

21. LEASES

As Lessee

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

	Payments due by year						Thereafter to 2046	2008 Total	2007 Total
	2009	2010	2011	2012	2013				
Operating lease payments	\$ 216	\$ 196	\$ 172	\$ 149	\$ 131	\$ 810	\$ 1,674	\$ 1,475	
Expected sub-lease income	(36)	(32)	(26)	(21)	(19)	(103)	(237)	(229)	
Net operating lease payments	\$ 180	\$ 164	\$ 146	\$ 128	\$ 112	\$ 707	\$ 1,437	\$ 1,246	

As Lessor

Fixed assets on the consolidated balance sheet include cost of properties held for leasing purposes of \$603 (2007 – \$571) and related accumulated depreciation of \$173 (2007 – \$163). Rental income for 2008 from these operating leases totaled \$45 (2007 – \$49) before income taxes and minority interest.

Capital Leases

Capital lease obligations of \$62 (2007 – \$62) are included in the consolidated balance sheet as at year end (see note 19). 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 \$8 (2007 – \$9).

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 \$35 (2007 – \$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. In 2008, the leaseback was accounted for as an operating lease. 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.