

## 5. INTEREST EXPENSE AND OTHER FINANCING CHARGES

|  | 2008   | 2007   |
|--|--------|--------|
| Interest on long term debt                                     | \$ 396 | \$ 396 |
| Interest expense on financial derivative instruments (note 27) | 2      | 21     |
| Other financing charges <sup>(1)</sup>                         | (15)   | (167)  |
| Net short term interest income (note 11)                       | (13)   | (31)   |
| Interest income on security deposits                           | (12)   | (22)   |
| Dividends on capital securities                                | 22     |        |
| Capitalized to fixed assets                                    | (20)   | (22)   |
| Interest expense and other financing charges                   | \$ 360 | \$ 175 |

- (1) Other financing charges for 2008 include a non-cash charge of \$11 (2007 – non-cash income of \$141) related to the fair value adjustment of GWL's forward sale agreement for 9.6 million Loblaw common shares, which was entered into during 2001 and matures in 2031. The fair value adjustment of the forward contract is a non-cash item resulting from fluctuations in the market price of the underlying Loblaw common shares that GWL owns. GWL does not record any change in the market price associated with the Loblaw common shares it owns. Any cash paid under the forward contract could be offset by the sale of Loblaw common shares. Also included in other financing charges is forward accretion income of \$43 (2007 – \$42) net of the forward fee of \$17 (2007 – \$16) associated with GWL's forward sale agreement.

## Notes to the Consolidated Financial Statements

During 2008, net interest expense of \$407 (2007 – \$374) was recorded related to the financial assets and financial liabilities not classified as held-for-trading. In addition, \$37 (2007 – \$64) of income from cash, cash equivalents and short term investments, the majority of which are denominated in United States dollars and are held or managed by Glenhuron Bank Limited (“Glenhuron”), a wholly owned subsidiary of Loblaw in Barbados, was recognized in net short term interest income. Interest income on security deposits were also earned by the Company.

Interest on debt and dividends on capital securities paid in 2008 was \$561 (2007 – \$548), and interest received on cash, short term investments and security deposits in 2008 was \$167 (2007 – \$171).