

Note 4. Restructuring and Other Charges

Store Operations

During 2006, the Company completed assessments of its store operations, and approved and communicated plans to restructure certain of its store operations. The total restructuring cost under these plans is estimated to be approximately \$54. Of the \$54 total estimated costs, approximately \$10 is attributable to employee termination benefits which include severance resulting from the termination of employees, \$25 to fixed asset impairment and accelerated depreciation of assets relating to these restructuring activities and \$19 to site closing and other costs including lease obligations. In 2006, the Company recognized \$35 of these restructuring costs, which are composed of \$9 for employee termination benefits, \$25 for fixed asset impairment and accelerated depreciation and \$1 for other costs directly associated with those initiatives. The components of the store operations restructuring plan are described below.

As part of a review of the Quebec store operations, the Company approved and communicated a plan in 2006 to close 19 underperforming stores, mainly within the *Provigo* banner. This initiative is expected to be completed during 2007 and the total restructuring cost under this initiative is estimated to be approximately \$40, of which \$28 was recognized in 2006.

Based on the Company'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 the Company, the Company approved and communicated a plan in 2006 to close 24 wholesale outlets which were impacted most significantly by this change. This initiative is expected to be completed during 2007 and the total restructuring cost under this initiative is estimated to be approximately \$10, of which \$6 was recognized in 2006.

As part of a review of the Atlantic store operations, the Company approved and communicated a plan in 2006 to close 8 stores in the Atlantic region. This initiative is expected to be completed during 2007 and the total restructuring cost under this initiative is estimated to be approximately \$4, of which \$1 was recognized in 2006.

Supply Chain Network

During 2005, the Company approved a comprehensive plan to restructure its supply chain operations nationally. The restructuring plan is now expected to be completed by the first quarter of 2009 and the total restructuring cost under this plan is estimated to be approximately \$90. Of the \$90 total estimated cost, 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 2006, the Company recognized \$8 (2005 – \$62) of restructuring costs resulting from this plan which is composed of \$4 (2005 – \$45) for employee termination benefits resulting from planned involuntary terminations, \$2 (2005 – \$11) for fixed asset impairment and accelerated depreciation and \$2 (2005 – \$6) for other costs directly associated with those initiatives.

Office Move and Reorganization of the Operation Support Functions

During 2005, the Company consolidated several administrative and operating offices from across southern Ontario into a new National Head Office and Store Support Centre 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. Of the expected \$25 of costs related to these initiatives, \$24 were recognized in 2005 and \$1 was recognized in 2006.

The following table provides a summary of the costs recognized and cash payments made, as well as the corresponding net liability as at December 30, 2006 and December 31, 2005:

	Employee Termination Benefits	Site Closing Costs and Other	Total Net Liability	Fixed Asset Impairment and Accelerated Depreciation	2006 Total	2005 Total
Net liability, beginning of year	\$ 41	\$ —	\$ 41	\$ —	\$ —	\$ —
Costs recognized:						
Store operations	9	1	10	25	35	—
Supply chain network	4	2	6	2	8	62
Office move and reorganization of the operation support functions	—	1	1	—	1	24
	\$ 13	\$ 4	\$ 17	\$ 27	\$ 44	\$ 86
Cash payments:						
Store operations	\$ —	\$ 1	\$ 1		\$ 1	\$ —
Supply chain network	4	2	6		6	13
Office move and reorganization of the operation support functions	1	1	2		2	18
	\$ 5	\$ 4	\$ 9		\$ 9	\$ 31
Charges against other assets ⁽¹⁾	\$ 9	\$ —	\$ 9		\$ 9	\$ —
Net liability, end of year	\$ 40	\$ —	\$ 40		\$ 40	\$ 41
Recorded in the consolidated balance sheet as follows:						
Other assets ⁽¹⁾ (note 15)	\$ —		\$ —		\$ —	\$ 9
Accounts payable and accrued liabilities	19		19		19	7
Other liabilities (note 17)	21		21		21	25
Net liability, end of year	\$ 40		\$ 40		\$ 40	\$ 41

(1) Represents defined benefit pension plan cost applied to other assets. Charges against other assets relates to the contractual termination benefits cost recognized in 2005 which reduced the accrued benefit plan asset.