of retail locations.

Note 16. Investment Properties

The following are continuities of investment properties for the years ended December 31, 2019 and December 31, 2018:

(\$ millions)	2019	2018
Balance, beginning of the year	\$ 4,847	\$ 276
Adjustment to fair value of investment properties	(74)	(48)
Additions ⁽ⁱ⁾	85	78
Business acquisitions ^(note 6)	–	4,730
Disposals	(34)	(127)
Impairment losses	–	(4)
Net transfer from (to) fixed assets ⁽ⁱⁱ⁾ ^(note 15)	49	(62)
Net transfer to assets held for sale	(174)	(2)
Net transfer from equity accounted joint ventures	182	–
Other	7	6
Balance, end of the year	\$ 4,888	\$ 4,847

(i) In 2019, additions to investment properties includes \$25 million of non-cash consideration.

(ii) Includes the fair value gain of \$12 million (2018 – \$21 million) recognized in other comprehensive income related to transfer of fixed assets to investment properties.

During 2019, the Company recognized in operating income \$400 million (2018 – \$329 million) of rental revenue and incurred direct operating costs of \$123 million (2018 – \$108 million) related to its investment properties. In addition, the Company recognized direct operating costs of \$2 million (2018 – \$3 million) related to its investment properties for which no rental revenue was earned.

INTERNAL APPRAISALS

Investment properties are measured at fair value, which was primarily determined by using the discounted cash flow method. Management reviews the valuation process and results prepared by the internal valuation team at least once per quarter. The valuations exclude any portfolio premium or value for the management platform and reflect the highest and best use for each of the Company's investment properties. As part of the internal valuation process, Management considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations and asset classes across the Company's portfolio. On a quarterly basis, the internal valuation team reviews and updates, as deemed necessary, the valuation models to reflect current market data. Updates may be made to capitalization rates, discount rates, market rents, as well as current leasing and/or development activity, renewal probability, downtime on lease expiry, vacancy allowances, and expected maintenance costs.

INDEPENDENT APPRAISALS

Properties are typically independently appraised at the time of acquisition. In addition, the Company has engaged independent nationally-recognized valuation firms to appraise its investment properties such that the majority of the portfolio will be independently appraised at least once over a four-year period. When an independent appraisal is obtained, the internal valuation team assesses all major inputs used by the independent valuers in preparing their reports and holds discussions with them on the reasonableness of their assumptions. The reports are then used by the internal valuation team for consideration in preparing the valuations as reported in these consolidated financial statements.

Note 17. Equity Accounted Joint Ventures

Choice Properties accounts for its investments in joint ventures using the equity method. These investments hold primarily development properties and some income-producing properties. The table below summarizes Choice Properties' investment in joint ventures.

	2019		2018	
	Number of joint ventures	Ownership interest	Number of joint ventures	Ownership interest
Retail	16	25% - 75%	16	25% - 75%
Industrial ⁽ⁱ⁾	2	50%	4	50% - 85%
Residential	3	47% - 50%	3	47% - 50%
Mixed-use	1	40%	1	40%
Total equity accounted joint ventures	22		24	
The Company's investment in equity accounted joint ventures (\$ millions)		\$ 605		\$ 734

- (i) During 2019, Choice Properties acquired its partner's interest in two equity accounted joint ventures, thereby increasing its ownership to 100%. As a result, these interests have been transferred from equity accounted joint ventures to consolidated investments as of the acquisition date.

Notes to the Consolidated Financial Statements

Note 18. 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, 2019:

(\$ millions)	Indefinite life intangible assets	Definite life internally generated intangible assets	Definite life trademarks and brand names	Software	Other definite life intangible assets	Total
Cost, beginning of year	\$ 3,519	\$ 20	\$ 20	\$ 2,789	\$ 6,174	\$ 12,522
IFRS 16 adjustments (note 2)	–	–	–	–	(207)	(207)
Restated balance, beginning of year	\$ 3,519	\$ 20	\$ 20	\$ 2,789	\$ 5,967	\$ 12,315
Additions	1	–	–	397	5	403
Business acquisitions	–	–	–	–	23	23
Disposal	–	–	–	–	(1)	(1)
Write-off cost of fully amortized assets	–	–	–	–	(1)	(1)
Impact of foreign currency translation	–	–	–	–	(5)	(5)
Cost, end of year	\$ 3,520	\$ 20	\$ 20	\$ 3,186	\$ 5,988	\$ 12,734
Accumulated amortization and impairment losses, beginning of year	\$ –	\$ 20	\$ 10	\$ 1,852	\$ 2,682	\$ 4,564
IFRS 16 adjustments (note 2)	–	–	–	–	(125)	(125)
Restated balance, beginning of year	\$ –	\$ 20	\$ 10	\$ 1,852	\$ 2,557	\$ 4,439
Amortization	–	–	1	290	508	799
Impairment losses	–	–	–	–	12	12
Disposal	–	–	–	–	(1)	(1)
Write-off amortization of fully amortized assets	–	–	–	–	(1)	(1)
Impact of foreign currency translation	–	–	–	–	(2)	(2)
Accumulated amortization and impairment losses, end of year	\$ –	\$ 20	\$ 11	\$ 2,142	\$ 3,073	\$ 5,246
Carrying amount as at:						
December 31, 2019	\$ 3,520	\$ –	\$ 9	\$ 1,044	\$ 2,915	\$ 7,488

The following is a continuity of the cost and accumulated amortization and impairment losses of intangible assets for the year ended December 31, 2018:

(\$ millions)	Indefinite life intangible assets	Definite life internally generated intangible assets	Definite life trademarks and brand names	Software	Other definite life intangible assets	Total
Cost, beginning of year	\$ 3,485	\$ 20	\$ 20	\$ 2,458	\$ 6,147	\$ 12,130
Additions	4	–	–	331	8	343
Business acquisitions	30	–	–	–	25	55
Disposal	–	–	–	(5)	(2)	(7)
Write-off cost of fully amortized assets	–	–	–	–	(11)	(11)
Impact of foreign currency translation	–	–	–	5	7	12
Cost, end of year	\$ 3,519	\$ 20	\$ 20	\$ 2,789	\$ 6,174	\$ 12,522
Accumulated amortization and impairment losses, beginning of year	\$ –	\$ 20	\$ 9	\$ 1,576	\$ 2,157	\$ 3,762
Amortization	–	–	1	269	534	804
Impairment losses	–	–	–	11	1	12
Disposals	–	–	–	(4)	(1)	(5)
Write-off amortization of fully amortized assets	–	–	–	–	(11)	(11)
Impact of foreign currency translation	–	–	–	–	2	2
Accumulated amortization and impairment losses, end of year	\$ –	\$ 20	\$ 10	\$ 1,852	\$ 2,682	\$ 4,564
Carrying amount as at:						
December 31, 2018	\$ 3,519	\$ –	\$ 10	\$ 937	\$ 3,492	\$ 7,958

INDEFINITE LIFE INTANGIBLE ASSETS Indefinite life intangible assets recorded by Loblaw are comprised of brand names, trademarks, import purchase quotas and certain liquor licenses. 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, import purchase quotas and liquor licenses 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 annual impairment tests for indefinite life intangible assets and concluded 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 19).

SOFTWARE Software is comprised of software purchases and development costs. There were no capitalized borrowing costs included in 2019 (2018 – nil).

OTHER DEFINITE LIFE INTANGIBLE ASSETS Other definite life intangible assets recorded by Loblaw primarily consist of prescription files, the customer loyalty awards program and customer relationships.

Notes to the Consolidated Financial Statements

Note 19. Goodwill

The following are continuities of the cost and accumulated impairment losses of goodwill for the years ended December 31, 2019 and December 31, 2018:

(\$ millions)	2019	2018
Cost, beginning of year	\$ 5,848	\$ 5,444
Business acquisitions ⁽ⁱ⁾	4	387
Adjusted purchase price allocation	(1)	–
Impact of foreign currency translation	(9)	17
Cost, end of year	\$ 5,842	\$ 5,848
Accumulated impairment losses, beginning of year	\$ 1,067	\$ 1,067
Impairment losses	–	–
Accumulated impairment losses, end of year	\$ 1,067	\$ 1,067
Carrying amount as at:		
December 31	\$ 4,775	\$ 4,781

(i) Included goodwill of \$366 million associated with the acquisition of CREIT in 2018 (see note 6).

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

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018
Weston Foods	\$ 303	\$ 312
Shoppers Drug Mart	2,974	2,972
Market	375	375
Discount	461	459
T&T Supermarket Inc.	129	129
Other	533	534
Carrying amount of goodwill	\$ 4,775	\$ 4,781

The Company completed its 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 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 7.1% to 9.3% (2018 – 7.0% to 9.3%) 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 comparable public traded companies.

Cash flow projections were discounted using a rate derived from the Company's after-tax weighted average cost of capital. As at year end 2019, the after-tax discount rate used in the recoverable amount calculations was 7.1% to 9.3% (2018 – 7.0% to 9.3%). The pre-tax discount rate was 9.7% to 12.7% (2018 – 9.5% to 12.7%).

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% (2018 – 2.0%). The budgeted adjusted EBITDA⁽ⁱ⁾ growth was based on the strategic plans approved by GWL's and Loblaw's Boards.

(i) Excludes certain items and is used internally by management when analyzing segment underlying operating performance.

Note 20. Other Assets

The components of other assets were as follows:

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018
Fair value of equity forward (note 33)	\$ 537	\$ 556
Sundry investments and other receivables	43	51
Net accrued benefit plan asset (note 29)	249	233
Finance lease receivable (note 32)	73	–
Mortgages, loans and notes receivable	188	187
Other	177	159
Total Other Assets	\$ 1,267	\$ 1,186
Current portion of mortgages, loans and notes receivable ⁽ⁱ⁾	(87)	(99)
Other assets	\$ 1,180	\$ 1,087

(i) Current portion of mortgages, loans and note receivable are included in prepaid expenses and other assets in the consolidated balance sheets.

Note 21. Customer Loyalty Awards Program Liability

The carrying amount of the liability associated with Loblaw's customer loyalty awards programs ("loyalty liability") was as follows:

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018
Loyalty liability	\$ 191	\$ 228

The majority of the Company's loyalty liability, which is a contract liability, is expected to be redeemed and recognized as revenue within one year of issuance.

Note 22. Provisions

The following are continuities of provisions for the years ended December 31, 2019 and December 31, 2018:

(\$ millions)	2019	2018
Provisions, beginning of year	\$ 372	\$ 515
IFRS 16 adjustment (note 2)	(80)	–
Restated balance, beginning of year	\$ 292	\$ 515
Additions	104	151
Payments	(142)	(257)
Reversals	(16)	(41)
Impact of foreign currency translation	(1)	4
Provisions, end of year	\$ 237	\$ 372

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018
Carrying amount of provisions recorded in:		
Current provisions	\$ 147	\$ 205
Non-current provisions	90	167
Provisions	\$ 237	\$ 372

Notes to the Consolidated Financial Statements

Provisions consist primarily of amounts recorded in respect of restructuring, self-insurance, environmental and decommissioning liabilities, certain onerous costs on leased properties, legal claims, the Loblaw Card Program and a MEPP withdrawal liability.

The Company's accrued insurance liabilities were \$79 million (2018 - \$83 million), of which \$44 million (2018 - \$48 million) was included in non-current provisions and \$35 million (2018 - \$35 million) in current provisions. Included in total accrued insurance liabilities were \$20 million (2018 - \$23 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 2019 U.S. workers' compensation cost and liability was 2.0% (2018 - 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.

In 2019, the U.S. workers' compensation cost associated with the worker's compensation liabilities was \$4 million (2018 - \$4 million).

COMPETITION BUREAU INVESTIGATION In 2017, the Company and Loblaw announced actions taken to address their involvement in an industry-wide price-fixing arrangement. In connection with the arrangement, Loblaw offered customers a \$25 Loblaw Card, which can be used to purchase items sold in Loblaw grocery stores across Canada. As at December 31, 2019, the Loblaw Card Program liability is \$17 million (2018 - \$21 million). Loblaw expects that Loblaw Cards issued to customers will be an offset against civil liability. The charge recorded for the Loblaw Card Program should not be viewed as an estimate of damages (see note 35).

RESTRUCTURING AND OTHER RELATED COSTS The Company continues to execute on a multi-year plan, initiated in 2018, that focuses on improving processes and generating efficiencies across administrative, store, manufacturing and distribution network infrastructure. Many initiatives are underway to reduce the complexity and cost of business operations, ensuring a low cost operating structure that allows for continued investments in the Company's strategic growth areas. As at December 31, 2019, the provision related to restructuring and other related costs was \$79 million (2018 - \$126 million).

Subsequent to the end of 2019, Loblaw announced the future closure of two distribution centres in Laval and Ottawa. Loblaw is investing to build a modern and efficient expansion to its Cornwall distribution centre to serve its food and drug retail businesses in Ontario and Quebec. Over the next two years, the distribution centres in Laval and Ottawa will be transferring their volumes to Cornwall. During this period, Loblaw expects to incur additional restructuring costs in 2020 and 2021 with respect to these closures.

Note 23. Short Term Debt

The components of short term debt were as follows:

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018
Other Independent Securitization Trusts (note 12)	\$ 775	\$ 915
Series B Debentures ⁽ⁱ⁾	714	664
Short term debt	\$ 1,489	\$ 1,579

(i) Series B Debentures issued by CWL are due on demand, and pay a current weighted average interest rate of 2.55% (2018 - 2.31%). The Series A, 7.00% (see note 24) 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 (see note 12).

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 2019, with their respective maturity dates extended to 2021 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 2019 were \$125 million (2018 - \$110 million).

Note 24. Long Term Debt

The components of long term debt were as follows:

		As at	
(\$ millions)		Dec. 31, 2019	Dec. 31, 2018
Unsecured Term Loan Facility			
Choice Properties	1.45% + Bankers' Acceptance, due 2022	\$ –	\$ 175
	1.45% + Bankers' Acceptance, due 2023	–	625
Debentures			
George Weston Limited Notes	Series A, 7.00%, due 2031 ⁽ⁱ⁾	466	466
	4.12%, due 2024	200	200
	7.10%, due 2032	150	150
	6.69%, due 2033	100	100
Loblaw Companies Limited Notes	5.22%, due 2020	350	350
	4.86%, due 2023	800	800
	3.92% due 2024	400	400
	6.65%, due 2027	100	100
	6.45%, due 2028	200	200
	4.49%, due 2028	400	400
	6.50%, due 2029	175	175
	11.40%, due 2031		
	Principal	151	151
	Effect of coupon repurchase	15	(4)
	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
Choice Properties Debentures	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	250
	Series F 4.06%, due 2025	200	200
	Series G 3.20%, due 2023	250	250
	Series H 5.27%, due 2046	100	100
	Series I 3.01%, due 2022	300	300
	Series J 3.55%, due 2025	350	350
	Series K 3.56%, due 2024	550	550
	Series L 4.18%, due 2028	750	750
	Series M 3.53%, due 2029	750	–
	Series 7 3.00%, due 2019	–	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
	Series B-C 4.32%, due 2021	100	100
	Series C-C 2.56%, due 2019	–	100
	Series D-C 2.95%, due 2023	125	125
Long Term Debt Secured by Mortgage	2.47% - 5.49%, due 2020 - 2038 (note 15)	1,231	1,328
Guaranteed Investment Certificates	1.10% - 3.78%, due 2020 - 2024	1,311	1,141
Independent Securitization Trust (note 12)	2.23%, due 2020	250	250
	2.71%, due 2022	250	250
	3.10%, due 2023	250	250
	2.28%, due 2024	250	–
Independent Funding Trusts		505	536
Finance Lease Obligations⁽ⁱⁱ⁾		–	535
Choice Properties Credit Facility		132	325
Choice Properties Construction Loans		25	21
Transaction costs and other		(37)	(36)
Total long term debt		\$ 14,554	\$ 15,318
Less amount due within one year		1,842	1,343
Long term debt		\$ 12,712	\$ 13,975

(i) The Series A, 7.00% and Series B Debentures (see note 23) are secured by a pledge of 9.6 million Loblaw common shares.

(ii) As a result of the implementation of IFRS 16, finance lease obligations are included in lease liabilities (see note 2).

Notes to the Consolidated Financial Statements

Significant long term debt transactions are described below:

DEBENTURES The following table summarizes the debentures issued or assumed in the years ended as indicated:

(\$ millions except where otherwise indicated)	Interest Rate	Maturity Date	2019	2018
			Principal Amount	Principal Amount
Loblaws Term Loans				
- Loblaws Companies Limited Notes	3.92%	June 10, 2024	\$ -	\$ 400
- Loblaws Companies Limited Notes	4.49%	December 11, 2028	-	400
Choice Properties senior unsecured debentures				
- Series I	3.01%	March 21, 2022	-	300
- Series J	3.55%	January 10, 2025	-	350
- Series K	3.56%	September 9, 2024	-	550
- Series L	4.18%	March 8, 2028	-	750
- Series M	3.53%	June 11, 2029	750	-
- Series A-C	3.68%	July 24, 2018	-	125
- Series B-C	4.32%	January 15, 2021	-	100
- Series C-C	2.56%	November 30, 2019	-	100
- Series D-C	2.95%	January 18, 2023	-	125
Total debentures issued or assumed			\$ 750	\$ 3,200

The following table summarizes the debentures, unsecured term loan facilities and term loans repaid in the years ended as indicated:

(\$ millions except where otherwise indicated)	Interest Rate	Maturity Date	2019	2018
			Principal Amount	Principal Amount
Shoppers Drug Mart Notes	2.36%	May 24, 2018	\$ -	\$ 275
Loblaws Companies Limited - Term Loan ⁽ⁱ⁾	Variable	March 28, 2019	-	48
Loblaws Companies Limited - Term Loan ⁽ⁱⁱ⁾	Variable	March 29, 2019	-	250
Loblaws Companies Limited Notes ⁽ⁱⁱⁱ⁾	3.75%	March 12, 2019	-	800
Choice Properties senior unsecured debentures				
- Series A-C	3.68%	July 24, 2018	-	125
- Series A	3.55%	July 5, 2018 ^(iv)	-	400
- Series 7	3.00%	September 20, 2019 ^(v)	200	-
- Series C-C	2.56%	November 30, 2019 ^(v)	100	-
Choice Properties - Term Loan ^(vi)	Variable	May 4, 2022	175	-
Choice Properties - Term Loan ^(vii)	Variable	May 4, 2023	625	-
Total debentures and term loans repaid			\$ 1,100	\$ 1,898

- (i) Loblaws unsecured term loan facility bearing interest at variable rates of either Prime plus 0.45% or Bankers' Acceptance rate plus 1.45% were redeemed on August 29, 2018.
- (ii) Loblaws unsecured term loan facility bearing interest at variable rates of either Prime plus 0.13% or Bankers' Acceptance rate plus 1.13% were redeemed on August 29, 2018.
- (iii) Redeemed on December 31, 2018.
- (iv) Redeemed on February 12, 2018.
- (v) Redeemed on June 27, 2019.
- (vi) Choice Properties term loan facility bearing interest at variable rates of either Prime plus 0.45% or Bankers' Acceptance rate plus 1.45% were redeemed on June 11, 2019.
- (vii) Choice Properties term loan facility bearing interest at variable rates of either Prime plus 0.45% or Bankers' Acceptance rate plus 1.45% were redeemed on June 11, 2019 and September 30, 2019.

Subsequent to year end 2019, Choice Properties, redeemed in full, the \$300 million aggregate principal amount of the Series 8 senior unsecured debentures due on April 20, 2020.

Also subsequent to year end 2019, Choice Properties agreed to issue, on a private placement basis, \$500 million aggregate principal amount of senior unsecured debentures. Choice Properties will also repay \$250 million aggregate principal amount of the series E senior unsecured debentures due September 14, 2020, as well as a portion of the balance drawn on its credit facility.

GUARANTEED INVESTMENT CERTIFICATES (“GICs”) The following table summarizes PC Bank’s GIC activity, before commissions, for the years ended as follows:

(\$ millions)	2019		2018	
Balance, beginning of year	\$	1,141	\$	852
GICs issued		453		495
GICs matured		(283)		(206)
Balance, end of year	\$	1,311	\$	1,141

INDEPENDENT SECURITIZATION TRUST The notes issued by *Eagle* are debentures, which are collateralized by PC Bank’s credit card receivables (see note 12).

During 2019, *Eagle* issued \$250 million (2018 – \$250 million) of senior and subordinated term notes with a maturity date of July 17, 2024 (2018 – July 17, 2023) at a weighted average interest rate of 2.28% (2018 – 3.10%). In connection with this issuance, \$250 million (2018 – \$250 million) of bond forward agreements were settled, resulting in a realized fair value loss of \$8 million (2018 – \$1 million) before income taxes recorded in other comprehensive income and a net effective interest rate of 2.94% (2018 – 3.15%) on the *Eagle* notes issued (see note 33).

During 2018, \$400 million of 2.91% senior and subordinated term notes issued by *Eagle* matured and were repaid.

INDEPENDENT FUNDING TRUSTS As at year end 2019, the independent funding trusts had drawn \$505 million (2018 – \$536 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts.

During 2019, Loblaw renewed the revolving committed credit facility relating to the independent funding trusts until May 27, 2022.

COMMITTED CREDIT FACILITIES The components of the committed lines of credit available as at year end 2019 and 2018 were as follows:

(\$ millions)	Maturity Date	As at			
		Dec. 31, 2019		Dec. 31, 2018	
		Available Credit	Drawn	Available Credit	Drawn
Loblaw committed credit facility	June 10, 2021	\$ 1,000	\$ –	\$ 1,000	\$ –
Choice Properties committed syndicated credit facility ⁽ⁱ⁾	May 4, 2023	1,500	132	1,500	325
Total committed credit facilities		\$ 2,500	\$ 132	\$ 2,500	\$ 325

(i) Choice Properties has an accordion commitment from the lenders which allows Choice Properties to increase the limit by an additional \$500 million (subject to certain conditions).

These facilities contain certain financial covenants (see note 28).

Notes to the Consolidated Financial Statements

LONG TERM DEBT DUE WITHIN ONE YEAR The components of long term debt due within one year were as follows:

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018
Debentures	\$ 897	\$ 300
GICs	527	274
Independent Securitization Trust	250	–
Independent funding trusts	–	536
Finance lease obligations ⁽ⁱ⁾	–	37
Long term debt secured by mortgage	156	182
Construction Loans	12	14
Long term debt due within one year	\$ 1,842	\$ 1,343

(i) As a result of the implementation of IFRS 16, finance lease obligations are included in lease liabilities (see note 2).

SCHEDULE OF REPAYMENTS The schedule of repayment of long term debt, based on maturity is as follows:

(\$ millions)	As at
	Dec. 31, 2019
2020	\$ 1,842
2021	1,200
2022	1,664
2023	1,946
2024	1,827
Thereafter	6,112
Long Term Debt (excludes transaction costs)	\$ 14,591

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

RECONCILIATION OF LONG TERM DEBT The following table reconciles the changes in cash flows from financing activities for long term debt for the years ended as indicated:

(\$ millions)	2019	2018
Total long term debt, beginning of year	\$ 15,318	\$ 12,092
Reclassification of finance lease obligations due to IFRS 16 (note 2)	(535)	–
Restated balance, beginning of year	14,783	12,092
Long term debt assumed on acquisition of CREIT (note 6)	–	1,841
Long term debt issuances ⁽ⁱ⁾⁽ⁱⁱ⁾	1,438	4,880
Long term debt repayments ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	(1,690)	(3,565)
Total cash flow (used in) from long term debt financing activities	(252)	1,315
Finance lease additions, net of disposals	–	13
Other non-cash changes	23	57
Total non-cash long term debt activities	23	70
Total long term debt, end of year	\$ 14,554	\$ 15,318

(i) Includes net issuances or repayments from Choice Properties' credit facility depending on the activity in the period.

(ii) Includes net issuances from the Independent Funding Trust, which are revolving debt instruments.

(iii) Includes repayments on finance lease obligations of \$83 million in 2018.

Note 25. Other Liabilities

The components of other liabilities were as follows:

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018
Financial liabilities	\$ 431	\$ –
Net defined benefit plan obligation (note 29)	375	347
Other long term employee benefit obligation	128	115
Equity-based compensation liability (note 30)	7	6
Other ⁽ⁱ⁾	16	21
Deferred lease obligation ⁽ⁱ⁾	–	148
Fair value of acquired leases ⁽ⁱ⁾	–	54
Other liabilities	\$ 957	\$ 691

(i) Certain balances were impacted as a result of the implementation of IFRS 16 (note 2).

CHOICE PROPERTIES' PORTFOLIO TRANSACTION On September 30, 2019, Choice Properties sold a portfolio of 30 properties across Canada to a third-party for aggregate consideration of \$426 million. The portfolio consisted of 27 Loblaw stand-alone retail properties and 3 Loblaw distribution centres. On December 2, 2019, Choice Properties sold an additional property consisting of a Loblaw stand-alone retail property to a third-party for consideration of \$9 million. On consolidation, these transactions were not recognized as sales of assets as under the terms of the leases, Loblaw did not relinquish control of the properties for purposes of IFRS 16 and IFRS 15. Instead, the proceeds were recognized as financial liabilities and as at December 31, 2019, \$4 million was recorded in trade payables and other liabilities and \$431 million was recorded in other liabilities.

Note 26. Share Capital

The components of share capital were as follows:

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018
Common share capital	\$ 2,809	\$ 2,766
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	\$ 3,626	\$ 3,583

Notes to the Consolidated Financial Statements

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, 2019 and December 31, 2018:

(\$ millions except where otherwise indicated)	2019		2018	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of year	153,370,108	\$ 2,766	127,905,581	\$ 221
Issued for Loblaw's spin-out of Choice Properties	–	–	26,596,641	2,547
Issued for settlement of stock options (note 30)	529,965	47	145,076	12
Purchased and cancelled	(232,323)	(4)	(1,277,190)	(14)
Issued and outstanding, end of year	153,667,750	\$ 2,809	153,370,108	\$ 2,766
Shares held in trusts, beginning of year	(120,305)	–	(228,803)	–
Purchased for future settlement of RSUs and PSUs	(60,000)	(1)	–	–
Released for settlement of RSUs and PSUs (note 30)	91,473	1	108,498	–
Shares held in trusts, end of year	(88,832)	–	(120,305)	–
Issued and outstanding, net of shares held in trusts, end of year	153,578,918	\$ 2,809	153,249,803	\$ 2,766
Weighted average outstanding, net of shares held in trusts	153,537,411		131,844,880	

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 holders 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 holders, 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 holders 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 holders, 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 holders 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 holders, 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 holders 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 holders, 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 finance future growth. During 2018, the Board raised the quarterly common share dividend by \$0.035 to \$0.490 in the second quarter and by \$0.025 to \$0.515 in the fourth quarter. In the second quarter of 2019, the Board raised the quarterly common share dividend by \$0.010 to \$0.525 per share. The Board declared dividends for the years ended as follows:

(\$)	2019	2018
Dividends declared per share ⁽ⁱ⁾ :		
Common share	\$ 2.090	\$ 1.950
Preferred share:		
Series I	\$ 1.45	\$ 1.45
Series III	\$ 1.30	\$ 1.30
Series IV	\$ 1.30	\$ 1.30
Series V	\$ 1.1875	\$ 1.1875

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were payable on January 1, 2020 and subsequently paid on January 2, 2020. Dividend declared on Preferred Shares, Series I was payable on December 15, 2019 and subsequently paid on December 16, 2019.

The following table summarizes the Company's cash dividends declared subsequent to year end 2019:

(\$)		
Dividends declared per share ⁽ⁱ⁾ - Common share		\$ 0.525
- Preferred share:		
Series I		\$ 0.3625
Series III		\$ 0.3250
Series IV		\$ 0.3250
Series V		\$ 0.296875

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V are payable on April 1, 2020. Dividends declared on Preferred Shares, Series I are payable on March 15, 2020.

NORMAL COURSE ISSUER BID ("NCIB") PROGRAM The following table summarizes the Company's activity under its NCIB program for the years ended as follows:

(\$ millions except where otherwise indicated)	2019	2018 ⁽ⁱ⁾
Purchased for future settlement of RSUs and PSUs (number of shares)	60,000	-
Purchased for current settlement of RSUs and DSUs (number of shares)	64,851	20,855
Purchased and cancelled (number of shares)	230,698	1,277,190
Cash consideration paid		
Purchased and held in trusts	\$ (6)	\$ -
Purchased and settled	(6)	(2)
Purchased and cancelled	(25)	(123)
Premium charged to retained earnings		
Purchased and held in trusts	\$ 4	\$ -
Purchased and settled	1	-
Purchased and cancelled	21	109
Reduction in share capital	\$ 4	\$ 14

(i) Certain comparative figures have been restated to conform with current year presentation.

Notes to the Consolidated Financial Statements

In the second quarter of 2019, GWL renewed its NCIB program to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 7,676,458 of its common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares.

As of December 31, 2019, the Company purchased 274,193 common shares under its current NCIB program.

Note 27. Loblaw Capital Transactions

LOBLAW PREFERRED SHARES As at year end 2019, the Second Preferred Shares, Series B in the amount of \$221 million net of \$4 million of after-tax issuance costs, and related cash dividends, were presented as a component of non-controlling interests in the Company's consolidated balance sheet. In 2019, Loblaw declared dividends of \$12 million (2018 - \$12 million) related to the Second Preferred Shares, Series B.

LOBLAW COMMON SHARES The following table summarizes Loblaw's common share activity under its equity-based compensation arrangements and NCIB program, and includes the impact on the Company's consolidated financial statements for the years ended as follows:

(\$ millions except where otherwise indicated)	2019	2018
Issued (number of shares)	2,408,158	2,709,946
Purchased and held in trusts (number of shares)	(900,000)	(582,500)
Purchased and cancelled ⁽ⁱ⁾ (number of shares)	(13,613,225)	(16,584,209)
	(12,105,067)	(14,456,763)
Cash consideration received (paid)		
Equity-based compensation	\$ 82	\$ 78
Purchased and held in trusts	(62)	(36)
Purchased and cancelled	(937)	(1,082)
	\$ (917)	\$ (1,040)
Increase (decrease) in contributed surplus		
Equity-based compensation	\$ 25	\$ 18
Purchased and held in trusts	(19)	(9)
Purchased and cancelled	(176)	(359)
	\$ (170)	\$ (350)

(i) Common shares purchased and cancelled in 2018 do not include the repurchase obligation under the automatic share purchase plan, which were transacted and settled in the first quarter of 2019.

In addition, in 2019, Loblaw repurchased and distributed 5,857 (2018 - 18,405) common shares under its NCIB to certain directors for settlement of their equity-based compensation plans.

Note 28. Capital Management

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

- ensuring sufficient liquidity is available to support its financial obligations and to execute its operating and strategic plans;
- 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, 2019	Dec. 31, 2018
Bank indebtedness	\$ 18	\$ 56
Short term debt	1,489	1,579
Long term debt due within one year	1,842	1,343
Long term debt ⁽ⁱ⁾	12,712	13,975
Certain other liabilities ⁽ⁱⁱ⁾	500	48
Fair value of financial derivatives related to the above debt	(537)	(556)
Total debt excluding lease liabilities	\$ 16,024	\$ 16,445
Lease liabilities due within one year	857	–
Lease liabilities	4,250	–
Total debt including lease liabilities	\$ 21,131	\$ 16,445
Equity attributable to shareholders of the Company	7,609	8,040
Total capital under management	\$ 28,740	\$ 24,485

(i) Finance lease obligations of \$535 million were included in long term debt as at December 31, 2018, prior to the implementation of IFRS 16.

(ii) Includes financial liabilities of \$435 million recorded primarily as a result of Choice Properties' portfolio transaction.

SHORT FORM BASE SHELF PROSPECTUS In 2019, Loblaw filed a Short Form Base Shelf Prospectus, which allows for the potential issuance of up to \$2 billion of unsecured debentures and/or preferred shares over a 25-month period.

In 2019, *Eagle* filed a Short Form Base Shelf Prospectus, which allows for the potential issuance of up to \$1.25 billion of notes over a 25-month period.

In 2018, GWL filed a Base Shelf Prospectus which allows for the issuance of up to \$1 billion of senior and subordinated debt securities, and preferred shares, or any combination thereof over a 25-month period.

In 2018, Choice Properties filed a Short Form Base Shelf Prospectus, which allows for the issuance of up to \$2 billion of Units and debt securities, or any combination thereof, 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, certain debentures 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 2019 and throughout the year, Loblaw was in compliance with each of the covenants under these agreements.

Notes to the Consolidated Financial Statements

Choice Properties has certain key financial covenants in its debentures and committed credit facilities which include debt service ratios and leverage ratios, as defined in the respective agreements. These ratios are measured by Choice Properties on an on-going basis to ensure compliance with the agreements. As at year end 2019 and throughout the year, Choice Properties was in compliance with each of the key financial 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. PC Bank is also subject to the OSFI's Guideline on Liquidity Adequacy Requirements ("LARs"). The LARs guideline establishes standards based on the Basel III framework, including a Liquidity Coverage Ratio standard. As at year end 2019 and throughout the year, PC Bank has met all applicable regulatory requirements.

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 2019.

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

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

GWL's and Loblaw's Pension Committees ("the Committees") oversee the Company's pension plans. The Committees are responsible for assisting 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 2020 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.

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:

(\$ millions)	As at			
	Dec. 31, 2019		Dec. 31, 2018	
	Defined Benefit Pension Plans	Other Defined Benefit Plans	Defined Benefit Pension Plans	Other Defined Benefit Plans
Present value of funded obligations	\$ (1,670)	\$ –	\$ (1,561)	\$ –
Present value of unfunded obligations	(196)	(156)	(181)	(152)
Total present value of defined benefit obligations	\$ (1,866)	\$ (156)	\$ (1,742)	\$ (152)
Fair value of plan assets	1,899	–	1,802	–
Total funded status of surpluses (obligations)	\$ 33	\$ (156)	\$ 60	\$ (152)
Assets not recognized due to asset ceiling	(3)	–	(22)	–
Total net defined benefit plan obligations	\$ 30	\$ (156)	\$ 38	\$ (152)
Recorded on the consolidated balance sheets as follows:				
Other assets (note 20)	\$ 249	\$ –	\$ 233	\$ –
Other liabilities (note 25)	\$ (219)	\$ (156)	\$ (195)	\$ (152)

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

(\$ millions)	2019			2018		
	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	\$ 1,802	\$ –	\$ 1,802	\$ 2,023	\$ –	\$ 2,023
Employer contributions	47	–	47	45	–	45
Employee contributions	3	–	3	5	–	5
Benefits paid	(58)	–	(58)	(66)	–	(66)
Interest income	64	–	64	70	–	70
Actuarial gains (losses) in other comprehensive income	231	–	231	(43)	–	(43)
Settlements ⁽ⁱ⁾	(187)	–	(187)	(228)	–	(228)
Other	(3)	–	(3)	(4)	–	(4)
Fair value, end of year	\$ 1,899	\$ –	\$ 1,899	\$ 1,802	\$ –	\$ 1,802
Changes in the present value of the defined benefit plan obligations						
Balance, beginning of year	\$ 1,742	\$ 152	\$ 1,894	\$ 2,067	\$ 158	\$ 2,225
Current service cost	61	5	66	61	5	66
Interest cost	64	5	69	74	5	79
Benefits paid	(73)	(8)	(81)	(80)	(8)	(88)
Employee contributions	3	–	3	3	–	3
Actuarial losses (gains) in other comprehensive income	246	2	248	(156)	(8)	(164)
Settlements ⁽ⁱ⁾	(177)	–	(177)	(227)	–	(227)
Balance, end of year	\$ 1,866	\$ 156	\$ 2,022	\$ 1,742	\$ 152	\$ 1,894

(i) Settlements relate to annuity purchases.

Notes to the Consolidated Financial Statements

In 2019 and 2018, the Company completed several annuity purchases 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 \$187 million (2018 - \$228 million) from the impacted plans' assets to settle \$177 million (2018 - \$227 million) of pension obligations and recorded settlement charges of \$10 million (2018 - \$1 million) in SG&A. The settlement charges resulted from the difference between the amount paid for the annuity purchases and the value of the Company's defined benefit plan obligations related to these annuity purchases at the time of the settlement.

For the year ended 2019, the actual return on plan assets was \$295 million (2018 - \$27 million).

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

- Active plan participants - 63% (2018 - 56%)
- Deferred plan participants - 14% (2018 - 10%)
- Retirees - 23% (2018 - 34%)

During 2020, the Company expects to contribute approximately \$47 million (2019 - contributed \$47 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:

(\$ millions)	2019			2018		
	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Current service cost	\$ 61	\$ 5	\$ 66	\$ 61	\$ 5	\$ 66
Interest cost on net defined benefit plan obligations	–	5	5	4	5	9
Settlement charges ⁽ⁱ⁾	10	–	10	1	–	1
Other	3	–	3	4	–	4
Net post-employment defined benefit costs	\$ 74	\$ 10	\$ 84	\$ 70	\$ 10	\$ 80

(i) Relates to annuity purchases.

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

(\$ millions)	2019			2018		
	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	\$ (231)	\$ –	\$ (231)	\$ 43	\$ –	\$ 43
Experience adjustments	3	(21)	(18)	8	2	10
Actuarial losses (gains) from change in financial assumptions	243	23	266	(164)	(10)	(174)
Change in liability arising from asset ceiling	(19)	–	(19)	(5)	–	(5)
Total net actuarial (gains) losses recognized in other comprehensive income before income taxes	\$ (4)	\$ 2	\$ (2)	\$ (118)	\$ (8)	\$ (126)
Income tax expenses on actuarial (gains) losses (note 8)	1	–	1	33	1	34
Actuarial (gains) losses net of income tax expenses	\$ (3)	\$ 2	\$ (1)	\$ (85)	\$ (7)	\$ (92)

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

(\$ millions)	2019			2018		
	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Cumulative amount, beginning of year	\$ (53)	\$ (83)	\$ (136)	\$ 65	\$ (75)	(10)
Net actuarial (gains) losses recognized in the year before income taxes	(4)	2	(2)	(118)	(8)	(126)
Cumulative amount, end of year	\$ (57)	\$ (81)	\$ (138)	\$ (53)	\$ (83)	(136)

COMPOSITION OF PLAN ASSETS The defined benefit pension plan assets are held in trust and consist of the following asset categories:

(\$ millions except where otherwise indicated)	As at			
	Dec. 31, 2019		Dec. 31, 2018	
Equity securities				
Canadian - pooled funds	\$ 66	4%	\$ 53	3%
Foreign - pooled funds	575	30%	481	27%
Total equity securities	\$ 641	34%	\$ 534	30%
Debt securities				
Fixed income securities - government	\$ 865	45%	\$ 468	25%
- corporate	200	10%	165	9%
Fixed income pooled funds ⁽ⁱ⁾ - government	36	2%	304	17%
- corporate	14	1%	10	1%
Total debt securities	\$ 1,115	58%	\$ 947	52%
Other investments	\$ 125	7%	\$ 123	7%
Cash and cash equivalents	\$ 18	1%	\$ 198	11%
Total	\$ 1,899	100%	\$ 1,802	100%

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

As at year end 2019 and 2018, the defined benefit pension plans did not directly include any GWL, Loblaw or Choice Properties 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.

Notes to the Consolidated Financial Statements

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):

	2019		2018	
	Defined Benefit Pension Plans	Other Defined Benefit Plans	Defined Benefit Pension Plans	Other Defined Benefit Plans
Defined Benefit Plan Obligations				
Discount rate	3.25%	3.00%	4.00%	4.00%
Rate of compensation increase	3.00%	n/a	3.00%	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%	3.50%	3.50%
Rate of compensation increase	3.00%	n/a	3.00%	n/a
Mortality table ⁽ⁱ⁾	CPM-RPP2014Pub/Priv Generational	CPM-RPP2014Pub/Priv Generational	CPM-RPP2014Pub/Priv Generational	CPM-RPP2014Pub/Priv 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 2019 is 18.5 years (2018 - 17.4 years).

The growth rate of health care costs, primarily drug and other medical costs, for the other defined benefit plan obligations as at year end 2019 was estimated at 4.50% and is expected to remain at 4.50% as at year end 2020.

SENSITIVITY OF KEY ACTUARIAL ASSUMPTIONS The following table outlines the key assumptions for 2019 (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.

Increase (Decrease) (\$ millions)	Defined Benefit Pension Plans		Other Defined Benefit Plans	
	Defined Benefit Plan Obligations	Net Defined Benefit Plan Cost ⁽ⁱ⁾	Defined Benefit Plan Obligations	Net Defined Benefit Plan Cost ⁽ⁱ⁾
Discount rate	3.25%	4.00%	3.00%	4.00%
Impact of: 1% increase	\$ (316)	\$ (27)	\$ (20)	\$ -
1% decrease	\$ 382	\$ 27	\$ 26	\$ -
Expected growth rate of health care costs			4.50%	4.50%
Impact of: 1% increase	n/a	n/a	\$ 14	\$ 1
1% decrease	n/a	n/a	\$ (12)	\$ (1)

n/a - not applicable

(i) Discount rate and expected growth rate of health care costs sensitivity is for current service and interest costs only.

MULTI-EMPLOYER PENSION PLANS During 2019, the Company recognized an expense of \$66 million (2018 - \$67 million) in operating income, which represents the contributions made in connection with MEPPs. During 2020, 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 55,000 (2018 - 54,000) employees as members. Included in the 2019 expense described above are contributions of \$64 million (2018 - \$65 million) to CCWIPP.

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)	2019	2018
Net post-employment defined benefit cost ⁽ⁱ⁾	\$ 84	\$ 80
Defined contribution costs ⁽ⁱⁱ⁾	34	34
Multi-employer pension plan costs ⁽ⁱⁱⁱ⁾	66	67
Total net post-employment benefit costs	\$ 184	\$ 181
Other long term employee benefit costs ^(iv)	43	30
Net post-employment and other long term employee benefit costs	\$ 227	\$ 211
Recorded on the consolidated statements of earnings as follows:		
Operating income (note 31)	\$ 218	\$ 199
Net interest expense and other financing charges (note 7)	9	12
Net post-employment and other long term employee benefits costs	\$ 227	\$ 211

(i) Includes settlement charges of \$10 million (2018 - \$1 million) related to annuity purchases.

(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.

(iv) Other long term employee benefit costs include \$4 million (2018 - \$3 million) of net interest expense and other financing charges.

Note 30. Equity-Based Compensation

The Company's equity-based compensation arrangements include stock option plans, RSU plans, PSU plans, DSU plans, EDSU plans and Choice Properties' unit-based compensation plans. The Company's costs recognized in SG&A related to its equity-based compensation arrangements in 2019 were \$69 million (2018 - \$60 million).

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

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018
Trade payables and other liabilities	\$ 8	\$ 7
Other liabilities (note 25)	7	6
Contributed surplus	113	123

During 2018, Loblaw cancelled stock options and granted new stock options at an adjusted share price to "make-whole" stock option holders for the decline in Loblaw's share price as a result of the spin-out of Loblaw's equity interest in Choice Properties. In addition, Loblaw issued additional RSUs, PSUs, DSUs, and EDSUs to "make-whole" unit holders as a result of the spin-out. These "make-whole" arrangements were not considered modifications to Loblaw's equity-based compensation plans and as a result had no impact on Loblaw's financial statements.

Details related to the equity-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.

Notes to the Consolidated Financial Statements

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

	2019		2018	
	Options (number of shares)	Weighted Average Exercise Price/Share	Options (number of shares)	Weighted Average Exercise Price/Share
Outstanding options, beginning of year	1,548,044	\$ 90.82	1,527,125	\$ 87.41
Granted	427,523	\$ 93.17	234,517	\$ 104.81
Exercised ⁽ⁱ⁾	(595,496)	\$ 75.09	(145,076)	\$ 71.51
Forfeited/cancelled	(53,096)	\$ 107.45	(67,878)	\$ 103.55
Expired	(80,257)	\$ 62.96	(644)	\$ 111.97
Outstanding options, end of year	1,246,718	\$ 100.22	1,548,044	\$ 90.82
Options exercisable, end of year	455,884	\$ 101.07	926,956	\$ 81.50

(i) During 2019, GWL settled 65,531 stock options in cash.

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

	2019			2018	
	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
\$81.92 - \$96.88	520,782	5	\$ 91.10	95,872	\$ 81.94
\$96.89 - \$106.99	417,644	4	\$ 102.70	201,573	\$ 101.39
\$107.00 - \$123.73	308,292	4	\$ 112.26	158,439	\$ 112.22
	1,246,718		\$ 100.22	455,884	\$ 101.07

During 2019, GWL issued common shares on the exercise of stock options with a weighted average market share price of \$102.67 (2018 - \$102.13) per common share and received cash consideration of \$40 million (2018 - \$10 million).

During 2019, GWL granted stock options with a weighted average exercise price of \$93.17 (2018 - \$104.81) per common share and a fair value of \$5 million (2018 - \$4 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:

	2019	2018
Expected dividend yield	2.2%	1.7%
Expected share price volatility	14.9% - 15.4%	14.9% - 15.6%
Risk-free interest rate	1.7% - 1.8%	2.0% - 2.1%
Expected life of options	4.8 - 6.7 years	4.6 - 6.6 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at year end 2019 and 2018 was 0.8%.

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

	2019		2018	
	Options (number of shares)	Weighted Average Exercise Price/Share	Options (number of shares)	Weighted Average Exercise Price/Share
Outstanding options, beginning of year	7,509,631	\$ 51.60	7,487,774	\$ 53.77
Granted ⁽ⁱ⁾	1,552,458	\$ 65.66	9,672,806	\$ 53.26
Exercised ⁽ⁱⁱ⁾	(2,345,820)	\$ 43.82	(2,081,235)	\$ 38.87
Forfeited/cancelled ⁽ⁱ⁾	(398,347)	\$ 57.88	(7,569,714)	\$ 59.36
Outstanding options, end of year	6,317,922	\$ 57.57	7,509,631	\$ 51.60
Options exercisable, end of year	2,117,144	\$ 52.79	3,033,156	\$ 45.14

- (i) During 2018, Loblaw cancelled all 6,725,773 stock options and granted 8,013,333 stock options at an adjusted share price to "make-whole" stock option holders for the decline in Loblaw's share price as a result of the spin-out of Loblaw's equity interest in Choice Properties.
- (ii) During 2019, Loblaw settled 459,087 stock options in cash.

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

	2019			2018	
	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
\$34.12 - \$56.28	2,708,412	4	\$ 52.35	1,215,214	\$ 48.63
\$56.29 - \$60.40	2,091,359	4	\$ 58.46	897,345	\$ 58.36
\$60.41 - \$70.19	1,518,151	6	\$ 65.65	4,585	\$ 64.90
	6,317,922		\$ 57.57	2,117,144	\$ 52.79

During 2019, Loblaw issued common shares on the exercise of stock options with a weighted average market share price of \$69.21 (2018 - \$65.45) per common share and received cash consideration of \$82 million (2018 - \$78 million).

During 2019, Loblaw granted stock options with a weighted average exercise price of \$65.66 (2018 - \$53.26) per common share and a fair value of \$12 million (2018 - \$15 million). The assumptions used to measure the grant date fair value of the Loblaw options granted during the years ended as indicated under the Black-Scholes stock option valuation model were as follows:

	2019	2018
Expected dividend yield	1.8%	1.8%
Expected share price volatility	13.7 - 15.7%	15.2% - 21.0%
Risk-free interest rate	1.4% - 1.8%	1.9% - 2.3%
Expected life of options	3.7 - 6.2 years	3.9 - 6.3 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at year end 2019 and 2018 was 9.0%.

Notes to the Consolidated Financial Statements

RESTRICTED SHARE UNIT PLANS The following is a summary of GWL's and Loblaw's RSU plan activity:

(Number of awards)	GWL		Loblaw	
	2019	2018 ⁽ⁱ⁾	2019	2018
Outstanding RSUs, beginning of year	166,034	183,960	1,024,275	824,705
Granted ⁽ⁱⁱ⁾	37,264	63,694	355,311	528,614
Reinvested	2,749	1,810	17,125	7,954
Settled	(54,774)	(69,098)	(274,335)	(277,698)
Forfeited	(14,485)	(14,332)	(89,544)	(59,300)
Outstanding RSUs, end of year	136,788	166,034	1,032,832	1,024,275

- (i) Certain comparative figures have been restated to conform with current year presentation.
(ii) During 2018, as a result of Loblaw's spin-out of Choice Properties, Loblaw granted additional 164,322 RSUs to "make-whole" RSU unitholders for the decline in Loblaw's share price as a result of the spin-out of Loblaw's equity interest in Choice Properties.

The fair value of GWL's and Loblaw's RSUs granted during 2019 was \$4 million (2018 - \$7 million) and \$24 million (2018 - \$24 million), respectively.

PERFORMANCE SHARE UNIT PLANS The following is a summary of GWL's and Loblaw's PSU plan activity:

(Number of awards)	GWL		Loblaw	
	2019	2018	2019	2018
Outstanding PSUs, beginning of year	89,656	100,263	674,945	631,528
Granted ⁽ⁱ⁾	69,951	36,769	258,261	434,692
Reinvested	2,074	848	11,264	5,409
Settled	(40,341)	(44,695)	(235,881)	(355,618)
Forfeited	(6,867)	(3,529)	(45,894)	(41,066)
Outstanding PSUs, end of year	114,473	89,656	662,695	674,945

- (i) During 2018, as a result of Loblaw's spin-out of Choice Properties, Loblaw granted additional 114,778 PSUs due to "make-whole" PSU unitholders for the decline in Loblaw's share price as a result of the spin-out of Loblaw's equity interest in Choice Properties.

The fair value of GWL's and Loblaw's PSUs granted during 2019 was \$6 million (2018 - \$3 million) and \$16 million (2018 - \$15 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)	2019	2018 ⁽ⁱ⁾
Settled	95,115	113,793
Released from trusts (note 26)	91,473	108,498

- (i) Certain comparative figures have been restated to conform with current year presentation.

During 2019, the settlement of awards from shares held in trusts resulted in increases of \$9 million (2018 - \$10 million) in retained earnings and \$1 million (2018 - nominal) in share capital.

DIRECTOR DEFERRED SHARE UNIT PLANS The following is a summary of GWL's and Loblaw's DSU plan activity:

(Number of awards)	GWL		Loblaw	
	2019	2018	2019	2018
Outstanding DSUs, beginning of year	186,600	176,688	296,329	220,672
Granted ⁽ⁱ⁾	22,937	19,330	34,895	78,860
Reinvested	3,116	3,476	5,673	2,917
Settled	(57,235)	(12,894)	–	(6,120)
Outstanding DSUs, end of year	155,418	186,600	336,897	296,329

(i) During 2018, as a result of Loblaw's spin-out of Choice Properties, Loblaw granted additional 47,027 DSUs to "make-whole" DSU unitholders for the decline in Loblaw's share price as a result of the spin-out of Loblaw's equity interest in Choice Properties.

The fair value of GWL's and Loblaw's DSUs granted during 2019 was \$2 million (2018 – \$2 million) and \$2 million (2018 – \$2 million), respectively.

EXECUTIVE DEFERRED SHARE UNIT PLANS The following is a summary of GWL's and Loblaw's EDSU plan activity:

(Number of awards)	GWL		Loblaw	
	2019	2018	2019	2018
Outstanding EDSUs, beginning of year	43,065	44,847	45,473	47,294
Granted ⁽ⁱ⁾	–	–	4,796	11,402
Reinvested	882	883	846	578
Settled	–	(2,665)	(5,857)	(13,801)
Outstanding EDSUs, end of year	43,947	43,065	45,258	45,473

(i) During 2018, as a result of Loblaw's spin-out of Choice Properties, Loblaw granted additional 7,868 EDSUs to "make-whole" EDSU unitholders for the decline in Loblaw's share price as a result of the spin-out of Loblaw's equity interest in Choice Properties.

There were no GWL EDSUs granted in 2019 and 2018. The fair value of Loblaw's EDSUs granted during 2019 and 2018 was nominal.

CHOICE PROPERTIES The following are details related to the unit-based compensation plans of Choice Properties:

UNIT OPTION PLAN Choice Properties maintains a Unit Option plan for certain employees. Under this plan, Choice Properties may grant Unit Options totaling up to 19,774,697 Units, as approved at the annual and special meeting of Unitholders on April 29, 2015. The Unit Options vest in tranches over a period of four years.

The following is a summary of Choice Properties' Unit Option plan activity:

	2019		2018	
	Number of awards	Weighted average exercise price/unit	Number of awards	Weighted average exercise price/unit
Outstanding Unit Options, beginning of year	3,764,107	\$ 11.66	4,403,857	\$ 11.56
Granted	–	\$ –	724,571	\$ 11.92
Exercised	(2,048,060)	\$ 11.04	(899,566)	\$ 11.01
Cancelled	(417,439)	\$ 11.96	(464,755)	\$ 12.41
Expired	(11,294)	\$ 14.21	–	\$ –
Outstanding Unit Options, end of year	1,287,314	\$ 12.51	3,764,107	\$ 11.66
Unit Options exercisable, end of year	561,779	\$ 12.27	2,287,879	\$ 11.24

Notes to the Consolidated Financial Statements

The assumptions used to measure the fair value of the Unit Options under the Black-Scholes model were as follows:

	2019	2018
Expected average distribution yield	5.38%	6.42%
Expected average Unit price volatility	13.87% - 18.27%	14.39% - 25.19%
Average risk-free interest rate	0.02% - 1.74%	0.02% - 1.88%
Expected average life of options	0.1 - 3.6 years	0.1 - 4.6 years

RESTRICTED UNIT PLAN RUs entitle certain employees to receive the value of the RU award in cash or Units at the end of the applicable vesting period, which is usually three years. The RU plan provides for the crediting of additional RUs in respect of distributions paid on Units for the period when a RU is outstanding. The fair value of each RU granted is measured based on the market value of a Trust Unit at the balance sheet date. There were no RUs vested as at year end 2019 and 2018.

The following is a summary of Choice Properties' RU plan activity:

(Number of awards)	2019	2018
Outstanding RUs, beginning of year	446,341	359,154
Granted	239,483	215,002
Reinvested	26,547	28,029
Exercised	(106,355)	(118,670)
Cancelled	(121,472)	(37,174)
Outstanding RUs, end of year	484,544	446,341

UNIT-SETTLED RESTRICTED UNIT PLAN Under the terms of the URU plan, certain employees were granted URUs, which are subject to vesting conditions and disposition restrictions. Typically, full vesting of the URUs would not occur until the employee has remained with Choice Properties for three or five years from the date of grant. Depending on the nature of the grant, the URUs are subject to a six or seven-year holding period during which the Units cannot be disposed. There were 1,147,753 URUs vested, but still subject to disposition restrictions as at year end 2019 (2018 - 1,110,761).

The following is a summary of Choice Properties' URU plan activity for units not yet vested:

(Number of awards)	2019	2018
Outstanding URUs, beginning of year	717,815	–
Assumed in conjunction with the acquisition of CREIT	–	626,128
Granted	155,946	577,306
Forfeited	(40,796)	(28,946)
Vested	(208,546)	(456,673)
Outstanding URUs, end of year	624,419	717,815

PERFORMANCE UNIT PLAN PUs entitle certain employees to receive the value of the PU award in cash or Units at the end of the applicable performance period, which is usually three years in length, based on Choice Properties achieving certain performance conditions. The PU plan provides for the crediting of additional PUs in respect of distributions paid on Units for the period when a PU is outstanding. The fair value of each PU granted is measured based on the market value of a Trust Unit at the balance sheet date. There were no PUs vested as at year end 2019 and 2018.

The following is a summary of Choice Properties' PU plan activity:

(Number of awards)	2019	2018
Outstanding PUs, beginning of year	104,449	79,612
Granted	50,686	44,374
Reinvested	5,867	6,727
Exercised	(58,282)	(18,906)
Cancelled	(21,471)	(16,194)
Added by performance factor	22,619	8,836
Outstanding PUs, end of year	103,868	104,449

TRUSTEE DEFERRED UNIT PLAN Members of the Choice Properties' Board of Trustees, who are not management of Choice Properties, are required to receive a portion of their annual retainer in the form of DUs and may also elect to receive up to 100% of their remaining fees in DUs. Distributions paid earn fractional DUs, which are treated as additional awards. The fair value of each DU granted is measured based on the market value of a Unit at the balance sheet date. All DUs vest when granted, however, they cannot be exercised while Trustees are members of the Board.

The following is a summary of Choice Properties' DU plan activity:

(Number of awards)	2019	2018
Outstanding Trustee DUs, beginning of year	302,589	283,704
Granted	68,123	56,705
Reinvested	17,046	17,631
Cancelled	(185)	(1,108)
Exercised	(110,434)	(54,343)
Outstanding Trustee DUs, end of year	277,139	302,589

Notes to the Consolidated Financial Statements

Note 31. Employee Costs

Included in operating income were the following employee costs:

(\$ millions)	2019	2018
Wages, salaries and other short term employee benefits	\$ 6,620	\$ 6,296
Post-employment benefits (note 29)	179	172
Other long term employee benefits (note 29)	39	27
Equity-based compensation	56	56
Capitalized to fixed assets	(63)	(54)
Employee costs	\$ 6,831	\$ 6,497

Note 32. Leases

The Company leases certain of Loblaw's retail stores and distribution centres, Weston Foods' bakeries and distribution centres, corporate offices, passenger vehicles, trailers and IT equipment. Leases of Loblaw's retail stores are a substantial portion of the Company's lease portfolio. Loblaw retail store leases typically have an initial lease term with additional renewal options available thereafter.

The Company has owned and leased properties that are leased and subleased to third parties, respectively. Owned properties are held to either earn rental income, for capital appreciation, or both. Subleases are primarily related to non-consolidated franchise stores, medical centres and ancillary tenants within Loblaw stores.

AS A LESSEE

Right-of-Use Assets The following is a continuity of the cost and accumulated depreciation of right-of-use assets for the year ended December 31, 2019:

(\$ millions)			2019
	Property	Other	Total
Cost			
Balance, beginning of year	\$ 4,046	\$ 68	\$ 4,114
Lease additions	176	2	178
Lease extensions and other items	366	–	366
Balance, end of year	\$ 4,588	\$ 70	\$ 4,658
Accumulated depreciation			
Balance, beginning of year	\$ –	\$ –	\$ –
Depreciation	544	24	568
Impairment losses (note 15)	16	–	16
Balance, end of year	\$ 560	\$ 24	\$ 584
Carrying amount as at December 31, 2019	\$ 4,028	\$ 46	\$ 4,074

Under IAS 17, as at December 31, 2018, the carrying amount of finance lease assets of \$411 million was presented in fixed assets (see note 15).

Lease Liabilities The following is the continuity of lease liabilities for the year ended December 31, 2019:

(\$ millions)	2019
Balance, beginning of year	\$ 5,086
Lease additions	178
Lease extensions and other items	363
Lease payments	(734)
Interest expense on lease liabilities (note 7)	214
Balance, end of year	\$ 5,107
Lease liabilities due within one year	\$ 857
Lease liabilities	4,250
Total lease liabilities	\$ 5,107

Under IAS 17, as at December 31, 2018, finance lease obligations of \$535 million were presented in long term debt due within one year and long term debt (see note 24).

Liquidity The future undiscounted contractual lease payments are as follows:

(\$ millions)	Payments due by year						As at
	2020	2021	2022	2023	2024	Thereafter	Dec. 31, 2019
Lease payments	\$ 862	\$ 734	\$ 607	\$ 587	\$ 485	\$ 2,028	Total \$ 5,303

The Company also has a future undiscounted cash flow of \$208 million related to leases not yet commenced but committed to.

Finance Lease Future Payments Under IAS 17 As at December 31, 2018, the undiscounted future finance lease payments and future finance charges were \$933 million and \$398 million, respectively. During 2018, the Company also recognized \$2 million of contingent finance lease rent expense in SG&A.

Operating Lease Future Payments Under IAS 17 As at December 31, 2018, the undiscounted future minimum lease payments were \$4,826 million. During 2018, the Company recognized \$712 million of operating lease rent expense and \$2 million of contingent operating lease rent expense in SG&A.

Short-Term Leases The Company has short-term leases that are primarily related to trailer rentals and certain properties. During 2019, \$28 million was recognized in cost of inventories sold and SG&A.

Variable Lease Payments The Company makes variable lease payments for property tax and insurance charges on leased properties. The Company also has certain retail store leases where portions of the lease payments are contingent on a percentage of retail sales. During 2019, \$227 million was recognized in SG&A.

Extension Options Substantially all of Loblaw's retail store leases have extension options for additional lease terms. As at December 31, 2019, approximately 14% of the lease liabilities are related to extension options that were deemed reasonably certain to be exercised.

As at December 31, 2019, approximately \$5 billion of discounted future lease payments are related to extension options that were not deemed to be reasonably certain to be exercised and were not included in lease liabilities. These future lease payments are discounted at the incremental borrowing rates associated with the current lease liability profile.

Sale and Leaseback Transactions During 2019, Loblaw disposed of and leased back one retail store property, and recognized a nominal gain in SG&A.

Notes to the Consolidated Financial Statements

AS A LESSOR

Finance Leases Finance lease receivable is included in other assets on the Company's consolidated balance sheet (see note 20). During 2019, the Company recognized finance interest income of \$4 million. The future finance lease payments to be received by the Company relating to properties that are subleased to third parties are as follows:

(\$ millions)	Payments to be received by year						As at	
	2020	2021	2022	2023	2024	Thereafter	December 31, 2019	Total
Finance lease payments to be received	\$ 14	\$ 14	\$ 15	\$ 15	\$ 9	\$ 15	\$	82
Less: unearned finance interest income	(3)	(2)	(2)	(1)	(1)	–		(9)
Total finance lease receivable (note 20)	\$ 11	\$ 12	\$ 13	\$ 14	\$ 8	\$ 15	\$	73

Finance Leases Under IAS 17 As at December 31, 2018, the Company did not classify any leases as finance leases.

Operating Leases During 2019, the Company recognized operating lease income of \$371 million, of which \$23 million is related to subleases of right-of-use assets.

The future undiscounted operating lease payments to be received by the Company are as follows:

(\$ millions)	Payments to be received by year						As at	
	2020	2021	2022	2023	2024	Thereafter	December 31, 2019	Total
Operating lease income	\$ 389	\$ 355	\$ 312	\$ 266	\$ 218	\$ 934	\$	2,474

The Company has certain owned land and buildings that it leases to third parties, which as at December 31, 2019 had a net carrying amount of \$1,115 million (2018 – \$1,038 million).

Operating Leases Under IAS 17 During 2018, the Company recognized \$67 million of operating lease income and \$1 million of contingent operating lease income in operating income. As at December 31, 2018, the undiscounted future minimum lease payments to be received by the Company's operating leases as classified under IAS 17 was \$2,136 million.

During 2018, the Company recognized \$63 million of sublease income and \$3 million of contingent sublease income in operating income. As at December 31, 2018, the undiscounted future minimum sublease payments to be received by the Company were \$320 million.

Note 33. Financial Instruments

The following table presents the fair values and fair value hierarchy of the Company's financial instruments and excludes financial instruments measured at amortized cost that are short term in nature. The carrying values of the Company's financial instruments approximate their fair values except for long term debt.

(\$ millions)	As at Dec. 31, 2019				Dec. 31, 2018 ⁽ⁱ⁾			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Amortized cost:								
Franchise loans receivable	\$ –	\$ –	\$ 19	\$ 19	\$ –	\$ –	\$ 78	\$ 78
Certain other assets ⁽ⁱⁱ⁾	–	–	116	116	–	–	128	128
Fair value through other comprehensive income:								
Certain long term investments and other assets ⁽ⁱⁱ⁾	50	21	–	71	50	20	–	70
Derivatives included in prepaid expenses and other assets	–	–	–	–	–	2	–	2
Fair value through profit and loss:								
Security deposits	76	–	–	76	87	–	–	87
Certain other assets ⁽ⁱⁱ⁾	–	–	86	86	–	–	76	76
Derivatives included in accounts receivable	1	2	–	3	(2)	7	–	5
Derivatives included in prepaid expenses and other assets	5	–	1	6	2	11	–	13
Derivatives included in other assets	–	537	–	537	–	556	–	556
Financial liabilities								
Amortized cost:								
Long term debt	–	15,839	–	15,839	–	16,012	–	16,012
Certain other liabilities ⁽ⁱⁱ⁾	–	–	444	444	–	–	13	13
Fair value through other comprehensive income:								
Derivatives included in trade payables and other liabilities	–	5	–	5	–	7	–	7
Fair value through profit and loss:								
Trust Unit liability	3,601	–	–	3,601	2,658	–	–	2,658
Derivatives included in trade payables and other liabilities	–	5	–	5	11	–	3	14

(i) Certain comparative figures have been restated to conform with current year presentation.

(ii) Certain other assets, certain other long term investments, and certain other liabilities are included in the consolidated balance sheets in Other Assets and Other Liabilities, respectively.

There were no transfers between the levels of the fair value hierarchy during 2019 and 2018.

During 2019, a loss of \$3 million (2018 – gain of \$6 million) was recognized in operating income on financial instruments designated as amortized cost. In addition, a net gain of \$614 million (2018 – \$5 million) was recognized in earnings before income taxes on financial instruments required to be classified as fair value through profit or loss.

Notes to the Consolidated Financial Statements

Cash and Cash Equivalents, Short Term Investments and Security Deposits As at year end 2019, the Company had cash and cash equivalents, short term investments and security deposits of \$2,139 million (2018 – \$1,889 million), including U.S. dollars of \$68 million (2018 – \$161 million).

In 2019, a loss of \$49 million (2018 – gain of \$91 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 2019, a nominal loss (2018 – gain of \$17 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.

Franchise Loans Receivable and Franchise Investments As at year end 2019, the value of Loblaw franchise loans receivable of \$19 million (2018 – \$78 million) was recorded on the consolidated balance sheets. In 2019, Loblaw recorded a gain of \$1 million (2018 – \$3 million) in operating income related to these loans receivable.

As at year end 2019, the value of Loblaw franchise investments of \$12 million (2018 – \$14 million) was recorded in other assets. During 2019, Loblaw recorded a gain of \$1 million (2018 – \$2 million) in operating income related to these investments.

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.

During 2019, a gain of \$4 million (2018 – loss of \$5 million) was recognized in operating income related to these derivatives. In addition, as at year end 2019, a corresponding \$1 million asset was included in prepaid expenses and other assets (2018 – \$3 million liability included in trade payables and other liabilities). As at year end 2019, a 1% increase (decrease) in foreign currency exchange rates would result in a gain (loss) in fair value of \$1 million.

Equity Derivative Contracts As at year end 2019, 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 initial forward sale price of \$48.50 per Loblaw common share. As at year end 2019, the forward rate was \$123.64 (2018 – \$118.42) per Loblaw common share. In 2019, a fair value loss of \$69 million (2018 – \$50 million) was recorded in net interest expense and other financing charges related to this agreement (see note 7).

Trust Unit Liability In 2019, a fair value loss of \$550 million (2018 – gain of \$41 million) was recorded in net interest expense and other financing charges (see note 7).

Other Derivatives The Company uses bond forwards and interest rate swaps, to manage its anticipated exposure to fluctuations in interest rates on future debt issuances. The Company also uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates in its underlying operations. The following is a summary of the fair values recognized in the consolidated balance sheet and the net realized and unrealized gains (losses) before income taxes related to the Company's other derivatives:

Dec. 31, 2019

(\$ millions)	Net asset (liability) fair value	Gain/ (loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Foreign Exchange Currency Risk - Foreign Exchange Forwards ⁽ⁱ⁾	\$ —	\$ (1)	\$ 1
Interest Rate Risk - Bond Forwards ⁽ⁱⁱ⁾	—	(6)	—
Interest Rate Risk - Interest Rate Swaps ⁽ⁱⁱⁱ⁾	(4)	(2)	(1)
Total derivatives designated as cash flow hedges	\$ (4)	\$ (9)	\$ —
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	\$ (3)	\$ —	\$ (18)
Other Non-Financial Derivatives	6	—	19
Total derivatives not designated in a formal hedging relationship	\$ 3	\$ —	\$ 1
Total derivatives	\$ (1)	\$ (9)	\$ 1

- (i) PC Bank uses foreign exchange forwards, with a notional value of U.S. dollars \$5 million, to manage its foreign exchange currency risk related to certain U.S. payables. The fair value of the derivatives is included in prepaid expenses and other assets.
- (ii) PC Bank uses bond forwards, with a notional value of \$50 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities.
- (iii) PC Bank uses interest rate swaps, with a notional value of \$300 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities. Choice Properties uses interest rate swaps, with a notional value of \$277 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in other assets or other liabilities.

Dec. 31, 2018⁽ⁱ⁾

(\$ millions)	Net asset (liability) fair value	Gain/ (loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Foreign Exchange Currency Risk - Foreign Exchange Forwards	\$ 1	\$ 2	\$ —
Interest Rate Risk - Bond Forwards	(4)	(5)	1
Interest Rate Risk - Interest Rate Swaps	(1)	—	—
Total derivatives designated as cash flow hedges	\$ (4)	\$ (3)	\$ 1
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	\$ 18	\$ —	\$ 41
Other Non-Financial Derivatives	(13)	—	(24)
Total derivatives not designated in a formal hedging relationship	\$ 5	\$ —	\$ 17
Total derivatives	\$ 1	\$ (3)	\$ 18

- (i) Certain comparative figures have been restated to conform with current year presentation.

Notes to the Consolidated Financial Statements

Note 34. Financial Risk Management

As a result of holding and issuing financial instruments, the Company is exposed to certain risks. The following is a description of those risks and how the exposures are managed:

LIQUIDITY RISK Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost effective manner to fund its obligations as they come due. The Company is exposed to liquidity risk through, among other areas, PC Bank and its credit card business, which requires a reliable source of funding for its credit card business. PC Bank relies on its securitization programs and the acceptance of GIC deposits to fund the receivables of its credit cards. The Company would experience liquidity risks if it fails to maintain appropriate levels of cash and short term investments, is unable to access sources of funding or fails to appropriately diversify sources of funding. If any of these events were to occur, they could 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, 2019:

(\$ millions)	2020	2021	2022	2023	2024	Thereafter	Total ⁽ⁱⁱⁱ⁾
Long term debt including interest payments ⁽ⁱ⁾	\$ 2,375	\$ 1,731	\$ 2,155	\$ 2,376	\$ 2,189	\$ 8,203	\$ 19,029
Foreign exchange forward contracts	573	–	–	–	–	–	573
Short term debt (note 23)	1,489	–	–	–	–	–	1,489
Financial liabilities ⁽ⁱⁱⁱ⁾	33	31	28	32	32	238	394
Bank indebtedness	18	–	–	–	–	–	18
Certain other liabilities	3	3	–	–	–	–	6
Total	\$ 4,491	\$ 1,765	\$ 2,183	\$ 2,408	\$ 2,221	\$ 8,441	\$ 21,509

(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 structured entities and mortgages. Variable interest payments are based on the forward rates as at year end 2019.

(ii) The Trust Unit liability has been excluded as this liability does not have a contractual maturity date. The Company also excluded trade payables and other liabilities, which are due within the next 12 months.

(iii) Represents the contractual payments that Loblaw is committed to related to the Choice Properties' Portfolio Transaction (see note 25).

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 other foreign subsidiaries 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 2019, an appreciation of the Canadian dollar of one cent relative to the U.S. dollar would result in a nominal loss 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. 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 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 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 finance lease receivable, 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 tenants, and other receivables from Weston Foods' customers and suppliers, are actively monitored on an ongoing basis and settled on a frequent basis in accordance with the terms specified in the applicable agreements.

The Company's maximum exposure to credit risk as it relates to derivative instruments is approximated by the positive fair market value of the derivatives on the consolidated balance sheets (see note 33).

Refer to notes 11 and 12 for additional information on the credit quality performance of Loblaw's credit card receivables and other receivables, mentioned above, of Loblaw and Weston Foods.

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. 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 \$260 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 an increase (decrease) of \$7 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 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. Rising commodity prices could adversely affect the financial performance of the Company and the impact could be material. 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 2019, a 10% decrease in relevant commodity prices, with all other variables held constant, would result in a net loss of \$12 million in earnings before income taxes. This amount excludes the offsetting impact of the commodity price risk inherent in the transactions being hedged.

Notes to the Consolidated Financial Statements

Note 35. Contingent Liabilities

In the ordinary course of business, the Company is involved in and potentially subject to, legal actions and proceedings. In addition, the Company is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax 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.

There are a number of uncertainties involved in such matters, individually or in aggregate, and as such, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect on the Company's reputation, operations, financial condition or performance in future periods. It is not currently possible to predict the outcome of the Company's legal actions and proceedings with certainty. Management regularly assesses its position on the adequacy of accruals or provisions related to such matters and will make any necessary adjustments.

The following is a description of the Company's significant legal proceedings:

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 ("Superior 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 Superior Court certified as a class proceeding portions of the action. The Superior Court imposed a class closing date based on the date of certification. New Associates after July 9, 2013 are not members of the class. Loblaw believes this claim is without merit and is vigorously defending it. Loblaw does not currently have any significant accruals or provisions for this matter recorded in the consolidated financial statements.

In 2017, the Company and Loblaw announced actions taken to address their role in an industry-wide price-fixing arrangement involving certain packaged bread products. The arrangement involved the coordination of retail and wholesale prices of certain packaged bread products over a period extending from late 2001 to March 2015. Under the arrangement, the participants regularly increased prices on a coordinated basis. Class action lawsuits have been commenced against the Company and Loblaw as well as a number of other major grocery retailers and another bread wholesaler. In December 2019, a proposed class action on behalf of independent distributors was commenced against the Company and Weston Foods. It is too early to predict the outcome of such legal proceedings. Neither the Company nor Loblaw believes that the ultimate resolution of such legal proceedings will have a material adverse impact on its financial condition or prospects. The Company's cash balances far exceed any realistic damages scenario and therefore it does not anticipate any impacts on its or Loblaw's dividend, dividend policy or share buyback plan. The Company has not recorded any amounts related to the potential civil liability associated with the class action lawsuits in 2019 on the basis that a reliable estimate of the liability cannot be determined at this time. The Company will continue to assess whether a provision for civil liability associated with the class action lawsuits can be reliably estimated and will record an amount in the period at the earlier of when a reliable estimate of liability can be determined or the matter is ultimately resolved. As a result of admission of participation in the arrangement and cooperation in the Competition Bureau's investigation, the Company and Loblaw will not face criminal charges or penalties.

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including Loblaw and its subsidiaries, Shoppers Drug Mart Inc. and Sanis Health Inc. The claim contains allegations of breach of the Competition Act, fraudulent misrepresentation and deceit and negligence, and seeks damages (unquantified) for the expenses incurred by the province in paying for opioid prescriptions and other healthcare costs related to opioid addiction and abuse in British Columbia. In May 2019, two further opioid-related class actions were commenced in each of Ontario and Quebec against a large group of defendants, including Sanis Health Inc. The allegations in the Ontario and Quebec class actions are similar to the allegations against manufacturer defendants in the Province of British Columbia class action, except that these May 2019 claims seek recovery of damages on behalf of opioid users directly. Loblaw believes these proceedings are without merit and is vigorously defending them. Loblaw does not currently have any significant accruals or provisions for these matters recorded in the consolidated financial statements.

Loblaw has been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of Loblaw that was wound up in 2013, should be treated, and taxed, as income in Canada. The reassessments, which were received between 2015 and 2019, are for the 2000 to 2013 taxation years. On September 7, 2018, the Tax Court released its decision relating to the 2000 to 2010 taxation years. The Tax Court ruled that certain income earned by Glenhuron should be taxed in Canada based on a technical interpretation of the applicable legislation. On October 4, 2018, Loblaw filed a Notice of Appeal with the Federal Court of Appeal. On October 15, 2019, the appeal was heard by the Federal Court of Appeal, with the court reserving judgment until a later date.

INDEMNIFICATION PROVISIONS The Company from time to time enters into agreements in the normal course of its business, such as service and outsourcing arrangements, lease 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 36. Financial Guarantees

The Company established letters of credit used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and guarantees with a gross potential liability of approximately \$416 million (2018 - \$400 million). In addition, Loblaw and Choice Properties have 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 2019, Loblaw's maximum obligation in respect of such guarantees was \$580 million (2018 - \$580 million) with an aggregate amount of \$468 million (2018 - \$466 million) in available lines of credit allocated to the Associates by the various banks. As at year end 2019, Associates had drawn an aggregate amount of \$18 million (2018 - \$56 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 24). As at year end 2019, Loblaw has agreed to provide a credit enhancement of \$64 million (2018 - \$64 million) in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% (2018 - 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 \$12 million (2018 - \$12 million). Additionally, Loblaw has guaranteed lease obligations of a third-party distributor in the amount of \$2 million (2018 - \$3 million).

GLENHURON BANK LIMITED SURETY BOND In connection with the Canada Revenue Agency's reassessment of Loblaw on certain income earned by Glenhuron (see note 8), Loblaw arranged for a surety bond to the Ministry of Finance in order to appeal the reassessments. As a result of the decision of the Tax Court and incremental payments by Loblaw, the amount of the surety bond is \$49 million (2018 - \$46 million).

CASH COLLATERALIZATION As at year end 2019, GWL and Loblaw had agreements to cash collateralize certain uncommitted credit facilities up to amounts of \$45 million (2018 - \$45 million) and \$103 million (2018 - \$103 million), respectively. As at year end 2019, GWL and Loblaw had \$45 million (2018 - \$45 million) and \$1 million (2018 - \$2 million) deposited with major financial institutions, respectively, and classified as security deposits on the consolidated balance sheets.

Notes to the Consolidated Financial Statements

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 2019, the guarantee on behalf of PC Bank to MasterCard® was U.S. dollars \$190 million (2018 – U.S. dollars \$190 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 \$11 million (2018 – \$11 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 \$70 million (2018 – \$89 million), which represented approximately 10% (2018 – 10%) of the securitized credit card receivables amount (see note 23).

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 2019, the aggregate gross potential liability related to these letters of credit totaled \$36 million (2018 – \$39 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.

CPH Master Limited Partnership guarantees certain debt assumed by purchasers in connection with past dispositions of properties made by CREIT before the acquisition. These guarantees will remain until the debt is modified, refinanced or extinguished. Credit risks arise in the event that the purchasers default on repayment of their debt. These credit risks are mitigated by the recourse which Choice Properties has under these guarantees, in which case it would have a claim against the underlying property. The estimated amount of debt as at year end 2019 subject to such guarantees, and therefore the maximum exposure to credit risk, was \$37 million (2018 – \$38 million) with an estimated weighted average remaining term of 3.5 years (2018 – 4.5 years).

Note 37. Related Party Transactions

The Company's majority shareholder is Mr. W. Galen Weston, who beneficially owns, directly and indirectly through private companies which he controls, including Wittington, a total of 81,706,054 of GWL's common shares, representing approximately 53.2% (2018 - 53.1%) 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 for those in the normal course of business. Transactions between the Company and its consolidated entities have been eliminated on consolidation and are not disclosed in this note.

In 2019, the Company made rental payments to Wittington in the amount of \$5 million (2018 - \$4 million). As at year end 2019 and 2018, there were no rental payments outstanding.

In 2019, 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 \$38 million (2018 - \$44 million). As at year end 2019, \$2 million (2018 - \$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. As at year end 2019, the joint venture did not have any operating activity. Choice Properties uses the equity method of accounting to record its 40% interest in the joint venture.

OPERATING LEASE Choice Properties entered into a ten-year lease for office space with Wittington that commenced in 2014. Lease payments will total \$3 million over the term of the lease.

POST-EMPLOYMENT BENEFIT PLANS The Company sponsors a number of post-employment plans, which are related parties. Contributions made by the Company to these plans are disclosed in note 29.

INCOME TAX MATTERS From time to time, the Company and Wittington may enter into agreements to make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations.

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)	2019	2018
Salaries, director fees and other short term employee benefits	\$ 13	\$ 8
Equity-based compensation	11	12
Total compensation	\$ 24	\$ 20

Notes to the Consolidated Financial Statements

Note 38. Segment Information

The Company has three reportable operating segments: Loblaw, Choice Properties and Weston Foods. Other and Intersegment includes eliminations, intersegment adjustments related to consolidation, cash and short term investments held by the Company and all other company level activities that are not allocated to the reportable operating segments, as further illustrated below.

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⁽ⁱⁱⁱ⁾. No reportable operating segment is reliant on any single external customer.

(\$ millions)	2019					2018				
	Loblaw	Choice Properties	Weston Foods	Other and Intersegment	Total	Loblaw	Choice Properties	Weston Foods ⁽ⁱ⁾	Other and Intersegment ⁽ⁱ⁾	Total
Revenue	\$ 48,037	\$ 1,289	\$ 2,155	\$ (1,372)	\$ 50,109	\$ 46,693	\$ 1,148	\$ 2,122	\$ (1,395)	\$ 48,568
Operating income	\$ 2,262	\$ 890	\$ 72	\$ (266)	\$ 2,958	\$ 1,915	\$ 593	\$ 92	\$ (15)	\$ 2,585
Net interest expense and other financing charges	747	1,472	1	(516)	1,704	564	(57)	(1)	442	948
Earnings before income tax	\$ 1,515	\$ (582)	\$ 71	\$ 250	\$ 1,254	\$ 1,351	\$ 650	\$ 93	\$ (457)	\$ 1,637
Operating income	\$ 2,262	\$ 890	\$ 72	\$ (266)	\$ 2,958	\$ 1,915	\$ 593	\$ 92	\$ (15)	\$ 2,585
Depreciation and amortization	2,524	1	147	(354)	2,318	1,497	1	130	118	1,746
Adjusting items ⁽ⁱⁱ⁾	118	23	4	62	207	108	230	11	(152)	197
Adjusted EBITDA ⁽ⁱⁱ⁾	\$ 4,904	\$ 914	\$ 223	\$ (558)	\$ 5,483	\$ 3,520	\$ 824	\$ 233	\$ (49)	\$ 4,528
Depreciation and amortization ⁽ⁱⁱⁱ⁾	2,016	1	138	(354)	1,801	976	1	121	118	1,216
Adjusted operating income⁽ⁱⁱⁱ⁾	\$ 2,888	\$ 913	\$ 85	\$ (204)	\$ 3,682	\$ 2,544	\$ 823	\$ 112	\$ (167)	\$ 3,312

(i) Certain comparative figures have been restated to conform with current year presentation.

(ii) Certain items are excluded from operating income to derive adjusted EBITDA⁽ⁱ⁾. Adjusted EBITDA⁽ⁱ⁾ is used internally by management when analyzing segment underlying operating performance.

(iii) Excludes \$508 million (2018 - \$521 million) of amortization of intangible assets acquired with Shoppers Drug Mart, recorded by Loblaw and \$9 million (2018 - \$9 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

Other and Intersegment includes the following items:

(\$ millions)	2019			2018 ⁽ⁱ⁾		
	Revenue	Operating Income	Net Interest Expense and Other Financing Charges	Revenue	Operating Income	Net Interest Expense and Other Financing Charges
Elimination of internal lease arrangements	\$ (531)	\$ (148)	\$ (170)	\$ (556)	\$ –	\$ –
Elimination of cost recovery	(209)	–	–	(181)	–	–
Elimination of lease surrender	(3)	–	–	(10)	(10)	–
Loblaw's net gain on sale leaseback of property to Choice Properties	–	(7)	–	–	(6)	–
Weston Food's net gain on sale leaseback of property to Choice Properties	–	–	–	–	(10)	–
Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost	–	(37)	–	–	(118)	–
Fair value adjustment on investment properties	–	(85)	–	–	47	–
Fair value adjustment on Choice Properties' Exchangeable Units	–	–	(932)	–	–	594
Fair value adjustment on Trust Unit liability	–	–	550	–	–	(41)
Unit distributions on Exchangeable Units paid by Choice Properties to GWL and Loblaw	–	–	(289)	–	–	(271)
Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL and Loblaw	–	–	203	–	–	126
Interest on debt due from Choice Properties to Loblaw and accretion income earned on intercompany Class C Units	–	–	–	–	–	(55)
Intercompany sales	(629)	–	–	(648)	–	–
Foreign currency translation ⁽ⁱⁱ⁾	–	–	–	–	17	–
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	–	–	69	–	–	50
Choice Properties issuance costs	–	–	14	–	–	–
Asset impairments, net of recoveries	–	38	–	–	77	–
Other	–	(27)	39	–	(12)	39
Total Consolidated	\$ (1,372)	\$ (266)	\$ (516)	\$ (1,395)	\$ (15)	\$ 442

(i) Certain comparative figures have been restated to conform with current year presentation.

(ii) 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.

Notes to the Consolidated Financial Statements

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018 ⁽ⁱ⁾
Total Assets		
Loblaw	\$ 36,451	\$ 30,228
Choice Properties	15,575	15,518
Weston Foods	4,261	3,001
Other ⁽ⁱⁱ⁾	28	305
Intersegment	(8,502)	(5,238)
Consolidated	\$ 47,813	\$ 43,814

(i) Certain comparative figures have been restated to conform with current year presentation.

(ii) Other includes cash and cash equivalents and short term investments held by foreign operations.

(\$ millions)	2019 ⁽ⁱ⁾	2018
	Additions to Fixed Assets, Investment Properties and Intangible Assets	
Loblaw	\$ 1,206	\$ 1,070
Choice Properties	188	311
Weston Foods	194	212
Other	8	–
Consolidated	\$ 1,596	\$ 1,593

(i) In 2019, additions to fixed assets and investment properties includes non-cash consideration of \$13 million in Loblaw and \$25 million in Choice Properties, respectively.

The Company operates primarily in Canada and the United States.

(\$ millions)	2019	2018
Revenue (excluding intersegment)		
Canada	\$ 48,897	\$ 47,415
United States	1,212	1,153
Consolidated	\$ 50,109	\$ 48,568

(\$ millions)	As at	
	Dec. 31, 2019	Dec. 31, 2018
Fixed Assets, Goodwill and Intangible Assets		
Canada	\$ 23,127	\$ 23,936
United States	909	904
Consolidated	\$ 24,036	\$ 24,840