

Notes to the Consolidated Financial Statements

4. RESTRUCTURING AND OTHER CHARGES

The following table summarizes the restructuring and other charges:

	2008			2007		
	Weston Foods	Loblaw	Total	Weston Foods	Loblaw	Total
Accelerated depreciation	\$ 2		\$ 2			
Gain on sale of fixed assets	(1)		(1)	\$ (14)		\$ (14)
Gain on sale of distribution rights	(2)		(2)			
Employee termination costs	7	\$ (1)	6	3	\$ 145	148
Site closing and other exit costs				4	77	81
Restructuring and other charges (income)	\$ 6	\$ (1)	\$ 5	\$ (7)	\$ 222	\$ 215

Weston Foods

Weston Foods management continues to undertake a series of cost reduction initiatives with the objective of ensuring a low cost operating structure. Certain of these initiatives are in progress, are nearing completion or have been completed. Individual actions will be initiated as plans are finalized and approved.

Manufacturing Assets Restructuring

During 2008, Weston Foods approved a plan to close a fresh bakery manufacturing facility in Ontario. This restructuring was substantially completed by the end of 2008. As a result of this restructuring plan, Weston Foods recognized \$1 of accelerated depreciation and \$1 of employee termination costs during 2008.

During 2008, Weston Foods approved a plan to close a fresh manufacturing facility in Quebec and consolidate its production with other existing manufacturing facilities. This restructuring was substantially completed by year end 2008. As a result of this restructuring plan, Weston Foods recognized \$1 of accelerated depreciation during 2008.

During 2008, Weston Foods approved a plan to restructure its Western Canada fresh manufacturing network, which will result in the closure of two manufacturing facilities and a move into a new facility. This restructuring is expected to be completed by the end of 2009. Weston Foods recognized \$2 of employee termination costs and a gain of \$1 on the sale of fixed assets during 2008.

During 2006, Weston Foods approved a plan to close a frozen bagel plant in Nebraska, which was completed in that year. During 2007, Weston Foods completed the sale of this facility for proceeds of \$1 and recognized a loss on sale of fixed assets of \$1.

During 2006, Weston Foods approved a plan to close an ice-cream cone baking facility in Los Angeles, California and transfer the production to other existing Weston Foods facilities. This restructuring was completed in 2007. During 2007, Weston Foods completed the sale of this facility for proceeds of \$11 and recognized a gain on sale of fixed assets of \$9.

During 2005, Weston Foods approved a plan to restructure its United States biscuit operations. This plan included the closure of two biscuit facilities located in Elizabeth, New Jersey and Richmond, Virginia by the end of 2006 with the majority of the production relocated to a new facility in Virginia and an existing Weston Foods facility already operating in South Dakota. The sales of these two facilities were completed in 2005. All manufacturing activities ceased in these facilities by the end of 2006. During 2007, Weston Foods vacated the Elizabeth, New Jersey facility in accordance with the terms and conditions of the sale lease-back arrangement and accordingly, recognized the previously deferred gain on the sale of fixed assets of \$6. In addition, during 2007, Weston Foods recognized \$2 of employee termination costs and other exit related costs. By the end of 2007, total charges of \$21 of accelerated depreciation and \$40 of employee termination costs and other exit related costs had been recognized on a cumulative basis related to this restructuring plan, which is now complete.

Distribution Network Restructuring

During 2006, Weston Foods approved a plan to restructure a portion of its distribution network in Quebec. This restructuring was substantially completed by year end 2008. As a result of this restructuring plan, Weston Foods recognized a gain of \$2 on the sale of distribution rights during 2008 and \$2 of employee termination costs and other exit related costs during 2007.

During 2007, Weston Foods approved plans to restructure its Ontario frozen bakery distribution operations, to further restructure its Quebec fresh bakery distribution operations and to restructure the dairy distribution network. As a result of these restructuring plans, Weston Foods recognized \$3 of employee termination costs and other exit related costs during 2007. This restructuring was substantially completed by year end 2008.

Operational Restructuring

During 2008, Weston Foods approved a plan to restructure the operating structure of the Canadian bakery business. The plan involves segregating certain functional departments between the fresh and frozen bakery businesses and centralization of other functions. As a result of this restructuring plan, Weston Foods recognized \$4 of employee termination costs during 2008.

During 2008, employee termination costs and other exit related costs of approximately \$3 (2007 – \$17) were paid related to all Weston Foods restructuring activities. As at year end 2008, the accrued liabilities relating to restructuring activities were \$7 (2007 – \$3).

Loblaw

Project Simplify

During 2007, Loblaw approved and announced the restructuring of its merchandising and store operations into more streamlined functions as part of Project Simplify. The 2008 charge of \$3 (2007 – \$197) is comprised of \$2 (2007 – \$139) for employee termination costs including severance, additional pension costs resulting from the termination of employees and retention costs; and \$1 (2007 – \$58) of other costs, primarily consulting directly associated with the restructuring. Cash payments during 2008 were \$36 (2007 – \$149). As at year end 2008, a remaining liability of \$1 (2007 – \$33) was recorded on the consolidated balance sheet in respect of this initiative.

Store Operations

During 2007, Loblaw completed the previously announced restructuring of its store operations. In 2008, Loblaw recognized income of \$3 (2007 – charge of \$16) related to this plan. Cash payments during 2008 were \$1 (2007 – \$22). As at year end 2008, a remaining liability of nil (2007 – \$3) was recorded on the consolidated balance sheet in respect of this initiative.

Supply Chain Network

During 2005, Loblaw approved a comprehensive plan to restructure its supply chain operations nationally. In 2008, Loblaw recognized income of \$1 (2007 – charge of \$9) comprised of income of \$3 (2007 – charge of \$7) for employee termination costs resulting from planned involuntary terminations and a charge of \$2 (2007 – \$2) for site closing and other costs. Cash payments during 2008 were \$25 (2007 – \$5). As at year end 2008, a remaining liability of \$7 (2007 – \$33) was recorded on the consolidated balance sheet in respect of this initiative.