Empire Company Limited
Unaudited Condensed Consolidated Financial Statements
May 3, 2014

CONTENTS

Empire Company Limited
Condensed Consolidated Balance Sheets
As At
Unaudited (in millions of Canadian dollars)

	May 3 2014	May 4 2013[1]
ASSETS		
Current		
Cash and cash equivalents	**$ 429.3**	$ 455.2
Receivables	**460.5**	381.7
Inventories (Note 4)	**1,310.2**	900.8
Prepaid expenses	**114.3**	86.2
Loans and other receivables	**46.4**	66.2
Investments	**-**	14.5
Income taxes receivable	**39.7**	33.8
Assets held for sale (Note 5 and 11)	**204.8**	22.0
	2,605.2	1,960.4
Loans and other receivables	**52.5**	53.8
Investments	**24.8**	25.0
Investments, at equity (Note 6)	**554.2**	407.6
Other assets	**30.3**	50.5
Property and equipment	**3,650.7**	2,703.0
Investment property	**104.5**	96.9
Intangibles	**950.8**	490.5
Goodwill	**4,134.0**	1,310.4
Deferred tax assets	**131.0**	42.3
	$ 12,238.0	$ 7,140.4
LIABILITIES		
Current		
Bank indebtedness	**$ -**	$ 6.0
Accounts payable and accrued liabilities	**2,246.0**	1,765.8
Income taxes payable	**21.0**	75.2
Provisions	**82.4**	30.6
Long-term debt due within one year (Note 7)	**218.0**	47.6
	2,567.4	1,925.2
Provisions	**140.7**	52.9
Long-term debt (Note 7)	**3,279.9**	915.9
Other long-term liabilities	**389.2**	309.7
Deferred tax liabilities	**119.3**	180.6
	6,496.5	3,384.3
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	**2,108.6**	319.3
Contributed surplus	**5.0**	6.7
Retained earnings	**3,585.9**	3,406.9
Accumulated other comprehensive income (loss)	**1.0**	(8.1)
	5,700.5	3,724.8
Non-controlling interest	**41.0**	31.3
	5,741.5	3,756.1
	$ 12,238.0	$ 7,140.4

See accompanying notes to the unaudited, interim condensed consolidated financial statements.
[1] *Certain fiscal 2013 amounts have been restated (see Note 3(a)(i))*

On Behalf of the Board

(signed) "*Rob Dexter*"
Director

(signed) "*Marc Poulin*"
Director

Empire Company Limited
Condensed Consolidated Statements of Earnings
Unaudited (in millions of Canadian dollars, except per share amounts)

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	May 4 2013 [1]	**May 3 2014**	May 4 2013 [1]
Sales	**$ 5,937.5**	$ 4,257.4	**$ 20,993.0**	$ 17,400.8
Other income (Note 9)	**2.9**	21.2	**14.1**	54.2
Share of earnings from investments, at equity	**17.8**	18.7	**50.2**	44.0
Operating expenses				
Cost of sales	**4,433.1**	3,245.6	**15,941.3**	13,326.3
Selling and administrative expenses	**1,502.2**	901.4	**4,787.5**	3,599.5
Operating income	**22.9**	150.3	**328.5**	573.2
Finance costs, net (Note 10)	**47.6**	13.6	**133.2**	55.4
(Loss) earnings before income taxes	**(24.7)**	136.7	**195.3**	517.8
Income taxes	**(26.7)**	33.2	**36.3**	136.4
Net earnings from continuing operations	**2.0**	103.5	**159.0**	381.4
Net (loss) earnings from discontinued operations (Note 11)	**(0.7)**	3.4	**84.4**	7.2
Net earnings	**$ 1.3**	$ 106.9	**$ 243.4**	$ 388.6
Earnings for the period attributable to:				
Non-controlling interest	**$ 0.5**	$ 1.0	**$ 8.0**	$ 9.1
Owners of the parent				
From continuing operations	**1.5**	102.5	**151.0**	372.3
From discontinued operations	**(0.7)**	3.4	**84.4**	7.2
	$ 1.3	$ 106.9	**$ 243.4**	$ 388.6
Earnings (loss) per share from continuing and discontinued operations (Note 12)				
Basic				
From continuing operations	**$ 0.02**	$ 1.51	**$ 1.89**	$ 5.48
From discontinued operations	**(0.01)**	0.05	**1.05**	0.11
Total	**$ 0.01**	$ 1.56	**$ 2.94**	$ 5.59
Diluted				
From continuing operations	**$ 0.02**	$ 1.51	**$ 1.88**	$ 5.47
From discontinued operations	**(0.01)**	0.05	**1.05**	0.11
Total	**$ 0.01**	$ 1.56	**$ 2.93**	$ 5.58
Weighted average number of common shares outstanding, in millions (Note 12)				
Basic	**92.3**	67.9	**80.0**	67.9
Diluted	**92.4**	68.1	**80.2**	68.1

See accompanying notes to the unaudited, interim condensed consolidated financial statements.
[1] *Certain fiscal 2013 amounts have been restated (see Note 3(a)(i) and 11)*

Empire Company Limited
Condensed Consolidated Statements of Comprehensive Income
Unaudited (in millions of Canadian dollars)

	13 Weeks Ended		*52 Weeks Ended*	
	May 3 2014	**May 4 2013** (1)	**May 3 2014**	**May 4 2013** (1)
Net earnings	**$ 1.3**	$ 106.9	**$ 243.4**	$ 388.6
Other comprehensive income				
Items that will be reclassified subsequently to net earnings				
Unrealized (losses) gains on derivatives designated as cash flow hedges (net of income taxes of $ nil and $(0.3) for the 13 and 52 weeks to date (May 4, 2013 - $ nil and $(0.3)))	**(0.1)**	(0.1)	**0.6**	0.5
Reclassification of losses on derivative instruments designated as cash flow hedges to earnings (net of income taxes of $ nil and $ nil for the 13 and 52 weeks to date (May 4, 2013 - $ nil and $(0.5)))	**-**	0.1	**-**	1.2
Unrealized gains (losses) on available for sale financial assets (net of income taxes of $(0.1) and $ nil for the 13 and 52 weeks to date (May 4, 2013 - $0.5 and $(0.3)))	**0.3**	(1.4)	**(0.2)**	1.3
Reclassification of gains on available for sale financial assets to earnings (net of income taxes of $ nil and $ nil for the 13 and 52 weeks to date (May 4, 2013 - $ nil and $0.6))	**-**	-	**-**	(3.0)
Share of other comprehensive income of investments, at equity (net of income taxes of $0.6 and $ nil for the 13 and 52 weeks to date (May 4, 2013 - $(0.2) and $(0.7)))	**1.1**	0.5	**2.7**	1.7
Exchange differences on translation of foreign operations	**2.7**	1.2	**6.0**	1.0
Items that will not be reclassified subsequently to net earnings				
Actuarial gains on defined benefit plans (net of income taxes of $(5.6) and $(11.4) for the 13 and 52 weeks to date (May 4, 2013 - $0.4 and $(3.5)))	**14.4**	0.9	**29.9**	11.7
Total comprehensive income	**$ 19.7**	$ 108.1	**$ 282.4**	$ 403.0
Total comprehensive income for the period attributable to:				
Non-controlling interest	**$ 0.5**	$ 1.0	**$ 8.0**	$ 9.1
Owners of the parent	**19.2**	107.1	**274.4**	393.9
	$ 19.7	$ 108.1	**$ 282.4**	$ 403.0
Total comprehensive income (loss) attributable to owners of the parent arises from:				
Continuing operations	**$ 19.9**	$ 103.7	**$ 190.0**	$ 386.7
Discontinued operations (Note 11)	**(0.7)**	3.4	**84.4**	7.2
	$ 19.2	$ 107.1	**$ 274.4**	$ 393.9

See accompanying notes to the unaudited, interim condensed consolidated financial statements.
(1) *Certain fiscal 2013 amounts have been restated (see Note 3(a)(i) and 11)*

Empire Company Limited
Condensed Consolidated Statements of Changes in Shareholders' Equity
Unaudited (in millions of Canadian dollars)

	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Attributable to Parent	Non-controlling Interest	Total Equity
Balance at May 5, 2012[1]	$ 319.3	$ 6.1	$ (10.8)	$ 3,080.9	$ 3,395.5	$ 35.1	$ 3,430.6
Dividends declared on common shares	-	-	-	(65.2)	(65.2)	-	(65.2)
Employee share options	-	0.6	-	-	0.6	-	0.6
Capital transactions with structured entities	-	-	-	-	-	(12.9)	(12.9)
Transactions with owners	-	0.6	-	(65.2)	(64.6)	(12.9)	(77.5)
Net earnings	-	-	-	379.5	379.5	9.1	388.6
Other comprehensive income							
Unrealized gains on derivatives designated as cash flow hedges	-	-	0.5	-	0.5	-	0.5
Reclassification of losses on derivative instruments designated as cash flow hedges to earnings	-	-	1.2	-	1.2	-	1.2
Unrealized gains on available for sale financial assets	-	-	1.3	-	1.3	-	1.3
Reclassification of gains on available for sale financial assets to earnings	-	-	(3.0)	-	(3.0)	-	(3.0)
Actuarial gains on defined benefit plans	-	-	-	11.7	11.7	-	11.7
Share of other comprehensive income of investments, at equity	-	-	1.7	-	1.7	-	1.7
Exchange differences on translation of foreign operations	-	-	1.0	-	1.0	-	1.0
Total comprehensive income for the period	-	-	2.7	391.2	393.9	9.1	403.0
Balance at May 4, 2013[1]	$ 319.3	$ 6.7	$ (8.1)	$ 3,406.9	$ 3,724.8	$ 31.3	$ 3,756.1
Dividends declared on common shares	**-**	**-**	**-**	**(83.3)**	**(83.3)**	**-**	**(83.3)**
Employee share options	**2.2**	**(1.7)**	**-**	**(3.0)**	**(2.5)**	**-**	**(2.5)**
Capital transactions with structured entities	**-**	**-**	**-**	**-**	**-**	**1.7**	**1.7**
Issuance of common shares (Note 8)	**1,787.1**	**-**	**-**	**-**	**1,787.1**	**-**	**1,787.1**
Transactions with owners	**1,789.3**	**(1.7)**	**-**	**(86.3)**	**1,701.3**	**1.7**	**1,703.0**
Net earnings	**-**	**-**	**-**	**235.4**	**235.4**	**8.0**	**243.4**
Other comprehensive income							
Unrealized gains on derivatives designated as cash flow hedges	**-**	**-**	**0.6**	**-**	**0.6**	**-**	**0.6**
Unrealized losses on available for sale financial assets	**-**	**-**	**(0.2)**	**-**	**(0.2)**	**-**	**(0.2)**
Actuarial gains on defined benefit plans	**-**	**-**	**-**	**29.9**	**29.9**	**-**	**29.9**
Share of other comprehensive income of investments, at equity	**-**	**-**	**2.7**	**-**	**2.7**	**-**	**2.7**
Exchange differences on translation of foreign operations	**-**	**-**	**6.0**	**-**	**6.0**	**-**	**6.0**
Total comprehensive income for the period	**-**	**-**	**9.1**	**265.3**	**274.4**	**8.0**	**282.4**
Balance at May 3, 2014	**$ 2,108.6**	**$ 5.0**	**$ 1.0**	**$ 3,585.9**	**$ 5,700.5**	**$ 41.0**	**$ 5,741.5**

See accompanying notes to the unaudited, interim condensed consolidated financial statements.
[1] *Certain fiscal 2013 amounts have been restated (see Note 3(a)(i))*

Empire Company Limited **Condensed Consolidated Statements of Cash Flows** **Unaudited (in millions of Canadian dollars)**	*13 Weeks Ended* **May 3 2014**	 **May 4 2013** (1)	*52 Weeks Ended* **May 3 2014**	 **May 4 2013** (1)
Operations				
Net earnings	**$ 1.3**	$ 106.9	**$ 243.4**	$ 388.6
Adjustments for:				
Restructuring	**169.8**	-	**169.8**	-
Depreciation	**99.3**	79.6	**362.5**	314.8
Income taxes (Note 11)	**(26.9)**	33.8	**49.6**	138.3
Finance costs, net (Note 10 and 11)	**47.7**	14.0	**134.0**	57.0
Amortization of intangibles	**25.0**	12.3	**68.1**	44.5
Gain on disposal of assets (Note 9 and 11)	**(2.7)**	(18.9)	**(137.5)**	(47.2)
Impairment (reversal) of non-financial assets, net	**0.6**	2.2	**(7.0)**	6.9
Amortization of deferred items	**6.1**	0.3	**7.1**	0.9
Equity in earnings of other entities, net of dividends received	**6.0**	6.5	**27.5**	37.8
Employee future benefits obligation	**(8.2)**	1.0	**2.9**	2.7
(Decrease) increase in long-term lease obligation	**(1.9)**	(0.3)	**1.2**	4.2
Decrease in long-term provisions	**(0.2)**	(0.1)	**(0.6)**	(8.0)
Stock-based compensation	**0.9**	0.2	**4.8**	0.6
Losses recognized on re-measurement of assets and re-structuring costs of discontinued operations (Note 11)	**-**	-	**34.8**	-
Net change in non-cash working capital	**165.0**	25.1	**38.4**	(73.6)
Income taxes paid, net	**(43.1)**	(24.9)	**(211.6)**	(86.5)
Cash flows from operating activities	**438.7**	237.7	**787.4**	781.0
Investment				
Net decrease (increase) in investments	**0.1**	(13.5)	**(151.6)**	(150.4)
Property, equipment and investment property purchases	**(166.8)**	(131.6)	**(571.4)**	(531.9)
Proceeds on disposal of property, equipment and investment property	**354.2**	81.4	**1,644.4**	181.1
Additions to intangibles	**(10.0)**	(2.8)	**(18.5)**	(12.3)
Loans and other receivables	**2.2**	(12.2)	**21.2**	(19.1)
Other assets and other long-term liabilities	**10.3**	(5.0)	**1.1**	12.2
Proceeds on sale of asset-backed commercial paper	**-**	-	**26.0**	-
Business acquisitions (Note 14)	**(10.8)**	(4.9)	**(5,825.0)**	(17.9)
Interest received	**0.6**	0.6	**4.4**	3.0
Non-controlling interest	**(1.8)**	(1.5)	**1.7**	(12.9)
Cash flows from (used in) investing activities	**178.0**	(89.5)	**(4,867.7)**	(548.2)
Financing				
Increase (decrease) in bank indebtedness	**-**	4.9	**(6.0)**	1.6
Issue of long-term debt (Note 7)	**33.3**	4.7	**3,337.6**	133.7
Deferred debt financing costs	**(3.7)**	-	**(50.6)**	-
Repayment of long-term debt	**(428.5)**	(40.6)	**(798.6)**	(303.0)
Stock option purchases	**-**	-	**(9.1)**	-
Interest paid	**(49.0)**	(16.2)	**(102.3)**	(54.9)
Issue of Non-voting Class A shares, net (Note 8)	**-**	-	**1,842.6**	-
Share issue costs	**(0.1)**	-	**(75.9)**	-
Dividends paid, common shares	**(24.0)**	(16.3)	**(83.3)**	(65.2)
Cash flows (used in) from financing activities	**(472.0)**	(63.5)	**4,054.4**	(287.8)
Increase (decrease) in cash and cash equivalents	**144.7**	84.7	**(25.9)**	(55.0)
Cash and cash equivalents, beginning of period	**284.6**	370.5	**455.2**	510.2
Cash and cash equivalents, end of period	**$ 429.3**	$ 455.2	**$ 429.3**	$ 455.2

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

(1) *Certain fiscal 2013 amounts have been restated (see Note 3(a)(i) and 11)*

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 condensed consolidated financial statements for the period ended May 3, 2014 include the accounts of Empire, all subsidiary companies, including 100 percent owned Sobeys Inc. ("Sobeys"), and certain enterprises considered structured entities ("SEs"), 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 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

Statement of compliance

The unaudited, interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and note disclosures normally included in annual consolidated financial statements have been omitted or condensed. The unaudited, interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended May 3, 2014.

The unaudited, interim condensed consolidated financial statements were authorized for issue by the Board of Directors on June 26, 2014.

Basis of measurement

The unaudited, interim condensed consolidated financial statements are prepared on the historical cost basis, except the following assets and liabilities which are stated at their fair value: financial instruments classified as fair value through profit and loss ("FVTPL"), financial instruments classified as available for sale and stock-based compensation plans. Assets held for sale are valued at the lower of their carrying amount and fair value less costs to sell.

Use of estimates and judgments

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. The use of estimates, judgments and assumptions are all interrelated. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The Company has applied judgment in its assessment of the appropriateness of consolidation of SEs, the appropriateness of equity accounting for its investments in associates and joint ventures, the classification of leases and financial instruments, the level of componentization of property and equipment, the determination of cash generating units, the identification of indicators of impairment for property and equipment, investment property and intangible assets, the recognition and measurement of assets acquired and liabilities assumed, and the recognition of provisions.

Estimates, judgments and assumptions that could have a significant impact on the amounts recognized in the condensed consolidated financial statements are summarized in the Company's annual consolidated financial statements for the year ended May 3, 2014. For the period ended May 3, 2014, estimates, judgments and assumptions relating to business combinations could also have a significant impact on the amounts recognized in the condensed consolidated financial statements. For business combinations, the Company applied judgment on the allocation of acquisition cost adjustments, and estimates were utilized to calculate and measure such adjustments, and to calculate the proforma results as if the business combinations had occurred at the beginning of the Company's fiscal year.

The Company's investments in associates are accounted for using the equity accounting method. In assessing the potential impact of International Financial Reporting Standard ("IFRS") 10 which became effective during the first quarter of 2014 (Note 3(a)(ii)), management used significant judgment in determining whether the Company has power over each of its investments contained in investments in associates and its ability to use its power over the investees. The criteria for determining whether an investee should be accounted for using the consolidation or equity accounting method are whether the investor possesses power over the investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns.

(in millions of Canadian dollars, except per share amounts)

3. Summary of significant accounting policies

These unaudited, interim condensed consolidated financial statements were prepared using the same accounting policies as disclosed in the Company's annual consolidated financial statements for the year ended May 3, 2014.

(a) Accounting standards and policies adopted during fiscal 2014

(i) Employee benefits

In June 2011, the IASB issued amendments to IAS 19, "Employee Benefits", 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 or loss and enhance disclosure requirements around the characteristics of the defined benefit plans and risks associated with participation in those plans. The Company adopted and implemented the amendments to IAS 19 during its first quarter of fiscal 2014 and retrospective application was required. The impact from the adoption of the amendments to IAS 19 is summarized as follows:

Condensed Consolidated Statements of Earnings and Comprehensive Income Increase (Decrease)	May 4, 2013 (13 Weeks Ended)	May 4, 2013 (52 Weeks Ended)
Selling and administrative expenses	$ 0.4	$ 0.9
Operating income	(0.4)	(0.9)
Finance costs, net	1.5	6.2
Earnings before income taxes	(1.9)	(7.1)
Income taxes	(0.4)	(1.8)
Net earnings	(1.5)	(5.3)
Other comprehensive income, net of taxes	1.2	4.7
Total comprehensive income	$ (0.3)	$ (0.6)

Condensed Consolidated Balance Sheets Increase (Decrease)	As at May 4, 2013	As at May 5, 2012
Deferred tax assets	$ 0.3	$ 0.2
Other long-term liabilities	1.7	1.0
Retained earnings	(1.4)	(0.8)

The enhanced annual disclosures required for defined benefit plans are included in the Company's annual consolidated financial statements for the year ended May 3, 2014.

(ii) 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. The standard became effective in the first quarter of 2014. The Company has evaluated the impact of this standard on its "Investments in associates" and has determined that while having significant influence on these investments, the criteria for control are not met and therefore equity accounting for these investments continues to be appropriate. Management has also evaluated the impact of this standard as it applies to SE's. Adoption of this standard had no significant impact on the Company's financial results.

(iii) 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. The standard became effective in the first quarter of 2014 and did not have a significant impact on the Company's financial statements.

(iv) 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 an 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. This standard became effective in the first quarter of 2014 and resulted in additional disclosures in the Company's annual consolidated financial statements for the year ended May 3, 2014.

(v) Fair value measurement
In May 2011, the IASB issued IFRS 13, "Fair Value Measurement", 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 standard became effective in the first quarter of 2014. The adoption of this standard had no measurement impact on the Company's financial results. Enhanced disclosures have been included in Note 15 to these unaudited, interim condensed consolidated financial statements.

(vi) Presentation of financial statements
In May 2012, the IASB issued amendments to IAS 1, "Presentation of Financial Statements", clarifying the requirements for comparative information. The amendments became effective in the first quarter of 2014 and did not have a significant impact on the Company's financial results and disclosures.

(b) Future accounting policies

(i) Financial instruments
In November 2009, the 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 provides guidance on the classification and measurement of financial assets and financial liabilities, and a new hedge accounting model with corresponding disclosures about risk management activity. The effective date for implementation of this standard has been deferred. IFRS 9 allows for early adoption, but the Company does not intend to do so at this time.

(ii) Financial instruments: asset and liability offsetting
In December 2011, the IASB amended IAS 32, "Financial Instruments: Presentation", to clarify the requirements which permit offsetting a financial asset and liability in the financial statements. IAS 32 amendments are effective for annual periods beginning on or after January 1, 2014.

(iii) Levies
In May 2013, the IASB issued IFRIC 21, "Levies", which is an interpretation of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of IAS 12, "Income Taxes" and fines or other penalties imposed for breaches of legislation. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

(iv) Revenue
In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers". IFRS 15 replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", and some revenue related Interpretations. IFRS 15 establishes a new control-based revenue recognition model and is effective for annual periods beginning on or after January 1, 2017.

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

(in millions of Canadian dollars, except per share amounts)

4. Inventories

The cost of inventories (including those from discontinued operations) recognized as an expense during the 13 and 52 weeks ended May 3, 2014 was $4,433.1 and $15,956.4 respectively (May 4, 2013 - $3,251.9 and $13,350.1). The Company has recorded $10.1 (May 4, 2013 - $8.6) as an expense for the write-down of inventories below cost to net realizable value for inventories on hand as at May 3, 2014. There were no reversals of inventories written down previously (May 4, 2013 - $ nil).

5. Assets held for sale

As a condition of the regulatory clearance from the Competition Bureau for Sobeys' acquisition of substantially all of the assets and select liabilities of Canada Safeway ULC (the "Canada Safeway acquisition"), the Company was required to divest 23 retail stores. On February 13, 2014, Sobeys announced that it entered into binding purchase agreements with Overwaitea Food Group LP and Federated Co-operatives Limited to purchase 22 of the 23 retail stores that were required to be divested as a result of the Canada Safeway aquisition. In addition to the required divestitures, the Company agreed to sell an additional seven stores in British Columbia comprised of both Safeway and Sobeys locations. Sobeys also signed a binding purchase agreement with another retailer for the sale of one retail store which was also required to be divested as part of the Canada Safeway acquisition. The purchase agreements all received approval from the Competition Bureau.

During the fourth quarter, the Company divested 19 of the retail stores for cash proceeds of $337.7. The assets and liabilities of $112.2 for the remaining 11 retail stores have been included in assets held for sale as of May 3, 2014, and are expected to be divested during the Company's first quarter of fiscal 2015. All proceeds will be used to repay bank borrowings.

6. Investments, at equity

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

		May 3 2014		**May 4 2013**
Investment in associates				
Crombie Real Estate Investment Trust ("Crombie REIT")	**$**	**333.5**	$	195.2
Canadian real estate partnerships		**143.7**		136.0
U.S. real estate partnerships		**67.3**		67.2
Investment in joint ventures				
Canadian Digital Cinema Partnership ("CDCP")		**9.7**		9.2
Total	**$**	**554.2**	$	407.6

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

		May 3 2014		**May 4 2013**
Crombie REIT	**$**	**682.9**	$	622.7

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

7. Long-term debt

On September 26, 2012, the Company extended the term of its credit facilities to a maturity date of June 30, 2015. The credit facilities were further extended on November 4, 2013 to November 4, 2017.

(in millions of Canadian dollars, except per share amounts)

On August 8, 2013, in connection with the Canada Safeway acquisition, Sobeys completed a private placement of $500.0 aggregate principal amount of 3.52 percent Notes, Series 2013-1 due August 8, 2018 (the "Series 2013-1 Notes") and $500.0 aggregate principal amount of 4.70 percent Notes, Series 2013-2 due August 8, 2023 (the "Series 2013-2 Notes" and together with the Series 2013-1 Notes, the "Notes"). The aggregate net proceeds were approximately $987.1 after deducting underwriting fees and the purchase discount on the 2013-1 Notes. Upon closing of the Canada Safeway acquisition, the net proceeds of $987.1 were released from escrow and used to partially finance the acquisition.

Pursuant to an agreement dated October 30, 2013, Sobeys established new credit facilities in connection with the Canada Safeway acquisition. The agreement provides for a non-revolving, amortizing term credit facility (the "Acquisition Facility") in the amount of $1,825.0; a non-revolving, non-amortizing term bridge facility (the "Bridge Facility") in the amount of $1,327.9; and a revolving term credit facility (the "RT Facility") in the amount of $450.0.

On November 4, 2013, the RT Facility replaced Sobey's previous unsecured revolving term credit facility of $450.0, the Acquisition Facility was fully drawn for $1,825.0 and the Bridge Facility was drawn for $200.0 in order to partially finance the Canada Safeway acquisition. As of May 3, 2014, the outstanding amount of the Acquisition Facility was $1,625.0, the Bridge Facility was fully repaid and matured, and Sobeys had issued $79.0 in letters of credit against the RT facility (2013 - $80.6). Deferred financing fees in the amount of $29.3 were incurred on the draw down of the Acquisition and Bridge Facilities and have been offset against the long term debt amounts for presentation purposes. Interest payable on the Acquisition and RT Facilities fluctuates with changes in the bankers' acceptance rate or Canadian prime rate, and both facilities mature on November 4, 2017.

Further information on Sobeys' Canada Safeway acquisition can be found in Note 14.

8. Capital stock

On November 4, 2013, in connection with the Canada Safeway acquisition the Company issued 24,265,000 Non-voting Class A shares, resulting in additions to capital stock of $1,842.6 before transaction costs. Transaction costs of $55.8, net of deferred taxes of $20.1, have been offset against the proceeds as they directly relate to the issuance of the common shares.

9. Other income

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	**May 4 2013**	**May 3 2014**	**May 4 2013**
Gain on disposal of assets	**$ 2.7**	$ 14.8	**$ 8.0**	$ 26.4
Dilution gains	**-**	1.5	**4.3**	18.2
Investment income	**0.2**	4.9	**1.8**	9.6
Total	**$ 2.9**	$ 21.2	**$ 14.1**	$ 54.2

(in millions of Canadian dollars, except per share amounts)

10. Finance costs, net

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

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	**May 4 2013**	**May 3 2014**	**May 4 2013**
Finance income				
Interest income from cash and cash equivalents	**$ 0.6**	$ 0.6	**$ 9.1**	$ 3.0
Fair value gains on cash flow hedges	**-**	0.1	**-**	0.2
Fair value gains on other financial assets	**-**	-	**-**	1.6
Gain on disposal of financial assets	**-**	-	**1.2**	-
Total finance income	**0.6**	0.7	**10.3**	4.8
Finance costs				
Interest expense on financial liabilities measured at amortized cost	**44.7**	12.0	**132.5**	49.6
Fair value losses on forward contracts	**0.1**	0.2	**0.6**	0.8
Losses on cash flow hedges reclassified from other comprehensive income	**-**	0.1	**-**	1.7
Net pension finance costs	**3.4**	2.0	**10.4**	8.1
Total finance costs	**48.2**	14.3	**143.5**	60.2
Finance costs, net	**$ 47.6**	$ 13.6	**$ 133.2**	$ 55.4

11. Discontinued operations

During the second quarter, Empire Theatres completed its asset sales transactions with two unrelated parties as announced on June 27, 2013. Details of the sale are as follows:

Net proceeds on disposal	**$ 259.2**
Book value of property and equipment sold	**114.4**
Book value of goodwill sold	**32.6**
Book value of intangible assets sold	**0.5**
Write off of property and equipment	**0.4**
Write off of deferred tenant inducements and market lease adjustments	**(14.2)**
Write off of straight line rent	**(4.2)**
Estimated transaction costs	**3.0**
Other costs	**1.5**
	134.0
Gain before income taxes	**125.2**
Income taxes	**21.0**
Gain on disposal of assets, net of tax	**$ 104.2**

Certain assets which remain with Empire Theatres have been presented as held for sale.

Assets of disposal groups classified as held for sale:

	May 3 2014
Property and equipment	**$ 5.3**

(in millions of Canadian dollars, except per share amounts)

Analysis of the operating results of the discontinued operations, and results recognized as a result of re-measurement of the disposal groups, sale of the disposal groups and recognition of restructuring costs is as follows:

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	**May 4 2013**	**May 3 2014**	**May 4 2013**
Sales	**$ -**	$ 51.5	**$ 127.5**	$ 211.9
Other income	**-**	2.6	**-**	2.6
Expenses, including finance costs of $0.1 and $0.8 for the 13 and 52 weeks to date (May 4, 2013 - $0.4 and $1.6)	**0.9**	50.1	**120.2**	205.4
(Loss) earnings before income taxes of discontinued operations	**(0.9)**	4.0	**7.3**	9.1
Income taxes	**(0.2)**	0.6	**2.1**	1.9
Net (loss) earnings of discontinued operations	**(0.7)**	3.4	**5.2**	7.2
Loss recognized on re-measurement of assets of disposal groups to fair value less cost to sell, net of tax of $ nil and $6.2 for the 13 and 52 weeks to date	**-**	-	**(15.7)**	-
Gain on disposal of assets, net of tax of $ nil and $(21.0) for the 13 and 52 weeks to date	**-**	-	**104.2**	-
Restructuring costs, net of tax of $ nil and $3.6 for the 13 and 52 weeks to date	**-**	-	**(9.3)**	-
Net gain from re-measurement and disposal of assets and from restructuring costs	**-**	-	**79.2**	-
Net (loss) earnings from discontinued operations	**$ (0.7)**	$ 3.4	**$ 84.4**	$ 7.2

Cash flows from discontinued operations:

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	**May 4 2013**	**May 3 2014**	**May 4 2013**
Operating cash flows	**$ (29.7)**	$ (2.4)	**$ (24.9)**	$ 22.8
Investing cash flows	**$ 0.3**	$ 14.1	**$ 239.3**	$ (14.1)
Financing cash flows	**$ -**	$ (13.3)	**$ (21.0)**	$ (7.5)

12. Earnings per share

The weighted average number of outstanding shares for the 13 and 52 weeks ended May 3, 2014 used for basic earnings per share amounted to 92,302,364 and 80,049,235 (May 4, 2013 - 67,948,510) shares.

(in millions of Canadian dollars, except per share amounts)

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		52 Weeks Ended	
	May 3 2014	**May 4 2013**	**May 3 2014**	**May 4 2013**
Weighted average number of shares used in basic earnings per share	**92,302,364**	67,948,510	**80,049,235**	67,948,510
Shares deemed to be issued for no consideration in respect of stock-based payments	**52,676**	182,646	**159,691**	134,746
Weighted average number of shares used in diluted earnings per share	**92,355,040**	68,131,156	**80,208,926**	68,083,256

13. 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.

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

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	**May 4 2013**	**May 3 2014**	**May 4 2013**
Segmented sales				
Food retailing	**$ 5,937.0**	$ 4,259.2	**$ 20,994.9**	$ 17,402.7
Investments and other operations	**0.5**	0.6	**5.2**	9.8
	5,937.5	4,259.8	**21,000.1**	17,412.5
Sales to discontinued operations	**-**	2.4	**7.1**	11.7
Total	**$ 5,937.5**	$ 4,257.4	**$ 20,993.0**	$ 17,400.8

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	**May 4 2013**	**May 3 2014**	**May 4 2013**
Segmented operating income				
Food retailing	**$ 6.0**	$ 128.8	**$ 291.6**	$ 514.4
Investments and other operations				
Crombie REIT	**6.9**	4.9	**19.2**	13.7
Real estate partnerships	**10.9**	13.7	**30.4**	29.6
Other operations, net of corporate expenses	**(0.9)**	2.9	**(12.7)**	15.5
	16.9	21.5	**36.9**	58.8
Total	**$ 22.9**	$ 150.3	**$ 328.5**	$ 573.2

(in millions of Canadian dollars, except per share amounts)

	May 3 2014	May 4 2013
Total assets by segment		
Food retailing	**$ 11,555.0**	$ 6,440.4
Investments and other operations (including discontinued operations)	**683.0**	700.0
	$ 12,238.0	$ 7,140.4

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

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	May 4 2013	May 3 2014	May 4 2013
Total operating income	**$ 22.9**	$ 150.3	**$ 328.5**	$ 573.2
Finance costs, net	**47.6**	13.6	**133.2**	55.4
Total	**$ (24.7)**	$ 136.7	**$ 195.3**	$ 517.8

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

14. Business acquisitions

The Company completed the Canada Safeway acquisition and also acquired franchise and non-franchise stores, retail gas locations, and prescription files during the 13 and 52 weeks ended May 3, 2014. 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 acquisition method.

The following table represents the amounts of identifiable assets from resulting acquisitions for the respective periods:

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	May 4 2013	May 3 2014	May 4 2013
Stores, retail gas locations and theatres				
Inventories	**$ 8.3**	$ 0.9	**$ 457.9**	$ 1.7
Property, equipment and investment property	**(59.4)**	2.1	**1,109.3**	10.1
Intangibles	**1.9**	-	**138.8**	-
Deferred tax assets	**-**	-	**40.3**	-
Assets held for sale	**9.3**	-	**391.4**	-
Assets acquired for sale-leaseback	**-**	-	**991.3**	-
Goodwill	**46.3**	2.7	**2,884.4**	8.3
Accounts payable and accrued liabilities	**(0.5)**	-	**(397.7)**	-
Pension obligations	**1.1**	-	**(137.5)**	-
Deferred tax liabilities	**(0.6)**	-	**(8.7)**	-
Other assets and liabilities	**4.4**	(0.8)	**49.0**	(2.4)
	10.8	4.9	**5,518.5**	17.7
Prescription files				
Intangibles	**-**	-	**306.5**	0.2
Cash consideration	**$ 10.8**	$ 4.9	**$ 5,825.0**	$ 17.9

From the date of acquisition, the businesses acquired contributed sales of $1,617.4 and $3,286.1 and net earnings of $40.7 and $76.0 for the 13 and 52 weeks ended May 3, 2014 respectively.

(in millions of Canadian dollars, except per share amounts)

If the acquisitions had occurred on May 5, 2013, management estimates that consolidated sales would have been $24,058.2 and consolidated net earnings would have been $274.3 for the 52 weeks ended May 3, 2014. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisitions had occurred on May 5, 2013. These amounts do not include an estimate for the impact that may have occurred to sales and net earnings for the 52 weeks ended May 3, 2014, related to the retail stores required to be divested. The consolidated net earnings includes one-time non-recurring adjustments relating to the Canada Safeway acquisition, including $17.1 in cost of sales resulting from the turnover of inventory acquired and measured at fair value, and $97.8 in selling and administrative expenses for transaction costs.

Canada Safeway Acquisition
On June 12, 2013, the Company entered into an Asset Purchase Agreement with Safeway Inc. and its subsidiaries to purchase substantially all of the assets and select liabilities of Canada Safeway ULC for a cash purchase price of $5,800.0, subject to a working capital adjustment. The agreement provided for the purchase of 213 full service grocery stores under the Safeway banner in Western Canada, 200 in-store pharmacies, 62 co-located fuel stations, 10 liquor stores, 4 primary distribution centres and 12 manufacturing facilities plus the assumption of certain liabilities. On October 22, 2013, regulatory clearance was obtained from the Competition Bureau which required the divestiture of 23 Sobeys and Canada Safeway ULC stores. During the Company's fourth quarter, 12 of the 23 stores were divested, and the remaining 11 stores have been included in assets held for sale as of May 3, 2014, as discussed in Note 5. The Canada Safeway acquisition closed effective Sunday, November 3, 2013, with funds being delivered on Monday, November 4, 2013. Empire and Sobeys financed the acquisition with a combination of the following: (i) a $1,844.1, net of fees of $75.8, Empire equity offering which closed on July 31, 2013; (ii) a $991.3 sale-leaseback of acquired real estate assets, as discussed in Note 16; (iii) $2,025.0 in term credit facilities, as discussed in Note 7; (iv) the issuance of $1,000.0 in unsecured notes by Sobeys, as discussed in Note 7; and (v) available cash on hand. Crombie REIT has a right of first offer in respect of any real estate sales undertaken by Sobeys.

The fair value of the identifiable assets acquired and liabilities assumed as at the acquisition date are as follows:

Inventories	$ 451.0
Property, equipment and investment property	1,096.6
Assets held for sale	391.4
Assets acquired for sale-leaseback	991.3
Intangibles	444.8
Deferred tax assets	40.3
Accounts payable and accrued liabilities	(397.7)
Pension obligations	(137.5)
Deferred tax liabilities	(8.7)
Other assets and liabilities	49.5
Total identifiable net assets	$ 2,921.0

Excess consideration paid over identifiable net assets acquired allocated to goodwill	$ 2,879.0

The fair value of the identifiable net assets and goodwill acquired effective November 3, 2013 have been determined provisionally and are subject to adjustment pending the finalization of the valuations and related accounting.

Goodwill of $2,879.0 was recognized as the excess of the acquisition cost over the fair value of the identifiable net assets at the date of the acquisition. The goodwill recognized is attributable mainly to the expected synergies from integration, the expected future growth potential in grocery store operations, and the customer base of the acquired retail store locations. Approximately $2,220.6 of goodwill is expected to be deductible for income tax purposes.

Acquisition costs of $3.2 and $97.8 relating to external legal, consulting, due diligence, financial advisory and other closing costs incurred during the 13 and 52 weeks ended May 3, 2014 respectively, have been included in selling and administrative expenses in the condensed consolidated statements of earnings.

15. Financial instruments

Fair value of financial instruments
The fair value of a financial instrument is the estimated amount that the Company would receive to sell financial assets or pay to transfer financial liabilities in an orderly transaction between market participants at the measurement date.

(in millions of Canadian dollars, except per share amounts)

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

The book value of cash and cash equivalents, receivables, loans and other receivables, and accounts payable and accrued liabilities approximate fair values at the balance sheet dates due to the short term maturity of these instruments.

The book value of the long-term portion of loans and other receivables, and investments approximates fair value at the balance sheet dates due to the current market rates associated with these instruments.

The fair value of the variable rate long-term debt is assumed to approximate its carrying amount based on current market rates and consistency of credit spread. The fair value of long-term debt has been estimated by discounting future cash flows at a rate offered for borrowings of similar maturities and credit quality.

There were no transfers between classes of the fair value hierarchy during the 52 weeks ended May 3, 2014.

The following table summarizes the classification of the Company's financial instruments, as well as their carrying amounts and fair values.

May 3, 2014	**FVTPL**	**Available for Sale**	**Loans and Receivables**	**Other Financial Liabilities**	**Total Carrying Amount**	**Fair Value**
Financial Assets						
Cash and cash equivalents	$ -	$ -	$ 429.3	$ -	$ 429.3	$ 429.3
Receivables	-	-	460.5	-	460.5	460.5
Loans and other receivables	-	-	98.9	-	98.9	98.9
Investments	-	24.8	-	-	24.8	24.8
Other assets[(1)]	6.8	-	-	-	6.8	6.8
Total financial assets	$ 6.8	$ 24.8	$ 988.7	$ -	$ 1,020.3	$ 1,020.3
Fair value level 1	$ 6.3	$ 24.8				$ 31.1
Fair value level 2	0.5	-				0.5
Fair value level 3	-	-				-
	$ 6.8	$ 24.8				$ 31.6
Financial Liabilities						
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ 2,246.0	$ 2,246.0	$ 2,246.0
Long-term debt	-	-	-	3,497.9	3,497.9	3,637.7
Total financial liabilities	$ -	$ -	$ -	$ 5,743.9	$ 5,743.9	$ 5,883.7
Fair value level 1	$ -	$ -				$ -
Fair value level 2	-	-				-
Fair value level 3	-	-				-
	$ -	$ -				$ -

(1) The total carrying value of financial assets included in other assets is $6.8.

(in millions of Canadian dollars, except per share amounts)

The fair value of financial assets included in other assets, classified as Level 3, are determined based on estimates made using available market interest rates as proxies, as no market data exists for these financial instruments. Management believes that its valuation technique is appropriate. On October 23, 2013, the Company sold its fair value Level 3 assets which included asset-backed commercial paper. The following table summarizes the change in fair value recorded:

	May 3, 2014 (52 Weeks Ended)	May 4, 2013 (52 Weeks Ended)
Financial Assets		
Balance, beginning of period	**$ 24.8**	$ 23.8
Fair value gains, net of losses, recognized in net earnings	**-**	1.6
Disposals during the period	**(24.8)**	(0.6)
Balance, end of period	**$ -**	$ 24.8

Derivative financial instruments
Derivative financial instruments are recorded on the condensed consolidated balance sheets at fair value unless the derivative instrument is a contract to buy or sell a non-financial item in accordance with the Company's expected purchase, sale or usage requirements, referred to as a "normal purchase" or "normal sale". Changes in the fair values of derivative financial instruments are recognized in net earnings or loss unless it qualifies and is designated as an effective cash flow hedge or a normal purchase or normal sale. Normal purchases and normal sales are exempt from the application of the standard and are accounted for as executory contracts. Changes in fair value of a derivative financial instrument designated as a cash flow hedge are recorded in other assets and other long-term liabilities with the effective portion recorded in other comprehensive income.

Cash flow hedges
The Company's cash flow hedges consist principally of foreign currency swaps. Foreign exchange contracts are used to hedge future purchases or expenditures of foreign currency denominated goods or services. Gains and losses are initially recognized directly in equity and are transferred to net earnings or loss when the forecast cash flows affect income or expense for the year.

Cash flows from cash flow hedges are expected to flow over the next four years until fiscal 2018, and are expected to be recognized in net earnings over this period, and, in the case of foreign currency swaps, over the life of the related assets in which a portion of the initial cost is being hedged.

16. Related party transactions

The Company has related party transactions with Crombie REIT. The Company holds a 41.6 percent ownership interest and accounts for its investment using the equity method.

On July 3, 2012, the Company purchased $24.0 of convertible unsecured subordinated debentures (the "Debentures") from Crombie REIT, pursuant to a bought-deal prospectus offering for a total of $60.0. The Debentures have a maturity date of September 30, 2019. The Debentures have a coupon of 5.00% per annum and each $1,000 principal amount of Debenture is convertible into approximately 49.7512 units of Crombie REIT, at any time, at the option of the holder, based on a conversion price of $20.10 per unit.

On September 25, 2012, the Company converted convertible unsecured subordinated debentures with a face value of $10.0 into 909,090 units of Crombie REIT. The units were recorded at the exchange amount of $13.8, resulting in a pre-tax gain of $3.8.

On December 14, 2012, Crombie REIT closed a bought-deal public offering of units at a price of $14.75 per unit. Concurrent with the public offering, the Company subscribed for $24.5 of Class B units (which are convertible on a one-for-one basis into units of Crombie REIT).

During the 52 weeks ended May 4, 2013, the Company sold eight properties to Crombie REIT, seven of which were leased back. Cash consideration received for the properties was recorded at the exchange amount of $106.0, resulting in a pre-tax gain of $15.0 which was recognized in the consolidated statements of earnings.

During the quarter ended November 3, 2012, the Company acquired a parcel of land from an associate in which the Company holds a 40.7 percent interest. Cash consideration paid for the land was $7.6. The gain realized of $1.6 was eliminated from property and equipment.

On July 24, 2013, Sobeys entered into a sale-leaseback agreement with Crombie REIT, pursuant to which Crombie REIT agreed to indirectly acquire 70 properties included in the Canada Safeway acquisition for $991.3. The sale-leaseback transaction closed effective November 3, 2013, immediately following the close of the Canada Safeway acquisition.

On closing of the acquisition of the 70 properties, the Company subscribed for $150.0 of Class B units (which are convertible on a one-for-one basis into units of Crombie REIT.) Consequently, the Company's interest in Crombie REIT was reduced from 42.1 percent to 41.6 percent

During the quarter ended February 1, 2014, Crombie REIT purchased from the Company their interest in certain retention leases for cash consideration of $1.5 resulting in a pre-tax gain of $0.4 which was recognized in the consolidated statement of earnings.

During the fourth quarter of fiscal 2014, Sobeys entered into a loan agreement with Crombie REIT to partially finance Sobeys' acquisition of a property in British Columbia. The $11.9 loan bears interest at a rate of 6 percent and has no principal repayments until maturity on October 1, 2016. The Company also sold and leased back a property from Crombie REIT for cash consideration of $10.2 which was equal to its carrying value. In addition, the Company exchanged properties with Crombie REIT during the fourth quarter of fiscal 2014. The properties exchanged were both located in Canmore, Alberta.

17. 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.

18. Employee future benefits

During the fourth quarter of fiscal 2014, the net employee future benefits expense reported in net earnings was $3.6 (May 4, 2013 - $6.7). For the 52 weeks ended May 3, 2014 it was $37.8 (May 4, 2013 - $30.6). Actuarial gains before taxes on defined benefit pension plans for the 13 and 52 weeks ended May 3, 2014 were $20.0 and $41.3 respectively (May 4, 2013 - $0.5 and $15.2). These gains have been recognized in other comprehensive income (loss).

19. Stock-based compensation

Deferred stock units

Members of the Board of Directors may elect to receive all or any portion of their fees in deferred stock 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 or decrease in the DSU obligation as selling and administrative expenses on the condensed consolidated statements of earnings. At May 3, 2014 there were 146,365 (May 4, 2013 - 131,175) DSUs outstanding. During the 13 and 52 weeks ended May 3, 2014, the compensation expense was $ nil and $1.1 respectively (May 4, 2013 - $1.3 and $2.6).

(in millions of Canadian dollars, except per share amounts)

Performance share unit plan
Commencing in fiscal 2012, the Company awarded certain employees a target number of performance share units ("PSUs") that track the Company's Non-Voting Class A share prices over a three-year period. The number of PSUs that vest under an award is dependent on time and the achievement of specific performance measures. On the vesting date, each employee is entitled to receive a cash payout amount equal to the number of their vested PSUs multiplied by the market value of the Non-Voting Class A shares. At May 3, 2014, there were 39,600 (May 4, 2013 - 41,461) PSUs outstanding. During the 13 and 52 weeks ended May 3, 2014, the compensation expense was $ nil and $2.7 respectively (May 4, 2013 - $0.2 and $0.9).

Phantom performance option plan
Prior to fiscal 2014, Sobeys' executives participated in the Sobeys phantom performance option plan ("PPOP") which provided for the issuance of phantom performance options ("PPOs"). The PPOs are subject to a performance period or term of five years. Sobeys PPOs were granted to officers and senior management of Sobeys as approved by the Human Resource ("HR") Committee. Grants vest over a four-year period at a rate of 25 percent per year. The PPOP contains a liquidity provision which allows for partial payouts of the 'in-the-money' position during the performance period. During fiscal 2014, the plan was converted to a cash settled share based payment with the growth calculation based on the 5 day average Empire Non-Voting Class A share value following the announcement of the Company's fiscal financial performance compared to the 5 day average following the announcement of the Company's fiscal financial performance of the preceding year. At May 3, 2014 there were 1,244,057 options (May 4, 2013 - 1,515,535) outstanding. During the 52 weeks ended May 3, 2014, the carrying amount of the liability associated with these options was $11.0 (May 4, 2013 - $17.6).

Empire restricted share unit plan
Empire created a Restricted Share Unit Plan for certain executives and other employees joining the Company as a result of the acquisition of Canada Safeway to replace lost value of unvested Safeway stock options and stock appreciation rights that existed at the closing of the Canada Safeway acquisition in November 2013. The Restricted Share Unit Plan is a cash settled share based payment that provides a cash payout value of a restricted share unit ("RSU") equal to the market value of a Non-Voting Class A share at the time of vesting assuming reinvestment of any dividends paid since the date of grant. Following closing of the Canada Safeway acquisition in fiscal 2014, the HR Committee issued RSUs based on a Non-Voting Class A share value of $76.00. The granted RSUs vest in stages over three years. The Restricted Share Unit Plan also provides that the HR Committee may allow RSUs to be converted to deferred stock units if the participant elects prior to vesting. At May 3, 2014 there were 119,899 units (May 4, 2013 - nil) outstanding. During the 52 weeks ended May 3, 2014, the carrying amount of the liability associated with these units was $4.2 (May 4, 2013 - $ nil).

Stock option plan
During fiscal 2014, the Company granted an additional 826,799 options under the stock option plan for employees of the Company whereby options are granted to purchase Non-Voting Class A shares. The weighted average fair value of $10.65 per option (May 4, 2013 - $8.23 per option) was determined using the Black-Scholes model with the following weighted average assumptions.

Share price	$78.90
Expected life	5.25 years
Risk-free interest rate	1.70%
Expected volatility (based on recent 5-year history)	15.1%
Dividend yield	1.36%

The compensation cost relating to the 13 and 52 weeks ended May 3, 2014 was $1.0 and $3.4 respectively (May 4, 2013 - $0.2 and 0.6) with amortization of the cost over the vesting period of four years. The total increase in contributed surplus in relation to the stock option compensation cost was $3.4 (May 4, 2013 - $0.6).

20. Subsequent events

Subsequent to the close of the fourth quarter, Sobeys entered into an amortizing interest rate swap for a notional amount of $598.7 at a fixed interest rate of 1.4% effective May 12, 2014 to hedge the interest rate on a portion of its Acquisition Facility (Note 7). The interest rate swap matures on December 31, 2015.

Sobeys also entered into seven Euro/Canadian dollar forward contracts subsequent to the close of the fourth quarter at an approximate Canadian dollar value of $58.0. The forward contracts were entered into, to hedge and limit exposure to exchange rate fluctuations relating to future expenditures in Euros. The forward contracts have maturities ranging from May 29, 2014 to September 1, 2016.

On May 30, 2014 Crombie REIT announced it had closed a bought-deal public offering of units at a price of $13.25 per unit. Concurrent with the public offering, a wholly owned subsidiary of the Company purchased approximately $40.0 of Class B units (which are convertible on a one-for-one basis into units of Crombie REIT). Consequently the Company's interest in Crombie REIT will be reduced from 41.6% to 41.5%.