

13. INVENTORY LIQUIDATION

During 2007, Loblaw recognized a charge of \$15 in operating income, comprising mainly storage and shipping costs related to certain excess inventory, primarily general merchandise as a result of its decision in 2006 to proceed with the liquidation of this inventory.

In 2006, Loblaw recognized a charge of \$68 to adjust inventory identified for liquidation to the lower of cost and net realizable value.

The charge reflected the write-down of inventory to recovery values and the associated costs of facilitating the disposition incurred to the end of 2007. The excess inventory liquidation was completed in 2007.