4. RESTRUCTURING AND OTHER CHARGES

The following table summarizes the restructuring and other charges:

			2007			2006
	Weston Foods	**Loblaw**	**Total**	Weston Foods	Loblaw	Total
Fixed asset impairment				$ 4	$ 25	$ 29
Accelerated depreciation	**$ 6**		**$ 6**	15	2	17
(Gain) loss on sale of fixed assets	**(14)**		**(14)**	1		1
Employee termination benefits	**6**	**$ 145**	**151**	9	13	22
Site closing and other exit costs	**7**	**77**	**84**	17	4	21
Restructuring and other charges	**$ 5**	**$ 222**	**$ 227**	$ 46	$ 44	$ 90

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 2007, Weston Foods approved and completed a plan to transfer two manufacturing lines for certain private label English muffins in the United States to third-party producers or other Weston Foods manufacturing lines already in place. As a result of this decision, Weston Foods recognized $2 of accelerated depreciation during 2007.

During 2007, Weston Foods approved and completed a plan to exit certain bread and roll manufacturing lines in the Southeastern United States. All production associated with these lines will be transferred to third-party producers or other Weston Foods manufacturing facilities. As a result of this decision, Weston Foods recognized $4 of accelerated depreciation and $1 of employee termination benefits and other exit related costs during 2007.

During 2006, Weston Foods approved a restructuring plan to downsize its fresh-baked sweet goods facility in Bay Shore, New York. The plan involves the transfer of full-size dessert cake and cookie production to other existing Weston Foods facilities. Once the downsizing is complete, the Bay Shore location will be a more focused facility producing primarily danish and pie products. This restructuring is expected to be completed by the third quarter of 2008. As a result of this restructuring, Weston Foods recognized a total fixed asset impairment charge of $4 and a total charge of $5 for employee termination benefits and other exit related costs during 2006.

During 2006, Weston Foods approved a plan to close a frozen bagel plant in Nebraska, which was completed in that year. As a result of this restructuring, Weston Foods recognized total accelerated depreciation of $5 and $2 of employee termination benefits and other exit related costs during 2006. 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 the first quarter of 2007. As a result of this restructuring, Weston Foods recognized total accelerated depreciation of $3 and $2 of employee termination benefits and other exit related costs during 2006. 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 2006, Weston Foods approved and completed a plan to close a fresh bakery manufacturing facility in Quebec. During 2006, Weston Foods recognized $1 of accelerated depreciation and $1 of employee termination benefits and other exit related costs.

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 the Elizabeth, New Jersey and Richmond, Virginia 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 nil (2006 – $6) of accelerated depreciation and $2 (2006 – $10) of employee termination benefits and other exit related costs. By the end of 2007, total charges of $21 of accelerated depreciation and $40 of employee termination benefits 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 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. These plans involve the closure and/or consolidation of certain warehouses, outsourcing certain warehousing and distribution functions to third-party warehousing service providers and certain route restructurings. As a result of these restructuring plans, Weston Foods recognized $3 of employee termination benefits and other exit related costs during 2007 and expects to record an additional $1 related to other exit costs in 2008 when these plans are expected to be substantially completed.

During 2007, Weston Foods approved a restructuring plan to exit and transfer certain distribution and transportation activities in the mid-Western United States to third-party logistic providers, which is expected to be completed by the end of the second quarter of 2008. As a result of this plan, Weston Foods recognized $2 of employee termination benefits during 2007.

During 2006, Weston Foods approved a plan to restructure a portion of its distribution network in Quebec. During 2007, Weston Foods recognized $2 (2006 – $6) of employee termination benefits and other exit related costs pursuant to this plan, which is expected to be substantially completed in 2008.

Administrative Restructuring and Consolidation of Offices

During 2007, Weston Foods approved plans to consolidate, relocate and restructure certain sales and administrative functions in the United States. These plans will be completed by the second quarter of 2008. As a result of this decision, Weston Foods recognized $3 of employee termination benefits and other exit related costs during 2007 and no additional restructuring and other charges are anticipated.

Completion of Other Prior Year Plans

During 2006, Weston Foods recognized a loss on the sale of fixed assets of $1 related to a restructuring plan approved prior to 2006.

In 2007, employee termination benefits and other exit related costs of approximately $23 (2006 – $33) was paid related to all Weston Foods restructuring activities. As at year end 2007, the accrued liabilities related to all of these restructuring activities were $9 (2006 – $19).

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. In 2007, Loblaw recognized $197 of restructuring costs resulting from this plan, comprised of $139 for employee termination benefits including severance, additional pension costs resulting from the termination of employees and retention costs; and $58 of other costs, primarily consulting directly associated with the restructuring. The total restructuring costs under this plan, comprised primarily of severance costs, are estimated to be approximately $200, with the remaining costs to be expensed in 2008.

Store Operations
During 2007, Loblaw completed the previously announced restructuring of its store operations. The total restructuring costs under these plans were $51 compared to the original estimate of $54. Of the $51 total costs, approximately $8 was attributable to employee termination benefits which included severance resulting from the termination of employees, $25 to fixed asset impairment and accelerated depreciation of assets relating to these restructuring activities and $18 to site closing and other costs including lease obligations. In 2007, Loblaw recognized $16 (2006 – $35) of these restructuring costs, which relates to site closing and other costs including lease obligations. The components of the store operations restructuring plan are described below.

As part of a review of the Quebec store operations, Loblaw approved and communicated a plan in 2006 to close 19 underperforming stores, mainly within the *Provigo* banner. During 2007, Loblaw concluded that 16 stores, 3 less than originally planned, would close under this initiative. The closure of these 16 stores was completed in 2007. The total restructuring cost under this initiative was $37 compared to the original estimate of $40, of which $9 (2006 – $28) was recognized in 2007.

Based on Loblaw's review of the impact on the Cash & Carry and wholesale club network of the loss in tobacco sales following the decision by a major tobacco supplier to sell directly to certain customers of Loblaw, Loblaw approved and communicated a plan in 2006 to close 24 wholesale outlets which were impacted most significantly by this change. The total restructuring cost under this initiative was $12 compared to the original estimate of $10, of which $6 (2006 – $6) was recognized in 2007.

As part of a review of the Atlantic store operations, Loblaw approved and communicated a plan in 2006 to close 8 stores in the Atlantic region. The total restructuring cost under this initiative was $2 compared to the original estimate of $4, of which $1 (2006 – $1) was recognized in 2007.

Supply Chain Network
During 2005, Loblaw approved a comprehensive plan to restructure its supply chain operations nationally. The restructuring plan is expected to be completed by the first quarter of 2009 and the total restructuring costs under this plan is estimated to be approximately $90. Of the $90 total estimated costs, approximately $57 is attributable to employee termination benefits which include severance and additional pension costs resulting from the termination of employees, $13 to fixed asset impairment and accelerated depreciation of assets relating to this restructuring activity and $20 to site closing and other costs directly attributable to the restructuring plan. In 2007, Loblaw recognized $9 (2006 – $8) of restructuring costs resulting from this plan which is composed of $7 (2006 – $4) for employee termination benefits resulting from planned involuntary terminations, nil (2006 – $2) for fixed asset impairment and accelerated depreciation and $2 (2006 – $2) for other costs directly associated with those initiatives. At the end of the year, $11 in estimated costs remain to be incurred and will be recognized as appropriate criteria are met.

Office Move and Reorganization of the Operation Support Functions
In 2005, Loblaw consolidated several administrative and operating offices from across southern Ontario into a new national head office in Brampton, Ontario and reorganized the merchandising, procurement and operations groups which included the transfer of the general merchandise operations from Calgary, Alberta to the new office. All of the expected $25 of costs related to these initiatives had been recognized by the end of 2006.

In 2007, severance and other cash exit costs of approximately $176 (2006 – $9) was paid related to all Loblaw restructuring activities. Accrued liabilities and other liabilities related to all of these restructuring activities were $50 (2006 – $19) and $21 (2006 – $21), respectively.