
Empire Company Limited
Unaudited Consolidated Financial Statements
August 6, 2011

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Empire Company Limited
Consolidated Balance Sheets

As At	August 6	May 7	July 31	May 2
Unaudited (in millions of Canadian dollars)	2011	2011⁽¹⁾	2010⁽¹⁾	2010⁽¹⁾
ASSETS				
Current				
Cash and cash equivalents	\$ 637.7	\$ 615.9	\$ 493.1	\$ 397.3
Receivables	336.7	346.6	346.3	336.0
Inventories (Note 4)	835.6	823.0	805.1	789.8
Prepaid expenses	77.7	69.6	54.4	64.4
Loans and other receivables	54.1	52.4	59.3	74.5
Income taxes receivable	35.8	27.4	32.0	14.3
Assets held for sale	33.4	59.4	96.7	36.5
	2,011.0	1,994.3	1,886.9	1,712.8
Loans and other receivables	85.0	71.7	84.0	85.0
Investments	14.0	14.3	10.7	10.9
Investments, at equity (Note 5)	219.2	212.1	221.2	224.4
Other assets	59.5	55.3	43.1	41.6
Property and equipment	2,406.2	2,398.1	2,240.1	2,315.2
Investment property	70.5	73.8	88.9	90.6
Intangibles	444.0	449.2	451.2	450.2
Goodwill	1,182.3	1,178.4	1,173.6	1,172.6
Deferred tax assets	30.7	29.8	31.5	31.9
	\$ 6,522.4	\$ 6,477.0	\$ 6,231.2	\$ 6,135.2
LIABILITIES				
Current				
Bank indebtedness	\$ 5.0	\$ -	\$ 21.1	\$ 4.1
Accounts payable and accrued liabilities	1,662.0	1,623.2	1,549.8	1,572.4
Income taxes payable	16.5	27.8	13.8	33.2
Provisions (Note 6)	26.8	29.9	28.7	28.6
Long-term debt due within one year (Note 7)	240.1	49.4	78.9	378.8
Derivative financial liabilities	-	-	-	2.1
Liabilities relating to assets held for sale	-	12.7	-	-
	1,950.4	1,743.0	1,692.3	2,019.2
Provisions (Note 6)	41.2	34.3	18.4	19.7
Long-term debt (Note 7)	855.3	1,090.3	1,161.6	821.6
Other long-term liabilities	158.0	138.3	155.4	135.1
Employee future benefits obligation	128.4	122.3	139.6	133.2
Derivative financial liabilities	8.6	9.6	15.8	15.0
Deferred tax liabilities	122.6	135.4	110.9	118.4
	3,264.5	3,273.2	3,294.0	3,262.2
SHAREHOLDERS' EQUITY				
Capital stock	323.4	323.4	328.0	328.0
Contributed surplus	5.0	4.7	3.6	3.2
Retained earnings	2,911.1	2,858.0	2,594.3	2,533.4
Accumulated other comprehensive loss	(17.3)	(18.1)	(23.5)	(25.8)
	3,222.2	3,168.0	2,902.4	2,838.8
Minority interest	35.7	35.8	34.8	34.2
	3,257.9	3,203.8	2,937.2	2,873.0
	\$ 6,522.4	\$ 6,477.0	\$ 6,231.2	\$ 6,135.2

See accompanying notes to the unaudited, interim consolidated financial statements.

On Behalf of the Board



Director



Director

⁽¹⁾ In preparing its fiscal 2011 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). See Note 18 to these unaudited, interim consolidated financial statements for an explanation of the transition to International Financial Reporting Standards ("IFRS").

Empire Company Limited
Consolidated Statements of Earnings
13 Weeks Ended
Unaudited (in millions of Canadian dollars)

	August 6 2011	July 31 2010⁽¹⁾
Sales	\$ 4,154.2	\$ 4,025.9
Other income	6.7	2.5
Operating expenses		
Cost of sales	3,127.5	3,029.5
Selling and administrative expenses	895.0	866.3
	138.4	132.6
Investment income		
Dividend and interest income	0.3	0.2
Share of earnings from investments, at equity	11.7	15.7
Operating income	150.4	148.5
Finance costs, net (Note 8)	16.6	21.0
Capital losses and other items (Note 9)	1.5	-
Earnings before income taxes	132.3	127.5
Income taxes	35.7	36.9
Net earnings	\$ 96.6	\$ 90.6
Earnings for the period attributable to:		
Minority interest	\$ 7.4	\$ 4.3
Owners of the parent	89.2	86.3
	\$ 96.6	\$ 90.6
Earnings per share (Note 10)		
Basic	\$ 1.31	\$ 1.26
Diluted	\$ 1.31	\$ 1.26
Weighted average number of common shares outstanding, in millions		
Basic	67.9	68.5
Diluted	68.0	68.5

See accompanying notes to the unaudited, interim consolidated financial statements.

⁽¹⁾ In preparing its fiscal 2011 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. See Note 18 to these unaudited, interim consolidated financial statements for an explanation of the transition to IFRS.

Empire Company Limited
Consolidated Statements of Comprehensive Income
13 Weeks Ended
Unaudited (in millions of Canadian dollars)

	August 6 2011	July 31 2010⁽¹⁾
Net earnings	\$ 96.6	\$ 90.6
Other comprehensive income		
Unrealized losses on derivatives designated as cash flow hedges (net of income taxes of \$0.2 for the 13 weeks to date (July 31, 2010 - \$0.2))	(0.4)	(0.6)
Reclassification of losses on derivative instruments designated as cash flow hedges to earnings (net of income taxes of \$(0.6) for the 13 weeks to date (July 31, 2010 - \$(0.7)))	1.3	1.5
Unrealized losses on available for sale financial assets (net of income taxes of \$0.1 for the 13 weeks to date (July 31, 2010 - \$ nil))	(0.3)	(0.2)
Actuarial losses on defined benefit plans (net of income taxes of \$7.2 for the 13 weeks to date (July 31, 2010 - \$4.0))	(20.8)	(11.7)
Share of other comprehensive income of investments, at equity (net of income taxes of \$(0.1) for the 13 weeks to date (July 31, 2010 - \$(0.2)))	0.3	0.8
Exchange differences on translation of foreign operations	(0.1)	0.8
Total comprehensive income	<u>\$ 76.6</u>	<u>\$ 81.2</u>
Total comprehensive income for the period attributable to:		
Minority interest	\$ 7.4	\$ 4.3
Owners of the parent	<u>69.2</u>	<u>76.9</u>
	<u>\$ 76.6</u>	<u>\$ 81.2</u>

See accompanying notes to the unaudited, interim consolidated financial statements.

⁽¹⁾ In preparing its fiscal 2011 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. See Note 18 to these unaudited, interim consolidated financial statements for an explanation of the transition to IFRS.

Empire Company Limited Consolidated Statements of Changes in Shareholders' Equity Unaudited (in millions of Canadian dollars)	Accumulated Other Comprehensive Loss						
	Capital Stock	Contributed Surplus	Retained Earnings	Total Attributable to Parent	Minority Interest	Total Equity	
Balance at May 2, 2010⁽¹⁾	\$ 328.0	\$ 3.2	\$ (25.8)	\$ 2,533.4	\$ 2,838.8	\$ 34.2	\$2,873.0
Dividends	-	-	(13.7)	(13.7)	-	-	(13.7)
Employee share options	-	0.4	-	-	0.4	-	0.4
Capital transactions with special purpose entities	-	-	-	-	-	(3.7)	(3.7)
Transactions with owners	-	0.4	(13.7)	(13.3)	(3.7)	-	(17.0)
Net earnings	-	-	86.3	86.3	4.3	-	90.6
Other comprehensive income							
Unrealized losses on derivatives designated as cash flow hedges	-	-	(0.6)	-	(0.6)	-	(0.6)
Reclassification of losses on derivative instruments designated as cash flow hedges to earnings	-	-	1.5	1.5	-	-	1.5
Unrealized losses on available for sale financial assets	-	-	(0.2)	(0.2)	-	-	(0.2)
Actuarial loss on defined benefit plans	-	-	(11.7)	(11.7)	-	-	(11.7)
Share of other comprehensive income of investments, at equity	-	-	0.8	0.8	-	-	0.8
Exchange differences on translation of foreign operations	-	-	0.8	0.8	-	-	0.8
Total comprehensive income for the period	-	-	74.6	76.9	4.3	-	81.2
Balance at July 31, 2010⁽¹⁾	\$ 328.0	\$ 3.6	\$ (23.5)	\$ 2,594.3	\$ 2,902.4	\$ 34.8	\$2,937.2
Dividends	-	-	(40.8)	(40.8)	-	-	(40.8)
Employee share options	0.1	1.1	-	1.2	-	-	1.2
Redemption of capital stock	(4.7)	-	(23.0)	(27.7)	-	-	(27.7)
Capital transactions with special purpose entities	-	-	-	-	(3.7)	-	(3.7)
Transactions with owners	(4.6)	1.1	(63.8)	(67.3)	(3.7)	-	(71.0)
Net earnings	-	-	314.3	314.3	4.7	-	319.0
Other comprehensive income							
Unrealized gains on derivatives designated as cash flow hedges	-	-	0.9	0.9	-	-	0.9
Reclassification of losses on derivative instruments designated as cash flow hedges to earnings	-	-	4.0	4.0	-	-	4.0
Unrealized gains on available for sale financial assets	-	-	1.2	1.2	-	-	1.2
Actuarial gain on defined benefit plans	-	-	13.2	13.2	-	-	13.2
Share of other comprehensive income of investments, at equity	-	-	1.7	1.7	-	-	1.7
Exchange differences on translation of foreign operations	-	-	(2.4)	(2.4)	-	-	(2.4)
Total comprehensive income for the period	-	-	327.5	332.9	4.7	-	337.6
Balance at May 7, 2011⁽¹⁾	\$ 323.4	\$ 4.7	\$ (18.1)	\$ 2,858.0	\$ 3,168.0	\$ 35.8	\$3,203.8

See accompanying notes to the unaudited, interim consolidated financial statements.

⁽¹⁾ In preparing its fiscal 2011 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. See Note 18 to these unaudited, interim consolidated financial statements for an explanation of the transition to IFRS.

Empire Company Limited Consolidated Statements of Changes in Shareholders' Equity Unaudited (in millions of Canadian dollars)	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Total Attributable to Parent	Minority Interest	Total Equity
Balance at May 7, 2011⁽¹⁾	\$ 323.4	\$ 4.7	\$ (18.1)	\$ 2,858.0	\$ 3,168.0	\$ 35.8	\$3,203.8
Dividends	-	-	-	(15.3)	(15.3)	-	(15.3)
Employee share options	-	0.3	-	-	0.3	-	0.3
Capital transactions with special purpose entities	-	-	-	-	-	(7.5)	(7.5)
Transactions with owners	-	0.3	-	(15.3)	(15.0)	(7.5)	(22.5)
Net earnings	-	-	-	89.2	89.2	7.4	96.6
Other comprehensive income							
Unrealized losses on derivatives designated as cash flow hedges	-	-	(0.4)	-	(0.4)	-	(0.4)
Reclassification of losses on derivative instruments designated as cash flow hedges to earnings	-	-	1.3	-	1.3	-	1.3
Unrealized losses on available for sale financial assets	-	-	(0.3)	-	(0.3)	-	(0.3)
Actuarial loss on defined benefit plans	-	-	-	(20.8)	(20.8)	-	(20.8)
Share of other comprehensive income of investments, at equity	-	-	0.3	-	0.3	-	0.3
Exchange differences on translation of foreign operations	-	-	(0.1)	-	(0.1)	-	(0.1)
Total comprehensive income for the period	-	-	0.8	68.4	69.2	7.4	76.6
Balance at August 6, 2011	\$ 323.4	\$ 5.0	\$ (17.3)	\$ 2,911.1	\$ 3,222.2	\$ 35.7	\$3,257.9

See accompanying notes to the unaudited, interim consolidated financial statements.

⁽¹⁾ In preparing its fiscal 2011 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. See Note 18 to these unaudited, interim consolidated financial statements for an explanation of the transition to IFRS.

Empire Company Limited
Consolidated Statements of Cash Flows
13 Weeks Ended
Unaudited (in millions of Canadian dollars)

	August 6 2011	July 31 2010 ⁽¹⁾
Operations		
Net earnings	\$ 96.6	\$ 90.6
Non-cash and other cash items (Note 11)	154.3	172.8
Net change in non-cash working capital	6.3	(71.7)
Income taxes paid	(62.0)	(77.8)
Cash flows from operating activities	<u>195.2</u>	<u>113.9</u>
Investment		
Net increase in investments	(1.7)	(0.1)
Property, equipment and investment property purchases	(108.7)	(80.3)
Proceeds on disposal of property, equipment and investment property	52.0	25.4
Additions to intangibles	(4.0)	(9.7)
Loans and other receivables	(15.0)	16.2
(Increase) decrease in other assets	(7.3)	1.8
Business acquisitions (Note 13)	(6.4)	(4.6)
Interest received	4.6	4.1
Decrease in minority interest	(7.5)	(3.7)
Cash flows used in investing activities	<u>(94.0)</u>	<u>(50.9)</u>
Financing		
Increase in bank indebtedness	5.0	17.0
Issue of long-term debt	15.0	159.3
Repayment of long-term debt	(72.6)	(118.4)
Interest paid	(11.5)	(11.4)
Dividends paid, common shares	(15.3)	(13.7)
Cash flows (used in) from financing activities	<u>(79.4)</u>	<u>32.8</u>
Increase in cash and cash equivalents	21.8	95.8
Cash and cash equivalents, beginning of period	<u>615.9</u>	<u>397.3</u>
Cash and cash equivalents, end of period	<u>\$ 637.7</u>	<u>\$ 493.1</u>

See accompanying notes to the unaudited, interim consolidated financial statements.

⁽¹⁾ In preparing its fiscal 2011 comparative information, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. See Note 18 to these unaudited, interim consolidated financial statements for an explanation of the transition to IFRS.

1. Reporting entity

Empire Company Limited ("Empire" or the "Company") is a diversified Canadian company whose key businesses include food retailing and corporate investment activities. The Company is incorporated in Canada and the address of its registered office of business is 115 King Street, Stellarton, Nova Scotia, B0K 1S0, Canada. The unaudited, interim consolidated financial statements for the period ended August 6, 2011 include the accounts of Empire, all subsidiary companies, including 100 percent owned Sobeys Inc. ("Sobeys"), and certain enterprises considered special purpose entities ("SPEs"), where control is achieved on a basis other than through ownership of a majority of voting rights. Investments in which the Company has significant influence and investments in significant joint ventures are accounted for using the equity method. The Company's fiscal year ends on the first Saturday in May. As a result, the fiscal year is usually 52 weeks but results in a duration of 53 weeks every five to six years.

2. Basis of preparation

Presentation of financial statements

These unaudited, interim consolidated financial statements have been prepared on the basis of IFRS in effect or available for early adoption at the Company's first IFRS annual reporting date, May 5, 2012. Standards that will be effective or available for voluntary early adoption in the annual financial statements for the year ended May 5, 2012 are subject to change and to the issue of additional interpretations, and therefore cannot be determined with certainty. Accordingly, assumptions have been made about the accounting policies expected to be adopted when the first annual IFRS financial statements are prepared at May 5, 2012.

The preparation of these unaudited, interim consolidated financial statements in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting", resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared previously under Canadian GAAP for the year ended May 7, 2011. The significant accounting policies set out below have been applied consistently throughout the Company and to all periods presented in these unaudited, interim consolidated financial statements. These unaudited, interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the 53 weeks ended May 7, 2011. Consideration of the transition to IFRS and selected annual disclosures as detailed in Notes 18 and 19 of these interim financial statements should also be made.

Statement of compliance

These unaudited, interim consolidated financial statements have been prepared in accordance with IAS 34. Accordingly, certain information and note disclosures normally included in annual consolidated financial statements have been omitted or condensed. These unaudited, interim consolidated financial statements have been prepared adopting IFRS 1, "First-time Adoption of International Financial Reporting Standards", as the interim period presented is part of the first fiscal year ending May 5, 2012 for which the Company will issue IFRS financial statements.

An explanation of how the transition to IFRS has affected the Company's reported consolidated balance sheets, consolidated statements of earnings, consolidated statements of comprehensive income and consolidated statements of cash flows is provided in Note 18.

The unaudited, interim consolidated financial statements were authorized for issue by the Board of Directors on September 14, 2011.

3. Summary of significant accounting policies

(a) Basis of consolidation

The financial statements for the Company consolidate those of the parent company, Empire, and all of its subsidiary undertakings drawn up to the reporting date. Subsidiaries, including SPEs, are all entities over which the Company has the power to control the financial and operating policies so as to benefit from its activities. All subsidiaries have a reporting date within five weeks of the Company's reporting date. Where necessary, adjustments have been made to reflect transactions between the reporting dates of the Company and its subsidiaries.

All intercompany transactions, balances, income, and expenses are eliminated in preparing the consolidated financial statements.

Earnings or losses and other comprehensive income of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Minority interest represents the portion of a subsidiary's earnings and losses and net assets that is not held by the Company. If losses in a subsidiary applicable to a minority interest exceed the minority interest in the subsidiary's equity, the excess is allocated to the minority interest except to the extent that the majority has a binding obligation and is able to cover the losses.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, except the following assets and liabilities which are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through profit and loss, customer loyalty and financial instruments classified as available for sale. Certain property, equipment, and investment properties were restated to their fair value at May 2, 2010 when the Company elected to use fair value as deemed cost for certain assets as permitted by IFRS 1.

(c) Use of estimates and judgments

The preparation of consolidated financial statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Certain of these estimates require subjective or complex judgments by management that may be uncertain. Some of these items include the valuation of inventories, goodwill, valuation of asset-backed commercial paper, provisions, impairments, employee future benefits, stock-based compensation, loyalty programs, useful lives of property and equipment and intangibles for purposes of depreciation and amortization and income taxes. Changes to these estimates could materially impact the financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from these estimates.

(d) Business combinations

Business combinations are accounted for by applying the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. The acquiree's identifiable assets, liabilities, and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations", are recognized at their fair value at the acquisition date, except for: (i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements which are recognized and measured in accordance with IAS 12, "Income Taxes", and IAS 19, "Employee Benefits", respectively; and (ii) assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", which are measured and recognized at fair value less costs to sell. Goodwill arising on acquisition is recognized as an asset and represents the excess of acquisition cost over the fair value of the identifiable net assets of the acquiree at the date of the acquisition. Any excess of identifiable net assets over the acquisition cost is recognized in net earnings or losses immediately after acquisition. Transaction costs related to the acquisition are expensed as they are incurred.

In measuring the fair value of an acquiree's assets and liabilities management uses estimates about future cash flows and discount rates. Any measurement changes upon initial recognition would affect the measurement of goodwill, except for deferred taxes.

(e) Foreign currency translation

Assets and liabilities of foreign operations are translated at exchange rates in effect at the balance sheet date. The revenues and expenses are translated at average exchange rates for the period. Cumulative gains and losses on translation are shown in accumulated other comprehensive income or loss.

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign currency exchange rate in effect at each period end date. Exchange gains or losses arising from the translation of these balances denominated in foreign currencies are recognized in finance costs, net. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average foreign currency exchange rate for the period.

(f) Cash and cash equivalents

Cash and cash equivalents are defined as cash, treasury bills and guaranteed investments with a maturity less than 90 days at date of acquisition.

(g) Inventories

Warehouse inventories are valued at the lower of cost and net realizable value with cost being determined on a weighted average cost basis. Retail inventories are valued at the lower of cost and net realizable value. Cost is determined using a weighted average cost using either the standard cost method or retail method. The retail method uses the anticipated selling price less normal profit margins, on a weighted average cost basis. The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present location and condition, such as freight. The cost is reduced by the value of rebates and allowances received from vendors. The Company estimates net realizable value as the amount that inventories are expected to be sold taking into consideration fluctuations of retail price due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or permanent declines in selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in retail selling price, the amount of the write-down previously recorded is reversed. Costs that do not contribute to bringing inventories to their present location and condition, such as storage and administrative overheads, are specifically excluded from the cost of inventories and are expensed in the period incurred (Note 4).

(h) Income taxes

Tax expense recognized in net earnings or loss comprises the sum of deferred income tax and current income tax not recognized in other comprehensive income.

Current income tax assets and liabilities are comprised of obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable earnings, which differs from net earnings or loss in the consolidated financial statements. The calculation of current income tax is based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred income taxes are calculated using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities and their related tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. The deferred tax assets and liabilities have been measured using substantively enacted tax rates that will be in effect when the amounts are expected to settle. Deferred tax assets are only recognized to the extent that it is probable that they will be able to be utilized against future taxable income. The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be used without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of income or expense in net earnings or loss, except where they relate to items that are recognized in other comprehensive income (such as the unrealized gains and losses on cash flow hedges) or directly in equity.

(i) Assets held for sale

Certain land and buildings have been listed for sale and reclassified as assets held for sale on the consolidated balance sheets. These assets are expected to be sold within a twelve month period and are no longer productive assets with no intent to develop them for future use. Assets held for sale are valued at the lower of cost and fair value less cost of disposal. Liabilities assumed upon sale of assets or debts to be repaid as part of a sale transaction are also classified as liabilities relating to assets held for sale.

(j) Investments in associates

Associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to the purchase method as explained above. However, any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investments in associates.

All subsequent changes to the Company's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the earnings or losses generated by the associate are reported within share of earnings from investments, at equity on the Company's consolidated statements of earnings. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities.

Changes resulting from earnings of the associate or items recognized directly in the associate's equity are recognized in earnings or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports earnings, the Company resumes recognizing its share of those earnings only after its share of the earnings exceeds the accumulated share of losses that had previously not been recognized.

Unrealized gains and losses on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment losses from a Company perspective.

(k) Investments in joint ventures

The Company undertakes a number of business activities through joint ventures. Joint ventures are established through contractual arrangements that require the unanimous consent of each of the venturers regarding the strategic, financial and operating policies of the venture (joint control).

The Company's joint ventures are of two types:

Jointly controlled entities

A jointly controlled entity is a corporation, partnership or other entity in which each participant holds an interest. A jointly controlled entity operates in the same way as other entities, controlling the assets of the joint venture, earning its own earnings and incurring its own liabilities and expenses.

Interests in jointly controlled entities are accounted for using the equity method. Under the equity method, the investment in a jointly controlled entity is carried in the consolidated balance sheets at cost, plus post-acquisition changes in the Company's share of net assets of the jointly controlled entity, less distributions received and less any impairment in value of the investment. The share of jointly controlled entities' results is recognized in the Company's consolidated financial statements from the date that joint control commences until the date at which it ceases.

Jointly controlled assets and operations

The Company has certain contractual arrangements with other participants to engage in joint activities that do not give rise to a jointly controlled entity. These arrangements involve the joint ownership of assets dedicated to the purposes of each venture but do not create a jointly controlled entity as the venturers directly derive the benefits of operation of their jointly owned assets, rather than deriving returns from an interest in a separate entity.

Interests in jointly controlled assets and operations are accounted for using the proportionate consolidation method, whereby the Company's proportionate interest in the assets, liabilities, revenues, and expenses of jointly controlled entities are recognized within each applicable line item of the consolidated financial statements. All such amounts are measured in accordance with the terms of each arrangement, which are usually in proportion to the Company's interest in the jointly controlled assets.

Unrealized gains and losses on transactions between the Company and joint ventures are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment losses from a Company perspective.

(l) Financial instruments

The Company is required to initially recognize all of its financial assets and liabilities, including derivatives and embedded derivatives in certain contracts, at fair value. Loans and receivables, held to maturity financial assets and other financial liabilities are subsequently measured at cost or amortized cost. Derivatives and non-financial derivatives must be recorded at fair value on the consolidated balance sheets unless they are exempt from derivative treatment based upon expected purchase, sale or usage requirements.

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The Company classifies financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purpose of ongoing measurements. Classification choices for financial assets include: a) fair value through profit and loss ("FVTPL") - measured at fair value with changes in fair value recorded in net earnings; b) held to maturity - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is derecognized or impaired; c) available for sale - measured at fair value with changes in fair value recognized in other comprehensive income for the current period until realized through disposal or impairment; and d) loans and receivables - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired. Classification choices for financial liabilities include: a) FVTPL - measured at fair value with changes in fair value recorded in net earnings and b) other - measured at amortized cost with gains and losses recognized in net earnings in the period that the liability is derecognized. Any financial asset or liability can be classified as FVTPL as long as its fair value is reliably determinable.

The Company's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	FVTPL	Fair value
Receivables	Loans and receivables	Amortized cost
Loans and other receivables	Loans and receivables	Amortized cost
Investments	Available for sale	Fair value
Derivative financial assets and liabilities	FVTPL	Fair value
Non-derivative other assets and liabilities	FVTPL	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

Transaction costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are added to the fair value of the financial asset or financial liability on initial recognition and amortized using the effective interest method.

Fair value measurements are classified within a hierarchy that prioritizes the inputs to fair value measurement. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are: level 1 - inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities; level 2 - inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; or level 3 - inputs that are not based on observable market data. Inputs into the determination of the fair value require significant management judgment or estimation.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Changes to valuation methods may result in transfers into or out of an investment's assigned level.

(m) Hedges

The Company has cash flow hedges which are used to manage exposure to fluctuations in foreign currency exchange, and variable interest rates. For cash flow hedges, the effective portion of the change in fair value of the hedging item is recorded in other comprehensive income. To the extent the change in fair value of the derivative is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded immediately in net earnings. Amounts accumulated in other comprehensive income are reclassified to net earnings when the hedged item is recognized in net earnings. When a hedging instrument in a cash flow hedge expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in accumulated other comprehensive income relating to the hedge is carried forward until the hedged item is recognized in net earnings. When the hedged item ceases to exist as a result of its expiry or sale, or if an anticipated transaction is no longer expected to occur, the cumulative gain or loss in accumulated other comprehensive income is immediately reclassified to net earnings.

Financial derivatives assigned as part of a cash flow hedging relationship are classified as either an other asset or derivative financial liability as required based on their fair value determination.

Significant derivatives include the following:

(1) Foreign currency forward contracts for the primary purpose of limiting exposure to exchange rate fluctuations relating to expenditures denominated in foreign currencies. These contracts are designated as hedging instruments for accounting purposes. Accordingly, the effective portion of the change in the fair value of the forward contracts are accumulated in other comprehensive income until the variability in cash flows being hedged is recognized in earnings in future accounting periods.

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(2) Interest rate swaps designated as cash flow hedges to manage variable interest rates associated with some of the Company's debt portfolio. Hedge accounting treatment results in interest expense on the related debt being reflected at hedged rates rather than variable interest rates. Accordingly, the effective portion of the change in the fair value of the forward contracts are accumulated in other comprehensive income until the variability in cash flows being hedged is recognized in earnings in future accounting periods.

(n) Property and equipment

Owner-occupied land, buildings, equipment, leasehold improvements, and assets under construction are carried at acquisition cost less accumulated depreciation and impairment losses.

Buildings that are leasehold property are also included in property and equipment if they are held under a finance lease. Such assets are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, if shorter.

Depreciation on real estate buildings is calculated using the straight-line method with reference to each property's book value, its estimated useful life (not exceeding 40 years), and its residual value. Deferred leasing costs are amortized over the terms of the related leases.

When significant parts of property and equipment have different useful lives, they are accounted for as separate components. Depreciation is recorded on a straight-line basis from the time the asset is available or when assets under construction become available for use over the estimated useful lives of the assets as follows:

Buildings	10 - 40 years
Equipment	3 - 20 years
Leasehold improvements	Lesser of lease term and 7 - 20 years

Depreciation has been included within selling and administrative expenses in the consolidated statements of earnings. Material residual value estimates and estimates of useful life are reviewed and updated as required, or annually at a minimum.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in net earnings within other income. If the sale is to a Company's investment, at equity, a portion of the gain would reduce the carrying value of the investment.

The Company follows the full cost method of accounting for its exploration and development of petroleum and natural gas reserves. Costs initially capitalized are depleted and depreciated using the unit-of-production method based on production volumes, before royalties, in relation to the Company's share of estimated proved petroleum and natural gas reserves. Depletion related to exploration and development of petroleum and natural gas reserves has been included within cost of sales.

(o) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model. The depreciation policies for investment property are consistent with those described for property and equipment.

Any gain or loss arising from the sale of an investment property is immediately recognized in net earnings or loss, unless the sale is to an investment, at equity in which a portion of the gain would reduce the carrying value of the Company's investment. Rental income and operating expenses from investment property are reported within sales and selling and administrative expenses, respectively, in the consolidated statements of earnings.

(p) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

(ii) The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation in long-term debt.

Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in net earnings or loss immediately. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Lease allowances and incentives are recognized as other long-term liabilities. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis over the term of the lease.

Real estate lease expense is amortized on a straight-line basis over the entire term of the lease.

(iii) Sale leaseback transactions

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. If a sale and leaseback transaction results in a finance lease for the Company, any excess of sales proceeds over the carrying amount is recognized as deferred revenue and amortized over the term of the new lease. Any profit or loss in a sale and leaseback transaction resulting in an operating lease that is transacted at fair value is recognized immediately. If the sale price is above fair value, the excess over fair value is deferred and amortized over the term of the new lease.

(q) Intangibles

Intangibles arise on the purchase of a new business, existing franchises, software, and the acquisition of pharmacy prescription files. They are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, as these assets are considered finite. Useful lives are reviewed annually and are subject to impairment testing. The following useful lives are applied:

Brand names	10 years
Deferred purchase agreements	5 - 10 years
Franchise rights/agreements	10 years
Lease rights	5 - 10 years
Patient files	15 years
Software	3 - 7 years
Other	5 - 10 years

Amortization has been included within selling and administrative expenses in the consolidated statements of earnings. Any subsequent expenditures made by the Company on brand names are expensed as incurred. Intangibles with indefinite useful lives are not amortized.

(r) Goodwill

Goodwill represents the excess of the purchase price of the business acquired over the fair value of the underlying net tangible and intangible assets acquired at the date of acquisition.

(s) Impairment of non-financial assets

Goodwill and intangibles with indefinite useful lives are reviewed for impairment at least annually by assessing the recoverable amount of each cash generating unit or groups of cash generating units to which the goodwill or the indefinite life intangible relates. The recoverable amount is the higher of fair value less costs to sell and value in use. When the recoverable amount of the cash generating units is less than the carrying amount an impairment loss is recognized immediately as selling and administrative expenses. Impairment losses related to goodwill and indefinite life intangibles cannot be reversed.

Long-lived tangible and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit(s) to which the asset belongs. The Company has primarily determined a cash generating unit to be an individual operation or operating unit. When the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount (or cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized as selling and administrative expenses immediately in net earnings or loss.

Where an impairment loss subsequently reverses, other than related to goodwill, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate, but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior years. A reversal of impairment loss is recognized immediately in net earnings or loss.

In the process of measuring expected future cash flows, management makes assumptions about future growth of profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets in the subsequent financial years.

(t) Customer loyalty programs

A Club Sobeys loyalty card program (the "Program") was launched during fiscal 2009. The Program allows members to earn points on their purchases in certain Sobeys stores. As well, a Club Sobeys credit card entitles the customer to earn points for their purchases on the credit card. Members can redeem these points, in accordance with the Program rewards schedule, for discounts on future grocery purchases, purchase products or services, or elect to convert the points into Aeroplan miles which is a loyalty program run by a third party. During fiscal 2010, a loyalty card program, Club Thrifty Foods, was launched. It follows a similar point earning and redemption structure as the Club Sobeys loyalty card program. The fair value of loyalty points awarded is deferred until the awards are redeemed after adjustment for the number of points expected never to be redeemed based on the expected future activity. Fair value is determined by reference to the value for which the points can be redeemed. The program deferred revenue is included in accounts payable and accrued liabilities on the Company's consolidated balance sheets.

An AIR MILES[®] loyalty program is also used by the Company. AIR MILES[®] are earned by certain Sobeys customers based on purchases in stores. The Company pays a per point fee under the terms of the agreement with AIR MILES[®].

(u) Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, for which it is probable that a transfer of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability, if material. Where discounting is used, the increase in the provision due to passage of time ("unwinding of the discount") is recognized within finance costs in the consolidated statements of earnings.

(v) Borrowing costs

Borrowing costs primarily comprise interest on the Company's debts. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a component of the cost of the asset to which it is related. All other borrowing costs are expensed in the period in which they are incurred and are reported within finance costs.

(w) Deferred revenue

Deferred revenue consists of long-term supplier purchase agreements, rental revenue arising from the sale of subsidiaries, and gains on sale leaseback transactions relating to certain finance leases. Deferred revenue is included in other long-term liabilities and is taken into income on a straight-line basis over the term of the related agreements.

(x) Guarantees

Obligations undertaken through issuance of a guarantee are recognized at fair value at inception and are subsequently re-measured at the higher of the amount determined in accordance with IAS 37, "Provisions", or the amount initially recognized less cumulative amortization recognized in accordance with IAS 18, "Revenue".

(y) Employee benefits

(i) Short-term employment benefits

Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses. Short-term employee benefits are measured on an undiscounted basis and are recorded as selling and administration expenses as the related service is provided.

(ii) Post-employment benefits

The cost of the Company's pension benefits for defined contribution plans are expensed at the time active employees are compensated. The cost of defined benefit pension plans and other benefit plans is accrued based on actuarial valuations, which are determined using the projected unit credit method pro-rated on service and management's best estimate of the expected long-term rate of return on plan assets, salary escalation, retirement ages, and expected growth rate of health care costs.

Current market values are used to value benefit plan assets. The obligation related to employee future benefits is measured using current market interest rates, assuming a portfolio of Corporate AA bonds with terms to maturity that, on average, match the terms of the obligation.

The impact of plan amendments is recognized as an expense and amortized on a straight-line basis over the average period until the benefits are vested. To the extent that increases in the obligation related to past service have vested immediately following the changes in the original plan, the Company recognizes past service cost immediately.

In measuring its defined benefit liability the Company will recognize all of its actuarial gains and losses immediately into other comprehensive income.

(iii) Termination benefits

When the Company has committed to a formalized plan to either terminate employment prior to normal retirement or to provide termination benefits as a result of offers made from the rationalization of business processes, termination benefits are recognized as an expense.

(z) Revenue recognition

Sales are recognized at the point-of-sale. Sales include revenues from customers through corporate stores and theatres operated by the Company and consolidated SPEs, and revenue from sales to non-SPE franchised stores, affiliated stores and independent accounts. Revenue received from non-SPE franchised stores, affiliated stores and independent accounts is mainly derived from the sale of product. The Company also collects franchise fees under two types of arrangements. Franchise fees contractually due based on the dollar value of product shipped are recorded as revenue when the product is shipped. Franchise fees contractually due based on the franchisee's retail sales are recorded as revenue weekly upon invoicing based on the franchisee's retail sales.

(aa) Vendor allowances

The Company receives allowances from certain vendors whose products are purchased for resale. Included in these vendor programs are allowances for volume purchases, exclusivity allowances, listing fees, and other allowances. The Company recognizes these allowances as a reduction of cost of sales and related inventories. Certain allowances are contingent on the Company achieving minimum purchase levels and these allowances are recognized when it is probable that the minimum purchase level will be met, and the amount of allowance can be estimated.

(bb) Interest and dividend income

Interest income and expenses are reported on an accrual basis using the effective interest method. Dividend income is recognized when the right to receive payment has been established.

(cc) Earnings per share

Basic earnings per share is calculated by dividing the earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding for the dilutive effect of employee stock options.

(dd) Stock-based compensation

The Company operates equity settled stock-based compensation plans for its employees.

All goods and services received in exchange for the grant of any stock-based payments are measured at their fair values. Where employees are rewarded using stock-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets and performance conditions).

(ee) Future accounting policies

(i) Financial instruments

In November 2009, the International Accounting Standards Board ("IASB") issued IFRS 9, "Financial Instruments", which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement". The replacement is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

(ii) Financial instruments: disclosures

In October 2010, the IASB issued amendments to IFRS 7, "Financial instruments: disclosures", which require increased disclosure for transactions involving the transfer of financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011.

(iii) Deferred tax: recovery of underlying assets

In December 2010, the IASB issued amendments to IAS 12 which introduce an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2012.

(iv) Consolidated financial statements

In May 2011, the IASB issued IFRS 10, "Consolidated Financial Statements", which establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The objective of IFRS 10 is to define principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. It replaces portions of IAS 27, "Consolidated and Separate Financial Statements", and supersedes Standing Interpretations Committee ("SIC") 12, "Consolidation - Special Purpose Entities", completely and is effective for annual periods beginning on or after January 1, 2013.

(v) Joint Arrangements

In May 2011, the IASB issued IFRS 11, "Joint Arrangements", which establishes principles for financial reporting by entities that have an interest in a joint arrangement. IFRS 11 supersedes IAS 31, "Interest in Joint Ventures", and SIC 13, "Jointly Controlled Entities - Non Monetary Contributions by Venturers". Through an assessment of the rights and obligations in an arrangement, the IFRS establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements that are jointly controlled and is effective for annual periods beginning on or after January 1, 2013.

(vi) Disclosure of interests in other entities

In May 2011, the IASB issued IFRS 12, "Disclosure of Interests in Other Entities", which outlines disclosure requirements for an entity that has interests in a subsidiary, a joint arrangement, an associate and unconsolidated structured entity. IFRS 12 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interest in other entities and the effects of those interests on its financial position, financial performance and cash flows. It is effective for annual periods beginning on or after January 1, 2013.

(vii) Fair value measurement

In May 2011, the IASB issued IFRS 13, "Fair Value Measurements", which defines fair value, sets out in a single IFRS a framework for measuring fair value and identifies required disclosures about fair value measurements. This IFRS is effective for annual periods beginning on or after January 1, 2013.

(viii) Employee benefits

In June 2011, the IASB issued amendments to IAS 19 which eliminate the option to defer the recognition of actuarial gains and losses, streamline the presentation of changes in assets and liabilities arising from defined benefit plans to be presented in other comprehensive income and enhance disclosure requirements around the characteristics of the defined benefit plans and risks associated with participation in those plans. The amendments are effective for annual periods beginning on or after January 1, 2013.

The Company is currently evaluating the impact of these new standards and amendments on its consolidated financial statements.

4. Inventories

The cost of inventories recognized as an expense during the 13 weeks ended August 6, 2011 was \$3,112.1 (July 31, 2010 - \$3,012.4). The Company has recorded \$14.4 (July 31, 2010 - \$12.6) as an expense for the write-down of inventories below cost to net realizable value for inventories on hand as at August 6, 2011. There were no reversals of inventories written down previously (July 31, 2010 - \$ nil).

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5. Investments, at equity

The carrying values of the investments, at equity are as follows:

	August 6, 2011	July 31, 2010
Wajax Income Fund	\$ -	\$ 32.1
Crombie Real Estate Investment Trust	90.3	80.4
Canadian real estate partnerships	88.1	90.1
U.S. real estate partnerships	33.8	18.6
Canadian Digital Cinema Partnership (Note 13)	7.0	-
Total	\$ 219.2	\$ 221.2

The fair values of the investments based on a stock exchange are as follows:

	August 6, 2011	July 31, 2010
Wajax Income Fund	\$ -	\$ 115.3
Crombie Real Estate Investment Trust	376.1	326.3
Total	\$ 376.1	\$ 441.6

The Canadian and U.S. real estate partnerships and Canadian Digital Cinema Partnership are not publicly listed on a stock exchange and hence published price quotes are not available.

6. Provisions

The provisions carrying amounts are comprised of the following:

August 6, 2011

(13 weeks ended)	Lease Contracts	Legal	Other	Total
Opening balance	\$ 32.9	\$ 7.1	\$ 24.2	\$ 64.2
Provisions made	5.9	0.8	4.0	10.7
Provisions used	(2.2)	(0.9)	(3.5)	(6.6)
Provisions reversed	(0.1)	(0.1)	(0.2)	(0.4)
Change due to discounting	0.1	-	-	0.1
Closing balance	\$ 36.6	\$ 6.9	\$ 24.5	\$ 68.0
Current	\$ 9.4	\$ 6.9	\$ 10.5	\$ 26.8
Non-current	27.2	-	14.0	41.2
	\$ 36.6	\$ 6.9	\$ 24.5	\$ 68.0

May 7, 2011

(53 weeks ended)	Lease Contracts	Legal	Other	Total
Opening balance	\$ 20.9	\$ 10.8	\$ 16.6	\$ 48.3
Provisions made	21.0	3.8	21.4	46.2
Provisions used	(6.1)	(5.8)	(12.7)	(24.6)
Provisions reversed	(3.9)	(1.7)	(1.5)	(7.1)
Change due to discounting	1.0	-	0.4	1.4
Closing balance	\$ 32.9	\$ 7.1	\$ 24.2	\$ 64.2
Current	\$ 9.9	\$ 7.1	\$ 12.9	\$ 29.9
Non-current	23.0	-	11.3	34.3
	\$ 32.9	\$ 7.1	\$ 24.2	\$ 64.2

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July 31, 2010					
(13 weeks ended)					
	Lease Contracts	Legal	Other	Total	
Opening balance	\$ 20.9	\$ 10.8	\$ 16.6	\$	48.3
Provisions made	0.7	0.6	1.6		2.9
Provisions used	(1.4)	(0.2)	(2.1)		(3.7)
Provisions reversed	(0.5)	(0.1)	-		(0.6)
Change due to discounting	0.2	-	-		0.2
Closing balance	\$ 19.9	\$ 11.1	\$ 16.1	\$	47.1
Current	\$ 8.1	\$ 11.1	\$ 9.5	\$	28.7
Non-current	11.8	-	6.6		18.4
	\$ 19.9	\$ 11.1	\$ 16.1	\$	47.1

Lease contracts

Lease contract provisions are recorded when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the obligations under the contract. The Company records onerous contract provisions for closed store and theatre locations where it has entered into a lease contract. The provision is measured at the lower of the expected cost to terminate the lease and the expected net cost of continuing the contract. The net cost is derived by considering both the lease payment and sublease income received. Once the store or theatre is closed, a liability is recorded to reflect the present value of the expected liability associated with any lease contract and other contractually obligated costs. Discounting of provisions resulting from lease contracts has been calculated using pre-tax discount rates ranging between 7 and 9 percent.

Legal costs

Legal provisions relate to claims of \$6.9 that are outstanding as at August 6, 2011 (May 7, 2011 - \$7.1, July 31, 2010 - \$11.1, May 2, 2010 - \$10.8) that arose in the ordinary course of business.

Other costs

In accordance with legal and environmental policy requirements the Company has recorded provisions for locations requiring environmental restoration. These provisions primarily relate to decommissioning liabilities recorded for gas station locations owned by the Company at the net present value of the estimated future remediation costs. Discounting of environmental related provisions has been calculated using pre-tax discount rates ranging between 7 and 9 percent.

The Company continues to complete the rationalization of administration functions and has also begun to incur costs associated with the development of a new distribution centre in Terrebonne, Quebec. These provisions relate mainly to severance costs.

The Company has obligations to provide various forms of support to Crombie Real Estate Investment Trust ("Crombie REIT") pursuant to various agreements between the parties. These amounts are included in other provisions.

7. Long-term debt

On June 1, 2010, Sobeys filed a short form prospectus providing for the issuance of up to \$500.0 of unsecured medium term notes. On June 7, 2010, Sobeys issued new medium term notes of \$150.0, bearing an interest rate of 6.64 percent, maturing on June 7, 2040.

On June 4, 2010, the Company renewed its credit facilities, which were reduced from \$650.0 to \$450.0, maturing on June 30, 2013.

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8. Finance costs, net

Finance income and finance costs are reported on a net basis in the consolidated statements of earnings.

	13 Weeks Ended	
	August 6, 2011	July 31, 2010
Finance income		
Interest income from cash and cash equivalents	\$ 1.4	\$ 0.5
Finance costs		
Interest expense on financial liabilities measured at amortized cost	14.9	17.5
Fair value losses on forward exchange contracts	0.2	0.2
Losses on cash flow hedges reclassified from other comprehensive income	1.9	2.2
Net pension finance costs	1.0	1.6
Total finance costs	18.0	21.5
Finance costs, net	\$ 16.6	\$ 21.0

9. Capital losses and other items

	13 Weeks Ended	
	August 6, 2011	July 31, 2010
Loss on disposal of assets	\$ 1.5	\$ -
Total	\$ 1.5	\$ -

10. Earnings per share

Earnings applicable to common shares are comprised of the following:

	13 Weeks Ended	
	August 6, 2011	July 31, 2010
Operating earnings	\$ 90.1	\$ 86.3
Capital losses and other items (net of income taxes of \$(0.6))	0.9	-
Net earnings	89.2	86.3
Preferred share dividends	-	-
Earnings applicable to common shares	\$ 89.2	\$ 86.3

Earnings per share is comprised of the following:

	13 Weeks Ended	
	August 6, 2011	July 31, 2010
Operating earnings	\$ 1.32	\$ 1.26
Net capital losses and other items	0.01	-
Basic earnings per share	\$ 1.31	\$ 1.26
Operating earnings	\$ 1.32	\$ 1.26
Net capital losses and other items	0.01	-
Diluted earnings per share	\$ 1.31	\$ 1.26

The weighted average number of outstanding shares as at August 6, 2011 used for basic earnings per share amounted to 67,948,510 (July 31, 2010 - 68,458,261) shares.

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The weighted average number of shares for the purpose of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	13 Weeks Ended	
	August 6, 2011	July 31, 2010
Weighted average number of shares used in basic earnings per share	67,948,510	68,458,261
Shares deemed to be issued for no consideration in respect of stock-based payments	75,540	38,284
Weighted average number of shares used in diluted earnings per share	68,024,050	68,496,545

11. Supplementary cash flow information

	13 Weeks Ended	
	August 6, 2011	July 31, 2010
Non-cash items		
Depreciation	\$ 76.1	\$ 72.3
Deferred tax provision	(7.1)	(3.7)
Amortization of intangibles	9.2	8.6
Impairment of non-financial assets	0.3	3.2
Gain on disposal of assets	(5.0)	(2.7)
Amortization of deferred items	0.3	0.3
Equity in earnings of other entities, net of dividends received	3.2	5.1
Employee future benefits obligation	0.8	2.1
Increase in long-term lease obligation	0.4	3.4
Increase (decrease) in long-term provisions	6.9	(1.3)
Stock-based compensation	0.3	0.4
	85.4	87.7
Cash items		
Interest received	(4.6)	(4.1)
Interest paid	11.5	11.4
Income taxes paid	62.0	77.8
	68.9	85.1
Total	\$ 154.3	\$ 172.8

12. Segmented information

The Board of Directors has determined that the primary segmental reporting format is by business segment, based on the Company's management and internal reporting structure. The Company operates principally in two business segments: food retailing and investments and other operations. The food segment consists of distribution of food products in Canada. Inter-segment transactions are carried out at market prices.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Each of these operating segments is managed separately as each of these segments requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices. The measurement policies the Company uses for segment reporting under IFRS 8, "Operating Segments", are the same as those used in its consolidated financial statements.

No asymmetrical allocations have been applied between segments.

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The sales and profit generated by each of the group's business segments are summarized as follows:

	13 Weeks Ended	
	August 6, 2011	July 31, 2010
Segmented sales		
Food retailing	\$ 4,106.1	\$ 3,975.3
Investments and other operations	51.1	51.7
	4,157.2	4,027.0
Elimination of inter-segment	3.0	1.1
Total	\$ 4,154.2	\$ 4,025.9

	13 Weeks Ended	
	August 6, 2011	July 31, 2010
Segmented operating income		
Food retailing	\$ 135.4	\$ 133.3
Investments and other operations		
Wajax Income Fund	-	3.4
Crombie REIT	4.8	4.4
Real estate partnerships	7.5	7.9
Other operations, net of corporate expenses	2.7	(0.5)
	15.0	15.2
Total	\$ 150.4	\$ 148.5

Total assets by segment		
Food retailing	\$ 5,943.2	\$ 5,698.7
Investments and other operations	579.2	532.5
	\$ 6,522.4	\$ 6,231.2

Segment operating income can be reconciled to group profit as follows:

	13 Weeks Ended	
	August 6, 2011	July 31, 2010
Total operating income	\$ 150.4	\$ 148.5
Finance costs, net	16.6	21.0
Capital losses and other items	1.5	-
Total	\$ 132.3	\$ 127.5

The investments and other operations consists of the investments, at equity in Wajax Income Fund, Crombie REIT, real estate partnerships, and various other corporate operations.

13. Business acquisitions and formations

The Company acquired franchisee and non-franchisee stores and prescription files. The results of these acquisitions have been included in the consolidated financial results of the Company since their acquisition dates, and were accounted for through the use of the purchase method. Goodwill recorded on the acquisition relates to the acquired work force and customer base of the existing store location, along with the synergies expected from combining the efforts of the acquired stores with existing stores.

	13 Weeks Ended	
	August 6, 2011	July 31, 2010
Stores		
Inventories	\$ 1.1	\$ 3.5
Property and equipment	1.3	-
Intangibles	0.1	-
Goodwill	3.9	1.0
Other assets	-	0.1
Cash consideration	\$ 6.4	\$ 4.6

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The businesses acquired had sales of \$8.0 and losses of \$0.3 for the 13 weeks ended August 6, 2011.

If these businesses had all been acquired on May 8, 2011, for the 13 weeks ended August 6, 2011 sales for the Company would have been \$5.4 and net loss would have been \$0.5.

Canadian Digital Cinema Partnership

During the 13 weeks ended August 6, 2011, the Company formed Canadian Digital Cinema Partnership ("CDCP"), a joint venture with Cineplex Inc. ("Cineplex"). The costs of implementing digital projection systems in the venturers' theatres will be funded by CDCP, through a separate credit facility, which is non-recourse to the venturers, and the collection of virtual print fees from distributors.

Empire transferred digital projectors valued at \$7.6 in exchange for a 21.8 percent interest in CDCP. Cineplex and Empire each have 50 percent of the voting rights of CDCP. Empire accounts for its investment in CDCP using the equity method.

The digital projection systems leased from CDCP will replace most of Empire's remaining 35 millimeter projection systems and allow Empire to add additional 3D screens to the circuit.

14. Related party transactions

Related party transactions are with Crombie REIT. The Company holds a 45.9 percent ownership interest and accounts for its investment using the equity method.

For the 13 weeks ended August 6, 2011, the Company sold three properties to Crombie REIT for net proceeds of \$32.0, which was fair market value.

15. Contingent liabilities

There are various claims and litigation, which the Company is involved with, arising out of the ordinary course of business operations. The Company's management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty.

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

16. Employee future benefits

During the first quarter of fiscal 2012, the net employee future benefit expense reported in net earnings was \$8.3 (July 31, 2010 - \$8.7). Actuarial losses before taxes on defined benefit pension plans for the 13 weeks ended August 6, 2011 were \$27.9 (July 31, 2010 - \$15.7). These losses have been recognized in other comprehensive income.

17. Stock-based compensation

Deferred share units

Members of the Board of Directors may elect to receive all or any portion of their fees in deferred share units ("DSUs") in lieu of cash. The number of DSUs received is determined by the market value of the Company's Non-Voting Class A shares on each directors' fee payment date. Additional DSUs are received as dividend equivalents. DSUs cannot be redeemed for cash until the holder is no longer a director of the Company. The redemption value of a DSU equals the market value of an Empire Non-Voting Class A share at the time of redemption. On an ongoing basis, the Company values the DSU obligation at the current market value of a corresponding number of Non-Voting Class A shares and records any increase in the DSU obligation as selling and administrative expenses on the consolidated statements of earnings. At August 6, 2011 there were 107,751 (July 31, 2010 - 108,797) DSU's outstanding. During the quarter, the compensation expense was \$0.6 (July 31, 2010 - \$0.6).

Stock option plan

During the first quarter, the Company granted an additional 73,247 options under the stock option plan for employees of the Company whereby options are granted to purchase Non-Voting Class A shares. These options allow holders to purchase Non-Voting Class A shares at \$54.40 per share and expire in June 2019. The options vest over four years. These options have been treated as stock-based compensation.

The compensation cost relating to the 13 weeks ended August 6, 2011 was \$0.3 (July 31, 2010 - \$0.4) with amortization of the cost over the vesting period. The total increase in contributed surplus in relation to the stock option compensation cost was \$3.0 (July 31, 2010 - \$0.4). The compensation cost was calculated using the Black-Scholes model with the following assumptions:

Expected life	5.25 years
Risk-free interest rate	2.34%
Expected volatility	20.0%
Dividend yield	1.65%

18. Explanation of transition to IFRS

These are the Company's first interim consolidated financial statements for part of the period covered by the first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in Note 3 have been applied in preparing the unaudited, interim consolidated financial statements for the 13 weeks ended August 6, 2011, which includes the 53 weeks ended May 7, 2011, the 13 weeks ended July 31, 2010, and the opening IFRS consolidated balance sheets as at May 2, 2010 (the Company's date of transition to IFRS). An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position and financial performance and cash flows is set out in the following tables and the accompanying notes. Reconciliations of the consolidated balance sheets, consolidated statements of earnings, and consolidated statements of comprehensive income for the respective periods begin on page 24.

First time adoption exemptions applied

Upon transition, IFRS 1 requires and permits certain exemptions from full retrospective application. The Company has applied certain mandatory and optional exemptions as follows:

(1) Business combinations

The Company has elected not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition (May 2, 2010). No adjustments were required at the date of transition to IFRS as a result of this exemption.

(2) Employee future benefits

The Company has elected to recognize all cumulative actuarial gains and losses for its defined benefit plans at the date of transition. The impact of taking this election is detailed under item (a) in the "Explanatory notes for reconciliations" below. Further, the Company has elected to use the exemption to not disclose the defined benefit plan surplus or deficit and experience adjustments before the date of transition.

(3) Fair value as deemed cost

The Company has elected to use fair value as deemed cost at the date of transition for some items of property and equipment and investment property. The impact of taking this election is detailed under items (b) and (c) in the "Explanatory notes for reconciliations" below.

(4) Decommissioning liabilities

The Company has elected to apply the requirements detailed under International Financial Reporting Interpretations Committee ("IFRIC") 1, "Changes in Existing Decommissioning, Restoration and Similar Liabilities", for liabilities prospectively from the date of transition to IFRS.

(5) Use of estimates

The Company has used estimates under IFRS that are consistent with those applied under Canadian GAAP and reflect the conditions at the date of transition, with adjustments for any accounting policy differences.

(6) Hedge accounting

The Company has applied hedge accounting under IFRS consistent with that applied under Canadian GAAP. Hedge documentation has been updated in accordance with IAS 39 upon transition to IFRS.

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(7) Derecognition of financial assets and financial liabilities

The derecognition requirements under IFRS are applied prospectively for transactions occurring on or after transition. Any derecognition of non-derivative financial assets or non-derivative financial liabilities in accordance with Canadian GAAP as a result of transactions occurring prior to the transition date, are not required to be recognized again on transition to IFRS. No adjustments were required at the date of transition to IFRS as a result of this exemption.

(8) Cumulative translation adjustments

The Company has elected to write off the balance of its cumulative translation adjustments reported in accumulated other comprehensive loss under Canadian GAAP to retained earnings upon transition to IFRS.

IFRS 1 requires an entity to reconcile equity, net earnings, and comprehensive income from Canadian GAAP to IFRS for comparative prior periods. The following represents the reconciliations for the respective periods for equity, net earnings, and comprehensive income.

Reconciliation of Equity

	Note	May 7, 2011	July 31, 2010	May 2, 2010
Total equity, Canadian GAAP		\$ 3,249.0	\$ 3,023.0	\$ 2,952.4
IFRS reclassifications				
Minority interest	i	35.8	34.8	35.6
Capital stock	i	2.9	2.9	2.9
Total IFRS reclassifications		38.7	37.7	38.5
IFRS adjustments				
Employee future benefits	a	(45.2)	(79.5)	(68.3)
Fair value as deemed cost	b, c	(32.5)	(35.0)	(35.4)
Impairments	d	(74.4)	(67.1)	(68.4)
Provisions	e	(4.6)	(5.6)	(5.6)
Leases	f	27.5	7.3	4.4
Customer loyalty programs	g	(2.1)	(1.4)	(1.4)
Investments, at equity	h	(1.4)	(1.6)	(1.5)
Investment in Crombie REIT	h	53.2	63.5	63.6
Presentation changes and other adjustments	i	(5.3)	(5.3)	(6.6)
Financial instruments	j	0.9	1.2	1.3
Total IFRS adjustments		(83.9)	(123.5)	(117.9)
Total equity, IFRS		\$ 3,203.8	\$ 2,937.2	\$ 2,873.0

Reconciliation of Net Earnings

	Note	53 Weeks Ended May 7, 2011	13 Weeks Ended July 31, 2010
Net earnings, Canadian GAAP		\$ 369.5	\$ 81.6
IFRS reclassifications			
Minority interest	i	9.0	4.3
IFRS adjustments			
Employee future benefits	a	21.6	0.5
Fair value as deemed cost	b, c	2.9	0.4
Impairments	d	(6.0)	1.3
Provisions	e	1.0	-
Leases	f	23.1	2.9
Customer loyalty programs	g	(0.7)	-
Investments, at equity	h	0.1	(0.1)
Investment in Crombie REIT	h	(10.4)	(0.1)
Presentation changes and other adjustments	i	(0.1)	(0.1)
Financial instruments	j	(0.4)	(0.1)
Total IFRS adjustments		31.1	4.7
Net earnings, IFRS		\$ 409.6	\$ 90.6

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Reconciliation of Comprehensive Income

		53 Weeks Ended	13 Weeks Ended
	Note	May 7, 2011	July 31, 2010
Comprehensive income, Canadian GAAP		\$ 377.2	\$ 83.9
IFRS reclassifications		9.0	4.3
IFRS adjustments			
Adjustments to net earnings		31.1	4.7
Employee future benefits	a	1.5	(11.7)
Total IFRS adjustments		32.6	(7.0)
Comprehensive income, IFRS		\$ 418.8	\$ 81.2

Explanatory notes for reconciliations of equity, net earnings, comprehensive income, and balance sheet items

(a) Employee future benefits

Under Canadian GAAP, all past service costs are generally amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment, or a shorter period. Under IFRS, vested past service costs are to be immediately expensed while unvested past service costs are amortized on a straight-line basis until the benefits become vested. This change in accounting policy has resulted in a decrease to retained earnings of \$0.1 at the IFRS transition date, May 2, 2010, to recognize vested past service costs.

The Company has also opted to utilize an IFRS 1 election at May 2, 2010 to recognize in retained earnings all previously unrecognized cumulative actuarial gains and losses. As a result, retained earnings was further reduced by \$68.2.

As a direct result of the adjustments made at May 2, 2010 and the policy differences between Canadian GAAP and IFRS, the expense calculated for defined benefit pension plans was lower under IFRS for the 53 weeks ended May 7, 2011 and the 13 weeks ended July 31, 2010.

Subsequent to the IFRS transition date, the Company adopted the policy to recognize actuarial gains and losses directly into other comprehensive income as they occur. This has resulted in adjustments to comprehensive income for the 53 weeks ended May 7, 2011 and the 13 weeks ended July 31, 2010.

The impact results in the following changes:

Consolidated balance sheets	May 7, 2011	July 31, 2010	May 2, 2010
Decrease in other assets	\$ (60.4)	\$ (60.6)	\$ (60.4)
Increase in deferred tax assets	0.2	0.6	0.6
Increase in other long-term liabilities	(7.0)	(32.6)	(22.7)
Decrease (increase) in employee future benefits obligations	7.7	(12.7)	(8.1)
Decrease in deferred tax liabilities	14.3	25.8	22.3
Net change in retained earnings and equity	\$ (45.2)	\$ (79.5)	\$ (68.3)

Consolidated statements of earnings	53 Weeks Ended	13 Weeks Ended
	May 7, 2011	July 31, 2010
Decrease in selling and administrative expenses	\$ 29.4	\$ 0.7
Increase in income taxes	(7.8)	(0.2)
Net change in earnings	\$ 21.6	\$ 0.5

Consolidated statements of comprehensive income	53 Weeks Ended	13 Weeks Ended
	May 7, 2011	July 31, 2010
Net change in earnings	\$ 21.6	\$ 0.5
Actuarial gains (losses) on defined benefit pension plans	1.5	(11.7)
Net change in comprehensive income	\$ 23.1	\$ (11.2)

(b) Property and equipment

At May 2, 2010, the Company has opted to utilize the IFRS 1 election to record certain property and equipment at a deemed cost equal to the asset's fair value.

Additional adjustments to cost of sales and selling and administrative expenses were required for the 53 weeks ended May 7, 2011 to add back the depreciation taken under Canadian GAAP for assets that utilized the IFRS 1 election at May 2, 2010.

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The impact results in the following changes:

Consolidated balance sheets	May 7, 2011	July 31, 2010	May 2, 2010
Decrease in property and equipment	\$ (34.3)	\$ (37.2)	\$ (37.9)
Increase in deferred tax assets	5.8	6.4	6.7
Decrease in deferred tax liabilities	1.7	1.8	1.8
Net change in retained earnings and equity	\$ (26.8)	\$ (29.0)	\$ (29.4)

Consolidated statements of earnings	53 Weeks Ended May 7, 2011	13 Weeks Ended July 31, 2010
Increase in other income	\$ 0.2	\$ -
Decrease in cost of sales	3.3	0.6
Decrease in selling and administrative expenses	0.1	-
Increase in income taxes	(1.0)	(0.2)
Net change in earnings	\$ 2.6	\$ 0.4

(c) Investment property

Under Canadian GAAP, all land and building assets are included within property and equipment on the balance sheet. Under IFRS, any property which is held to earn rental income or is held for capital appreciation is required to be classified separately.

As a result, there were reclassifications between property and equipment and investment property of \$80.8 as at May 7, 2011, \$96.2 as at July 31, 2010, and \$97.9 at the date of transition to IFRS, May 2, 2010.

The Company has also opted to utilize the IFRS 1 election to record certain investment properties at a deemed cost equal to the properties' fair value, resulting in a reduction to retained earnings of \$6.0 at May 2, 2010.

Additional adjustments to selling and administrative expenses were required for the 53 weeks ended May 7, 2011 to add back the depreciation taken under Canadian GAAP for assets that utilized the IFRS 1 election at May 2, 2010.

The impact results in the following changes:

Consolidated balance sheets	May 7, 2011	July 31, 2010	May 2, 2010
Decrease in property and equipment	\$ (80.8)	\$ (96.2)	\$ (97.9)
Increase in investment property	73.8	88.9	90.6
Decrease in deferred tax liabilities	1.3	1.3	1.3
Net change in retained earnings and equity	\$ (5.7)	\$ (6.0)	\$ (6.0)

Consolidated statements of earnings	53 Weeks Ended May 7, 2011	13 Weeks Ended July 31, 2010
Decrease in selling and administrative expenses	\$ 0.3	\$ -
Net change in earnings	\$ 0.3	\$ -

(d) Impairment

Grouping of assets for impairment purposes are at a lower level under IFRS than under Canadian GAAP. IFRS tests asset groups for impairment at the independent cash generating unit level based on generation of cash inflows, which the Company has determined to be primarily an individual store or theatre. The change in level of impairment testing has resulted in an increase in the write down of assets at the date of transition to IFRS and for the 53 weeks ended May 7, 2011 and the 13 weeks ended July 31, 2010.

Additional adjustments to selling and administrative expenses were required for the 53 weeks ended May 7, 2011 and 13 weeks ended July 31, 2010 to add back the depreciation taken under Canadian GAAP for assets that are now impaired under IFRS.

Empire completed a goodwill impairment analysis upon conversion to IFRS, May 2, 2010, and for the 53 weeks ended May 7, 2011 and no impairment was recorded.

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The impact results in the following changes:

Consolidated balance sheets	May 7, 2011	July 31, 2010	May 2, 2010
Decrease in income taxes receivable	\$ (2.4)	\$ -	\$ -
Decrease in property and equipment	(98.6)	(90.5)	(92.1)
Decrease in intangibles	(4.5)	(4.8)	(4.8)
Increase in deferred tax assets	11.5	9.6	8.7
Increase in income taxes payable	(0.1)	(0.1)	-
Decrease in other long-term liabilities	1.5	1.9	2.0
Decrease in deferred tax liabilities	18.2	16.8	17.8
Net change in retained earnings and equity	\$ (74.4)	\$ (67.1)	\$ (68.4)

	53 Weeks Ended	13 Weeks Ended
Consolidated statements of earnings	May 7, 2011	July 31, 2010
Increase in other income	\$ 3.9	\$ -
Increase in cost of sales	(9.6)	-
(Increase) decrease in selling and administrative expenses	(1.1)	1.6
Decrease (increase) in income taxes	0.8	(0.3)
Net change in earnings	\$ (6.0)	\$ 1.3

(e) Provisions

Under IFRS, provisions must be separately classified on the balance sheet. As a result, provision line items have been added to the balance sheets for both current and non-current provisions.

The Company has recorded provisions for any liabilities with uncertain timing and/or amounts for which it is probable that an outflow of resources will be required to settle the obligation. Provisions have been recorded and disclosed by category (Note 6).

Provision adjustments were not significant to the consolidated statements of earnings throughout fiscal 2011.

The impact results in the following changes:

Consolidated balance sheets	May 7, 2011	July 31, 2010	May 2, 2010
Increase in receivables	\$ -	\$ 0.7	\$ 0.8
Decrease in property and equipment	(0.4)	(0.4)	(0.4)
Increase in deferred tax assets	0.7	1.3	1.4
Decrease in accounts payable and accrued liabilities	53.7	34.5	35.7
Increase in current provisions	(29.9)	(28.7)	(28.6)
Decrease in long-term debt due within one year	0.3	0.1	0.2
Increase in non-current provisions	(34.3)	(18.4)	(19.7)
Decrease in long-term debt	2.6	2.5	2.3
Decrease in other long-term liabilities	1.6	1.7	1.7
Decrease in deferred tax liabilities	1.1	1.1	1.0
Net change in retained earnings and equity	\$ (4.6)	\$ (5.6)	\$ (5.6)

	53 Weeks Ended	13 Weeks Ended
Consolidated statements of earnings	May 7, 2011	July 31, 2010
Decrease in selling and administrative expenses	\$ 2.0	\$ 0.1
Increase in finance costs, net	(0.6)	(0.1)
Increase in income taxes	(0.4)	-
Net change in income	\$ 1.0	\$ -

(f) Leases

Under Canadian GAAP, operating leases of the Company that were sub-leased to a third party or non-SPE franchisee were not recognized on a straight-line basis over the terms of the relevant leases. The rationale for not applying this methodology was that expenses and length of the lease were matched in the sub-lease income and term. Under IFRS, specific guidance exists for similar transactions and due to the legal requirement to pay and receive amounts separately and not settle simultaneously, these transactions must be recorded separately. As a result, a separate asset and liability has been recorded in the consolidated balance sheets as at May 7, 2011, July 31, 2010, and May 2, 2010 to reflect the lease asset to receive rental payments and lease obligation to make rental payments associated with the transaction.

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Transactions where the Company sells and then leases back a property are treated differently under IFRS than Canadian GAAP. Under Canadian GAAP the gains incurred on the sale of the asset are deferred and amortized over the life of the lease subsequently entered. Under IFRS any gains associated with the sale must be recognized immediately if the transaction occurs at fair value unless the sale is to an investment, at equity in which case a portion of the gains would reduce the carrying value of the Company's equity investment. As a result, such gains have been recognized and have reduced the carrying value of the investment, at equity as at the transition date to IFRS and during the 53 weeks ended May 7, 2011 and the 13 weeks ended July 31, 2010.

Gains recognized at the transition date, May 2, 2010, resulted in an increase to retained earnings, while gains recognized during the 53 weeks ended May 7, 2011 and 13 weeks ended July 31, 2010 resulted in an increase to net earnings in the consolidated statements of earnings. Any adjustments to the carrying value of equity investments is further explained in (h) below.

Adjustments were also required to selling and administrative expenses during the 53 weeks ended May 7, 2011 and the 13 weeks ended July 31, 2010 to reverse the amortized gains recognized under Canadian GAAP for gains which were recognized in full under IFRS.

The impact results in the following changes:

Consolidated balance sheets	May 7, 2011	July 31, 2010	May 2, 2010
Increase (decrease) in income taxes receivable	\$ 0.6	\$ (1.0)	\$ -
Increase in other assets	8.9	8.2	7.9
Decrease in deferred tax assets	(0.6)	-	-
Decrease in income taxes payable	0.2	-	-
Decrease (increase) in other long-term liabilities	27.4	0.9	(2.7)
Increase in deferred tax liabilities	(9.0)	(0.8)	(0.8)
Net change in retained earnings and equity	\$ 27.5	\$ 7.3	\$ 4.4

Consolidated statements of earnings	53 Weeks Ended May 7, 2011	13 Weeks Ended July 31, 2010
Increase in other income	\$ 32.3	\$ 4.1
(Increase) decrease in selling and administrative expenses	(1.2)	0.1
Increase in income taxes	(8.0)	(1.3)
Net change in earnings	\$ 23.1	\$ 2.9

(g) Customer loyalty programs

IFRS requires a deferred revenue recognition approach for customer loyalty programs with the fair value of the award credits to be recognized as a separate component of the sales transaction. Under Canadian GAAP the Company accounted for customer loyalty programs as an expense, rather than using the deferred revenue recognition approach.

The IFRS balance sheets have been adjusted to recognize deferred revenue at each reporting period for the Club Sobeys, Club Thrifty Foods and AIR MILES® programs. Adjustments to the consolidated statements of earnings were also required for these programs to separately recognize the redemption costs of the award credits.

The impact results in the following changes:

Consolidated balance sheets	May 7, 2011	July 31, 2010	May 2, 2010
Increase in income taxes receivable	\$ 0.8	\$ 0.5	\$ -
Decrease in other assets	(0.3)	(0.2)	(0.4)
Increase in accounts payable and accrued liabilities	(2.9)	(1.7)	(1.5)
Decrease in income taxes payable	0.3	-	0.5
Net change in retained earnings and equity	\$ (2.1)	\$ (1.4)	\$ (1.4)

Consolidated statements of earnings	53 Weeks Ended May 7, 2011	13 Weeks Ended July 31, 2010
Decrease in sales	\$ (23.6)	\$ (6.7)
Decrease (increase) in cost of sales	4.2	(0.3)
Decrease in selling and administrative expenses	18.2	7.1
Decrease (increase) in income taxes	0.5	(0.1)
Net change in earnings	\$ (0.7)	\$ -

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(h) Investments, at equity

Certain of Company's real estate investments that were previously accounted for using the proportionate consolidation method will be accounted for using the equity method under IFRS. As a result of this change, the opening consolidated balance sheets impact will be a decrease to cash and cash equivalents, inventories, prepaid expenses, loans and other receivables, property and equipment, accounts payable and accrued liabilities, and long-term debt. Other minor adjustments were made to ensure the impact of IFRS transitional adjustments for entities previously equity accounted are also reflected in these amounts. This change will result in an increase of \$94.0 to investments, at equity, and a reduction to retained earnings of \$1.5.

The impact results in the following changes:

Consolidated balance sheets	May 7, 2011	July 31, 2010	May 2, 2010
Decrease in cash and cash equivalents	\$ (1.0)	\$ (2.0)	\$ (1.8)
Decrease in inventories	(83.1)	(88.4)	(89.3)
Decrease in prepaid expenses	(0.6)	(1.1)	(0.3)
Decrease in current loans and other receivables	(29.3)	(33.6)	(31.3)
Increase in non-current loans and other receivables	-	0.9	0.9
Increase in investments, at equity	88.0	89.5	94.0
Decrease in property and equipment	(0.1)	(7.2)	(5.5)
Increase in deferred tax assets	-	0.1	0.1
Decrease in bank indebtedness	8.1	21.1	13.7
Decrease in accounts payable and accrued liabilities	15.9	15.5	14.6
Decrease in long-term debt due within one year	-	0.3	0.4
Decrease in long-term debt	0.7	3.3	3.0
Net change in retained earnings and equity	\$ (1.4)	\$ (1.6)	\$ (1.5)

	53 Weeks Ended May 7, 2011	13 Weeks Ended July 31, 2010
Consolidated statements of earnings		
Decrease in sales	\$ (73.2)	\$ (15.3)
Decrease in cost of sales	41.7	7.2
Decrease in selling and administrative expenses	0.2	-
Increase in share of earnings from investments, at equity	30.6	7.8
Decrease in finance costs, net	0.4	0.1
Increase in capital gains and other items	0.5	-
(Increase) decrease in income taxes	(0.1)	0.1
Net change in earnings	\$ 0.1	\$ (0.1)

Investment in Crombie REIT and recognition of gains

IFRS allows for the recognition of gains on sales to an investment, at equity equal to the percentage interest held by external investors at the time of each sale. This impacts Empire's investment in Crombie REIT. Previously, under Canadian GAAP the recognition of gains on sales to Crombie were not included in net earnings. Rather the gain reduced the carrying value of the Company's equity investment in Crombie REIT. Under IFRS, only the portion of gains on sales to Crombie REIT equal to the Company's ownership interest is deferred and reduces the carrying value of the Company's investment. Included in the portion of gains recognized is the allowed percentage on gains arising from sale leaseback transactions described in (f) Leases above.

Consolidated balance sheets	May 7, 2011	July 31, 2010	May 2, 2010
Increase in investments, at equity	\$ 97.3	\$ 73.6	\$ 73.6
Decrease in property and equipment	(7.8)	-	-
Increase in other long-term liabilities	(28.2)	-	-
Increase in deferred tax liabilities	(8.1)	(10.1)	(10.0)
Net change in retained earnings and equity	\$ 53.2	\$ 63.5	\$ 63.6

	53 Weeks Ended May 7, 2011	13 Weeks Ended July 31, 2010
Consolidated statements of earnings		
Decrease in other income	\$ (13.8)	\$ (0.2)
Decrease in selling and administrative expenses	0.8	-
(Decrease) increase in share of earnings from investments, at equity	(0.3)	0.2
Decrease (increase) in income taxes	2.9	(0.1)
Net change in earnings	\$ (10.4)	\$ (0.1)

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(i) Presentation changes and other adjustments

Certain presentation differences exist between IFRS and Canadian GAAP. As a result, changes were required to the consolidated balance sheets, consolidated statements of earnings, and consolidated statements of cash flows. The Company also had other minor adjustments that impacted the consolidated balance sheets and consolidated statements of earnings.

Consolidated balance sheets

Under IFRS, the Company is not permitted to report income taxes receivable and payable and deferred tax assets and liabilities on a net basis except under certain circumstances. As a result, income taxes receivable and deferred tax assets have been reclassified to their own line items for IFRS reporting. These balances were previously netted with income taxes payable and deferred tax liabilities under Canadian GAAP.

Deferred tax assets and liabilities are classified as non-current under IFRS, whereas under Canadian GAAP a current and non-current portion was reported. Current deferred tax liabilities have been reclassified to non-current deferred tax liabilities for IFRS reporting.

The Company is required to disclose its derivative financial liabilities as a separate line item on the balance sheets under IFRS. As a result, derivative financial liabilities have been reclassified to its own line item for IFRS reporting out of other long-term liabilities where it was reported under Canadian GAAP.

Under IFRS, the Company reports minority interest within the equity section of the consolidated balance sheets, whereas under Canadian GAAP it was reported within the liabilities section.

Under IFRS, the Company reports loans receivable under the Company's share purchase plan as non-current loans and other receivables, whereas under Canadian GAAP it was reported as a reduction of capital stock.

The impact of presentation changes and other adjustments results in the following:

Consolidated opening balance sheets	May 7, 2011	July 31, 2010	May 2, 2010
Decrease in cash and cash equivalents	\$ -	\$ -	\$ (1.9)
Decrease in receivables	-	-	(1.7)
Decrease in inventories	-	-	(1.2)
Decrease in prepaid expenses	(5.0)	(5.3)	(5.4)
Increase in income taxes receivable	28.1	13.7	14.3
Increase in non-current loans and other receivables	-	-	2.0
Increase in property and equipment	-	-	0.3
Increase in deferred tax assets	12.2	13.5	14.4
Decrease in accounts payable and accrued liabilities	-	-	1.3
Increase in income taxes payable	(28.2)	(13.7)	(14.2)
Increase in current derivative financial liabilities	-	-	(2.1)
Decrease in current deferred tax liabilities	46.6	50.2	50.9
Increase in long-term debt	-	-	(0.1)
Decrease in other long-term liabilities	9.6	15.8	17.2
Increase in non-current derivative financial liabilities	(9.6)	(15.8)	(15.0)
Increase in non-current deferred tax liabilities	(59.0)	(63.7)	(65.4)
Net change in retained earnings and equity	\$ (5.3)	\$ (5.3)	\$ (6.6)

Consolidated statements of earnings

Other income is a new line item on the consolidated statements of earnings under IFRS. This line item reports the net gain (loss) on disposal of assets. Previously under Canadian GAAP these amounts were grouped with cost of sales, selling and administrative expenses.

Under IFRS the Company is required to disclose cost of sales and selling and administrative expenses as separate line items on the consolidated statements of earnings. Cost of sales and selling and administrative expenses were reported as a single line item under Canadian GAAP.

Finance costs, net is a new line item on the consolidated statements of earnings under IFRS. This line item includes both finance income and costs. Finance costs, net includes interest income from cash and cash equivalents, interest expense on financial liabilities measured at amortized cost, fair value losses on forward exchange contracts, losses on cash flow hedges reclassified from other comprehensive income, and net pension finance costs.

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The impact of presentation changes and other adjustments results in the following:

	53 Weeks Ended	13 Weeks Ended
Consolidated statements of earnings	May 7, 2011	July 31, 2010
Increase in sales	\$ 24.4	\$ 6.7
Increase (decrease) in other income	1.9	(1.4)
Increase in cost of sales	(6.0)	(1.2)
Increase in selling and administrative expenses	(377.0)	(89.0)
Decrease in depreciation	324.0	77.6
Decrease in amortization of intangibles	38.1	8.6
Increase in finance costs, net	(76.3)	(20.9)
Decrease in interest expenses and other financing charges	71.3	19.6
Decrease in capital gains and other items	(0.5)	-
Increase in income taxes	-	(0.1)
Net change in earnings	\$ (0.1)	\$ (0.1)

Consolidated statements of cash flows

New line items were added to the consolidated statements of cash flows for interest received, interest paid, and income taxes paid. Changes to the consolidated statements of cash flows were not material as a result of IFRS.

(j) Financial instruments

Under IFRS, long term liabilities must be discounted using a pre-tax discount rate. As a result, a non-interest bearing note payable has been adjusted to reflect this change.

The impact results in the following changes:

Consolidated opening balance sheet	May 7, 2011	July 31, 2010	May 2, 2010
Increase in accounts payable and accrued liabilities	\$ (0.9)	\$ (0.9)	\$ (0.9)
Decrease in long-term debt	1.8	2.1	2.2
Net change in retained earnings	\$ 0.9	\$ 1.2	\$ 1.3

	53 Weeks Ended	13 Weeks Ended
Consolidated statements of earnings	May 7, 2011	July 31, 2010
Increase in finance costs, net	\$ (0.4)	\$ (0.1)
Net change in earnings	\$ (0.4)	\$ (0.1)

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Restated Consolidated Balance Sheets Under IFRS

	May 7, 2011				July 31, 2010				May 2, 2010			
	Canadian GAAP	IFRS Reclassifications	IFRS Adjustments	IFRS	Canadian GAAP	IFRS Reclassifications	IFRS Adjustments	IFRS	Canadian GAAP	IFRS Reclassifications	IFRS Adjustments	IFRS
ASSETS												
Current												
Cash and cash equivalents	\$ 616.9	\$ -	\$ (1.0)	\$ 615.9	\$ 495.1	\$ -	\$ (2.0)	\$ 493.1	\$ 401.0	\$ -	\$ (3.7)	\$ 397.3
Receivables	346.6	-	-	346.6	345.6	-	0.7	346.3	336.9	-	(0.9)	336.0
Inventories	906.1	-	(83.1)	823.0	893.5	-	(88.4)	805.1	880.3	-	(90.5)	789.8
Prepaid expenses	75.2	-	(5.6)	69.6	60.8	-	(6.4)	54.4	70.1	-	(5.7)	64.4
Loans and other receivables	81.7	-	(29.3)	52.4	92.9	-	(33.6)	59.3	105.8	-	(31.3)	74.5
Income taxes receivable	0.3	18.0	9.1	27.4	18.8	13.7	(0.5)	32.0	-	14.2	0.1	14.3
Assets held for sale	-	59.4	-	59.4	-	96.7	-	96.7	-	36.5	-	36.5
	2,026.8	77.4	(109.9)	1,994.3	1,906.7	110.4	(130.2)	1,886.9	1,794.1	50.7	(132.0)	1,712.8
Loans and other receivables	68.8	2.9	-	71.7	80.2	2.9	0.9	84.0	79.2	2.9	2.9	85.0
Investments	14.3	-	-	14.3	10.7	-	-	10.7	10.9	-	-	10.9
Investments, at equity	26.8	-	185.3	212.1	58.1	-	163.1	221.2	56.8	-	167.6	224.4
Other assets	107.1	-	(51.8)	55.3	95.7	-	(52.6)	43.1	94.5	-	(52.9)	41.6
Property and equipment	2,620.1	-	(222.0)	2,398.1	2,471.6	-	(231.5)	2,240.1	2,548.7	-	(233.5)	2,315.2
Assets held for realization	59.4	(59.4)	-	-	96.7	(96.7)	-	-	36.5	(36.5)	-	-
Investment property	-	-	73.8	73.8	-	-	88.9	88.9	-	-	90.6	90.6
Intangibles	453.7	-	(4.5)	449.2	456.0	-	(4.8)	451.2	455.0	-	(4.8)	450.2
Goodwill	1,178.4	-	-	1,178.4	1,173.6	-	-	1,173.6	1,172.6	-	-	1,172.6
Deferred tax assets	-	13.9	15.9	29.8	-	14.0	17.5	31.5	-	14.9	17.0	31.9
	<u>\$ 6,555.4</u>	<u>\$ 34.8</u>	<u>\$ (113.2)</u>	<u>\$ 6,477.0</u>	<u>\$ 6,349.3</u>	<u>\$ 30.6</u>	<u>\$ (148.7)</u>	<u>\$ 6,231.2</u>	<u>\$ 6,248.3</u>	<u>\$ 32.0</u>	<u>\$ (145.1)</u>	<u>\$ 6,135.2</u>

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Restated Consolidated Balance Sheets Under IFRS (continued)

	May 7, 2011				July 31, 2010				May 2, 2010			
	Canadian GAAP	IFRS Reclassifications	IFRS Adjustments	IFRS	Canadian GAAP	IFRS Reclassifications	IFRS Adjustments	IFRS	Canadian GAAP	IFRS Reclassifications	IFRS Adjustments	IFRS
LIABILITIES												
Current												
Bank indebtedness	\$ 8.1	\$ -	\$ (8.1)	\$ -	\$ 42.2	\$ -	\$ (21.1)	\$ 21.1	\$ 17.8	\$ -	\$ (13.7)	\$ 4.1
Accounts payable and accrued liabilities	1,689.0	-	(65.8)	1,623.2	1,597.2	-	(47.4)	1,549.8	1,621.6	-	(49.2)	1,572.4
Income taxes payable	-	18.0	9.8	27.8	-	13.7	0.1	13.8	19.5	14.2	(0.5)	33.2
Provisions	-	-	29.9	29.9	-	-	28.7	28.7	-	-	28.6	28.6
Long-term debt due within one year	49.7	-	(0.3)	49.4	79.3	-	(0.4)	78.9	379.4	-	(0.6)	378.8
Derivative financial liabilities	-	-	-	-	-	-	-	-	-	2.1	-	2.1
Liabilities relating to assets held for sale	12.7	-	-	12.7	-	-	-	-	-	-	-	-
Deferred tax liabilities	46.6	(46.6)	-	-	50.2	(50.2)	-	-	50.9	(50.9)	-	-
	1,806.1	(28.6)	(34.5)	1,743.0	1,768.9	(36.5)	(40.1)	1,692.3	2,089.2	(34.6)	(35.4)	2,019.2
Provisions	-	-	34.3	34.3	-	-	18.4	18.4	-	-	19.7	19.7
Long-term debt	1,095.4	-	(5.1)	1,090.3	1,169.5	-	(7.9)	1,161.6	829.0	-	(7.4)	821.6
Other long-term liabilities	143.2	(9.6)	4.7	138.3	143.1	(15.8)	28.1	155.4	130.6	(17.1)	21.6	135.1
Employee future benefits obligation	130.0	-	(7.7)	122.3	126.9	-	12.7	139.6	125.1	-	8.1	133.2
Derivative financial liabilities	-	9.6	-	9.6	-	15.8	-	15.8	-	15.0	-	15.0
Deferred tax liabilities	95.9	60.5	(21.0)	135.4	83.1	64.2	(36.4)	110.9	86.4	65.8	(33.8)	118.4
Minority interest	35.8	(35.8)	-	-	34.8	(34.8)	-	-	35.6	(35.6)	-	-
	3,306.4	(3.9)	(29.3)	3,273.2	3,326.3	(7.1)	(25.2)	3,294.0	3,295.9	(6.5)	(27.2)	3,262.2
SHAREHOLDERS' EQUITY												
Capital stock	320.5	2.9	-	323.4	325.1	2.9	-	328.0	325.1	2.9	-	328.0
Contributed surplus	4.7	-	-	4.7	3.6	-	-	3.6	3.2	-	-	3.2
Retained earnings	2,944.2	-	(86.2)	2,858.0	2,720.1	-	(125.8)	2,594.3	2,652.2	-	(118.8)	2,533.4
Accumulated other comprehensive loss	(20.4)	-	2.3	(18.1)	(25.8)	-	2.3	(23.5)	(28.1)	-	2.3	(25.8)
	3,249.0	2.9	(83.9)	3,168.0	3,023.0	2.9	(123.5)	2,902.4	2,952.4	2.9	(116.5)	2,838.8
Minority interest	-	35.8	-	35.8	-	34.8	-	34.8	-	35.6	(1.4)	34.2
	3,249.0	38.7	(83.9)	3,203.8	3,023.0	37.7	(123.5)	2,937.2	2,952.4	38.5	(117.9)	2,873.0
	<u>\$6,555.4</u>	<u>\$ 34.8</u>	<u>\$ (113.2)</u>	<u>\$6,477.0</u>	<u>\$6,349.3</u>	<u>\$ 30.6</u>	<u>\$ (148.7)</u>	<u>\$6,231.2</u>	<u>\$6,248.3</u>	<u>\$ 32.0</u>	<u>\$ (145.1)</u>	<u>\$6,135.2</u>

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Restated Consolidated Statements of Earnings Under IFRS

	53 Weeks Ended May 7, 2011				13 Weeks Ended July 31, 2010			
	Canadian GAAP	IFRS Reclassifications	IFRS Adjustments	IFRS	Canadian GAAP	IFRS Reclassifications	IFRS Adjustments	IFRS
Sales	\$ 16,029.2	\$ 24.4	\$ (96.8)	\$ 15,956.8	\$ 4,041.2	\$ 6.7	\$ (22.0)	\$ 4,025.9
Other income	-	1.9	22.6	24.5	-	(1.4)	3.9	2.5
Operating expenses								
Cost of sales	12,010.4	5.9	(39.5)	11,976.8	3,035.8	1.0	(7.3)	3,029.5
Selling and administrative expenses	3,189.1	377.0	(48.7)	3,517.4	786.8	89.2	(9.7)	866.3
Depreciation	324.0	(324.0)	-	-	77.6	(77.6)	-	-
Amortization of intangibles	38.1	(38.1)	-	-	8.6	(8.6)	-	-
	467.6	5.5	14.0	487.1	132.4	1.3	(1.1)	132.6
Investment income								
Dividend and interest income	1.0	-	-	1.0	0.2	-	-	0.2
Share of earnings from investments, at equity	28.8	-	30.3	59.1	7.7	-	8.0	15.7
Operating income	497.4	5.5	44.3	547.2	140.3	1.3	6.9	148.5
Finance costs, net	-	76.3	0.6	76.9	-	20.9	0.1	21.0
Interest expense and other financing charges	71.3	(71.3)	-	-	19.6	(19.6)	-	-
Capital gains and other items	61.3	(0.5)	0.5	61.3	-	-	-	-
Earnings before income taxes and minority interest	487.4	-	44.2	531.6	120.7	-	6.8	127.5
Income taxes	108.9	-	13.1	122.0	34.8	-	2.1	36.9
Earnings before minority interest	378.5	-	31.1	409.6	85.9	-	4.7	90.6
Minority interest	9.0	(9.0)	-	-	4.3	(4.3)	-	-
Net earnings	\$ 369.5	\$ 9.0	\$ 31.1	\$ 409.6	\$ 81.6	\$ 4.3	\$ 4.7	\$ 90.6
Earnings for the period attributable to:								
Minority interest	\$ -	\$ 9.0	\$ -	\$ 9.0	\$ -	\$ 4.3	\$ -	\$ 4.3
Owners of the parent	-	369.5	31.1	400.6	-	81.6	4.7	86.3
	\$ -	\$ 378.5	\$ 31.1	\$ 409.6	\$ -	\$ 85.9	\$ 4.7	\$ 90.6
Earnings per share								
Basic	\$ 5.43			\$ 5.88	\$ 1.19			\$ 1.26
Diluted	\$ 5.42			\$ 5.87	\$ 1.19			\$ 1.26
Weighted average number of common shares outstanding, in millions								
Basic	68.0			68.1	68.4			68.5
Diluted	68.2			68.2	68.5			68.5

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Restated Consolidated Statements of Comprehensive Income Under IFRS

	53 Weeks Ended May 7, 2011			13 Weeks Ended July 31, 2010		
	Canadian GAAP	IFRS Adjustments	IFRS	Canadian GAAP	IFRS Adjustments	IFRS
Net earnings	\$ 378.5	\$ 31.1	\$ 409.6	\$ 85.9	\$ 4.7	\$ 90.6
Other comprehensive income						
Unrealized losses on derivatives designated as cash flow hedges	0.3	-	0.3	(0.6)	-	(0.6)
Reclassification of losses on derivative instruments designated as cash flow hedges to earnings	5.5	-	5.5	1.5	-	1.5
Unrealized gains (losses) on available for sale financial assets	1.0	-	1.0	(0.2)	-	(0.2)
Actuarial gains (losses) on defined benefit pension plans	-	1.5	1.5	-	(11.7)	(11.7)
Share of other comprehensive income of investments, at equity	2.5	-	2.5	0.8	-	0.8
Foreign currency translation adjustment	(1.6)	-	(1.6)	0.8	-	0.8
Total comprehensive income	<u>\$ 386.2</u>	<u>\$ 32.6</u>	<u>\$ 418.8</u>	<u>\$ 88.2</u>	<u>\$ (7.0)</u>	<u>\$ 81.2</u>
Total comprehensive income for the period attributable to:						
Minority interest	\$ 9.0	\$ -	\$ 9.0	\$ 4.3	\$ -	\$ 4.3
Owners of the parent	377.2	32.6	409.8	83.9	(7.0)	76.9
	<u>\$ 386.2</u>	<u>\$ 32.6</u>	<u>\$ 418.8</u>	<u>\$ 88.2</u>	<u>\$ (7.0)</u>	<u>\$ 81.2</u>

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19. Selected annual disclosures

As the unaudited, interim consolidated financial statements for the period ended August 6, 2011 are the Company's first financial statements prepared using IFRS, the Company has included below certain unaudited annual IFRS disclosures as at, or for the period ended, May 7, 2011 to the extent that they are new disclosures or have changed significantly under IFRS and are considered material to the understanding of the Company's unaudited, interim consolidated financial statements. These disclosures have been included to assist readers in understanding the impact of the IFRS adjustments.

(a) Loans and other receivables

	May 7, 2011	May 2, 2010
Loans and mortgages receivable	\$ 89.2	\$ 95.9
Notes receivable and other	34.9	63.6
	124.1	159.5
Less amount due within one year	52.4	74.5
	\$ 71.7	\$ 85.0

Loans and mortgages receivable

Loans and mortgages receivable represent long-term financing to certain retail associates. These loans and mortgages are primarily secured by inventory, fixtures, and equipment, bear various interest rates, and have repayment terms up to 10 years. The carrying amount of the loans and mortgages receivable approximates fair value based on the variable interest rates charged on the loans and the operating relationship of the associates with the Company.

(b) Investments, at equity

The carrying values of investments, at equity are as follows:

	May 7, 2011	May 2, 2010
Wajax Income Fund	\$ -	\$ 30.3
Crombie REIT	91.0	82.0
Canadian real estate partnerships	88.0	94.6
U.S. real estate partnerships	33.1	17.5
Total	\$ 212.1	\$ 224.4

The fair values of the investments based on a stock exchange are as follows:

	May 7, 2011	May 2, 2010
Wajax Income Fund	\$ -	\$ 117.9
Crombie REIT	403.8	341.3
Total	\$ 403.8	\$ 459.2

The Canadian and U.S. real estate partnerships are not publicly listed on a stock exchange and hence published price quotes are not available.

The Company's carrying value of its investment in Wajax Income Fund was as follows:

	May 7, 2011
Balance, beginning of year	\$ 30.3
Equity earnings	8.6
Share of comprehensive loss	0.9
Distributions	(5.9)
Sale of interest in Wajax Income Fund	(33.9)
Balance, end of year	\$ -

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The Company's carrying value of its investment in Crombie REIT is as follows:

	May 7, 2011
Balance, beginning of year	\$ 82.0
Equity earnings	18.4
Share of comprehensive income	2.7
Distributions	(26.7)
Deferral of gains on sale of property	(10.8)
Interest acquired in Crombie REIT	20.5
Dilution gain	4.9
Balance, end of year	\$ 91.0

The Company's carrying value of its investment in Canadian real estate partnerships is as follows:

	May 7, 2011
Balance, beginning of year	\$ 94.6
Equity earnings	30.7
Distributions	(40.7)
Investment	4.4
Sale of interest	(1.0)
Balance, end of year	\$ 88.0

The Company's carrying value of its investment in U.S. real estate partnerships is as follows:

	May 7, 2011
Balance, beginning of year	\$ 17.5
Equity earnings	1.4
Investment	14.2
Balance, end of year	\$ 33.1

The aggregate amounts of the investments, at equity can be summarized as follows:

	May 7, 2011	May 2, 2010
Assets		
Current	\$ 326.4	\$ 631.0
Non-current	1,562.8	1,608.6
Liabilities		
Current	\$ 208.9	\$ 304.0
Non-current	935.6	1,054.6

	53 Weeks Ended May 7, 2011
Revenues	\$ 977.3
Expenses	830.0
Earnings before income taxes	\$ 147.3
Earnings attributable to the Company	\$ 59.1

(c) Other assets

	May 7, 2011	May 2, 2010
Accrued benefit asset	\$ 0.8	\$ -
Asset-backed commercial paper	22.8	21.2
Restricted cash	17.1	10.5
Deferred lease assets	8.9	7.9
Other	5.7	2.0
Total	\$ 55.3	\$ 41.6

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(d) Property and equipment

	Food Retailing Segment						
May 7, 2011 (53 weeks ended)	Land	Buildings	Equipment	Leasehold Improvements	Assets Under Construction	Total	
Cost							
Opening balance	\$ 261.9	\$ 936.1	\$ 2,411.6	\$ 530.5	\$ 84.5	\$ 4,224.6	
Additions	97.6	54.2	260.3	75.5	101.4	589.0	
Transfers	(1.8)	(2.3)	-	-	-	(4.1)	
Disposals	(39.0)	(55.3)	(489.7)	(111.6)	-	(695.6)	
Closing balance	\$ 318.7	\$ 932.7	\$ 2,182.2	\$ 494.4	\$ 185.9	\$ 4,113.9	
Accumulated depreciation and impairment losses							
Opening balance	\$ -	\$ 259.8	\$ 1,569.7	\$ 329.3	\$ -	\$ 2,158.8	
Disposals	-	(17.1)	(480.7)	(105.9)	-	(603.7)	
Transfers	-	0.4	-	-	-	0.4	
Depreciation	-	32.2	209.5	41.2	-	282.9	
Impairment losses	-	1.5	13.7	5.9	-	21.1	
Closing balance	\$ -	\$ 276.8	\$ 1,312.2	\$ 270.5	\$ -	\$ 1,859.5	
Net book value as at May 7, 2011	\$ 318.7	\$ 655.9	\$ 870.0	\$ 223.9	\$ 185.9	\$ 2,254.4	
Net book value as at May 2, 2010	\$ 261.9	\$ 676.3	\$ 841.9	\$ 201.2	\$ 84.5	\$ 2,065.8	

May 7, 2011 (53 weeks ended)	Investments and Other Operations Segment						Total
	Land	Buildings	Equipment	Leasehold Improvements	Assets Under Construction	Petroleum and Natural Gas	
Cost							
Opening balance	\$ 53.9	\$ 49.1	\$ 84.7	\$ 78.7	\$ 62.0	\$ 63.3	\$ 391.7
Additions	0.4	0.2	3.0	0.9	25.0	3.0	32.5
Transfers	-	1.8	4.3	12.0	(18.1)	-	-
Disposals	(47.4)	(0.6)	(0.5)	(0.7)	(64.2)	-	(113.4)
Closing balance	\$ 6.9	\$ 50.5	\$ 91.5	\$ 90.9	\$ 4.7	\$ 66.3	\$ 310.8
Accumulated depreciation and impairment losses							
Opening balance	\$ -	\$ 19.7	\$ 52.6	\$ 34.5	\$ -	\$ 35.5	\$ 142.3
Disposals	-	-	(0.5)	(0.7)	-	-	(1.2)
Depreciation	-	2.2	5.8	4.2	-	3.4	15.6
Impairment losses	-	0.1	1.0	1.1	-	9.6	11.8
Reversal of impairment losses	-	-	(0.3)	(1.1)	-	-	(1.4)
Closing balance	\$ -	\$ 22.0	\$ 58.6	\$ 38.0	\$ -	\$ 48.5	\$ 167.1
Net book value as at May 7, 2011	\$ 6.9	\$ 28.5	\$ 32.9	\$ 52.9	\$ 4.7	\$ 17.8	\$ 143.7
Net book value as at May 2, 2010	\$ 53.9	\$ 29.4	\$ 32.1	\$ 44.2	\$ 62.0	\$ 27.8	\$ 249.4

Finance leases

The Company has various property leases for store locations that are held under finance leases with a net book value of \$4.9 as at May 7, 2011 (May 2, 2010 - \$5.3). These leases are included in buildings.

The Company has equipment leases under finance leases with a net book value of \$39.6 as at May 7, 2011 (May 2, 2010 - \$48.6). These leases are included in equipment.

Impairment of property and equipment

Property and equipment is reviewed for impairment annually or when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. The review is performed by assessing the recoverable amount of each cash generating unit or groups of cash generating units to which the property and equipment relates. The recoverable amount is the higher of fair value less costs to sell and value in use. When the recoverable amount of the cash generating units is less than the carrying amount an impairment loss is recognized.

Recoverable amounts are based on value in use calculations, determined using three year cash flow projections from the Company's latest internal forecasts as presented to the Board of Directors. Key assumptions used in determining value in use include those regarding discount rates, growth rates, and expected changes in cash flows. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the cash generating units.

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Forecasts are projected beyond three years based on long-term growth rates ranging from 3 to 5 percent. Discount rates are calculated on a pre-tax basis and range from 8 to 15 percent.

Impairment losses arise when the present value of cash flows of a cash generating unit is less than the carrying amount of the assets. Impairment losses of \$31.5 were recorded in the 53 weeks ended May 7, 2011.

(e) Investment property

Investment property is comprised of commercial properties owned by the Company held for income generating purposes.

	53 Weeks Ended
	May 7, 2011
Cost	
Opening balance	\$ 109.7
Additions	3.5
Transfers	4.1
Assets held for sale	(18.3)
Disposals	(8.8)
Closing balance	\$ 90.2
Accumulated depreciation and impairment losses	
Opening balance	\$ 19.1
Depreciation	1.0
Transfers	(3.2)
Disposals	(3.3)
Impairment losses	2.8
Closing balance	\$ 16.4
Net book value as at May 7, 2011	\$ 73.8
Net book value as at May 2, 2010	\$ 90.6

The fair value of the Company's investment property at May 7, 2011 was \$90.5 (May 2, 2010 - \$124.7). An external, independent valuation company, having appropriate recognized professional qualifications and experience assisted in determining the fair value of investment property at the date of transition to IFRS. Additions to investment property through acquisition are transacted at fair value and therefore carrying value equals fair value. Properties acquired through reclassification from property and equipment are valued using comparable market information and internal valuation methodologies.

Rental income from investment property included in the consolidated statements of earnings amounted to \$10.1 for the 53 weeks ended May 7, 2011.

Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from investment property that generated rental income amounted to \$5.5 for the 53 weeks ended May 7, 2011. Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from non-income producing investment property amounted to \$1.5 for the 53 weeks ended May 7, 2011. All direct operating expenses for investment properties are included in selling and administrative expenses on the consolidated statements of earnings.

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(f) Intangibles

May 7, 2011 (53 weeks ended)	Brand Names	Deferred Purchase Agreements	Franchise Rights/ Agreements	Patient Files	Software	Lease Rights	Loyalty Programs	Private Labels	Other	Total
Cost										
Opening balance	\$ 201.0	\$ 56.4	\$ 57.9	\$ 33.1	\$ 125.8	\$ 45.0	\$ 11.4	\$ 59.5	\$ 26.6	\$ 616.7
Additions, separately acquired	-	12.3	3.1	-	14.9	5.7	-	-	2.9	38.9
Disposals	-	(6.5)	(2.9)	(0.8)	(35.6)	(1.6)	-	-	-	(47.4)
Closing balance	\$ 201.0	\$ 62.2	\$ 58.1	\$ 32.3	\$ 105.1	\$ 49.1	\$ 11.4	\$ 59.5	\$ 29.5	\$ 608.2
Accumulated amortization and impairment losses										
Opening balance	\$ 8.2	\$ 18.4	\$ 19.1	\$ 12.5	\$ 74.9	\$ 18.9	\$ -	\$ -	\$ 14.5	\$ 166.5
Amortization	3.0	6.0	6.7	2.2	14.4	2.5	-	-	3.0	37.8
Disposals	-	(4.8)	(2.6)	(0.7)	(35.6)	(1.6)	-	-	-	(45.3)
Closing balance	\$ 11.2	\$ 19.6	\$ 23.2	\$ 14.0	\$ 53.7	\$ 19.8	\$ -	\$ -	\$ 17.5	\$ 159.0
Net book value, May 7, 2011	\$ 189.8	\$ 42.6	\$ 34.9	\$ 18.3	\$ 51.4	\$ 29.3	\$ 11.4	\$ 59.5	\$ 12.0	\$ 449.2
Net book value, May 2, 2010	\$ 192.8	\$ 38.0	\$ 38.8	\$ 20.6	\$ 50.9	\$ 26.1	\$ 11.4	\$ 59.5	\$ 12.1	\$ 450.2

In addition to development costs capitalized related to software, the Company included in selling and administrative expenses \$7.8 of research and development costs for the 53 weeks ended May 7, 2011.

Impairment of intangibles follows the same methodology as property and equipment (Note 19(d)).

(g) Goodwill

	53 Weeks Ended May 7, 2011
Opening balance	\$ 1,172.6
Acquired through business combinations	5.8
Closing balance	\$ 1,178.4
Net carrying amount, May 7, 2011	\$ 1,178.4
Net carrying amount, May 2, 2010	\$ 1,172.6

Goodwill arising from business combinations is allocated at the lowest level within the organization at which it is monitored by management to make business decisions and should not be larger than an operating segment. Therefore, goodwill has been allocated to the following operating segments:

	May 7, 2011	May 2, 2010
Food retailing	\$ 1,137.6	\$ 1,131.8
Investments and other operations	40.8	40.8
Total	\$ 1,178.4	\$ 1,172.6

Impairment of goodwill

Goodwill is subject to impairment testing on an annual basis. However, if indicators of impairment are present, the Company will review goodwill for impairment when such indicators arise. The Company performed an annual review and no impairment was recorded. In performing the review, the Company determined the recoverable amount of goodwill based on fair value less any costs that would be incurred should the Company sell the goodwill. Key assumptions used by management to determine the fair value of the goodwill include industry earnings multiples and earnings multiples from previous Company acquisitions.

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(h) Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses can be summarized as follows:

	Opening Balance	Recognized in:		Closing Balance
		Other Comprehensive Income	Net Earnings	
May 7, 2011				
Accounts payable and accrued liabilities	\$ 2.7	\$ -	\$ 5.9	\$ 8.6
Current provisions	6.6	-	-	6.6
Long-term provisions	4.2	-	4.1	8.3
Long-term debt	2.2	-	(0.2)	2.0
Other long-term liabilities	41.2	-	(3.9)	37.3
Employee future benefits obligation	35.8	2.2	(5.5)	32.5
Derivative financial liabilities	5.7	(2.5)	(0.1)	3.1
Inventories	2.9	-	(0.1)	2.8
Investments	(13.1)	(1.1)	(1.9)	(16.1)
Other assets	(1.5)	(2.8)	1.2	(3.1)
Property, equipment and investment property	(74.6)	-	(12.4)	(87.0)
Goodwill and intangibles	(42.1)	-	(0.7)	(42.8)
Other	(56.5)	-	(1.3)	(57.8)
	\$ (86.5)	\$ (4.2)	\$ (14.9)	\$ (105.6)
Recognized as:				
Deferred tax assets	\$ 31.9	\$ (3.4)	\$ 1.3	\$ 29.8
Deferred tax liabilities	\$ (118.4)	\$ (0.8)	\$ (16.2)	\$ (135.4)

All deferred tax assets (including tax losses and other tax credits) have been recognized in the consolidated balance sheets.

(i) Long-term debt

	May 7, 2011	May 2, 2010
First mortgage loans, weighted average interest rate 9.11%, due 2011 - 2023	\$ 47.6	\$ 65.7
Medium term notes, Series C, interest rate 7.16%, due February 26, 2018	100.0	100.0
Medium term notes, Series D, interest rate 6.06%, due October 29, 2035	175.0	175.0
Medium term notes, Series E, interest rate 5.79%, due October 6, 2036	125.0	125.0
Medium term notes, Series F, interest rate 6.64%, due June 7, 2040	150.0	-
Sinking fund debentures, weighted average interest rate 9.68%, due 2011 - 2016	40.8	48.2
Notes payable and other debt primarily at interest rates fluctuating with the prime rate	144.7	141.8
Credit facility, due July 23, 2012, floating interest rate tied to bankers' acceptance rates	200.0	200.0
Credit facility, due June 30, 2013, floating interest rate tied to bankers' acceptance rates	118.0	294.5
	1,101.1	1,150.2
Unamortized transaction costs	(3.3)	(2.0)
Finance lease obligations, weighted average interest rate 5.46%, due 2011 - 2040	41.9	52.2
	1,139.7	1,200.4
Less amount due within one year	49.4	378.8
	\$ 1,090.3	\$ 821.6

Finance lease liabilities

Finance lease liabilities are payable as follows:

May 7, 2011	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Less than one year	\$ 15.2	\$ 2.0	\$ 13.2
Between one and five years	26.5	3.9	22.6
More than five years	10.1	4.0	6.1
	\$ 51.8	\$ 9.9	\$ 41.9

During fiscal 2011 the Company increased its finance lease obligation by \$5.4 with a similar increase in assets under finance leases. These additions are non-cash in nature, therefore have been excluded from the statement of cash flows.

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(j) Other long-term liabilities

	May 7, 2011	May 2, 2010
Deferred lease obligation	\$ 85.5	\$ 75.7
Accrued benefit liability	33.8	48.0
Deferred revenue	8.5	5.1
Other	10.5	6.3
Total	\$ 138.3	\$ 135.1

(k) Employee future benefits

The Company has a number of defined benefit and defined contribution plans providing pension and other post-retirement benefits to most of its employees.

Defined contribution pension plans

The contributions required by the employee and the employer are specified. The employee's pension depends on what level of retirement income (for example, annuity purchase) that can be achieved with the combined total of employee and employer contributions and investment income over the period of plan membership, and the annuity purchase rates at the time of the employee's retirement.

Other benefit plans

The Company also offers certain employee post-retirement and post-employment benefit plans which are not funded and include health care, life insurance, and dental benefits. During the 53 weeks ended May 7, 2011, the post-retirement benefit program was modified for employees retiring after May 1, 2011. A closed group of individuals who met certain age and service criteria as of May 1, 2011 will maintain medical, drug, and life insurance coverage, while those individuals who did not meet the age and service criteria will be offered critical illness coverage. The financial impact of these post-retirement benefit changes have been taken into account and the one time impact of these changes resulted in a decrease in the employee future benefits obligation of \$25.6, treated as a past service event.

Defined benefit pension plans

The ultimate retirement benefit is defined by a formula that provides a unit of benefit for each year of service. Employee contributions, if required, pay for part of the cost of the benefit, but the employer contributions fund the balance. The employer contributions are not specified or defined within the plan text, they are based on the result of actuarial valuations which determine the level of funding required to meet the total obligation as estimated at the time of the valuation.

The Company uses April 30 as an actuarial valuation date and May 1 as a measurement date for accounting purposes, for its defined benefit pension plans.

	Most Recent Valuation Date	Next Required Valuation Date
Retirement Pension Plan	May 1, 2011	May 1, 2014
Senior Management Pension Plan	May 1, 2011	May 1, 2014
Other Benefit Plans	May 1, 2010	May 1, 2013

Defined contribution plans

The total expense, and cash contributions, for the Company's defined contribution plans was \$23.7 for the 53 weeks ended May 7, 2011.

Defined benefit plans

Information about the Company's defined benefit plans, in aggregate, is as follows:

53 Weeks Ended May 7, 2011	Pension Benefit Plans		Other Benefit Plans	
Accrued benefit obligation				
Balance, beginning of year	\$	264.7	\$	133.7
Current service cost, net of employee contributions		2.4		3.1
Interest cost		14.0		6.8
Employee contributions		0.2		-
Benefits paid		(19.9)		(4.4)
Past service costs		-		(25.6)
Actuarial losses included in other comprehensive income		7.0		8.7
Balance, end of year	\$	268.4	\$	122.3

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53 Weeks Ended May 7, 2011	Pension Benefit Plans		Other Benefit Plans	
Plan assets				
Market value, beginning of year	\$	221.8	\$	-
Expected return on plan assets		15.0		-
Employer contributions		6.1		4.4
Employee contributions		0.2		-
Benefits paid		(19.9)		(4.4)
Actuarial gains included in other comprehensive income		11.1		-
Market value, end of year	\$	234.3	\$	-

	Pension Benefit Plans		Other Benefit Plans	
	May 7, 2011	May 2, 2010	May 7, 2011	May 2, 2010
Funded status				
Total market value of plan assets	\$ 234.3	\$ 221.8	\$ -	\$ -
Present value of unfunded obligations	(34.9)	(33.6)	(122.3)	(133.7)
Present value of partially funded obligations	(233.5)	(237.5)	-	-
Deficit	(34.1)	(49.3)	(122.3)	(133.7)
Unamortized past service cost	1.1	1.3	-	0.5
Accrued benefit assets (liabilities)	\$ (33.0)	\$ (48.0)	\$ (122.3)	\$ (133.2)

	Pension Benefit Plans		Other Benefit Plans	
	May 7, 2011	May 2, 2010	May 7, 2011	May 2, 2010
Classification of accrued benefit assets (liabilities)				
Other assets	\$ 0.8	\$ -	\$ -	\$ -
Other long-term liabilities	(33.8)	(48.0)	(122.3)	(133.2)
Accrued benefit assets (liabilities)	\$ (33.0)	\$ (48.0)	\$ (122.3)	\$ (133.2)

53 Weeks Ended May 7, 2011	Pension Benefit Plans		Other Benefit Plans	
Expenses				
Current service cost, net of employee contributions	\$	2.4	\$	3.1
Interest cost		14.0		6.8
Expected return on plan assets		(15.0)		-
Actuarial loss recognized		-		0.2
Past service costs		0.1		(25.1)
Expenses (income) before adjustments	\$	1.5	\$	15.0

Current and past service costs have been recognized within selling and administrative expenses, whereas interest costs and expected return on plan assets have been recognized within finance costs, net in the consolidated statements of earnings.

Actuarial gains and losses recognized directly in equity:

	53 Weeks Ended May 7, 2011
Actuarial gains recognized directly in other comprehensive income	
Cumulative amount, beginning of year	\$ -
Recognized during the year	1.9
Cumulative amount, end of year	\$ 1.9

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions as of May 7, 2011):

	Pension Benefit Plans		Other Benefit Plans	
	2011	2010	2011	2010
Discount rate	5.25%	5.50%	5.25%	5.75%
Expected long-term rate of return on plan assets	7.00%	7.00%		
Rate of compensation increase	4.00%	4.00%		

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For measurement purposes, a 9.00 percent fiscal 2011 annual rate of increase in the per capita cost of covered health care benefits was assumed (2010 - 9.00 percent). The cumulative rate expectation to 2019 is 5.00 percent. The expected average remaining service period of the active employees covered by the pension benefit plans ranges from 10 to 12 years with a weighted average of 10 years at May 7, 2011. The expected average remaining service period of the active employees covered by the other benefit plans ranges from 10 to 14 years with a weighted average of 13 years at May 7, 2011.

These assumptions were developed by management under consideration of expert advice provided by independent actuarial appraisers. These assumptions have led to the amounts determined as the Company's accrued benefit obligations and should be regarded as management's best estimate. However, the actual outcome may vary. Estimation uncertainties exist especially in regards to medical cost trends, which may vary significantly in future appraisals of the Company's defined benefit and other benefit obligations.

Expected returns on plan assets is based on a weighted average of expected returns of the various assets in the plan and include an analysis of historical returns and predictions about future returns. The expected long-term rate of return is based on the portfolio as a whole and not the sum of the individual asset categories. Expected returns on plan assets are estimated by the independent actuaries in close co-ordination with plan administrators.

The table below outlines the sensitivity of the fiscal 2011 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of the Company's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce impact on the accrued benefit obligations or benefit plan expenses.

	Pension Benefit Plans		Other Benefit Plans	
	Benefit Obligations	Benefit Cost ⁽¹⁾	Benefit Obligations	Benefit Cost ⁽¹⁾
Expected long-term rate of return on plan assets		7.00%		
Impact of: 1% increase		\$ (2.3)		
Impact of: 1% decrease		\$ 2.3		
Discount rate ⁽²⁾	5.25%	5.25%	5.25%	5.75%
Impact of: 1% increase	\$ (28.8)	\$ 0.4	\$ (15.9)	\$ (0.2)
Impact of: 1% decrease	\$ 32.3	\$ (0.8)	\$ 17.1	\$ 0.2
Growth rate of health care costs ⁽³⁾			9.00%	9.00%
Impact of: 1% increase			\$ 17.1	\$ 2.0
Impact of: 1% decrease			\$ (14.7)	\$ (1.6)

⁽¹⁾ Reflects the impact on the current service cost, interest cost, and expected return on assets.

⁽²⁾ 5.00 percent for the Senior Management Plan, Oshawa Sobeys Employee Pension Plan, and Post-Retirement Benefits and 4.25 percent for the Post-Employment Benefits Plan.

⁽³⁾ Gradually decreasing to 5.00 percent in 2019 and remaining at that level thereafter.

The asset mix of the defined benefit pension plans as at year end was as follows:

	May 7, 2011	May 2, 2010
Debt securities, cash and cash equivalents	25.0%	25.0%
Equity securities	75.0%	75.0%
Total investments	100.0%	100.0%

Within these securities are investments in Empire Non-Voting Class A shares. The market value of these shares at May 7, 2011 was as follows:

	2011	% of Plan Assets	2010	% of Plan Assets
Empire Company Limited shares	\$ 80.6	7.8%	\$ 115.5	12.7%

The actual return on plan assets was \$26.1 for the 53 weeks ended May 7, 2011.

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The historical movement and history of experience gains and losses in the defined benefit pension plans and other benefit plans are as follows:

	May 7, 2011	May 2, 2010
Market value of plan assets	\$ 234.3	\$ 221.8
Present value of accrued benefit obligations	(390.7)	(404.8)
Pension plan deficit	\$ (156.4)	\$ (183.0)
Experience adjustments arising on plan assets	\$ 11.1	\$ -
Experience adjustments arising on plan liabilities	\$ 5.3	\$ -

Management's best estimate of contributions expected to be paid to the defined benefit plans during the annual period beginning on May 8, 2011 and ending on May 5, 2012 is \$6.2.

(l) Commitments

Operating leases, as lessee

The Company leases various retail stores, distribution centers, theatres, offices, and equipment under non-cancellable operating leases. These leases have varying terms, escalation clauses, renewal options, and basis on which contingent rent is payable.

The total net, future minimum rent payable under the Company's operating leases as of May 7, 2011 is approximately \$2,895.3. This reflects a gross lease obligation of \$3,580.4 reduced by expected sub-lease income of \$685.1. The net commitments over the next five fiscal years are:

	Third Parties		Related Parties	
	Net Lease Obligation	Gross Lease Obligation	Net Lease Obligation	Gross Lease Obligation
2012	\$ 251.0	\$ 322.1	\$ 55.3	\$ 55.3
2013	235.6	303.9	54.3	54.3
2014	201.2	264.7	47.3	47.3
2015	189.9	248.8	47.0	47.0
2016	178.8	231.5	46.5	46.5
Thereafter	1,069.9	1,440.5	518.5	518.5

The Company recorded \$398.8 as an expense for minimum lease payments for the 53 weeks ended May 7, 2011 in the statement of earnings. The expense was offset by sub-lease income of \$96.1, and a further \$5.1 of expense was recognized for contingent rent.

Operating leases, as lessor

The Company also leases most investment properties, which are leased by Sobeys under operating leases. These leases have varying terms, escalation clauses, renewal options and basis on which contingent rent is receivable.

Rental income for the 53 weeks ended May 7, 2011 was \$23.8 and was included in sales in the statement of earnings. In addition, the Company recognized \$0.6 of contingent rent for the 53 weeks ended May 7, 2011.

The lease payments expected to be received over the next five years are:

	Third Parties
2012	\$ 19.4
2013	21.7
2014	21.0
2015	18.7
2016	17.4
Thereafter	103.1

(m) Employee benefits expense

	53 Weeks Ended May 7, 2011
Wages, salaries and other short-term employment benefits	\$ 1,926.3
Post-employment benefits	4.4
Termination benefits	7.4
	\$ 1,938.1

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(n) Capital gains and other items

	53 Weeks Ended May 7, 2011
Gain on sale of Wajax Income Fund	\$ 81.3
Store and distribution centre closure costs	(21.5)
Change in fair value of Canadian third-party asset-backed commercial paper	1.6
Foreign exchange losses	(0.1)
Total	\$ 61.3

(o) Finance costs, net

Finance income and finance costs are reported on a net basis in the consolidated statements of earnings.

	53 Weeks Ended May 7, 2011
Finance income	
Interest income from cash and cash equivalents	\$ 2.8
Finance costs	
Interest expense on financial liabilities measured at amortized cost	64.3
Fair value losses on forward exchange contracts	1.0
Fair value losses on cash flow hedges	0.5
Losses on cash flow hedges reclassified from other comprehensive income	8.1
Net pension finance costs	5.8
Total finance costs	79.7
Finance costs, net	\$ 76.9

(p) Income taxes

Income tax expense varies from the amount that would be computed by applying the combined federal and provincial statutory tax rate as a result of the following:

	53 Weeks Ended May 7, 2011
Earnings before income taxes	\$ 531.6
Effective combined statutory income tax rate	28.7%
Income tax expense according to combined statutory income tax rate	152.6
Income taxes resulting from:	
Non-deductible amounts	1.2
Capital items	(21.1)
Impact of statutory income tax rate changes	(1.5)
Non-taxable amounts	(2.9)
Other	(6.3)
Total income taxes, combined effective tax rate of 22.9%	\$ 122.0

Current year income tax expense attributable to net earnings consists of:

	53 Weeks Ended May 7, 2011
Current tax expense	\$ 106.9
Deferred tax expense:	
Origination and reversal of temporary differences	17.7
Change in tax rate	(1.5)
Utilization of unused tax losses	(1.1)
Total	\$ 122.0

Note 19(h) provides information on the entity's deferred tax assets and liabilities, including the amounts recognized directly in other comprehensive income.

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(q) Earnings per share

Earnings applicable to common shares are comprised of the following:

	53 Weeks Ended
	May 7, 2011
Operating earnings	\$ 338.8
Capital gains and other items (net of income taxes recovered of \$0.5)	61.8
Earnings for the period	400.6
Preferred share dividends	0.1
Earnings applicable to common shares	\$ 400.5

Earnings per share is comprised of the following:

	53 Weeks Ended
	May 7, 2011
Operating earnings	\$ 4.97
Net capital gains and other items	0.91
Basic earnings per share	\$ 5.88
Operating earnings	\$ 4.96
Net capital gains and other items	0.91
Diluted earnings per share	\$ 5.87

The weighted average number of outstanding shares as at May 7, 2011 used for basic earnings per share amounted to 68,146,156 shares.

The weighted average number of shares for the purpose of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	53 Weeks Ended
	May 7, 2011
Weighted average number of shares used in basic earnings per share	68,146,156
Shares deemed to be issued for no consideration in respect of stock-based payments	68,768
Weighted average number of shares used in diluted earnings per share	68,214,924

(r) Related party transactions

Related party transactions are with Crombie REIT. Key management personnel include the Board of Directors and members of the Company's executive team that have authority and responsibility for planning, directing and controlling the activities of the Company.

Key management personnel compensation during the 53 weeks ended May 7, 2011 was as follows:

	May 7, 2011
Salary, bonus and other short-term employee benefits	\$ 15.6
Post-employment benefits	1.4
Stock-based payments	1.8
	\$ 18.8