

20. LEASES

As Lessee

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

	Payments due by year						2007 Total	2006 Total
	2008	2009	2010	2011	2012	Thereafter to 2046		
Operating lease payments	\$ 222	\$ 194	\$ 168	\$ 144	\$ 121	\$ 718	\$ 1,567	\$ 1,643
Expected sub-lease income	(40)	(34)	(29)	(23)	(19)	(84)	(229)	(252)
Net operating lease payments	\$ 182	\$ 160	\$ 139	\$ 121	\$ 102	\$ 634	\$ 1,338	\$ 1,391

Capital Leases

Capital lease obligations of \$62 (2006 – \$32) are included in the consolidated balance sheet as at year end (see note 18).

These Loblaw capital lease obligations are related primarily to equipment of the third-party VIE that provides distribution and warehousing services. The amount due within one year is \$9 (2006 – \$4).

Notes to the Consolidated Financial Statements

Sale-Leaseback

In 2007, Loblaw completed a sale-leaseback transaction of property and a partially constructed building (“Property”) for a total purchase price of \$109, subject to a vendor take back mortgage of \$27 which bears interest at 6% due in 2009. There was no gain or loss recorded on the sale of the Property. Loblaw has leased back the Property for a term of 20 years, with options to renew for an additional 20 years, and in turn subleased the Property to a third-party logistics provider. The leaseback was accounted for as an operating lease and commences in 2008. Loblaw also entered into a warehousing and distribution agreement with the third-party logistics provider, which will use this Property to provide services to Loblaw.