Financial Results

Management's Statement of Responsibility for Financial Reporting

The management of George Weston Limited is responsible for the preparation and fair presentation 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 Canadian generally accepted accounting principles ("GAAP"). 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 establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Internal auditors, who are employees of the Company, review and evaluate internal controls on management's behalf. KPMG LLP, whose report follows, were appointed as independent auditors by a vote of the Company's shareholders to audit the consolidated financial statements.

The Board of Directors, acting through an Audit Committee comprised solely of directors who are independent, is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the shareholders. The Audit Committee meets regularly with senior and financial management, internal auditors and the independent auditors to discuss internal controls, auditing activities and financial reporting matters. The independent auditors and internal auditors have unrestricted access to the Audit Committee. These consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Directors for inclusion in the Annual Report based on the review and recommendation of the Audit Committee.

[*signed*]
W. Galen Weston
Chairman and President

[*signed*]
Paviter S. Binning
Chief Financial Officer

Toronto, Canada
March 2, 2011

Independent Auditors' Report

To the Shareholders of George Weston Limited:

We have audited the accompanying consolidated financial statements of George Weston Limited, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of earnings, changes in shareholders' equity and comprehensive income, the consolidated cash flow statements for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of George Weston Limited as at December 31, 2010 and December 31, 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG

KPMG LLP

Toronto, Canada
March 2, 2011

Chartered Accountants, Licensed Public Accountants

Consolidated Statements of Earnings

For the years ended December 31

($ millions except where otherwise indicated)	2010	2009
Sales	**$ 32,008**	$ 31,820
Operating Expenses		
Cost of inventories sold (note 12)	**23,775**	24,015
Selling, administrative and other expenses	**6,084**	6,122
Depreciation and amortization (note 12)	**666**	601
Goodwill impairment (note 14)		73
	30,525	30,811
Operating Income	**1,483**	1,009
Interest Expense and Other Financing Charges (note 6)	**388**	363
Earnings from Continuing Operations Before the Following:	**1,095**	646
Income Taxes (note 7)	**370**	259
	725	387
Minority Interest	**273**	260
Net Earnings from Continuing Operations	**452**	127
Discontinued Operations (note 4)		908
Net Earnings	**$ 452**	$ 1,035
Net Earnings per Common Share – Basic ($)		
Continuing Operations (note 8)	**$ 3.16**	$ 0.64
Discontinued Operations		$ 7.04
Net Earnings	**$ 3.16**	$ 7.68
Net Earnings per Common Share – Diluted ($)		
Continuing Operations (note 8)	**$ 3.14**	$ 0.63
Discontinued Operations		$ 7.04
Net Earnings	**$ 3.14**	$ 7.67

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31 ($ millions except where otherwise indicated)	2010	2009
Share Capital		
Preferred Shares	**$ 817**	$ 817
Common Shares	**133**	133
Total Share Capital, Beginning and End of Year (note 22)	**$ 950**	$ 950
Retained Earnings, Beginning of Year	**$ 6,084**	$ 5,282
Cumulative impact of implementing new accounting standards (note 2)		(4)
Net earnings	**452**	1,035
Dividends declared		
Per common share ($) – $9.19 (2009 – $1.44)	**(1,186)**	(186)
Per preferred share ($) – Series I – $1.45 (2009 – $1.45)	**(13)**	(13)
– Series III – $1.30 (2009 – $1.30)	**(10)**	(10)
– Series IV – $1.30 (2009 – $1.30)	**(10)**	(10)
– Series V – $1.19 (2009 – $1.19)	**(10)**	(10)
Retained Earnings, End of Year	**$ 5,307**	$ 6,084
Accumulated Other Comprehensive Loss, Beginning of Year	**$ (92)**	$ (322)
Cumulative impact of implementing new accounting standards (note 2)		(1)
Other comprehensive (loss) income (note 25)	**(33)**	231
Accumulated Other Comprehensive Loss, End of Year (note 25)	**$ (125)**	$ (92)
Total Shareholders' Equity	**$ 6,132**	$ 6,942

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 ($ millions)	2010	2009
Net earnings	**$ 452**	$ 1,035
Other comprehensive (loss) income, net of income taxes and minority interest		
Foreign currency translation adjustment (note 25)	**(28)**	35
Reclassification of cumulative foreign currency translation loss to net earnings		196
	(28)	231
Net unrealized loss on available-for-sale financial assets	**(8)**	(14)
Reclassification of loss on available-for-sale financial assets to net earnings	**8**	1
		(13)
Net gain on derivatives designated as cash flow hedges	**1**	4
Reclassification of (gain) loss on derivatives designated as cash flow hedges to net earnings	**(6)**	9
	(5)	13
Other comprehensive (loss) income (note 25)	**(33)**	231
Total Comprehensive Income	**$ 419**	$ 1,266

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

As at December 31 ($ millions)	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (note 9)	**$ 1,528**	$ 1,535
Short term investments (note 9)	**3,234**	3,371
Accounts receivable (notes 10 & 11)	**820**	851
Inventories (note 12)	**2,208**	2,210
Future income taxes (note 7)	**61**	87
Prepaid expenses and other assets	**90**	98
Total Current Assets	**7,941**	8,152
Fixed Assets (note 13)	**9,584**	9,020
Goodwill and Intangible Assets (note 14)	**1,571**	1,296
Future Income Taxes (note 7)	**33**	61
Security Deposits (note 9)	**435**	348
Other Assets (note 15)	**1,290**	1,266
Total Assets	**$ 20,854**	$ 20,143
LIABILITIES		
Current Liabilities		
Bank indebtedness	**$ 4**	$ 2
Accounts payable and accrued liabilities	**4,717**	3,616
Income taxes	**20**	78
Short term debt (notes 17 & 18)	**336**	300
Long term debt due within one year (note 18)	**733**	343
Total Current Liabilities	**5,810**	4,339
Long Term Debt (note 18)	**5,129**	5,377
Future Income Taxes (note 7)	**311**	269
Other Liabilities (note 19)	**655**	617
Capital Securities (note 21)	**221**	220
Minority Interest	**2,596**	2,379
Total Liabilities	**14,722**	13,201
SHAREHOLDERS' EQUITY		
Share Capital (note 22)	**950**	950
Retained Earnings	**5,307**	6,084
Accumulated Other Comprehensive Loss (note 25)	**(125)**	(92)
Total Shareholders' Equity	**6,132**	6,942
Total Liabilities and Shareholders' Equity	**$ 20,854**	$ 20,143

Contingencies, commitments and guarantees (note 29). Leases (note 20).
See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board

[*signed*]
W. Galen Weston
Director

[*signed*]
A. Charles Baillie
Director

Consolidated Cash Flow Statements

For the years ended December 31

($ millions)	2010	2009
Operating Activities		
Net earnings from continuing operations before minority interest	**$ 725**	$ 387
Depreciation and amortization	**709**	645
Goodwill impairment (note 14)		73
Foreign currency translation losses (note 32)	**56**	311
Loss on redemption of debt (notes 6 & 18)		49
Settlement of equity forward contracts (note 26)		(55)
Future income taxes	**94**	(79)
Fair value adjustment of Weston Holdings Limited's forward sale agreement (note 6)	**62**	(13)
Change in non-cash working capital	**26**	675
Fixed asset and other related impairments	**73**	47
Other	**(4)**	(53)
Cash Flows from Operating Activities of Continuing Operations	**1,741**	1,987
Investing Activities		
Fixed asset purchases	**(1,304)**	(1,011)
Short term investments	**50**	(2,052)
Proceeds from fixed asset sales	**90**	27
Purchase of subsidiary interests (note 3)		(35)
Business acquisitions – net of cash acquired (note 3)	**(309)**	(204)
Credit card receivables, after securitization (note 10)	**7**	8
Franchise investments and other receivables	**(11)**	6
Security deposits	**(104)**	159
Other	**20**	(50)
Cash Flows used in Investing Activities of Continuing Operations	**(1,561)**	(3,152)
Financing Activities		
Bank indebtedness	**(1)**	(95)
Short term debt (notes 17 & 18)	**36**	(153)
Long term debt (note 18) – Issued	**450**	402
– Retired	**(368)**	(490)
Capital securities (note 21) – Retired		(265)
Cancellation of subsidiary share capital (note 3)		(21)
Dividends – To common shareholders	**(186)**	(139)
– To preferred shareholders	**(44)**	(36)
– To minority shareholders	**(57)**	(70)
Cash Flows used in Financing Activities of Continuing Operations	**(170)**	(867)
Effect of Foreign Currency Translation on Cash and Cash Equivalents (note 9)	**(17)**	(71)
Cash Flows used in Continuing Operations	**(7)**	(2,103)
Cash Flows from Discontinued Operations (note 4)		3,017
Change in Cash and Cash Equivalents	**(7)**	914
Cash and Cash Equivalents, Beginning of Year	**1,535**	621
Cash and Cash Equivalents, End of Year (note 9)	**$ 1,528**	$ 1,535

See accompanying notes to the consolidated financial statements.

December 31, 2010
($ millions except where otherwise indicated)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars.

Basis of Consolidation

The consolidated financial statements include the accounts of George Weston Limited ("GWL") and its subsidiaries (collectively, the "Company") with provision for minority interest. The Company's interest in the voting share capital of its subsidiaries is 100% except for Loblaw Companies Limited ("Loblaw"), which is 62.9% (2009 – 62.5%). In addition, the Company consolidates variable interest entities ("VIEs") pursuant to the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG 15"), that are subject to control by Loblaw on a basis other than through ownership of a majority of voting interest. AcG 15 defines a variable interest entity as an entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. AcG 15 requires the primary beneficiary to consolidate VIEs and considers an entity to be the primary beneficiary of a VIE if it holds variable interests that expose it to a majority of the VIEs' expected losses or that entitle it to receive a majority of the VIEs' expected residual returns or both. The Company has two reportable operating segments: Weston Foods and Loblaw.

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, 2010 and December 31, 2009 contained 52 weeks.

Revenue Recognition

Weston Foods recognizes sales upon delivery of its products to customers and acceptance of its products by customers net of provisions for returns, discounts and allowances. Loblaw sales include revenues, net of estimated returns, from customers through corporate stores operated by Loblaw and independent franchisee stores that are consolidated by Loblaw pursuant to AcG 15. In addition, sales include sales to and service fees from associated stores and independent account customers and franchised stores excluding VIE stores net of sales incentives offered by Loblaw. Loblaw recognizes revenue at its corporate and VIE stores at the time the sale is made to its customers and at the time of delivery of inventory to its associated and franchised stores.

Net Earnings per Common Share

Basic net earnings per common share is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted net earnings per common share is calculated using the treasury stock method and the if converted method. The treasury stock method assumes that all outstanding stock options with an exercise price below the average market price during the year are exercised and the assumed proceeds are used to purchase the Company's common shares at the average market price during the year. Under the if converted method, diluted net earnings per common share also takes into consideration the dilutive effect of the conversion options on the Loblaw capital securities and a component of Loblaw's other liabilities, which are assumed to be converted using the market share price at the end of the year.

Cash and Cash Equivalents and Bank Indebtedness
Cash equivalents consist of highly liquid marketable investments with a maturity of 90 days or less from the date of acquisition (see note 9). Cash equivalents are either designated as held-for-trading financial assets or classified as available-for-sale financial assets and the carrying value approximates the fair value of these instruments. Bank indebtedness is classified as other financial liabilities and the carrying value approximates the fair value of this instrument.

Short Term Investments
Short term investments are either designated as held-for-trading financial assets or classified as available-for-sale financial assets and the carrying value approximates the fair value of these instruments. See note 9 for the types of investments held.

Security Deposits
Security deposits are either designated as held-for-trading financial assets or classified as available-for-sale financial assets and the carrying value approximates the fair value of these instruments. See note 9 for the types of investments held.

Credit Card Receivables
The Company, through President's Choice Bank ("PC Bank"), a wholly owned subsidiary of Loblaw, has credit card receivables that are stated net of an allowance for credit losses. Any credit card receivable with a payment that is contractually 180 days in arrears, or where the likelihood of collection is considered remote, is written off. Interest income on credit card receivables is recorded on an accrual basis and is recognized in operating income.

PC Bank maintains an allowance for probable credit losses on aggregate exposures for which losses cannot be determined on an item-by-item basis. The allowance is based upon a statistical analysis of past and current performance, the level of allowance already in place and management's judgment. The allowance for credit losses is deducted from the credit card receivables balance. The net credit loss experience for the year is recognized in operating income.

PC Bank securitizes credit card receivables through the sale of a portion of the total interest in certain receivables to independent trusts. These trusts are either not controlled by PC Bank or are qualifying special purpose entities. The credit card receivables are removed from the consolidated balance sheet when PC Bank has surrendered control and are considered sold for accounting purposes pursuant to AcG 12, "Transfers of Receivables". When PC Bank sells credit card receivables in a securitization transaction, it retains servicing responsibilities, certain administrative responsibilities and the rights to future cash flows after obligations to investors have been met. Although PC Bank remains responsible for servicing all credit card receivables, it does not receive additional compensation for servicing those credit card receivables and accordingly a servicing liability is recorded. The servicing liability is recorded at fair value upon initial recognition. In the absence of quoted market rates for servicing securitized assets, fees payable to a replacement servicer, in the event that a replacement servicer was to be appointed, formed the basis of determination of fair value of the servicing liability. Gains or losses on the securitization of the receivables depends, in part, on the previous carrying amount of receivables involved in the transfer, allocated between the assets sold and retained interest, based on their relative fair values at the date of transfer. The fair value of the retained interest is determined as the best estimate of the net present value of expected future cash flows using management's best estimates of key assumptions such as net yield, monthly payment rates, weighted average life, expected annual credit losses and discount rates. Any gain or loss on a sale is recognized in operating income at the time of the securitization. Retained interest is primarily designated as a held-for-trading financial asset and is recorded at fair value on the consolidated balance sheet.

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. Consideration received from a vendor is a reduction in the cost of the vendor's products or services and is recognized as a reduction in the cost of inventories sold and the related inventory when recognized in the consolidated statement of earnings and the consolidated balance sheet. Certain exceptions apply if the consideration is a payment for assets or services delivered to the vendor or for reimbursement of selling costs incurred to promote the vendor's products, provided that these costs are separate, incremental and identifiable.

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 that are directly incurred to bring inventories to their present location and condition. Loblaw's seasonal general merchandise, Loblaw's inventories at the distribution centres and Weston Foods inventories are measured at weighted average cost. Loblaw uses the retail method to measure the cost of certain retail store inventories. 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.

Fixed Assets

Fixed assets are recorded at cost including capitalized interest. Depreciation commences when the assets are put into use and is recognized on a straight-line basis to depreciate the cost of these assets over their estimated useful lives. Estimated useful lives range from 10 to 40 years for buildings, up to 10 years for building improvements and from 3 to 16 years for equipment and fixtures. Leasehold improvements are depreciated over the lesser of the lease term and their estimated useful lives and may include renewal options when an improvement is made after inception of the lease, to a maximum of 25 years, which approximates economic life. Equipment and buildings under capital leases are depreciated over the term of the lease.

Fixed assets are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying value exceeds the sum of the undiscounted future cash flows expected from their use and eventual disposal. These events or changes in circumstances include a commitment to retire or transfer manufacturing assets for Weston Foods and to close a Loblaw store or distribution centre or to relocate or convert a Loblaw store. For purposes of annually reviewing assets for impairment, asset groups are reviewed at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. Therefore, Weston Foods manufacturing asset net cash flows are grouped together by major production categories, where cash flows are largely dependent on each other. Loblaw's store net cash flows are grouped together by primary market areas, where cash flows are largely dependent on each other. Primary markets are regional areas where a number of store formats operate within close proximity to one another. If an indicator of impairment exists, such as sustained negative operating cash flows of the respective asset group, then an estimate of undiscounted future cash flows of each such major production category for Weston Foods, or each such store for Loblaw, within this group is prepared and compared to its carrying value. For purposes of annually reviewing Loblaw's distribution centre assets for impairment, distribution centre net cash flows are grouped with the respective net cash flows of the stores they service. An impairment in the Loblaw store network serviced by the distribution centre may indicate an impairment in the distribution centre assets as well. If any of Weston Foods or Loblaw's assets are determined to be impaired, the impairment loss is measured as the excess of the carrying value over fair value.

Goodwill and Intangible Assets
Goodwill represents the excess of the purchase price of a business acquired over the fair value of the underlying net assets acquired at the date of acquisition. Other intangible assets are recorded at fair value at the date of acquisition. Goodwill is assessed for impairment at the reporting unit level at least annually. Any potential goodwill impairment is identified by comparing the fair value of a reporting unit to its carrying value. If the carrying value of the reporting unit exceeds its fair value, a more detailed goodwill impairment assessment must be undertaken. A goodwill impairment charge is recognized in operating income to the extent that, at the reporting unit level, the carrying value of goodwill exceeds the implied fair value.

The Company determines the fair values of its reporting units using a discounted cash flow model corroborated by other valuation techniques such as market multiples. The process of determining these fair values requires management to make estimates and assumptions of a long term nature regarding projected future sales, earnings and capital investment, discount rates and terminal growth rates. Projected future sales, earnings and capital investment are consistent with strategic plans presented to GWL's and Loblaw's Boards of Directors. Discount rates are based on an industry weighted average cost of capital. These estimates and assumptions may change in the future due to uncertain competitive and economic market conditions or changes in business strategies.

Intangible assets with an indefinite life are not subject to amortization and are tested at least annually for impairment. Any potential intangible asset impairment is identified by comparing the fair value of the indefinite life intangible asset to its carrying value. If the carrying value of the intangible asset exceeds its fair value, impairment is identified as the difference between the fair value and the carrying value and will result in the recognition of a non-cash impairment charge in operating income.

The Company determines the fair values of its trademarks and brand names by using the "Relief from Royalty" method, a discounted cash flow model. Weston Foods determines the fair values of its customer relationships by using an income approach, specifically the "Excess Earnings" method, a discounted cash flow model. The process of determining the fair values requires management to make assumptions of a long term nature regarding projected future sales, terminal growth rates, royalty rates and discount rates. Projected future sales are consistent with strategic plans presented to GWL's and Loblaw's Boards of Directors and discount rates are based on an industry after-tax cost of equity. These estimates and assumptions may change in the future due to uncertain competitive and economic market conditions or changes in business strategies. Intangible assets with a finite life are amortized over their estimated useful lives, ranging from 10 to 30 years.

Additional disclosure regarding the results of the annual goodwill impairment test is provided in note 14.

Foreign Currency Translation
Self-Sustaining Foreign Operations
Assets and liabilities of self-sustaining foreign operations denominated in foreign currencies are translated into Canadian dollars at the foreign currency exchange rate in effect at the balance sheet date. The resulting translation gains or losses on translation are recognized as part of shareholders' equity in accumulated other comprehensive loss. When there is a reduction in the Company's net investment in self-sustaining foreign operations, the proportionate amount of accumulated other comprehensive loss is recognized in net earnings. Revenues and expenses denominated in foreign currencies 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.

Other
Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign currency exchange rate in effect at the balance sheet date. Translation gains or losses arising from the translation of these balances denominated in foreign currencies are recognized in operating income, except for items which are designated in a cash flow hedge and are deferred in accumulated other comprehensive loss and reclassified to net earnings when realized. Revenues and expenses denominated in foreign currencies 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.

Financial Instruments
Financial instruments are classified into a defined category, namely, held-for-trading financial assets or financial liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. Financial instruments are included on the Company's balance sheet and measured at fair value, except for loans and receivables, held-to-maturity financial assets and other financial liabilities which are measured at cost or amortized cost. Financial assets and financial liabilities have been initially remeasured as at January 1, 2009 to take into account the appropriate credit risk and counterparty credit risk (see note 2). Gains and losses on held-for-trading financial assets and financial liabilities are recognized in net earnings in the period in which they arise. Unrealized gains and losses, including those related to changes in foreign currency exchange rates on available-for-sale financial assets, are recognized in accumulated other comprehensive loss until the financial asset is derecognized or determined to be impaired, at which time any unrealized gains or losses are recorded in net earnings. Transaction costs other than those related to financial instruments classified as held-for-trading, which are expensed as incurred, are amortized using the effective interest method.

The following classifications have been applied:
- Cash and cash equivalents, short term investments and security deposits are designated as held-for-trading with the exception of certain Loblaw U.S. dollar denominated cash equivalents, short term investments and security deposits designated in a cash flow hedging relationship, which are classified as available-for-sale financial assets.
- Accounts receivable and other receivables are classified as loans and receivables.
- Investments in equity instruments are classified as available-for-sale.
- Bank indebtedness, accounts payable and certain accrued liabilities, short term debt, long term debt, capital lease obligations, certain other liabilities and capital securities have been classified as other financial liabilities.
- Certain accrued liabilities are classified as held-for-trading.

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

Derivative Instruments
Derivative instruments in the form of cross currency swaps, interest rate swaps and equity swaps and forwards partially offset exposure to fluctuations in foreign currency exchange rates, interest rates and the market prices of GWL and Loblaw common shares. Financial and non-financial derivative instruments in the form of futures contracts, option contracts and forward contracts mitigate current and anticipated exposure to fluctuations in commodity prices and foreign currency exchange rates. Policies and guidelines prohibit the use of any derivative instruments for trading or speculative purposes.

All financial derivative instruments are recorded at fair value on the consolidated balance sheet. Derivative instruments have been initially remeasured as at January 1, 2009 to take into account the appropriate credit risk and counterparty credit risk (see note 2). Non-financial derivative instruments, such as certain contracts that are linked to commodity prices, are recorded at fair value on the consolidated balance sheet unless they are exempt from this treatment based upon expected purchase, sale or usage requirements. Embedded derivative instruments which are not closely related to the host contract are separated from their host contract and recorded on the consolidated balance sheet at fair value. Fair values are based on quoted market prices where available from active markets; otherwise fair values are estimated using valuation methodologies, primarily discounted cash flow analysis (see note 27).

Derivative instruments are recorded in current or non-current assets and liabilities based on their remaining terms to maturity. All changes in fair value of the derivative instruments are recorded in net earnings unless cash flow hedge accounting is applied.

The Company formally identifies, designates and documents the relationships between hedging instruments and hedged items including cross currency swaps and interest rate swaps as cash flow hedges against the exposure to fluctuations in the foreign currency exchange rate and variable interest rates, and certain commodity futures as cash flow hedges against the exposure to commodity price fluctuations (see note 26). The Company assesses whether these derivative instruments continue to be highly effective in offsetting changes in the cash flows of hedged items. If and when a derivative instrument is no longer expected to be highly effective, hedge accounting is discontinued. Hedge ineffectiveness, if any, is included in current period net earnings.

Income Taxes
The asset and liability method of accounting is used for income taxes. Under the asset and liability method, future income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in income tax expense when enacted or substantively enacted. Future income tax assets are evaluated and a valuation allowance, if required, is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

Employee Future Benefits
The Company sponsors a number of pension plans, including funded defined benefit pension plans, defined contribution pension plans and supplemental unfunded arrangements providing pension benefits in excess of statutory limits. The Company also offers other employee benefit plans comprised of post-retirement and post-employment benefit plans which are generally unfunded and non-contributory. Post-retirement benefit plans include health care, life insurance and dental benefits during retirement, while post-employment benefit plans include long term disability benefits and the continuation of health and dental benefits while on disability. The Company also contributes to various multi-employer pension plans which provide pension benefits.

Defined Benefit Plans
The cost and accrued benefit plan obligations of the Company's defined benefit pension plans and other benefit plans, including post-retirement and post-employment, are based on actuarial valuations. The actuarial valuations for the defined benefit plans are determined using the projected benefit method prorated on service and management's best estimate of the discount rate, the expected long term rate of return on plan assets, the expected growth rate of health care costs, the rate of compensation increase, retirement rates, termination rates and mortality rates. Actuarial valuations are performed using a September 30 measurement date for accounting purposes. Market values used to value benefit plan assets are as at the measurement date and then adjusted for employer contributions made between the measurement date and the fiscal year end. The discount rate used to value the accrued benefit plan obligation is based on market interest rates as at the measurement date, assuming a portfolio of Corporate AA bonds with terms to maturity that, on average, match the terms of the accrued benefit plan obligations.

Past service costs arising from plan amendments are amortized over the expected average remaining service period of the active employees. The unamortized net actuarial gain or loss that exceeds 10% of the greater of the accrued benefit plan obligation or the fair value of the benefit plan assets at the beginning of the year is amortized over the expected average remaining service period of the active employees for defined benefit pension and post-retirement benefit plans unless the plan covers mostly inactive members, in which case life expectancy is used. The amortization period for the defined benefit pension plans ranges from 7 to 23 years, with a weighted average of 11 years. The amortization period for the post-retirement benefit plans ranges from 8 to 21 years, with a weighted average of 14 years. The unamortized net actuarial gain or loss for post-employment benefits is amortized over a period not exceeding three years.

The net accrued benefit plan asset or liability represents the cumulative difference between the cost and the funding contributions and is recorded in other assets and other liabilities.

Defined Contribution and Multi-Employer Pension Plans
The costs of pension benefits for defined contribution pension plans and multi-employer pension plans are expensed as contributions are due.

Stock Option Plan and Share Appreciation Rights
The Company recognizes a compensation cost in operating income and a liability related to employee stock option grants that allow for settlement in shares or in the share appreciation value in cash at the option of the employee and employee share appreciation right grants that will be settled in cash, using the intrinsic value method. Under the intrinsic value method, the stock-based compensation liability is the amount by which the market price of the common shares at the balance sheet date exceeds the exercise price of the stock options. A year-over-year change in the stock-based compensation liability is recognized in operating income on a prescribed vesting basis.

Restricted Share Unit ("RSU") Plan
The Company recognizes a compensation cost in operating income on a prescribed vesting basis for each RSU granted equal to the market value of a GWL or Loblaw common share at the date on which RSUs are awarded to each participant, prorated over the performance period, and adjusts for changes in the market value until the end of the performance period. The cumulative effect of the changes in market value is recognized in operating income in the period of the change.

Director Deferred Share Unit ("DSU") Plan
Members of GWL's and Loblaw's Boards of Directors who are not management may elect annually to receive all or a portion of their annual retainer(s) and fees in the form of DSUs. The DSU compensation liability is accounted for based on the number of units outstanding and the market value of the underlying GWL or Loblaw common share at the balance sheet date. The year-over-year change in the DSU compensation liability is recognized in operating income.

Executive Deferred Share Unit ("EDSU") Plan
Under this plan, executives may elect to defer up to 100% of the Short Term Incentive Plan ("STIP") bonus earned in any year into the EDSU plan, subject to an overall cap of three times the executive's base salary. All EDSUs held by an executive will be paid out in cash by December 15 of the year following the year in which the executive's employment ceases for any reason. An election to participate in the plan in any year must be made before the beginning of the year and is irrevocable. The number of EDSUs granted in respect of any year will be determined by dividing the STIP bonus that is subject to the EDSU plan election by the value of GWL or Loblaw common shares on the date the STIP bonus would otherwise be payable. For this purpose, and for purposes of determining the value of an EDSU upon conversion of the EDSUs into cash, the value of the EDSUs will be calculated by using the weighted average of the trading prices of GWL or Loblaw common shares on the Toronto Stock Exchange for the five trading days prior to the valuation date.

Employee Share Ownership Plan ("ESOP")
GWL and Loblaw maintain ESOPs which allow employees to acquire GWL and Loblaw common shares through payroll deductions of up to 5% of their gross regular earnings. GWL and Loblaw contribute an additional 25% of each employee's contribution to their respective plans, which is recognized in operating income as a compensation cost when the contribution is made.

Use of Estimates and Assumptions
The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. These estimates and assumptions are based on management's historical experience,

best knowledge of current events and conditions, and activities that may be undertaken in the future. Actual results could differ from these estimates.

Certain estimates, such as those related to valuation of inventories, impairment of fixed assets, employee future benefits, goodwill and intangible assets and income and other taxes, depend upon subjective or complex judgments about matters that may be uncertain, and changes in those estimates could materially impact the consolidated financial statements. Illiquid credit markets, volatile equity, foreign currency and energy markets and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Comparative Information
Certain prior year's information was reclassified to conform with the current year's presentation.

Future Accounting Standards
The Company will adopt International Financial Reporting Standards effective January 1, 2011.

2. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Accounting Standards Implemented in 2009
Goodwill and Intangible Assets
In November 2007, the CICA issued amendments to Section 1000, "Financial Statement Concepts" and AcG 11, "Enterprises in the Development Stage", issued a new Section 3064, "Goodwill and Intangible Assets" ("Section 3064") to replace Section 3062, "Goodwill and Other Intangible Assets", withdrew Section 3450, "Research and Development Costs" and amended Emerging Issues Committee ("EIC") Abstract 27, "Revenues and Expenditures During the Pre-operating Period" to not apply to entities that have adopted Section 3064. These amendments, in conjunction with Section 3064, provide guidance for the recognition of intangible assets, including internally developed assets from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The Company implemented these requirements as of January 1, 2009, retroactively with restatement.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities
On January 20, 2009, the EIC issued Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The committee reached a consensus that a company's credit risk and the credit risk of its counterparties should be considered when determining the fair value of its financial assets and financial liabilities, including derivative instruments. The transitional provisions required the abstract to be applied retrospectively without restatement of prior periods. Financial assets and financial liabilities, including derivative instruments, were remeasured as at January 1, 2009 to take into account the appropriate Company's credit risk and counterparty credit risk. As a result, a decrease in other assets of $12, a decrease in other liabilities of $4, a decrease in minority interest of $3, an increase net of income taxes and minority interest in accumulated other comprehensive loss of $1 and a decrease in retained earnings net of income taxes and minority interest of $4 were recorded on the consolidated balance sheet.

Financial Instruments – Disclosures
In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures" to include additional disclosure relating to the measurement of fair value for financial instruments and liquidity risk. The amendment establishes a three level hierarchy that reflects the significance of the inputs used in fair value measurements on financial instruments. The amendment was implemented by the Company in 2009 (see note 27). The implementation of these amendments did not have an impact on the Company's results of operations or financial condition.

3. BUSINESS ACQUISITIONS

Weston Foods' acquisitions of ACE Bakery Ltd. ("ACE") and Keystone Bakery Holdings, LLC ("Keystone") were accounted for using the purchase method of accounting under Section 1581, "Business Combinations". Accordingly, the consolidated financial statements include the results of operations since the date of the acquisition and are reported in the Weston Foods segment.

ACE Bakery

On November 1, 2010, Weston Foods (Canada) Inc., a subsidiary of GWL, acquired all of the outstanding shares of ACE, for total consideration of $110. Transaction costs incurred in connection with the acquisition were nominal.

The preliminary purchase equation includes estimates of fair value. The actual amount allocated to certain of the identifiable net assets could vary as the purchase equation is finalized.

The preliminary purchase price allocation as at December 31, 2010 is as follows:

Net assets acquired:		
Accounts receivable	$	13
Inventories		3
Fixed assets		21
Goodwill		63
Intangible assets (note 14)		35
Accounts payable and accrued liabilities		(13)
Income taxes		(2)
Future income taxes		(10)
Cash consideration, net of cash acquired	$	110

The goodwill associated with the above transaction is not deductible for tax purposes.

Keystone Bakery

On September 24, 2010, Maplehurst Bakeries, LLC, a subsidiary of GWL, acquired all of the outstanding shares of Keystone, for total consideration of approximately $188 (U.S. $186), including $1 of transaction costs.

The purchase price allocation as at December 31, 2010 is as follows:

Net assets acquired:		
Accounts receivable	$	9
Inventories		6
Fixed assets		20
Goodwill		95
Intangible assets (note 14)		66
Accounts payable and accrued liabilities		(8)
Cash consideration, net of cash acquired	$	188

The goodwill associated with the above transaction is deductible for tax purposes.

T&T Supermarket

Loblaw acquired all of the outstanding common shares of T&T Supermarket Inc. ("T&T") in the third quarter of 2009 for cash consideration of $200, $191 of which was paid on the date of acquisition. Loblaw also assumed a liability of $34 associated with the preferred shares issued by T&T to a vendor prior to the acquisition. The liability will increase with a favourable performance of the T&T business and the increase in the liability will be expensed as incurred. Acquisition costs of $4 were incurred in connection with the acquisition. The acquisition was accounted for using the purchase method of accounting and its results of operations from the date of the acquisition have been included by the Company.

The preferred shares are classified as other liabilities on the consolidated balance sheets. Redemption or purchase of the preferred shares may take place upon the occurrence of certain events, including the expiry of 5 years from the closing date of the acquisition. The preferred shareholder may increase this period up to a further 5 years if certain conditions are met. The preferred share liability may be satisfied in cash, Loblaw common shares, or a combination thereof, at the option of Loblaw.

During 2010, Loblaw finalized the purchase price allocation related to the acquisition which resulted in a reduction of goodwill of $2 (see note 14). The final purchase price allocation, based on Loblaw's assessment of fair value was as follows:

Net assets acquired:		
Inventory	$	39
Other current assets		9
Fixed assets		73
Goodwill		129
Indefinite life intangible assets (trademarks and brand names)		51
Definite life intangible assets		14
Current liabilities		(60)
Other liabilities		(39)
Future income taxes		(16)
Cash consideration	$	200

In connection with the acquisition of T&T, Loblaw also acquired certain net assets for $5.

The goodwill associated with these transactions is not deductible for tax purposes.

Dividend Reinvestment Plan

In 2009, Loblaw commenced a Dividend Reinvestment Plan ("DRIP"). Under the terms of the DRIP, eligible holders of common shares may elect to automatically reinvest their regular quarterly dividends in additional common shares of Loblaw without incurring any commissions, service charges or brokerage fees. The Company has elected to participate in the DRIP with respect to approximately 160 million Loblaw common shares owned by the Company. As a result of the common shares issued under the DRIP, the Company's proportional ownership of Loblaw increased and was accounted for as a step acquisition of Loblaw by the Company, resulting in an increase to goodwill of $12 and $9 during 2010 and 2009, respectively (see note 14).

Subsequent to year end 2010, the Loblaw Board of Directors approved that the DRIP be discontinued following the dividend payment on April 1, 2011 when approximately $300 in Loblaw common share equity will have been raised through the program as planned.

Other

During 2010, Weston Foods purchased a frozen bakery manufacturing facility in Ontario, Canada for cash consideration of $11. The acquisition was accounted for using the purchase method of accounting. Weston Foods acquired net assets of $4 and goodwill of $7.

In the normal course of business, Loblaw may acquire from time to time franchisee stores and convert them to corporate stores. In 2009, Loblaw acquired 3 franchisee stores for cash consideration of $6, resulting in goodwill acquired of $5.

During the fourth quarter of 2009, Loblaw purchased for cancellation 1.7 million of its common shares for $56. As a result, the Company's proportionate ownership of Loblaw increased and was accounted for as a step acquisition, resulting in an increase to goodwill of $11 (see note 14).

4. DISCONTINUED OPERATIONS

As part of the sale of the fresh bread and baked goods business in the United States ("U.S. fresh bakery business") in the first quarter of 2009 and typical of the normal process of selling a business, Dunedin Holdings S.à r.l. ("Dunedin"), a subsidiary of GWL, agreed to indemnify Grupo Bimbo in the event of inaccuracies in representations and warranties or if it fails to perform agreements and covenants provided for in the agreement of purchase and sale. The terms of the indemnification provisions vary in duration and may extend for an unlimited period of time. The indemnification provisions could result in future cash outflows and statement of earnings charges. The Company is unable to reasonably estimate its total maximum potential liability as certain indemnification provisions do not provide for a maximum potential amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time.

The results of discontinued operations presented in the comparative year consolidated statement of earnings were as follows:

		2009[(1)]
Sales	$	145
Operating income		9
Gain on disposal[(2)]		939
Interest income and other financing charges[(3)]		(1)
Earnings before the following:		949
Income taxes		41
Earnings from discontinued operations	$	908

(1) Reflects results of the U.S. fresh bakery business up to the date of sale, January 21, 2009, and the gain on disposal.
(2) Net of the reclassification of the cumulative foreign currency translation loss of $110 associated with the U.S. fresh bakery business that was previously reflected in accumulated other comprehensive loss (see note 25).
(3) In calculating earnings from discontinued operations, no general interest expense has been allocated to these operations.

The cash flows from discontinued operations presented in the comparative year consolidated cash flow statement were as follows:

		2009[(1)]
Cash flows used in operations	$	(105)
Cash flows from investing		3,107
Cash flows from financing		15
Cash flows from discontinued operations	$	3,017

(1) Reflects the proceeds received on the sale and the cash flows of the U.S. fresh bakery business up to the date of sale, January 21, 2009.

5. DISTRIBUTION NETWORK COSTS

During 2010, Loblaw announced changes to its distribution network in Quebec. In connection with these changes a certain distribution centre was closed and an asset impairment charge in 2010 of $26 was recorded in operating income as the carrying value of the facility exceeded the fair value. In addition, employee termination charges and other costs of $16 were recorded in operating income. As at December 31, 2010, $7 was recorded on the consolidated balance sheet in accounts payable and accrued liabilities related to these charges.

6. INTEREST EXPENSE AND OTHER FINANCING CHARGES

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

	2010	2009
Interest on long term debt	$ 373	$ 371
Loss on redemption of debt (note 18)		49
Interest expense on financial derivative instruments (note 26)	2	3
Other financing charges(1)	42	(33)
Net short term interest income (note 9)	(21)	(20)
Interest income on security deposits	(1)	(4)
Dividends on capital securities	14	18
Capitalized to fixed assets	(21)	(21)
Interest expense and other financing charges	$ 388	$ 363

(1) Other financing charges for 2010 includes a non-cash charge of $62 (2009 – non-cash income of $13) related to the fair value adjustment of Weston Holdings Limited's ("WHL"), a subsidiary of GWL, forward sale agreement for 9.6 million Loblaw common shares (note 26). 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 WHL owns. WHL 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 $37 (2009 – $36) and the forward fee of $17 (2009 – $16) associated with WHL's forward sale agreement.

During 2010, net interest expense of $356 (2009 – $403) was recorded related to the financial assets and financial liabilities not classified as held-for-trading. In addition, $17 (2009 – $19) of income from cash and cash equivalents and short term investments held primarily by Dunedin and certain of its affiliates and Glenhuron Bank Limited ("Glenhuron"), a wholly owned subsidiary of Loblaw, was recognized in net short term interest income.

Interest on debt and dividends on capital securities paid in 2010 was $475 (2009 – $511), and interest received on cash and cash equivalents, short term investments and security deposits in 2010 was $67 (2009 – $93).

7. INCOME TAXES

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

	2010	2009
Weighted average basic Canadian federal and provincial statutory income tax rate	30.0%	30.4%
Net (decrease) increase resulting from:		
Earnings in jurisdictions taxed at rates different from the Canadian statutory income tax rates	(1.7)	(1.6)
Unrecognized benefit of foreign currency translation losses and impact of the reversal of cumulative foreign currency translation losses	0.8	4.4
Non-taxable and non-deductible amounts (including capital gains/losses and cash-settled stock options)	2.8	8.5
Impact of statutory income tax rate changes on future income tax balances		(0.2)
Impact of resolution of certain income tax matters from a previous year and other	1.9	(1.4)
Effective income tax rate applicable to earnings from continuing operations before income taxes and minority interest	33.8%	40.1%

Net cash income taxes paid in 2010 were $336 (2009 – $299).

The cumulative effects of changes in Canadian federal and certain provincial statutory income tax rates on future income tax assets and liabilities are included in the consolidated financial statements at the time of substantive enactment. Accordingly, in 2009 a net reduction of $1 to the future income tax expense was recognized as a result of the changes in the Canadian federal and certain provincial statutory income tax rates.

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

	2010	2009
Accounts payable and accrued liabilities	**$ 55**	$ 72
Other liabilities	**157**	166
Losses carried forward (expiring 2015 to 2029)	**117**	121
Fixed assets	**(317)**	(295)
Goodwill and intangible assets	**(2)**	11
Other assets	**(248)**	(217)
Other	**21**	21
Net future income tax liabilities	**$ (217)**	$ (121)

	2010	2009
Recorded on the consolidated balance sheets as follows:		
Future income tax assets		
Current	**$ 61**	$ 87
Non-current	**33**	61
	94	148
Future income tax liability		
Non-current	**(311)**	(269)
	(311)	(269)
Net future income tax liabilities	**$ (217)**	$ (121)

8. BASIC AND DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS

	2010	2009
Net earnings from continuing operations	**$ 452**	$ 127
Prescribed dividends on preferred shares in share capital	**(44)**	(44)
Net earnings from continuing operations available to common shareholders for basic earnings per share	**$ 408**	$ 83
Reduction in net earnings due to dilution at Loblaw	**(2)**	(2)
Net earnings from continuing operations available to common shareholders for diluted earnings per share	**$ 406**	$ 81
Weighted average common shares outstanding (in millions) (note 22)	**129.1**	129.1
Dilutive effect of stock-based compensation[(1)] (in millions)		
Diluted weighted average common shares outstanding (in millions)	**129.1**	129.1
Basic net earnings per common share from continuing operations ($)	**$ 3.16**	$ 0.64
Diluted net earnings per common share from continuing operations ($)	**$ 3.14**	$ 0.63

(1) Stock options outstanding with an exercise price greater than the average market price of GWL's common shares are not included in the computation of diluted net earnings per common share from continuing operations. Accordingly, for 2010, 425,684 (2009 – 1,252,630) stock options, with a weighted average price of $100.64 (2009 – $85.92), were excluded from the computation of diluted net earnings per common share from continuing operations.

9. CASH AND CASH EQUIVALENTS, SHORT TERM INVESTMENTS AND SECURITY DEPOSITS

The components of cash and cash equivalents, short term investments and security deposits as at December 31, 2010 and December 31, 2009 were as follows:

				2010
	Cash and Cash Equivalents	**Short Term Investments**	**Security Deposits**	**Total**
Cash	**$ 200**			**$ 200**
Government treasury bills	**244**	**$ 1,642**	**$ 296**	**2,182**
Corporate commercial paper	**427**	**1,227**		**1,654**
Banker's acceptances	**252**		**92**	**344**
Bank term deposits	**287**			**287**
Other	**118**	**365**	**47**	**530**
Total	**$ 1,528**	**$ 3,234**	**$ 435**	**$ 5,197**

				2009
	Cash and Cash Equivalents	Short Term Investments	Security Deposits	Total
Cash	$ 295		$ 51	$ 346
Government treasury bills	265	$ 2,305	277	2,847
Corporate commercial paper	405	833		1,238
Banker's acceptances	348			348
Bank term deposits	70			70
Other	152	233	20	405
Total	$ 1,535	$ 3,371	$ 348	$ 5,254

As at December 31, 2010 and December 31, 2009, U.S. $2,151 and U.S. $2,220 (December 31, 2010 – $2,147; December 31, 2009 – $2,338), respectively, was included in cash and cash equivalents, short term investments and security deposits on the consolidated balance sheets.

The following is a summary of foreign currency translation losses as a result of translating U.S. dollar denominated cash and cash equivalents, short term investments and security deposits:

	2010	2009
Loblaw(1)	**$ 52**	$ 146
The Company (excluding Loblaw)(2)	**62**	181
Consolidated	**$ 114**	$ 327

(1) Includes losses of $8 (2009 – $27) related to cash and cash equivalents for 2010.

During 2010, the loss on cash and cash equivalents, short term investments and security deposits was offset in operating income and other comprehensive (loss) income by the foreign currency translation gain of $52 (2009 – $145) on Loblaw's cross currency swaps (see note 26).

(2) Includes losses of $9 (2009 – $44) related to cash and cash equivalents for 2010.

During 2010, foreign currency translation losses associated with 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 Dunedin and certain of its affiliates of $56 (2009 – $177) were recognized in operating income (see note 32). The remaining foreign currency translation losses as a result of translating U.S. dollar denominated net assets, including cash and cash equivalents, short term investments and security deposits held in self-sustaining foreign operations are recognized in other comprehensive (loss) income (see note 25).

10. ACCOUNTS RECEIVABLE

The components of accounts receivable as at December 31, 2010 and December 31, 2009 were as follows:

	2010	2009
Credit card receivables	**$ 2,015**	$ 2,128
Amount securitized	**(1,635)**	(1,725)
Net credit card receivables	**380**	403
Other receivables	**440**	448
Accounts receivable	**$ 820**	$ 851

Credit Card Receivables

PC Bank securitizes certain credit card receivables as described in note 1.

In 2010, $600 (2009 – nil) of credit card receivables were securitized which yielded a net loss of $3 (2009 – nil). During 2010, PC Bank repurchased $690 (2009 – $50) of the co-ownership interest in the securitized receivables from several independent trusts. A portion of the securitized receivables that is held by an independent trust facility was renewed for two years during 2010. During 2010, PC Bank received income of $245 (2009 – $235) related primarily to PC Bank's right to excess cash flows earned on the securitized credit card receivables. A decrease in servicing liability of nil (2009 – $3) was recognized during the year on securitization and as at year end 2010, the servicing liability was $8 (2009 – $8). The independent trusts' recourse to PC Bank's assets is limited to PC Bank's excess collateral of $114 (2009 – $121) as well as standby letters of credit for $48 (2009 – $116) based on a portion of the securitized amount (see note 28).

On March 17, 2011, the five year $500 of senior and subordinated notes issued by *Eagle Credit Card Trust* ("Eagle") will mature. In conjunction with this upcoming maturity, Loblaw accumulated $167 of cash on December 1, 2010. Subsequent to the end of 2010, Loblaw accumulated $167 in January 2011 and a further $166 in February 2011. In addition, subsequent to the end of 2010, Loblaw increased its securitization of accounts receivable by approximately $230 under one of the independent trusts and expects to securitize further amounts coincident with the maturity of the Eagle Notes.

Net credit loss experience of $16 (2009 – $21) includes $110 (2009 – $139) of credit losses on the total portfolio of credit card receivables net of credit losses of $94 (2009 – $118) relating to securitized credit card receivables.

The following table displays the sensitivity of the current fair value of the retained interest to an immediate 10% and 20% adverse change in the 2010 key assumptions. 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.

		Change in assumptions	
	2010	**10%**	**20%**
Carrying value of retained interest	**$ 21**		
Payment rate (monthly)	**49%**	**$ (2)**	**$ (3)**
Weighted average life (years)	**0.7**		
Expected credit losses	**5.67%**	**$ (1)**	**$ (3)**
Annual discount rate applied to residual cash flows	**9.13%**		
Net yield	**14.11%**	**$ (4)**	**$ (8)**
Cost of funds	**2.60%**	**$ (1)**	**$ (1)**

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

	2010	2009
Proceeds from new securitizations	**$ 600**	
Repurchase of co-ownership interests	**$ (690)**	$ (50)
Net cash flows received on retained interest	**$ 250**	$ 244

Other Receivables

Other receivables consist mainly of receivables from Loblaw's vendors, independent franchisees, associated stores and independent accounts and receivables from Weston Foods customers.

Aging of Receivables

The following is an aging of the Company's credit card and other receivables as at December 31, 2010 and December 31, 2009:

	2010				2009			
	Current	**> 30 days**	**> 60 days**	**Total**	Current	> 30 days	> 60 days	Total
Credit card receivables	**$ 370**	**$ 3**	**$ 7**	**$ 380**	$ 390	$ 4	$ 9	$ 403
Other receivables	**361**	**27**	**52**	**440**	342	55	51	448
Total	**$ 731**	**$ 30**	**$ 59**	**$ 820**	$ 732	$ 59	$ 60	$ 851

Credit card receivables that are past due but not impaired totaled $10 (2009 – $13) as at year end 2010 as they are either less than 90 days past due or are reasonably expected to remedy the past due status. Any credit card receivable balances that are 180 days in arrears or where the likelihood of collection is considered remote are written off. Credit risk on the credit card receivables is managed as described in note 28.

Other receivables that are past due but not impaired totaled $21 (2009 – $54) as at year end 2010.

11. ALLOWANCES FOR RECEIVABLES

The allowance for receivables recorded on the consolidated balance sheets is maintained at a level which is considered adequate to absorb credit related losses on credit card receivables and losses on other receivables. The receivables for PC Bank credit card, Loblaw associated stores and independent accounts and Weston Foods customers are presented net of allowances in accounts receivable on the consolidated balance sheets. A continuity of the Company's allowances for receivables is as follows:

Credit Card Receivables	2010	2009
Allowances, beginning of year	**$ (16)**	$ (15)
Provision for losses	**(16)**	(21)
Recoveries	**(11)**	(9)
Write-offs	**27**	29
Allowances, end of year	**$ (16)**	$ (16)

Other Receivables	2010	2009
Allowances, beginning of year	**$ (27)**	$ (32)
Provision for losses	**(108)**	(102)
Write-offs	**112**	107
Allowances, end of year	**$ (23)**	$ (27)

12. INVENTORIES

The components of inventories as at December 31, 2010 and December 31, 2009 were as follows:

	2010	2009
Raw materials and supplies	**$ 39**	$ 36
Finished goods	**2,169**	2,174
Inventories	**$ 2,208**	$ 2,210

Cost of inventories sold includes $43 (2009 – $44) of depreciation in 2010.

For inventories recorded as at year end 2010, Loblaw recorded $17 (2009 – $15) as an expense for the write-down of inventories below cost to net realizable value. There were no reversals of inventories written down previously that are no longer estimated to sell below cost.

13. FIXED ASSETS

The components of fixed assets as at December 31, 2010 and December 31, 2009 were as follows:

			2010			2009
	Cost	**Accumulated Depreciation**	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
Assets under construction	**$ 1,172**		**$ 1,172**	$ 685		$ 685
Land	**1,787**		**1,787**	1,862		1,862
Buildings	**6,183**	**$ 1,866**	**4,317**	6,099	$ 1,703	4,396
Equipment and fixtures	**6,030**	**4,148**	**1,882**	5,488	3,779	1,709
Buildings and leasehold improvements	**631**	**335**	**296**	583	278	305
	15,803	**6,349**	**9,454**	14,717	5,760	8,957
Capital leases – buildings and equipment	**248**	**118**	**130**	180	117	63
Fixed assets	**$ 16,051**	**$ 6,467**	**$ 9,584**	$ 14,897	$ 5,877	$ 9,020

Included in land and buildings was $73 (2009 – $58) of properties held for sale. Loblaw recorded fixed asset impairment charges of $28 (2009 – $27), other related charges of $18 (2009 – $19) and an impairment charge of $26 (2009 – nil) related to the closure of a distribution centre in Quebec (see note 5). In addition, Weston Foods recorded a fixed asset impairment charge of $1 (2009 – $1) and accelerated depreciation of nil (2009 – $2).

During 2009, Loblaw completed the purchase of a distribution centre for consideration of $140 plus closing costs. Loblaw assumed a mortgage of $96 in connection with the purchase, of which $2 (2009 – $2) is included in long term debt due within one year (see note 18).

14. GOODWILL AND INTANGIBLE ASSETS

Changes in the carrying value of goodwill and intangible assets were as follows:

	2010			2009		
	Weston Foods	**Loblaw**	**Total**	Weston Foods	Loblaw	Total
Goodwill, beginning of year	**$ 92**	**$ 1,103**	**$ 1,195**	$ 169	$ 947	$ 1,116
Goodwill acquired during the year[1]	**165**	**13**	**178**		156	156
Adjusted purchase price allocation (note 3)		**(2)**	**(2)**			
Goodwill impairment[2]				(73)		(73)
Impact of foreign currency translation	**(2)**		**(2)**	(4)		(4)
Goodwill, end of year	**255**	**1,114**	**1,369**	92	1,103	1,195
Trademarks and brand names	**20**	**51**	**71**	13	51	64
Other intangible assets[3]	**95**	**36**	**131**	5	32	37
Goodwill and intangible assets	**$ 370**	**$ 1,201**	**$ 1,571**	$ 110	$ 1,186	$ 1,296

(1) Goodwill acquired during 2010 includes $63, $95 and $7 in connection with Weston Foods' acquisitions of ACE, Keystone and the frozen bakery manufacturing facility, respectively, and $12 (2009 – $9) related to the Company's participation in the Loblaw DRIP. During 2009, Loblaw acquired T&T which resulted in goodwill of $131. During 2010, Loblaw finalized the purchase price allocation which resulted in a reduction of goodwill of $2. Goodwill acquired during 2009 also includes $11 related to Loblaw's repurchase of 1.7 million of its common shares and $5 related to Loblaw's acquisition of franchisee stores (see note 3).

(2) Weston Foods reorganized its remaining operations subsequent to the disposition of the U.S. fresh bakery business in the first quarter of 2009 resulting in a write-down of goodwill related to the biscuits, cookies, cones and wafers business.

(3) Year end 2010 includes the customer relationships acquired of $28 and $66 in connection with Weston Food's acquisition of ACE and Keystone respectively, the negative impact of foreign currency translation of $2 (2009 – nil) and amortization of $2 (2009 – nominal).

The intangible assets acquired as part of the acquisition of ACE of $35 consist of $28 for customer relationships and $7 for brands subject to amortization over their estimated useful lives of 20 and 30 years, respectively.

The intangible asset acquired as part of the acquisition of Keystone of $66 consists of customer relationships subject to amortization over 20 years.

The trademark and brand names recorded by Loblaw are indefinite life intangible assets relating to the acquisition of T&T. The remaining intangible assets are definite life intangible assets and are being amortized over their estimated useful lives ranging from 10 to 30 years.

During the fourth quarters of 2010 and 2009, the Company performed its annual goodwill and indefinite life intangible assets impairment tests and determined that there was no impairment to the carrying values of goodwill and indefinite life intangible assets.

15. OTHER ASSETS

The components of other assets as at December 31, 2010 and December 31, 2009 were as follows:

	2010	2009
WHL's unrealized equity forward receivable (note 26)	**$ 421**	$ 446
Accrued benefit plan asset (note 16)	**427**	381
Franchise investments and other receivables	**203**	225
Unrealized cross currency swaps receivable (note 26)	**172**	142
Other	**67**	72
Other assets	**$ 1,290**	$ 1,266

16. EMPLOYEE FUTURE BENEFITS

Pension and Other Benefit Plans

The Company sponsors a number of pension plans, including funded defined benefit pension plans, defined contribution pension plans and supplemental unfunded arrangements providing pension benefits in excess of statutory limits. Certain obligations of the Company to these supplemental pension arrangements are secured by standby letters of credit issued by major Canadian chartered banks. The Company's defined benefit pension plans are predominantly non-contributory and these benefits are, in general, based on career average earnings.

In Canada, a national defined contribution pension plan for salaried employees was introduced by the Company during 2006. All eligible salaried employees were given the option to join this plan and convert their past accrued pension benefits or to remain in their existing defined benefit pension plans. All new salaried employees participate only in the national defined contribution pension plan.

The Company also offers other employee benefit plans comprised of post-retirement and post-employment benefit plans which are generally unfunded and non-contributory. Post-retirement benefit plans include health care, life insurance and dental benefits during retirement, while post-employment benefit plans include long term disability benefits and the continuation of health and dental benefits while on disability. Employees eligible for post-retirement benefits are those who retire at certain retirement ages having met certain service requirements and employees eligible for post-employment benefits are those on long term disability leave. The majority of post-retirement health care plans for current and future retirees include a limit on the total benefits payable by the Company.

The Company also contributes to various multi-employer pension plans.

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

Funding of Pension and Other Benefit Plans

The most recent actuarial valuations of the Canadian defined benefit pension plans for funding purposes ("funding valuations") were performed as at December 31, 2007 and December 31, 2009. The Company is required to file funding valuations at least every three years; accordingly, the next funding valuations will be performed as at December 31, 2010 and 2012, respectively. The most recent funding valuations of the United States defined benefit pension plans were as at January 1, 2010. The Company is required to file United States funding valuations every year; accordingly, the next required funding valuations will be as at January 1, 2011.

Total cash paid or payable by the Company for 2010, consisting of contributions to funded defined benefit pension plans, defined contribution pension plans, multi-employer pension plans and benefits paid directly to beneficiaries of the supplemental unfunded defined benefit pension plans and other benefit plans, were $231 (2009 – $217).

Pension and Other Benefit Plans Status

Information on the Company's defined benefit pension plans and other benefit plans, in aggregate, was as follows:

	2010			2009		
	Pension Benefit Plans	**Other Benefit Plans[(1)]**	**Total**	Pension Benefit Plans	Other Benefit Plans[(1)]	Total
Benefit Plan Assets						
Fair value, beginning of year	**$ 1,372**	**$ 8**	**$ 1,380**	$ 1,311	$ 21	$ 1,332
Actual return on plan assets	**111**		**111**	58	1	59
Employer contributions	**126**	**25**	**151**	130	13	143
Employee contributions	**3**		**3**	3		3
Benefits paid	**(95)**	**(32)**	**(127)**	(123)	(27)	(150)
Other, including impact of foreign currency translation	**(3)**		**(3)**	(7)		(7)
Fair value, end of year	**$ 1,514**	**$ 1**	**$ 1,515**	$ 1,372	$ 8	$ 1,380
Accrued Benefit Plan Obligations						
Balance, beginning of year	**$ 1,566**	**$ 340**	**$ 1,906**	$ 1,483	$ 343	$ 1,826
Current service cost	**50**	**28**	**78**	48	34	82
Interest cost	**89**	**19**	**108**	89	20	109
Benefits paid	**(95)**	**(32)**	**(127)**	(123)	(27)	(150)
Actuarial loss (gain)	**174**	**23**	**197**	70	(28)	42
Contractual termination benefits[(2)]	**3**		**3**			
Plan amendments				8		8
Other, including impact of foreign currency translation	**(3)**	**(1)**	**(4)**	(9)	(2)	(11)
Balance, end of year	**$ 1,784**	**$ 377**	**$ 2,161**	$ 1,566	$ 340	$ 1,906
Deficit of Plan Assets Versus Plan Obligations	**$ (270)**	**$ (376)**	**$ (646)**	$ (194)	$ (332)	$ (526)
Unamortized past service costs	**7**	**(2)**	**5**	8	(2)	6
Unamortized net actuarial loss	**622**	**96**	**718**	505	73	578
Net accrued benefit plan asset (liability)	**$ 359**	**$ (282)**	**$ 77**	$ 319	$ (261)	$ 58
Recorded on the consolidated balance sheets as follows:						
Other assets (note 15)	**$ 427**		**$ 427**	$ 381		$ 381
Other liabilities (note 19)	**(68)**	**$ (282)**	**(350)**	(62)	$ (261)	(323)
Net accrued benefit plan asset (liability)	**$ 359**	**$ (282)**	**$ 77**	$ 319	$ (261)	$ 58

(1) Other benefit plans include post-retirement and post-employment benefit plans.

(2) Contractual termination benefits resulted from distribution centre closures in 2010.

Funded Status of Plans in Deficit

Included in the accrued benefit plan obligations and the fair value of benefit plan assets at year end are the following amounts in respect of plans with accrued benefit plan obligations in excess of benefit plan assets:

	2010		2009	
	Pension Benefit Plans	**Other Benefit Plans[1]**	Pension Benefit Plans	Other Benefit Plans[1]
Fair Value of Benefit Plan Assets	**$ 1,495**	**$ 1**	$ 1,293	$ 8
Accrued Benefit Plan Obligations	**(1,765)**	**(377)**	(1,489)	(340)
Deficit of Plan Assets versus Plan Obligations	**$ (270)**	**$ (376)**	$ (196)	$ (332)

(1) Other benefit plans include post-retirement and post-employment benefit plans.

Asset Allocations

The benefit plan assets are held in trust and at September 30 consisted of the following asset categories:

Percentage of Plan Assets	**2010**		2009	
Asset Category	**Pension Benefit Plans**	**Other Benefit Plans[1]**	Pension Benefit Plans	Other Benefit Plans[1]
Equity securities	**57%**		54%	
Debt securities	**41%**		44%	98%
Cash and cash equivalents	**2%**	**100%**	2%	2%
Total	**100%**	**100%**	100%	100%

(1) Other benefit plans include post-employment benefit plans.

Pension benefit plan assets include securities issued by Loblaw having a fair value of $4 (2009 – $3) as at September 30, 2010. Pension benefit plan assets do not include any GWL securities. Other benefit plan assets do not include any GWL or Loblaw securities.

Pension and Other Benefit Plans Cost

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

	2010		2009	
	Pension Benefit Plans	**Other Benefit Plans[(1)]**	Pension Benefit Plans	Other Benefit Plans[(1)]
Current service cost, net of employee contributions	**$ 47**	**$ 28**	$ 45	$ 34
Interest cost on plan obligations	**89**	**19**	89	20
Actual return on plan assets	**(111)**		(58)	(1)
Actuarial loss (gain)	**174**	**23**	70	(28)
Contractual termination benefits[(2)]	**3**			
Plan amendments			8	
Defined benefit plan cost, before adjustments to recognize the long term nature of employee future benefit costs	**202**	**70**	154	25
Excess (shortfall) of actual return over expected return on plan assets	**21**		(34)	
(Shortfall) excess of amortized net actuarial loss (gain) over actual actuarial loss (gain) on accrued benefit obligation	**(141)**	**(23)**	(44)	32
Excess (shortfall) of amortized past service costs over actual past service costs	**1**		(6)	
Net defined benefit plan cost	**83**	**47**	70	57
Defined contribution plan cost	**19**		17	
Multi-employer pension plan cost	**61**		57	
Net benefit plan cost	**$ 163**	**$ 47**	$ 144	$ 57

(1) Other benefit plans include post-retirement and post-employment benefit plans.
(2) Contractual termination benefits resulted from distribution centre closures in 2010.

Plan Assumptions

The significant annual weighted average actuarial assumptions used in calculating the Company's accrued benefit plan obligations as at the measurement date of September 30 and the net defined benefit plan cost for the year were as follows:

	2010		2009	
	Pension Benefit Plans	**Other Benefit Plans[(1)]**	Pension Benefit Plans	Other Benefit Plans[(1)]
Accrued Benefit Plan Obligations				
Discount rate	**5.0%**	**4.8%**	5.7%	5.5%
Rate of compensation increase	**3.5%**		3.5%	
Net Defined Benefit Plan Cost				
Discount rate	**5.7%**	**5.5%**	6.0%	5.9%
Expected long term rate of return on plan assets	**6.7%**	**5.0%**	7.3%	5.0%
Rate of compensation increase	**3.5%**		3.5%	

(1) Other benefit plans include post-retirement and post-employment benefit plans.

The growth rate of health care costs, primarily drug and other medical costs for other benefit plans, for the net benefit plan cost was estimated at 9.0% (2009 – 9.5%) and is assumed to gradually decrease to 5.0% by 2015 (2009 – 5.0% by 2015), remaining at that level thereafter.

Sensitivity of Key Assumptions

The following table outlines the key assumptions for 2010 and the sensitivity of a 1% change in each of these assumptions on the accrued benefit plan obligations and on the benefit plan cost for defined benefit pension plans and other benefit plans. The table reflects the impact on the current service and interest cost components for the discount rate and expected growth rate of health care costs assumptions.

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.

		Pension Benefit Plans		Other Benefit Plans(1)	
		Accrued Benefit Plan Obligations	Benefit Plan Cost(2)	Accrued Benefit Plan Obligations	Benefit Plan Cost(2)
Expected long term rate of return on plan assets			**6.7%**		**5.0%**
Impact of:	1% increase	**n/a**	**$ (14)**	**n/a**	**–**
	1% decrease	**n/a**	**$ 14**	**n/a**	**–**
Discount rate		**5.0%**	**5.7%**	**4.8%**	**5.5%**
Impact of:	1% increase	**$ (228)**	**$ (7)**	**$ (42)**	**$ (2)**
	1% decrease	**$ 263**	**$ 7**	**$ 48**	**$ 2**
Expected growth rate of health care costs(3)				**8.0%**	**9.0%**
Impact of:	1% increase	**n/a**	**n/a**	**$ 37**	**$ 4**
	1% decrease	**n/a**	**n/a**	**$ (32)**	**$ (4)**

n/a – not applicable

(1) Other benefit plans include post-retirement and post-employment benefit plans.

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

(3) Gradually decreasing to 5.0% by 2015 (2009 – 5.0% by 2015) for the accrued benefit plan obligation and the benefit plan cost and remaining at that level thereafter.

17. SHORT TERM DEBT

Included in short term debt are GWL's Series B Debentures, due on demand, of $336 (2009 – $300) (see note 18).

Loblaw has an $800 committed credit facility expiring in March 2013 provided by a syndicate of third-party lenders which contains certain financial covenants (see note 23)**.** This facility is a potential source of Loblaw's short term funding requirements and permits borrowings having up to a 180-day term. Interest is based on a floating rate, primarily the bankers' acceptance rate and an applicable margin based on Loblaw's credit rating. As at December 31, 2010 and 2009, Loblaw had not drawn on the committed credit facility.

18. LONG TERM DEBT

The components of long term debt as at December 31, 2010 and December 31, 2009 were as follows:

	2010	2009
George Weston Limited		
Debentures		
Series B, current rate 1.79%, due on demand(i)	**$ 336**	$ 300
Series A, 7.00%, due 2031(i)	**466**	466
Notes		
6.45%, due 2011	**300**	300
5.05%, due 2014	**200**	200
7.10%, due 2032	**150**	150
6.69%, due 2033	**100**	100
Loblaw Companies Limited		
Notes		
7.10%, due 2010(ii)		300
6.50%, due 2011	**350**	350
5.40%, due 2013	**200**	200
6.00%, due 2014	**100**	100
4.85%, due 2014(iii)	**350**	350
7.10%, due 2016	**300**	300
5.22%, due 2020(iii)	**350**	
6.65%, due 2027	**100**	100
6.45%, due 2028	**200**	200
6.50%, due 2029	**175**	175
11.40%, due 2031		
Principal	**151**	151
Effect of coupon repurchase	**(81)**	(67)
6.85%, due 2032	**200**	200
6.54%, due 2033	**200**	200
8.75%, due 2033	**200**	200
6.05%, due 2034	**200**	200
6.15%, due 2035	**200**	200
5.90%, due 2036	**300**	300
6.45%, due 2039	**200**	200
7.00%, due 2040	**150**	150
5.86%, due 2043	**55**	55
Private placement notes		
6.48%, due 2013 (U.S. $150)	**150**	158
6.86%, due 2015 (U.S. $150)	**150**	158
Long term debt secured by mortgage		
5.49%, due 2018 (note 13)	**93**	96
Guaranteed investment certificates, due 2011 – 2015 (1.55% – 3.15%)(iv)	**18**	
VIE loans payable(v) (note 30)	**202**	163
Capital lease obligations(v) (note 20)	**132**	64
Other	**1**	1
Total long term debt	**6,198**	6,020
Less – amount due within one year	**(733)**	(343)
– amount due on demand (note 17)	**(336)**	(300)
	$ 5,129	$ 5,377

The schedule of repayment of long term debt, inclusive of VIE and other debt, based on maturity, excluding the amount due on demand, is as follows: 2011 – $733; 2012 – $77; 2013 – $419; 2014 – $682; 2015 – $182; thereafter – $3,769.

(i) During 2010, GWL issued an additional $36 (2009 – $37) of Series B Debentures due on demand, which are at a current weighted average interest rate of 1.79%. The Series A, 7.00% and Series B Debentures are secured by a pledge of 9.6 million Loblaw common shares.

(ii) During 2010, Loblaw's $300 7.10% Medium Term Notes ("MTN") due May 11, 2010 matured and was repaid.

(iii) During 2010, Loblaw issued $350 principal amount of unsecured MTN, Series 2-B pursuant to its MTN, Series 2 program. The Series 2-B notes pay a fixed rate of interest of 5.22% payable semi-annually commencing on December 18, 2010 until maturity on June 18, 2020. During 2009, Loblaw issued $350 principal amount of unsecured MTN, Series 2-A which pay a fixed rate of interest of 4.85% payable semi-annually. The Series 2-A and 2-B notes are subject to certain covenants and are unsecured obligations of Loblaw and rank equally with all the unsecured indebtedness of Loblaw that has not been subordinated. The Series 2-A and 2-B notes may be redeemed at the option of Loblaw, in whole at any time or in part from time to time, upon not less than 30 days and not more than 60 days notice to the holders of the notes.

(iv) During the third quarter of 2010, PC Bank began accepting deposits under a new Guaranteed Investment Certificate ("GIC") program. The GICs, which are sold through independent brokers, are issued with fixed terms ranging from 12 to 60 months and are non-redeemable prior to maturity. Individual balances up to $100,000 are Canada Deposit Insurance Corporation insured. As at year end 2010, $18 was recorded as long term debt on the consolidated balance sheet of which $5 was due within one year.

(v) Pursuant to the requirements of AcG 15, the consolidated balance sheet as at year end 2010 includes $221 (2009 – $181) of loans payable and capital lease obligations of VIEs consolidated by the Company, $39 (2009 – $37) of which is due within one year.

During 2009, GWL's $250 5.90% MTN due February 5, 2009 and Loblaw's $125 5.75% MTN due January 22, 2009 matured and were repaid.

During 2009, GWL repurchased the 12.70% Promissory Notes, due 2030, for an aggregate purchase price of $73. As a result, GWL recorded a loss of $49 in interest expense and other financing charges (see note 6).

Subsequent to the end of 2010, Loblaw's $350 6.50% MTN due January 19, 2011 matured and was repaid.

See note 27 for the fair value of long term debt.

19. OTHER LIABILITIES

The components of other liabilities as at December 31, 2010 and December 31, 2009 were as follows:

	2010	2009
Accrued benefit plan liability (note 16)	**$ 350**	$ 323
Accrued insurance liabilities	**68**	83
Asset retirement obligation	**12**	11
Stock-based compensation liability (note 24)	**63**	26
Unrealized interest rate swap liability (note 26)	**24**	31
Deferred vendor allowances	**40**	48
Other	**98**	95
Other liabilities	**$ 655**	$ 617

Included in other above is the Loblaw liability associated with the preferred shares issued by T&T (see note 3).

Total accrued insurance liabilities were $91 (2009 – $111), of which $68 (2009 – $83) was included in other liabilities and $23 (2009 – $28) in accounts payable and accrued liabilities. Included in total accrued insurance liabilities of $91 (2009 – $111) were $52 (2009 – $69) of United States 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 2010 workers' compensation cost and liability was 4.0% (2009 – 4.0%). The total workers' compensation liability is equal to the ultimate actuarial loss estimate less any actual losses paid to date. Any change in the workers' compensation liability is recognized immediately in operating income.

The United States workers' compensation cost associated with the workers' compensation liability was $5 in 2010 (2009 – $3).

20. LEASES

As Lessee

Future minimum lease payments relating to the Company's operating leases are as follows:

	Payments due by year						**2010**	2009
	2011	2012	2013	2014	2015	Thereafter	**Total**	Total
Operating lease payments	$ 229	$ 209	$ 186	$ 163	$ 134	$ 645	**$ 1,566**	$ 1,555
Sub-lease income	(37)	(34)	(31)	(26)	(18)	(76)	**(222)**	(255)
Net operating lease payments	$ 192	$ 175	$ 155	$ 137	$ 116	$ 569	**$ 1,344**	$ 1,300

As Lessor

Fixed assets on the consolidated balance sheets include cost of Loblaw properties which are currently leased to third parties of $885 (2009 – $755) and related accumulated depreciation of $230 (2009 – $211). Rental income for 2010 from these operating leases totaled $47 (2009 – $47) before income taxes and minority interest.

Capital Leases

Capital lease obligations of $132 (2009 – $64) are included on the consolidated balance sheets as at year end (see note 18). The amount due within one year is $40 (2009 – $8).

21. CAPITAL SECURITIES ($ except where otherwise indicated)

Loblaw has 9.0 million 5.95% non-voting Second Preferred Shares, Series A outstanding (authorized – 12.0 million), which entitle the holder to a fixed cumulative preferred cash dividend of $1.4875 per share per annum which will, if declared, be payable quarterly. The Second Preferred Shares, Series A, are classified as capital securities and included in liabilities on the consolidated balance sheets. During 2010, the Board of Loblaw declared dividends of $1.4875 (2009 – $1.4875) per second preferred share which are included as a component of interest expense and other financing charges on the consolidated statements of earnings (see note 6).

On April 1, 2009, the 10.6 million GWL 5.15% non-voting preferred shares, Series II authorized and outstanding, which were presented as capital securities and included in current liabilities, were redeemed for cash of $25.00 per share, or $265 million in aggregate, plus accrued and unpaid dividends to but excluding April 1, 2009.

22. SHARE CAPITAL

The components of share capital as at December 31, 2010 and December 31, 2009 were as follows:

	2010	2009
Common share capital	**$ 133**	$ 133
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	**$ 950**	$ 950

Common Share Capital (authorized – unlimited)

The common shares issued and outstanding during the year were as follows:

	2010		2009	
	Number of Common Shares	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning and end of year	**129,073,662**	**$ 133**	129,073,662	$ 133
Weighted average outstanding	**129,073,662**		129,073,662	

Preferred Shares, Series I (authorized – 10.0 million) ($)

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

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holder, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

Preferred Shares, Series III (authorized – 10.0 million) ($)

GWL has 8.0 million 5.20% non-voting Preferred Shares, Series III outstanding, with a face value of $200 million, which entitle the holder to a fixed cumulative preferred cash dividend of $1.30 per share per annum which will, if declared, be payable quarterly. On or after July 1, 2010, GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

On or after July 1, 2010 at $26.00 per share, together with all accrued and unpaid dividends to the redemption date;
On or after July 1, 2011 at $25.75 per share, together with all accrued and unpaid dividends to the redemption date;
On or after July 1, 2012 at $25.50 per share, together with all accrued and unpaid dividends to the redemption date;
On or after July 1, 2013 at $25.25 per share, together with all accrued and unpaid dividends to the redemption date; and
On or after July 1, 2014 at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holder, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

Preferred Shares, Series IV (authorized – 8.0 million) **($)**

GWL has 8.0 million 5.20% non-voting Preferred Shares, Series IV outstanding, with a face value of $200 million, which entitle the holder to a fixed cumulative preferred cash dividend of $1.30 per share per annum which will, if declared, be payable quarterly. On or after October 1, 2010, GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

On or after October 1, 2010 at $26.00 per share, together with all accrued and unpaid dividends to the redemption date;
On or after October 1, 2011 at $25.75 per share, together with all accrued and unpaid dividends to the redemption date;
On or after October 1, 2012 at $25.50 per share, together with all accrued and unpaid dividends to the redemption date;
On or after October 1, 2013 at $25.25 per share, together with all accrued and unpaid dividends to the redemption date; and
On or after October 1, 2014 at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holder, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

Preferred Shares, Series V (authorized – 8.0 million) **($)**

GWL has 8.0 million 4.75% non-voting Preferred Shares, Series V outstanding, with a face value of $200 million, which entitle the holder to a fixed cumulative preferred cash dividend of $1.1875 per share per annum which will, if declared, be payable quarterly. On or after July 1, 2011, GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

On or after July 1, 2011 at $26.00 per share, together with all accrued and unpaid dividends to the redemption date;
On or after July 1, 2012 at $25.75 per share, together with all accrued and unpaid dividends to the redemption date;
On or after July 1, 2013 at $25.50 per share, together with all accrued and unpaid dividends to the redemption date;
On or after July 1, 2014 at $25.25 per share, together with all accrued and unpaid dividends to the redemption date; and
On or after July 1, 2015 at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holder, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

Dividends

The declaration and payment of dividends and the amounts thereof are at the discretion of the Board of Directors, which takes into account the Company's financial results, capital requirements, available cash flow and other factors the Board of Directors considers relevant from time to time. Over the long term, GWL's objective is for its common dividend payment ratio to be in the range of 20% to 25% of the prior year's basic net earnings per common share from continuing operations, adjusted as appropriate for items which are not regarded to be reflective of ongoing operations, giving consideration to the year end cash position, future cash flow requirements and investment opportunities. 2010 includes the special one-time common share dividend of $7.75 per common share which was declared in the fourth quarter of 2010 and subsequently paid on January 25, 2011. During 2010, the Board of Directors declared dividends as follows:

($)		**2010**	2009
Common shares		**$ 9.19**	$ 1.44
Preferred shares	– Series I	**$ 1.45**	$ 1.45
	– Series II		$ 0.32
	– Series III	**$ 1.30**	$ 1.30
	– Series IV	**$ 1.30**	$ 1.30
	– Series V	**$ 1.19**	$ 1.19

Normal Course Issuer Bid ("NCIB")

In 2010, GWL and Loblaw renewed their Normal Course Issuer Bid ("NCIB") programs to purchase on the Toronto Stock Exchange ("TSX") or enter into equity derivatives to purchase up to 5% of its common shares outstanding. In accordance with the requirements of the TSX, any purchases must be at the then market prices of such shares. GWL did not purchase any shares under its NCIB during 2010 or 2009. Loblaw did not purchase any shares under its NCIB during 2010. During 2009, Loblaw purchased for cancellation 1,698,400 of its common shares at a price of $33.14. In 2011, GWL and Loblaw each intend to renew their NCIB programs.

23. CAPITAL MANAGEMENT

The Company defines capital as net debt(1) and shareholders' equity.

The Company's objectives when managing capital are to:

- ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- maintain financial capacity and access to capital to support future development of the business;
- minimize the cost of its capital while taking into consideration current and future industry, market and economic risks and conditions; and
- utilize short term funding sources to manage its working capital requirements and long term funding sources to match the long term nature of the fixed assets of the business.

The following ratios are used by the Company to monitor its capital:

	2010	2009
Interest coverage	**3.6x**	2.6x
Net debt(1) to EBITDA(1)	**0.23x**	0.18x
Net debt(1) to equity	**0.08**	0.04

(1) See non-GAAP financial measures in the Company's Management's Discussion and Analysis ("MD&A") beginning on page 61.

These ratios are also calculated from time to time on an alternative basis by management to approximate the methodology of debt rating agencies and other market participants.

Net Debt[1]

The Company manages debt on a net basis. The following table details the net debt calculation used in the net debt[1] to EBITDA[1] and the net debt[1] to equity ratios:

	2010	2009
Bank indebtedness	**$ 4**	$ 2
Short term debt	**336**	300
Long term debt due within one year	**733**	343
Long term debt	**5,129**	5,377
Certain other liabilities	**35**	36
Fair value of financial derivatives related to the above	**(352)**	(327)
	5,885	5,731
Less: Cash and cash equivalents	**1,528**	1,535
Short term investments	**3,234**	3,371
Security deposits	**435**	348
Fair value of financial derivatives related to the above	**187**	178
	5,384	5,432
Net debt[1]	**$ 501**	$ 299

(1) See non-GAAP financial measures in the Company's MD&A beginning on page 61.

Capital securities are excluded from the calculation of net debt[1]. For the purpose of calculating net debt[1], fair values of financial derivatives are not credit value adjusted in accordance with EIC 173 (see note 2). As at year end 2010, the credit value adjustment was $4 (2009 – $4).

EBITDA[1]

The following table reconciles earnings from continuing operations before minority interest, income taxes, interest expense and other financing charges and depreciation and amortization ("EBITDA") used in the net debt[1] to EBITDA[1] ratio to Canadian GAAP measures reported in the audited consolidated financial statements:

	2010	2009
Net earnings from continuing operations	**$ 452**	$ 127
Add impact of the following:		
Minority interest	**273**	260
Income taxes	**370**	259
Interest expense and other financing charges	**388**	363
Operating income	**1,483**	1,009
Depreciation and amortization[2]	**709**	645
EBITDA[1]	**$ 2,192**	$ 1,654

(1) See non-GAAP financial measures in the Company's MD&A beginning on page 61.
(2) Includes depreciation of $43 (2009 – $44) included in cost of inventories sold.

During the fourth quarter of 2010, Loblaw filed a Short Form Base Shelf Prospectus ("Prospectus") allowing for the potential issuance of up to $1.0 billion of unsecured debentures and/or preferred shares subject to the availability of funding by capital markets. As at year end 2010, no amounts have been drawn on the Prospectus.

Covenants and Regulatory Requirements
The committed credit facility which Loblaw entered into during 2008, the U.S. $300 fixed rate private placement notes which Loblaw issued during 2008, Loblaw's MTNs and certain of Loblaw's letters of credit contain certain financial and non-financial covenants. Certain agreements include maintaining an interest coverage ratio as well as a leverage ratio, which Loblaw measures on a quarterly basis. These ratios are defined in the respective agreements. As at December 31, 2010, Loblaw was in compliance with the covenants under these agreements.

Loblaw is also subject to externally imposed capital requirements from the Office of the Superintendent of Financial Institutions ("OSFI"), as the primary regulator of PC Bank, and the Central Bank of Barbados, as the primary regulator of Glenhuron, both wholly owned subsidiaries of the Company. PC Bank's capital management objectives are to maintain a consistently strong capital position while considering the Bank's economic risks generated by its credit card loan portfolio and to meet all regulatory capital requirements as defined by OSFI. PC Bank is subject to the Basel II regulatory capital management framework which includes a Tier 1 capital ratio of 7% and a total capital ratio of 10%. PC Bank has met all applicable capital targets as at year end 2010. Glenhuron is currently regulated under Basel I. Under Basel I, Glenhuron's assets are risk weighted and the minimum ratio of capital to risk weighted assets is 8.0%. Glenhuron's ratio of capital to risk weighted assets met the minimum requirements under Basel I as at year end 2010.

In addition, a wholly owned subsidiary of the Company that engages in insurance related activities exceeded the minimum regulatory capital and surplus requirements as at year end 2010.

24. STOCK-BASED COMPENSATION ($ except table)

The following table summarizes the Company's cost recognized in operating income related to its stock-based compensation plans, RSU plans, and GWL's and Glenhuron's equity derivatives:

($ millions)	**2010**	2009
Stock option plans/share appreciation right plan expense	**$ 43**	$ 7
Restricted share unit plan expense	**19**	14
Equity derivative contracts income (note 26)	**(42)**	(9)
Net stock-based compensation expense	**$ 20**	$ 12

The Company maintains various types of stock-based compensation plans, which are described below.

Stock Option and Share Appreciation Right Plans
GWL maintains a stock option plan for certain employees. Under this plan, GWL may grant options for up to 7 million of its common shares; however, these stock option plans limit the number of common shares available for stock option grants to a maximum of 5% of outstanding common shares at any time. Stock options have up to a 7-year term, vest 20% or 33% cumulatively on each anniversary date of the grant and are exercisable at the designated common share price, which is 100% of the market price of GWL's common shares on the last trading day prior to the effective date of the grant. Each stock option is exercisable into one common share of GWL at the price specified in the terms of the option agreement, or option holders may elect to receive in cash the share appreciation value equal to the excess of the market price at the date of exercise over the specified option price. Subsequent to the end of 2010, the right to receive a cash payment in lieu of exercising an option for shares was removed.

In 2010 and 2009, GWL did not issue common shares or receive cash consideration on the exercise of stock options.

GWL also maintains a share appreciation right plan for certain senior United States employees. There were no rights outstanding at year end 2010.

Loblaw maintains a stock option plan for certain employees. Under this plan, Loblaw may grant options for up to 13.7 million common shares, which is Loblaw's guideline for the number of stock option grants up to a maximum of 5% of outstanding common shares at any time. Stock options have up to a 7-year term, vest 20% or 33% cumulatively on each anniversary date of the grant and are exercisable at the designated common share price, which is 100% of the market price of Loblaw's common shares on the last trading day prior to the effective date of the grant. Each stock option is exercisable into one common share of Loblaw at the price specified in the terms of the option agreement, or option holders may elect to receive in cash the share appreciation value equal to the excess of the market price at the date of exercise over the specified option price. Subsequent to the end of 2010, the right to receive a cash payment in lieu of exercising an option for shares was removed.

In 2010 and 2009, Loblaw did not issue common shares or receive cash consideration on the exercise of stock options.

GWL's stock option and share appreciation right transactions were as follows:

	2010		2009	
	Options/ Rights (number of shares)	**Weighted Average Exercise Price/Share**	Options/ Rights (number of shares)	Weighted Average Exercise Price/Share
Outstanding options/rights, beginning of year	**1,761,345**	**$ 79.07**	1,616,344	$ 81.94
Granted	**300,573**	**$ 74.49**	236,988	$ 59.65
Exercised	**(129,917)**	**$ 63.26**	(22,527)	$ 46.24
Forfeited/cancelled	**(398,558)**	**$ 93.73**	(69,460)	$ 90.09
Outstanding options, end of year(1,2)	**1,533,443**	**$ 75.71**	1,761,345	$ 79.07
Options exercisable, end of year(2)	**674,062**	**$ 86.88**	883,822	$ 91.15
Share appreciation value paid ($ millions)(3)	**$ 1**		$	

(1) Options outstanding of 1,533,443 (2009 – 1,669,345) represented approximately 1.2% (2009 – 1.3%) of GWL's issued and outstanding common shares, which was within GWL's guideline of 5%.

(2) Included in the outstanding balance in 2009 are 92,000 share appreciation rights at a weighted average exercise price of $101.03. Included in the exercisable balance in 2009 are 84,000 share appreciation rights at a weighted average exercise price of $100.08. There were no share appreciation rights outstanding at year end 2010.

(3) The share appreciation value paid by GWL in 2009 was nominal.

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

					2010
	Outstanding Options			**Exercisable Options**	
Range of Exercise Prices ($)	**Number of Options Outstanding**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise Price/Share**	**Number of Exercisable Options**	**Weighted Average Exercise Price/Share**
$46.24 – $59.56	**342,592**	**5**	**$ 54.04**	**56,575**	**$ 53.55**
$62.71 – $75.62	**768,118**	**4**	**$ 71.55**	**323,528**	**$ 72.19**
$81.05 – $111.02	**422,733**	**3**	**$ 100.81**	**293,959**	**$ 109.47**

Loblaw's stock option transactions were as follows:

	2010 Options (number of shares)	2010 Weighted Average Exercise Price/Share	2009 Options (number of shares)	2009 Weighted Average Exercise Price/Share
Outstanding options, beginning of year	**9,207,816**	**$ 40.14**	7,892,660	$ 43.29
Granted	**2,571,203**	**$ 36.52**	2,787,970	$ 31.13
Exercised	**(603,787)**	**$ 29.68**	(127,513)	$ 29.00
Forfeited/cancelled	**(1,854,367)**	**$ 46.48**	(1,345,301)	$ 40.99
Outstanding options, end of year(1)	**9,320,865**	**$ 38.56**	9,207,816	$ 40.14
Options exercisable, end of year	**2,938,014**	**$ 46.33**	2,940,474	$ 50.15
Share appreciation value paid ($ millions)	**$ 6**		$ 1	

(1) Options outstanding of 9,320,865 (2009 – 9,207,816) represented approximately 3.3% (2009 – 3.3%) of Loblaw's issued and outstanding common shares, which was within Loblaw's guideline of 5%.

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

	2010				
	Outstanding Options			Exercisable Options	
Range of Exercise Prices ($)	Number of Options Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price/Share	Number of Exercisable Options	Weighted Average Exercise Price/Share
$28.95 – $31.77	**3,878,261**	**5**	**$ 29.97**	**972,010**	**$ 29.56**
$31.78 – $46.72	**2,705,513**	**6**	**$ 36.40**	**55,194**	**$ 36.26**
$46.73 – $69.75	**2,737,091**	**3**	**$ 52.88**	**1,910,810**	**$ 55.16**

Restricted Share Unit Plans

GWL and Loblaw both maintain a RSU plan for certain senior employees. The RSUs entitle employees to a cash payment after the end of each performance period, of up to 3 years, following the date of the award. The RSU payment will be an amount equal to the weighted average price of a GWL or Loblaw common share on the last three trading days preceding the end of the performance period for the RSUs multiplied by the number of RSUs held by the employee.

The following is a summary of GWL's and Loblaw's RSU activity during the year:

	GWL 2010	GWL 2009	Loblaw 2010	Loblaw 2009
Outstanding RSUs, beginning of year	**152,555**	151,769	**973,351**	829,399
Granted	**49,056**	62,706	**381,712**	453,680
Cash settled	**(34,148)**	(59,423)	**(198,389)**	(204,943)
Cancelled	**(4,093)**	(2,497)	**(111,328)**	(104,785)
Outstanding RSUs, end of year	**163,370**	152,555	**1,045,346**	973,351
RSUs cash settled ($ millions)	**$ 2**	$ 4	**$ 8**	$ 7

Director Deferred Share Unit Plans
Members of GWL's and Loblaw's Boards of Directors who are not management may elect annually to receive all or a portion of their annual retainer(s) and fees in the form of DSUs, the value of which is determined by the market price of GWL or Loblaw common shares at the time the director's annual retainer(s) or fees are earned. Upon termination of Board service, the common shares due to the director, as represented by the DSUs, will be purchased on the open market on the director's behalf. As at year end 2010, GWL had 105,015 (2009 – 83,974) and Loblaw had 147,358 (2009 – 110,303) DSUs outstanding. During 2010, a compensation cost of $5 million (2009 – $3 million) related to these plans was recognized in operating income.

Executive Deferred Share Unit Plan
Under this plan, executives may elect to defer up to 100% of the STIP bonus earned in any year into the EDSU plan, subject to an overall cap of three times the executive's base salary. All EDSUs held by an executive will be paid out in cash by December 15 of the year following the year in which the executive's employment ceases for any reason. An election to participate in the plan in any year must be made before the beginning of the year and is irrevocable. The number of EDSUs granted in respect of any year will be determined by dividing the STIP bonus that is subject to the EDSU plan election by the value of the GWL or Loblaw common shares on the date the STIP bonus would otherwise be payable. For this purpose, and for purposes of determining the value of an EDSU upon conversion of the EDSUs into cash, the value of the EDSUs will be calculated by using the weighted average of the trading prices of GWL or Loblaw common shares on the Toronto Stock Exchange for the five trading days prior to the valuation date. As at year end 2010, GWL had 2,129 (2009 – nil) and Loblaw had 29,143 (2009 – nil) EDSUs outstanding. During 2010, $1 million (2009 – nil) related to these plans was recognized in operating income.

Employee Share Ownership Plans
GWL and Loblaw maintain ESOPs which allow employees to acquire GWL and Loblaw common shares through regular payroll deductions of up to 5% of their gross regular earnings. GWL and Loblaw contribute an additional 25% (2009 – 25%) of each employee's contribution to the respective plans. The ESOPs are administered through a trust which purchases GWL and Loblaw common shares on the open market on behalf of employees. During 2010, a compensation cost of $7 million (2009 – $7 million) related to these plans was recognized in operating income.

25. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following tables provide further detail regarding the composition of accumulated other comprehensive loss for the years ended December 31, 2010 and December 31, 2009:

	December 31, 2010			
	Foreign Currency Translation Adjustment	**Available-for-Sale Assets**	**Cash Flow Hedges**	**Total**
Balance, beginning of year	**$ (103)**	**$ (3)**	**$ 14**	**$ (92)**
Foreign currency translation adjustment	**(28)**			**(28)**
Net unrealized loss on available-for-sale financial assets[(1)]		**(8)**		**(8)**
Reclassification of loss on available-for-sale financial assets[(2)]		**8**		**8**
Net gain on derivatives designated as cash flow hedges[(3)]			**1**	**1**
Reclassification of gain on derivatives designated as cash flow hedges[(4)]			**(6)**	**(6)**
Balance, end of year	**$ (131)**	**$ (3)**	**$ 9**	**$ (125)**

(1) Net of income taxes of nil and minority interest of $4.
(2) Net of income taxes of nil and minority interest of $5.
(3) Net of income taxes recovered of $1 and minority interest of a nominal amount.
(4) Net of income taxes of $3 and minority interest of $3.

	December 31, 2009			
	Foreign Currency Translation Adjustment	Available-for-Sale Assets	Cash Flow Hedges	Total
Balance, beginning of year	$ (334)	$ 10	$ 2	$ (322)
Cumulative impact of implementing new accounting standards[(1)] (note 2)			(1)	(1)
Foreign currency translation adjustment	35			35
Reclassification of cumulative foreign currency translation loss to net earnings	196			196
Net unrealized loss on available-for-sale financial assets[(2)]		(14)		(14)
Reclassification of loss on available-for-sale financial assets[(3)]		1		1
Net gain on derivatives designated as cash flow hedges[(4)]			4	4
Reclassification of loss on derivatives designated as cash flow hedges[(5)]			9	9
Balance, end of year	$ (103)	$ (3)	$ 14	$ (92)

(1) Net of income taxes recovered of $1 and minority interest of $1.
(2) Net of income taxes recovered of $1 and minority interest of $9.
(3) Net of income taxes recovered of $3 and minority interest of $1.
(4) Net of income taxes of $8 and minority interest of $3.
(5) Net of income taxes recovered of $10 and minority interest of $1.

During 2010, the change in the foreign currency translation adjustment of $28 resulted from the appreciation of the Canadian dollar relative to the U.S. dollar.

During 2009, the Company reversed a cumulative foreign currency translation loss of $196 into operating income associated with the U.S. net investment summarized as follows:

- A loss of $34 was reversed after the sale of the U.S. fresh bakery business on January 21, 2009, when Dunedin and certain of its affiliates became integrated foreign subsidiaries.
- A loss of $52 was reversed related to a reduction in the Company's U.S. net investment in self-sustaining foreign operations.
- An additional loss of $110 associated with the Company's net investment in the U.S. fresh bakery business was reversed and included in the results of discontinued operations.

The remaining decrease in 2009 in the foreign currency translation adjustment of $35 resulted primarily from the depreciation of the Canadian dollar relative to the U.S. dollar in the period prior to the sale of the U.S. fresh bakery business, partially offset by the appreciation of the Canadian dollar thereafter.

An estimated gain of $2 (2009 – $5), net of income taxes and minority interest, recorded in accumulated other comprehensive loss related to interest rate swaps as at year end 2010 is expected to be reclassified to net earnings during the next 12 months.

A gain of $3 (2009 – $3), net of income taxes and minority interest, recorded in accumulated other comprehensive loss related to cross currency swaps will be reclassified to net earnings over the next 12 months but will be partially offset by the losses reclassified from accumulated other comprehensive loss to net earnings on available-for-sale assets. Remaining amounts on the cross currency swaps will be reclassified to net earnings over periods of up to 3 years.

26. FINANCIAL DERIVATIVE INSTRUMENTS

A summary of the Company's outstanding derivative instruments is as follows:

	Notional Amounts Maturing in						**2010**	2009
	2011	2012	2013	2014	2015	Thereafter	**Total**	Total
Cross currency swap receivable	$ 56	$ 166	$ 75	$ 145	$ 236	$ 528	**$ 1,206**	$ 1,149
Cross currency swap payable			$ 148		$ 148		**$ 296**	$ 296
Interest rate swaps receivable	$ 200						**$ 200**	$ 250
Interest rate swaps payable			$ 150				**$ 150**	$ 150
Equity swaps and forwards	$ 84	$ 82			$ 92		**$ 258**	$ 273
Equity forward associated with the forward sale of Loblaw common shares						$ 807	**$ 807**	$ 771
Foreign exchange forwards	$ 66						**$ 66**	$ 5
Electricity forward contract	$ 8						**$ 8**	$ 17

Notional amounts do not represent assets or liabilities and are therefore not recorded on the consolidated balance sheet. The notional amounts are used in order to calculate the payments to be exchanged under the contracts.

Cross Currency Swaps

Glenhuron entered into cross currency swaps (see note 28) to exchange U.S. dollars for $1,206 (2009 – $1,149) Canadian dollars, which mature by 2017. Cross currency swaps totaling $200 (2009 – $250) are designated in a cash flow hedge and the remaining undesignated $1,006 (2009 – $899) are classified as held-for-trading financial assets. Currency adjustments receivable or payable arising from these swaps are settled in cash on maturity. As at year end 2010, a cumulative unrealized foreign currency exchange rate receivable of $161 (2009 – $123) was recorded in other assets (see note 15), and a receivable of $15 (2009 – $40) was recorded in prepaid expenses and other assets.

In 2008, Loblaw entered into fixed cross currency swaps to exchange $296 Canadian dollars for U.S. $300, which mature by 2015. A portion of these cross currency swaps are designated in a cash flow hedge to manage the foreign exchange related to a part of Loblaw's fixed rate U.S. dollar private placement notes (see note 18). As at year end 2010, a cumulative unrealized foreign currency exchange rate receivable of $11 (2009 − $19) was recorded in other assets (see note 15).

Interest Rate Swaps

Glenhuron maintains interest rate swaps (see note 28) that convert a notional $200 (2009 – $250) of floating rate available-for-sale cash and cash equivalents, short term investments and security deposits to average fixed rate investments at 4.74% (2009 – 5.11%), which are part of a hedging relationship that matures in 2011. As at year end 2010, the fair value of these interest rate swaps of $7 (2009 – $15) was recorded in other assets and the unrealized fair value gain of $4 (2009 – $9) was deferred, net of income taxes and minority interest, in accumulated other comprehensive loss. When realized, these unrealized gains are reclassified to net earnings.

Loblaw also maintains a notional $150 (2009 – $150) in interest rate swaps, on which it pays a fixed rate of 8.38% that are not part of a hedging relationship. As at year end 2010, the fair value of these interest rate swaps of $24 (2009 − $31) was recorded in other liabilities (see note 19).

Equity Swaps and Forwards ($, except where otherwise indicated)

As at year end 2010, GWL had cumulative outstanding equity swaps in its common shares of 1.7 million (2009 – 1.7 million) at an average forward price of $103.17 (2009 – $103.17). Subsequent to the end of 2010, GWL elected to adjust the forward price of these equity swaps by $7.75 to an average forward price of $95.42 as a result of the special one-time common share dividend of $7.75 per common share declared in the fourth quarter of 2010 (see note 22).

As at year end 2010, Glenhuron had cumulative outstanding equity forwards to buy 1.5 million (2009 – 1.5 million) Loblaw common shares at a cumulative average forward price of $56.26 (2009 – $66.25), including $0.04 (2009 – $10.03) per common share of interest expense and dividends that has been recognized in net earnings from continuing operations and will be paid at each reset date.

These swaps and forwards provide for settlement of net amounts owing between the respective company and its counterparty in cash or common shares. As at year end 2010, the fair value of GWL's swaps of $32 million (2009 – $61 million) was recorded in accounts payable and accrued liabilities. Cumulative interest, dividends and the unrealized market loss on Glenhuron's forwards of $24 million (2009 – $48 million) was recorded in accounts payable and accrued liabilities. During 2010, a fair value gain of $42 million (2009 – $9 million) was recorded in operating income related to these equity swaps and forwards (see note 24). During 2010, Glenhuron paid $16 million to its counterparty to settle the interest and dividends accrued on outstanding equity forwards. During 2009, Glenhuron paid $55 million to terminate equity forwards representing 3.3 million Loblaw common shares, which led to the extinguishment of a corresponding portion of the associated liability.

In 2001, WHL entered into an equity forward sale agreement based on 9.6 million Loblaw common shares at an original forward price of $48.50 per Loblaw common share which, under the terms of the agreement, had increased to a forward price of $84.09 (2009 – $80.28) per Loblaw common share as at year end 2010. The forward matures in 2031 and will be settled in cash as follows: WHL will receive the forward price and will pay the market value of the underlying Loblaw common shares at maturity. As at year end 2010, the fair value of this equity forward sale agreement based on 9.6 million Loblaw common shares of $421 million (2009 – $446 million) was recorded in other assets (see note 15). During 2010, a fair value loss of $62 million (2009 – a fair value gain of $13 million) was recorded in interest expense and other financing charges related to this forward (see note 6).

Commodity Derivatives
The Company uses commodity futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices.

As at year end 2010, the fair value of Weston Foods' commodity futures of $16 (2009 – negative $5) was recorded in accounts receivable. During 2010, a fair value gain of $21 (2009 – $23) was recorded in operating income relating to futures which were not designated in a cash flow hedge. As at year end 2010, the fair value of the commodity options of $3 (2009 – nominal amount) was recorded in accounts receivable and a fair value gain of $3 (2009 – $5) was recorded in operating income.

Loblaw entered into an electricity forward contract to minimize price volatility and to maintain a portion of its electricity costs at approximately 2006 rates. This electricity forward contract has an initial term of five years and expires in December 2011. As at year end 2010, the fair value of this forward contract of $1 (2009 – $3) was recorded in other liabilities. During 2010, a gain of $2 (2009 – loss of $10) was recorded in operating income.

Loblaw from time to time enters into exchange traded futures contracts and options contracts to minimize cost volatility on fuel prices. Futures contracts establish a fixed cost on a portion of Loblaw's fuel exposure and option contracts typically provide protection against a range of cost outcomes. As at year end 2010, Loblaw did not hold any outstanding fuel exchange traded future or option contracts (2009 – nil). During 2010, a gain of $1 (2009 – $4) was recorded in operating income.

Foreign Exchange Forwards
During 2010, Loblaw entered into forward contracts to hedge a portion of its U.S. dollar fixed asset and inventory purchases. As at year end 2010, the fair value of the foreign exchange forward contracts of $1 (2009 –nil) was recorded in accounts payable and accrued liabilities. During 2010, a loss of $2 (2009 – nil) was recorded in operating income.

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

Derivative Instruments
The fair value of derivative instruments is the estimated amount that the Company would receive or pay to terminate the instrument at the reporting date. The fair values have been determined by reference to prices available from the markets on which the instruments trade and prices provided by counterparties where available, or are estimated using industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices for currencies.

Other Financial Instruments
The fair values of cash and cash equivalents, short term investments, security deposits, accounts receivable, accounts payable and accrued liabilities and short term borrowings approximate their carrying values given their short term maturities. The fair values of long term debt and capital securities were estimated based on the Company's current incremental borrowing rate for similar types of borrowing arrangements or where applicable, quoted market prices.

The following tables provide a comparison of carrying and fair values for each classification of financial instruments as at December 31, 2010 and December 31, 2009 and an analysis of financial instruments carried at fair value by fair value hierarchy level.

The different fair value hierarchy levels have been defined as follows:

- Fair value level 1: determined using quoted prices (unadjusted) in active markets for identical assets or liabilities
- Fair value level 2: determined using 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)
- Fair value level 3: determined using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2010

	Financial derivatives designated in a cash flow hedge	Financial instruments required to be classified as held-for-trading	Financial instruments designated as held-for-trading	Available-for-sale instruments measured at fair value	Loans and receivables	Other financial liabilities	Total carrying amount	Total fair value
Cash and cash equivalents, short term investments and security deposits			$ 5,050	$ 147			$ 5,197	$ 5,197
Derivatives included in accounts receivable		$ 19					19	19
Other receivables			21		$ 780		801	801
Derivatives included in other assets	$ 64	554					618	618
Total financial assets	$ 64	$ 573	$ 5,071	$ 147	$ 780		$ 6,635	$ 6,635
Fair value level 1		$ 19						$ 19
Fair value level 2	$ 64	551	$ 5,050	$ 147				5,812
Fair value level 3		3	21					24
Total fair value	$ 64	$ 573	$ 5,071	$ 147				$ 5,855
Short term borrowings						$ 340	$ 340	$ 340
Derivatives included in accounts payable and accrued liabilities		$ 56					56	56
Other accounts payable and accrued liabilities						4,661	4,661	4,661
Long term debt						5,862	5,862	6,405
Derivatives included in other liabilities		26				7	33	33
Certain other liabilities						35	35	35
Capital securities						221	221	252
Total financial liabilities		$ 82				$ 11,126	$ 11,208	$ 11,782
Fair value level 1								
Fair value level 2		$ 82						$ 82
Fair value level 3								
Total fair value		$ 82						$ 82

The equity investment in Loblaw franchises is measured at a cost of $85 because quoted market prices in an active market are not available. These investments are classified as available-for-sale.

As at December 31, 2009

	Financial derivatives designated in a cash flow hedge	Financial instruments required to be classified as held-for-trading	Financial instruments designated as held-for-trading	Available-for-sale instruments measured at fair value	Loans and receivables	Other financial liabilities	Total carrying amount	Total fair value
Cash and cash equivalents, short term investments and security deposits			$ 5,062	$ 192			$ 5,254	$ 5,254
Derivatives included in accounts receivable		$ (5)					(5)	(5)
Other receivables			13		$ 843		856	856
Derivatives included in other assets	$ 83	562					645	645
Total financial assets	$ 83	$ 557	$ 5,075	$ 192	$ 843		$ 6,750	$ 6,750
Fair value level 1		$ (5)						$ (5)
Fair value level 2	$ 83	561	$ 5,062	$ 192				5,898
Fair value level 3		1	13					14
Total fair value	$ 83	$ 557	$ 5,075	$ 192				$ 5,907
Short term borrowings						$ 302	$ 302	$ 302
Derivatives included in accounts payable and accrued liabilities		$ 109					109	109
Other accounts payable and accrued liabilities						3,507	3,507	3,507
Long term debt						5,720	5,720	6,066
Derivatives included in other liabilities		34				7	41	41
Certain other liabilities						36	36	36
Capital securities						220	220	244
Total financial liabilities		$ 143				$ 9,792	$ 9,935	$ 10,305
Fair value level 1								
Fair value level 2		$ 143						$ 143
Fair value level 3								
Total fair value		$ 143						$ 143

The equity investment in Loblaw franchises is measured at a cost of $75 because quoted market prices in an active market are not available. These investments are classified as available-for-sale.

The financial instruments classified as fair value level 3 are as follows:

- The retained interest from the securitization of PC Bank receivables, for which a reconciliation and sensitivity analysis are included in note 10.
- The fair value of the Loblaw embedded foreign currency derivative of $3 included in other assets (2009 – $1), of which the fair value gain of $2 (2009 – $4) was recognized in operating income. A 100 basis point increase (decrease) in foreign currency exchange rates would result in a $1 gain (loss) in fair value.

There were no significant transfers between the fair value hierarchy levels during 2010 and 2009.

During 2010, the net unrealized and realized loss on held-for-trading financial assets designated as held-for-trading, recognized in net earnings from continuing operations before income taxes and minority interest was $32 (2009 – $120). In addition, the net unrealized and realized gain on held-for-trading financial assets and financial liabilities, including non-financial derivatives, required to be classified as held-for-trading, recognized in net earnings from continuing operations before income taxes and minority interest was $53 (2009 – $108).

28. FINANCIAL RISK MANAGEMENT

The Company is exposed to the following risks as a result of holding and issuing financial instruments: credit risk, market risk and liquidity risk. The following is a description of those risks and how the exposures are managed.

Credit Risk

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations. Exposure to credit risk relates to derivative instruments, cash equivalents, short term investments, security deposits, pension assets held in the Company's defined benefit plans, PC Bank's credit card receivables and other receivables from Weston Foods' customers and Loblaw's vendors, independent franchisees, associated stores and independent accounts.

The Company may be exposed to losses if a counterparty to the Company's financial or non-financial derivative agreements fails to fulfill its obligations. Potential counterparty risk and losses are limited to the net amounts recoverable under such derivative agreements with any specific counterparty. These risks are further reduced by entering into agreements with counterparties that have a minimum long term "A" credit rating from a recognized credit rating agency and by placing risk adjusted limits on exposure to any single counterparty for financial derivative agreements. Internal policies, controls and reporting processes are in place and require ongoing assessment and corrective action, if necessary, with respect to derivative transactions.

Credit risk associated with cash equivalents, short term investments and security deposits results from the possibility that a counterparty may default on the repayment of a security. Policies and guidelines that require issuers of permissible investments to have a minimum long term "A" credit rating from a recognized credit rating agency and that specify minimum and maximum exposures to specific industries, issuers and types of investment instruments mitigate credit risk. These investments are purchased and held directly in custody accounts and have limited exposure to third-party money market portfolios and funds.

Credit risk from PC Bank's credit card receivables, receivables from Weston Foods' customers and suppliers and Loblaw's independent franchisees, associated stores and independent accounts results from the possibility that customers may default on their payment obligations. PC Bank manages the credit card receivable risk by employing stringent credit scoring techniques, actively monitoring its 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.

Receivables from Weston Foods' customers and Loblaw's independent franchisees, associated stores and independent accounts are actively monitored and counterparties are assessed for credit risk on an ongoing basis.

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 balance sheet (see note 27).

See note 11 for additional information on the credit quality performance of credit card receivables and other receivables from Weston Foods' customers, Loblaw's independent franchisees, associated stores and independent accounts.

Market Risk

Market risk is the risk of loss that may arise from changes in factors such as foreign currency exchange rates, commodity prices, interest rates and common share prices and the impact these factors may have on other counterparties.

Foreign Currency Exchange Rate Risk

As at year end 2010, the Company had $1.5 billion (2009 – $1.5 billion) in cash and cash equivalents, $3.2 billion (2009 – $3.4 billion) in short term investments and $435 (2009 – $348) in security deposits, of which $2.2 billion (2009 – $2.2 billion) is denominated in U.S. dollars and is held primarily by Dunedin and certain of its affiliates and Glenhuron.

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 self-sustaining foreign operations in the United States, and its net investment in integrated foreign subsidiaries held by Dunedin and certain of its affiliates. 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 the integrated foreign subsidiaries are included in operating income, while for the self-sustaining operations in the United States, foreign currency translation gains and losses are recorded in accumulated other comprehensive loss.

Accordingly, operating income includes $56 (2009 – $225) of foreign currency translation losses due 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 Dunedin and certain of its affiliates. The Company estimates that based on the U.S. net assets held in integrated subsidiaries at the end of 2010, an appreciation (depreciation) in the Canadian dollar of $0.01 relative to the U.S. dollar would have a negative (positive) impact on operating income of $9 (2009 – $12).

Unrealized foreign currency translation losses (2009 – gains) associated with the effect of foreign currency translation on the Company's (excluding Loblaw's) U.S. net investment held in self-sustaining foreign operations increased accumulated other comprehensive loss by $28 during 2010 (2009 – decreased by $35).

Revenues and expenses of these integrated and self-sustaining 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 Canadian dollar relative to the U.S. dollar will negatively impact year-over-year changes in reported sales, operating income and net earnings, while a depreciating Canadian dollar relative to the U.S. dollar will have the opposite impact.

Loblaw is exposed to foreign currency exchange rate variability, primarily on U.S. dollar denominated cash and cash equivalents, short term investments and security deposits held by Glenhuron, foreign denominated and foreign currency based purchases in accounts payable and accrued liabilities, and U.S. dollar private placement notes included in long term debt. Loblaw and Glenhuron have cross currency swaps and foreign exchange forward contracts that partially offset their respective exposure to fluctuations in foreign currency exchange rates. Loblaw designates a portion of the cross currency swaps in a cash flow hedge of the exposure to fluctuations in the foreign currency exchange rate on a portion of its U.S. dollar denominated cash equivalents, short term investments and security deposits. The remaining undesignated cross currency swaps partially offset fluctuations in the foreign currency exchange rate on the remaining U.S. dollar denominated cash and cash equivalents, short term investments and security deposits and the U.S. dollar private placement notes.

During 2010, Loblaw's unrealized foreign currency translation loss of $12 (2009 – $25) before income taxes and minority interest, related to cash and cash equivalents, short term investments and security deposits classified as available-for-sale was recognized in accumulated other comprehensive loss and was partially offset by the unrealized foreign currency translation gain of $12 (2009 – $28) before income taxes and minority interest relating to the designated cross currency swaps also deferred in accumulated other comprehensive loss. The unrealized foreign currency translation loss of $40 (2009 – $121) on the designated held-for-trading cash and cash equivalents, short term investments and security deposits is partially offset in operating income by the unrealized foreign currency translation gain of $40 (2009 – $117) relating to the cross currency swaps which are not designated in a cash flow hedge.

During 2010, Loblaw realized a foreign currency translation loss of $39 (2009 – $14) relating to cross currency swaps that matured or were terminated.

During 2010, Loblaw recognized in operating income an unrealized foreign currency translation gain of $16 (2009 – $45) related to U.S. $300 fixed rate private placement notes. This was partially offset by both the effective portion of the designated cross currency swaps that was reclassified from other comprehensive (loss) income to operating income and the fair value gain on the cross currency swaps that are not designated in a hedging relationship. At the inception of the cash flow hedge, a nominal amount of ineffectiveness was recognized in operating income.

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 commodity prices as a result of the direct link between commodities and the cost of consumer products. In addition, both Weston Foods and Loblaw are exposed to increases in the prices of electricity, natural gas and fuel in operating, in the case of Weston Foods, its bakeries and distribution centres, and, in the case of Loblaw, its stores and distribution centres. Both Weston Foods and Loblaw use purchase commitments and financial and non-financial 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 a 10% increase (decrease) in relevant commodity prices, with all other variables held constant, would result in a net gain (loss) of $8 in net earnings before income taxes and minority interest.

Interest Rate Risk
Interest rate risk arises from the issuance of short term debt and equity derivatives, net of cash and cash equivalents, short term investments and security deposits. The Company is exposed to changes in short term interest rates which are offset partly by Glenhuron's and Loblaw's interest rate swaps. Interest rate swaps are transactions in which interest flows are exchanged with a counterparty on a specified notional amount for a pre-determined period based on agreed-upon fixed and floating interest rates. The Company estimates that a 100 basis point increase (decrease) in interest rates, with all other variables held constant, could result in a decrease (increase) of $51 in interest expense and other financing charges.

Common Share Price Risk

GWL and Loblaw issue stock-based compensation to employees in the form of stock options and RSUs based on their respective underlying common shares. Consequently, operating income is negatively impacted when the common share prices increase and positively impacted when the common share prices decline. The equity derivatives provide a partial offset to fluctuations in stock-based compensation cost. The equity derivatives allow for settlement in cash, common shares or net settlement. These derivatives change in value as the market prices of the respective underlying common shares change and provide a partial offset to fluctuations in stock-based compensation cost, including RSU plan expense. The partial offset between stock-based compensation costs, including RSU plan expense, and the equity derivatives is more effective when the market price of the respective underlying common shares exceeds the exercise price of the employee stock options. When the market price of the respective underlying common shares is lower than the exercise price of the employee stock options, these equity derivatives provide a partial offset only to the RSU plan expense. The amount of net stock-based compensation cost recorded in operating income is mainly dependent upon the number of unexercised stock options and RSUs, their vesting schedules relative to the number of respective underlying common shares on the equity derivatives, and the level of fluctuations in the market price of the respective underlying common shares. A one dollar increase (decrease) in the market value of the respective underlying shares of the equity derivatives, with all other variables held constant, would result in a gain (loss) of $3 in net earnings before income taxes and minority interest.

In addition, the obligation of WHL under the equity forward sale agreement based on 9.6 million Loblaw common shares, which matures in 2031, is secured by the underlying Loblaw common shares. If the market value of the underlying Loblaw common shares exceeds the obligation of WHL under this forward, a portion of the proceeds from a future sale of these shares may be used to satisfy the obligation under this forward contract upon termination or maturity. At maturity, if the forward price is greater than the market price of the Loblaw shares, WHL will receive a cash amount equal to the difference. If the forward price is less than the market price of the Loblaw shares, WHL will pay a cash amount equal to the difference. A one dollar increase (decrease) in the market value of the underlying shares of the equity forward, with all other variables held constant, would result in a loss (gain) of $10 in net earnings before income taxes and minority interest. Any cash paid under the forward contract could be offset by the sale of Loblaw common shares.

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

The Company mitigates liquidity risk by maintaining appropriate levels of cash and cash equivalents and short term investments, committed lines of credit as required, actively monitoring market conditions and by diversifying its sources of funding and maturity profile of its debt and capital obligations.

Should Loblaw's or PC Bank's financial performance and condition deteriorate or downgrades in Loblaw's current credit ratings occur, Loblaw's or PC Bank's ability to obtain funding from external sources may be restricted. In addition, credit and capital markets are subject to inherent risks that may negatively affect Loblaw's access and ability to fund its financial and other liabilities.

Should GWL's financial performance and condition deteriorate or downgrades in GWL's current credit ratings occur, GWL's ability to obtain funding from external sources may be restricted. In addition, credit and capital markets are subject to inherent risks that may negatively affect GWL's access and ability to fund its financial and other liabilities.

The following are the undiscounted contractual maturities of significant financial liabilities as at December 31, 2010:

	2011	2012	2013	2014	2015	Thereafter(5)	Total
Interest rate swaps payable(1)	$ 13	$ 13	$ 5				$ 31
Equity swaps and forwards(2)	84	82			$ 92		258
Long term debt including fixed interest payments(3)	1,032	343	683	$ 910	383	$ 7,144	10,495
Foreign exchange forward contracts	66						66
Other liabilities(4)				35			35
	$ 1,195	$ 438	$ 688	$ 945	$ 475	$ 7,144	$ 10,885

(1) Based on the pay fixed interest which will be partially offset by the floating interest received.
(2) Based on the average cost base as at December 31, 2010.
(3) Based on the maturing face values and annual interest for each instrument as well as annual payment obligations for VIEs, mortgages and capital leases.
(4) Contractual amount of Loblaw's obligation related to certain other liabilities.
(5) Loblaw's capital securities and their related dividends have been excluded as Loblaw is not contractually obligated to pay these amounts.

The Company's bank indebtedness, short term debt and accounts payable and accrued liabilities are short term in nature, which are due within the next 12 months and thus not included above.

29. CONTINGENCIES, COMMITMENTS AND GUARANTEES

The Company is involved in, and potentially subject to, various claims by third parties arising out of the normal course and conduct of its business including, but not limited to, product liability, labour and employment, regulatory and environmental claims. In addition, the Company is involved in and potentially subject to regular audits from federal, provincial and state tax authorities relating to income, capital and commodity taxes and as a result of these audits may receive assessments and reassessments. Although such matters cannot be predicted with certainty, management currently considers the Company's exposure to such claims and litigation, to the extent not covered by the Company's insurance policies or otherwise provided for, not to be material to these consolidated financial statements, with the exception of the items disclosed in the Legal Proceedings section below.

As at year end 2010, the Company has committed approximately $96 (2009 – $76) with respect to capital investment projects such as the construction, expansion and renovation of buildings and the purchase of real property.

The Company establishes letters of credit used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and performance guarantees. The aggregate gross potential liability related to these letters of credit is approximately $445 (2009 – $406), a portion of which is recorded on the consolidated balance sheets. Additionally, Loblaw has a guarantee on behalf of PC Bank in the amount of U.S. $180. Other letters of credit related to the financing program for Loblaw's independent franchisees and securitization of PC Bank's credit card receivables have been identified as guarantees and are discussed further in the Guarantees section below.

Guarantees

The Company has provided to third parties the following significant guarantees as defined pursuant to AcG 14, "Disclosure of Guarantees".

Independent Funding Trusts
Certain independent franchisees of Loblaw obtain financing through a structure involving independent funding trusts, which were created to provide loans to the independent franchisees to facilitate their purchase of inventory and fixed assets, consisting mainly of fixtures and equipment. These trusts are administered by a major Canadian chartered bank.

The gross principal amount of loans issued to Loblaw's independent franchisees by the independent funding trusts as at year end 2010 was $405 (2009 – $390) including $202 (2009 – $163) of loans payable by VIEs consolidated by the Company. Loblaw has agreed to provide credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trust representing not less than 15% (2009 – 15%) of the principal amount of the loans outstanding. This standby letter of credit has never been drawn upon. This credit enhancement allows the independent funding trust to provide financing to Loblaw's independent franchisees. As well, each independent franchisee provides security to the independent funding trust for its obligations by way of a general security agreement. In the event that an independent franchisee defaults on its loan and Loblaw has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trust would assign the loan to Loblaw and draw upon this standby letter of credit. Loblaw has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

During 2010, the $475, 364-day revolving committed credit facility that is the source of funding to the independent trusts was renewed. This facility has a further 12-month repayment term upon maturity. The financing structure has been reviewed and Loblaw determined there were no additional VIEs to consolidate as a result of this financing. In accordance with Canadian GAAP, the financial statements of the independent funding trust are not consolidated with those of the Company.

Letters of Credit
Letters of credit for the benefit of independent trusts with respect to the credit card receivables securitization program of PC Bank have been issued by major Canadian chartered banks. These standby letters of credit could 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, which represents 9% (2009 – 9%) on a portion of the securitized credit card receivables amount, is approximately $48 (2009 – $116) (see note 10).

Lease Obligations
In connection with historical dispositions of certain of its assets, the Company has assigned leases to third parties. The Company remains contingently liable for these lease obligations in the event any of the assignees are in default of their lease obligations. The estimated amount for minimum rent, which does not include other lease related expenses such as property tax and common area maintenance charges, is in aggregate $26 (2009 – $41).

Indemnification Provisions
The Company from time to time enters into agreements in the normal course of its business, such as service and outsourcing arrangements and leases, and in connection with business or asset acquisitions or dispositions. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breaches of representations and warranties or with future claims for certain liabilities, including liabilities related to tax and environmental matters. Indemnities were provided to the purchasers of the Company's dairy and bottling operations sold in 2008 and the U.S. fresh bakery business sold in 2009. The terms of these indemnification provisions vary in duration and may extend for an unlimited period of time. The indemnification provisions could result in future cash outflows and statement of earnings charges. The Company is unable to reasonably estimate its total maximum potential liability as certain indemnification provisions do not provide for a maximum potential amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

Legal Proceedings
In 2007, pursuant to a transaction whereby Domtar was combined with the fine paper business of Weyerhaeuser Inc., Domtar common shares were exchanged for an equal number of either exchangeable shares of Domtar (Canada) Paper Inc. or common shares of New Domtar. The Company elected to receive exchangeable shares of Domtar (Canada) Paper Inc. in exchange for its Domtar common shares. The Share Purchase Agreement governing the June 1998 sale by GWL of E.B. Eddy Paper, Inc. to Domtar (the "SPA") contains a price adjustment clause. The SPA provides, subject to certain limited exceptions, that if any person subsequently acquired more than 50% of the outstanding voting shares of Domtar, the price adjustment clause applies. GWL believes that a price adjustment in the amount of $110 is payable to it by Domtar and it has demanded payment of such amount from Domtar. Domtar's position is that the purchase price adjustment does not apply because of the application of an exception contained in the SPA. GWL has commenced an action against Domtar for $110. The parties have exchanged legal pleadings.

The Company is the subject of various legal proceedings and claims that arise in the ordinary course of business. The outcome of all of these proceedings and claims is uncertain. However, based on information currently available, these proceedings and claims, individually and in the aggregate, are not expected to have a material impact on the Company.

Income Taxes
During 2010, GWL received a reassessment from the Canada Revenue Agency ("CRA") challenging GWL's characterization of a gain reported in a previous tax return filing. Should the CRA be successful in its assertion, the maximum exposure to the Company's net earnings would be approximately $62. GWL intends to vigorously defend its filing position. No amount has been recorded in the Company's financial statements.

30. VARIABLE INTEREST ENTITIES
Pursuant to AcG 15, Loblaw consolidates all VIEs for which it is the primary beneficiary. AcG 15 defines a VIE as an entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. AcG 15 requires the primary beneficiary to consolidate VIEs and considers an entity to be the primary beneficiary of a VIE if it holds variable interests that expose it to a majority of the VIEs' expected losses or that entitle it to receive a majority of the VIEs' expected residual returns or both. Loblaw has identified the following significant VIEs:

Franchisees
Loblaw enters into various forms of franchise agreements that generally require the franchisee to purchase inventory from Loblaw and pay certain fees in exchange for services provided by Loblaw and for the right to use certain trademarks and licenses owned by Loblaw. Franchisees generally lease the land and building from Loblaw, and when eligible, may obtain financing through a structure involving independent trusts to facilitate the purchase of the majority of their inventory and fixed assets, consisting mainly of fixtures and equipment (see note 29). These trusts are administered by a major Canadian chartered bank. Under the terms of certain franchise agreements, Loblaw may also lease equipment to franchisees. Franchisees may also obtain financing through operating lines of credit with traditional financial institutions or through issuing preferred shares or notes payable to Loblaw. Loblaw monitors the financial condition of its franchisees and provides for estimated losses or write-downs on its accounts and notes receivable or investments when appropriate.

As at year end 2010, 214 (2009 – 166) of Loblaw's franchised stores met the criteria for a VIE and were consolidated pursuant to AcG 15.

Warehouse and Distribution Agreements
Loblaw has warehouse and distribution agreements with third-party entities to provide to Loblaw distribution and warehousing services from dedicated facilities. Loblaw has no equity interest in these third-party entities; however, the terms of the agreement with the third-party entities are such that Loblaw has determined that the third-party entities meet the criteria for a VIE that requires consolidation by Loblaw. The impact of the consolidation of the warehouse and distribution entities was not material.

Accordingly, the Company has included the results of these independent franchisees and these third-party entities that provide distribution and warehousing services in its consolidated financial statements. The consolidation of these VIEs by the Company does not result in any change to its tax, legal or credit risks, nor does it result in the Company assuming any obligations of these third parties.

Independent Trusts
Loblaw has also identified that it holds variable interests, by way of standby letters of credit in independent trusts which are used to securitize credit card receivables for PC Bank. In these securitizations, PC Bank sells a portion of its credit card receivables to the independent trust in exchange for cash. Although these independent trusts have been identified as VIEs, it was determined that Loblaw is not the primary beneficiary and therefore these VIEs are not subject to consolidation by the Company. The Company's maximum exposure to loss as a result of its involvement with these independent trusts is disclosed in note 29.

31. RELATED PARTY TRANSACTIONS
The Company's majority shareholder, Wittington Investments, Limited ("Wittington"), and its affiliates are related parties. The Company, in the normal course of business, has routine transactions with these related parties, including the rental of office space at market prices from Wittington. In 2010, rental payments to Wittington amounted to approximately $3 (2009 – $3).

From time to time, the Company, Wittington and its affiliates may enter into agreements to make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations. These elections and accompanying agreements did not have a material impact on the Company in 2010.

32. SEGMENT INFORMATION

The Company has two reportable operating segments: Weston Foods and Loblaw. The Weston Foods operating segment is a leading fresh and frozen baking company in Canada and is engaged in frozen baking and biscuit manufacturing in the United States. The Loblaw operating segment, which is operated by Loblaw and its subsidiaries, is Canada's largest food distributor and a leading provider of drugstore, general merchandise and financial products and services.

The accounting policies of the reportable operating segments are the same as those described in the Company's summary of significant accounting policies. The Company measures each reportable operating segment's performance based on operating income. Neither reportable operating segment is reliant on any single external customer.

	2010	2009
Sales		
Weston Foods	**$ 1,624**	$ 1,686
Loblaw	**30,997**	30,735
Intersegment	**(613)**	(601)
Consolidated	**$ 32,008**	$ 31,820
Operating income		
Weston Foods	**$ 278**	$ 123
Loblaw	**1,261**	1,197
Other(1)	**(56)**	(311)
Consolidated	**$ 1,483**	$ 1,009
Depreciation and Amortization		
Weston Foods	**$ 54**	$ 56
Loblaw	**655**	589
Consolidated	**$ 709**	$ 645
Total Assets		
Weston Foods	**$ 1,868**	$ 1,674
Loblaw	**16,091**	15,151
Other(2)	**2,895**	3,318
Consolidated	**$ 20,854**	$ 20,143
Fixed Assets and Goodwill Purchases		
Weston Foods	**$ 189**	$ 40
Loblaw	**1,291**	1,127
Consolidated	**$ 1,480**	$ 1,167

(1) Operating income for 2010 includes a loss of $56 (2009 – $225) related to the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates, which are integrated foreign subsidiaries for accounting purposes. 2009 operating income also includes a loss of $86 related to the reversal of cumulative foreign currency translation losses.

(2) Other includes cash and cash equivalents and short term investments held by Dunedin and certain of its affiliates.

The Company operates primarily in Canada and the United States.

	2010	2009
Sales (excluding intersegment)		
Canada	**$ 31,378**	$ 31,126
United States	**630**	694
Consolidated	**$ 32,008**	$ 31,820
Fixed Assets and Goodwill		
Canada	**$ 10,624**	$ 9,974
United States	**329**	241
Consolidated	**$ 10,953**	$ 10,215