Empire Company Limited
Interim Condensed Consolidated Financial Statements
August 6, 2016

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

	August 6 2016	May 7 2016	August 1 2015
ASSETS			
Current			
Cash and cash equivalents	**$ 280.1**	$ 264.7	$ 384.0
Receivables	**453.8**	489.4	489.6
Inventories (Note 4)	**1,290.8**	1,287.3	1,331.2
Prepaid expenses	**155.1**	117.3	141.7
Loans and other receivables	**22.7**	26.4	24.1
Income taxes receivable	**19.3**	11.9	14.7
Assets held for sale (Note 5)	**39.7**	407.1	23.7
	2,261.5	2,604.1	2,409.0
Loans and other receivables	**89.8**	93.5	95.0
Investments	**25.1**	24.7	25.2
Investments, at equity (Note 6)	**668.5**	574.9	567.6
Other assets	**57.5**	57.3	45.3
Property and equipment	**3,124.9**	3,144.7	3,540.9
Investment property	**82.4**	82.9	108.6
Intangibles	**900.0**	911.5	937.1
Goodwill	**964.7**	962.2	3,812.9
Deferred tax assets	**668.1**	646.2	90.7
	$ 8,842.5	$ 9,102.0	$ 11,632.3
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 2,231.1**	$ 2,173.1	$ 2,365.1
Income taxes payable	**21.9**	21.2	34.2
Provisions (Note 7)	**174.5**	174.9	109.6
Long-term debt due within one year (Note 8)	**57.8**	350.4	333.2
	2,485.3	2,719.6	2,842.1
Provisions (Note 7)	**123.7**	131.7	153.2
Long-term debt (Note 8)	**1,879.1**	2,017.0	1,938.8
Other long-term liabilities	**167.9**	108.7	105.9
Employee future benefits	**341.6**	336.8	342.1
Deferred tax liabilities	**117.9**	108.1	113.5
	5,115.5	5,421.9	5,495.6
SHAREHOLDERS' EQUITY			
Capital stock	**2,045.1**	2,045.1	2,109.8
Contributed surplus	**25.4**	22.5	9.3
Retained earnings	**1,580.3**	1,543.5	3,949.4
Accumulated other comprehensive income	**11.0**	9.9	9.6
	3,661.8	3,621.0	6,078.1
Non-controlling interest	**65.2**	59.1	58.6
	3,727.0	3,680.1	6,136.7
	$ 8,842.5	$ 9,102.0	$ 11,632.3

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

On Behalf of the Board

(signed) *"Rob Dexter"*
Director

(signed) *"François Vimard"*
Director

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

	13 Weeks Ended	
	August 6 2016	**August 1 2015**
Sales	**$ 6,186.6**	$ 6,249.2
Other income (Note 9)	**12.8**	15.5
Share of earnings from investments, at equity	**17.1**	12.4
Operating expenses		
Cost of sales	**4,695.8**	4,733.2
Selling and administrative expenses	**1,394.1**	1,348.4
Operating income	**126.6**	195.5
Finance costs, net (Note 10)	**31.2**	32.9
Earnings before income taxes	**95.4**	162.6
Income tax expense	**17.8**	43.5
Net earnings	**$ 77.6**	$ 119.1
Earnings for the period attributable to:		
Non-controlling interest	**$ 12.2**	$ 10.3
Owners of the Company	**65.4**	108.8
	$ 77.6	$ 119.1
Earnings per share (Note 11)		
Basic	**$ 0.24**	$ 0.39
Diluted	**$ 0.24**	$ 0.39
Weighted average number of common shares outstanding, in millions (Note 11)		
Basic	**271.7**	277.0
Diluted	**271.7**	277.5

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

Empire Company Limited **Condensed Consolidated Statements of Comprehensive Income** **Unaudited (in millions of Canadian dollars)**	***13 Weeks Ended*** **August 6 2016**	**August 1 2015**
Net earnings	**$ 77.6**	$ 119.1
Other comprehensive income		
Items that will be reclassified subsequently to net earnings		
Unrealized (losses) gains on derivatives designated as cash flow hedges (net of taxes of $0.1 (2015 - $(1.4)))	**(0.1)**	3.7
Reclassification of losses on derivatives designated as cash flow hedges to earnings (net of taxes of $ nil (2015 - $ nil))	**-**	0.1
Unrealized gains on available for sale financial assets (net of taxes of $(0.1) (2015 - $ nil))	**0.3**	0.1
Share of other comprehensive income of investments, at equity (net of taxes of $(0.1) (2015 - $(0.1)))	**0.2**	0.2
Exchange differences on translation of foreign operations (net of taxes of $0.9 (2015 - $ nil))	**0.7**	(0.8)
	1.1	3.3
Items that will not be reclassified subsequently to net earnings		
Actuarial (losses) gains on defined benefit plans (net of taxes of $0.2 (2015 - $(2.5)))	**(0.8)**	8.4
Total comprehensive income	**$ 77.9**	$ 130.8
Total comprehensive income for the period attributable to:		
Non-controlling interest	**$ 12.2**	$ 10.3
Owners of the Company	**65.7**	120.5
	$ 77.9	$ 130.8

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

Empire Company Limited **Condensed Consolidated Statements of Changes in Shareholders' Equity** **Unaudited (in millions of Canadian dollars)**	**Capital Stock**	**Contributed Surplus**	**Accumulated Other Comprehensive Income**	**Retained Earnings**	**Total Attributable to Owners of the Company**	**Non-controlling Interest**	**Total Equity**
Balance at May 2, 2015	$ 2,109.4	$ 8.2	$ 6.3	$ 3,859.9	$ 5,983.8	$ 53.1	$ 6,036.9
Dividends declared on common shares	-	-	-	(27.7)	(27.7)	-	(27.7)
Equity based compensation, net	0.4	1.1	-	-	1.5	-	1.5
Capital transactions with structured entities	-	-	-	-	-	(4.8)	(4.8)
Transactions with owners	0.4	1.1	-	(27.7)	(26.2)	(4.8)	(31.0)
Net earnings	-	-	-	108.8	108.8	10.3	119.1
Other comprehensive income	-	-	3.3	8.4	11.7	-	11.7
Total comprehensive income for the period	-	-	3.3	117.2	120.5	10.3	130.8
Balance at August 1, 2015	$ 2,109.8	$ 9.3	$ 9.6	$ 3,949.4	$ 6,078.1	$ 58.6	$ 6,136.7
Balance at May 7, 2016	**$ 2,045.1**	**$ 22.5**	**$ 9.9**	**$ 1,543.5**	**$ 3,621.0**	**$ 59.1**	**$ 3,680.1**
Dividends declared on common shares	**-**	**-**	**-**	**(27.8)**	**(27.8)**	**-**	**(27.8)**
Equity based compensation, net	**-**	**2.9**	**-**	**-**	**2.9**	**-**	**2.9**
Capital transactions with structured entities	**-**	**-**	**-**	**-**	**-**	**(6.1)**	**(6.1)**
Transactions with owners	**-**	**2.9**	**-**	**(27.8)**	**(24.9)**	**(6.1)**	**(31.0)**
Net earnings	**-**	**-**	**-**	**65.4**	**65.4**	**12.2**	**77.6**
Other comprehensive income	**-**	**-**	**1.1**	**(0.8)**	**0.3**	**-**	**0.3**
Total comprehensive income for the period	**-**	**-**	**1.1**	**64.6**	**65.7**	**12.2**	**77.9**
Balance at August 6, 2016	**$ 2,045.1**	**$ 25.4**	**$ 11.0**	**$ 1,580.3**	**$ 3,661.8**	**$ 65.2**	**$ 3,727.0**

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

Empire Company Limited
Condensed Consolidated Statements of Cash Flows
Unaudited (in millions of Canadian dollars)

	13 Weeks Ended August 6 2016	August 1 2015
Operations		
Net earnings	**$ 77.6**	$ 119.1
Adjustments for:		
Depreciation	**89.1**	96.7
Income taxes	**17.8**	43.5
Finance costs, net (Note 10)	**31.2**	32.9
Amortization of intangibles	**22.6**	21.9
Net gain on disposal of assets	**(5.5)**	(8.0)
Impairment of non-financial assets, net	**9.1**	4.4
Amortization of deferred items	**3.2**	3.1
Equity in earnings of other entities, net of distributions received	**(1.6)**	12.7
Employee future benefits obligation	**3.8**	1.8
Increase in long-term lease obligation	**1.0**	1.9
(Decrease) increase in long-term provisions	**(11.8)**	6.6
Equity based compensation	**2.9**	1.1
Net change in non-cash working capital	**35.5**	6.0
Income taxes paid, net	**(35.6)**	(27.2)
Cash flows from operating activities	**239.3**	316.5
Investment		
Increase in investments	**-**	(3.0)
Property, equipment and investment property purchases	**(126.3)**	(142.9)
Proceeds on disposal of property, equipment and investment property	**342.6**	43.9
Additions to intangibles	**(8.7)**	(19.9)
Loans and other receivables	**7.4**	(5.8)
Tenant inducements	**58.8**	-
Other assets and other long-term liabilities	**(3.3)**	9.7
Business acquisitions (Note 13)	**(13.1)**	(45.5)
Interest received	**0.4**	0.5
Cash flows from (used in) investing activities	**257.8**	(163.0)
Financing		
Issue of long-term debt	**270.8**	28.6
Repayment of long-term debt	**(708.9)**	(51.8)
Interest paid	**(9.7)**	(9.7)
Dividends paid, common shares	**(27.8)**	(27.7)
Non-controlling interest	**(6.1)**	(4.8)
Cash flows used in financing activities	**(481.7)**	(65.4)
Increase in cash and cash equivalents	**15.4**	88.1
Cash and cash equivalents, beginning of period	**264.7**	295.9
Cash and cash equivalents, end of period	**$ 280.1**	$ 384.0

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

1. Reporting entity

Empire Company Limited ("Empire" or the "Company") is a Canadian company whose key businesses are food retailing and related real estate. 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 August 6, 2016 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 and its joint ventures are accounted for using the equity method. The Company's business operations are conducted through its two reportable segments: Food retailing and Investments and other operations, as further described in Note 12, *Segmented Information*. The Company's Food retailing business is affected by seasonality and the timing of holidays. Retail sales are traditionally higher in the Company's first quarter. 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 7, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on September 15, 2016.

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 (including derivatives) at fair value through profit and loss, financial instruments classified as available for sale and cash settled stock-based compensation plans. Assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

Use of estimates and judgments
The preparation of the unaudited 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 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.

Estimates, judgments and assumptions that could have a significant impact on the amounts recognized in the unaudited interim condensed consolidated financial statements are summarized in the Company's annual consolidated financial statements for the year ended May 7, 2016 and remain unchanged for the period ended August 6, 2016.

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 7, 2016.

Accounting policy adopted during fiscal 2017

Presentation of financial statements
In December 2014, the IASB amended IAS 1, "Presentation of Financial Statements", providing clarifying guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments became effective during the first quarter of fiscal 2017 and had no material impact on the Company's unaudited interim condensed consolidated financial statements.

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

4. Inventories

The cost of inventories recognized as an expense during the 13 weeks ended August 6, 2016 was $4,695.8 (August 1, 2015 - $4,733.2). The Company has recorded $3.0 (August 1, 2015 - $1.9) as an expense for the write-down of inventories below cost to net realizable value for inventories on hand as at August 6, 2016. There were no reversals of inventories written down previously (August 1, 2015 - $ nil).

5. Assets held for sale

On June 29, 2016, Sobeys closed an agreement with Crombie Real Estate Investment Trust ("Crombie REIT"), an entity in which the Company has a 41.5 percent ownership, to sell and leaseback a portfolio of 19 retail properties and a 50 percent interest in each of its three automated distribution centres, as well as the sale of two parcels of development land which were previously owned by Empire. Assets related to this transaction of $358.0 were included in assets held for sale as at May 7, 2016 (Note 16).

Sobeys sold two properties and leased back one from third parties during the first quarter of fiscal 2017. The properties were classified as assets held for sale as at May 7, 2016. Total proceeds from these transactions were $31.7, resulting in a pre-tax gain of $1.2 which has been recognized in the condensed consolidated statements of earnings.

As at August 6, 2016, assets held for sale relates to land and buildings expected to be sold in the next twelve months.

6. Investments, at equity

		August 6 2016		**August 1 2015**
Investment in associates				
Crombie REIT	**$**	**460.2**	$	362.1
Canadian real estate partnerships		**151.9**		141.8
U.S. real estate partnerships		**47.0**		54.3
Investment in joint ventures				
Canadian Digital Cinema Partnership ("CDCP")		**9.4**		9.4
Total	**$**	**668.5**	$	567.6

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

		August 6 2016		**August 1 2015**
Crombie REIT	**$**	**937.5**	$	687.8

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.

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

7. Provisions

August 6, 2016	Lease Contracts	Legal	Environmental	Restructuring	Sales Price Adjustment	Total
Opening balance	$ 24.8	$ 7.7	$ 51.4	$ 150.5	$ 72.2	$ 306.6
Provisions made	1.8	1.6	-	3.7	-	7.1
Provisions used	(2.7)	(1.3)	(0.2)	(14.3)	-	(18.5)
Provisions reversed	(0.3)	(0.5)	-	-	-	(0.8)
Change due to discounting	0.3	-	0.4	1.9	1.2	3.8
Closing balance	$ 23.9	$ 7.5	$ 51.6	$ 141.8	$ 73.4	$ 298.2
Current	$ 11.6	$ 7.5	$ 2.1	$ 79.9	$ 73.4	$ 174.5
Non-current	12.3	-	49.5	61.9	-	123.7
Total	$ 23.9	$ 7.5	$ 51.6	$ 141.8	$ 73.4	$ 298.2

8. Long-term debt

During the first quarter of fiscal 2017, $96.0 was drawn and $23.0 repaid on the Company's $250.0 credit facility, resulting in a $163.0 balance outstanding as at August 6, 2016. Interest payable on the credit facility fluctuates with changes in the bankers' acceptance rate or Canadian prime rate or the London Interbank Offered Rate ("LIBOR") and the credit facility matures on November 4, 2020.

During the first quarter of fiscal 2017, $155.0 was drawn and $355.0 repaid on Sobeys' $650.0 revolving term credit facility ("RT Facility"), resulting in a $ nil balance outstanding as at August 6, 2016. Interest payable on the RT Facility fluctuates with changes in the bankers' acceptance rate or Canadian prime rate or LIBOR and the RT Facility matures on November 4, 2020.

Sobeys completed a private placement of $300.0 aggregate principal amount of floating rate senior unsecured notes in fiscal 2015. On July 14, 2016 the senior unsecured notes matured and were repaid.

9. Other income

	13 Weeks Ended	
	August 6 2016	**August 1 2015**
Net gain on disposal of assets	**$ 5.5**	$ 8.0
Lease revenue from owned property	**7.3**	7.5
Total	**$ 12.8**	$ 15.5

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

10. Finance costs, net

	13 Weeks Ended	
	August 6 2016	**August 1 2015**
Finance income		
Interest income from cash and cash equivalents	**$ 0.4**	$ 0.5
Fair value gains on forward contracts	**0.9**	0.3
Investment income	**0.3**	0.3
Total finance income	**1.6**	1.1
Finance costs		
Interest expense on financial liabilities measured at amortized cost	**26.1**	27.7
Losses on cash flow hedges reclassified from other comprehensive income	**-**	0.1
Net pension finance costs	**2.9**	3.0
Accretion expense on provisions	**3.8**	3.2
Total finance costs	**32.8**	34.0
Finance costs, net	**$ 31.2**	$ 32.9

11. Earnings per share

	13 Weeks Ended	
	August 6 2016	**August 1 2015**
Weighted average number of shares used in basic earnings per share	**271,675,980**	277,013,526
Shares deemed to be issued for no consideration in respect of stock-based payments	**6,216**	440,901
Weighted average number of shares used in diluted earnings per share	**271,682,196**	277,454,427

12. Segmented information

The Board of Directors has determined that its reportable segments are Food retailing and Investments and other operations, which is based on the Company's management and internal reporting structure. The Food retailing segment is comprised of five operating segments: Sobeys West, Sobeys Ontario, Sobeys Quebec, Sobeys Atlantic, and Sobeys Pharmacy Group. These operating segments have been aggregated into one reportable segment, "Food retailing", as they all share similar economic characteristics such as: product offerings, customer base and distribution methods. The Investments and other operations segment principally consists of investments, at equity in Crombie REIT, real estate partnerships, and various other corporate operations.

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.

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

All sales are generated by the Food retailing segment. Operating income generated by each of the Company's business segments is summarized as follows:

	13 Weeks Ended August 6 2016	13 Weeks Ended August 1 2015
Segmented operating income		
Food retailing	**$ 111.8**	$ 184.6
Investments and other operations		
Crombie REIT	**11.2**	7.4
Real estate partnerships	**5.7**	4.9
Other operations, net of corporate expenses	**(2.1)**	(1.4)
	14.8	10.9
Total	**$ 126.6**	$ 195.5

Segment operating income can be reconciled to the Company's earnings before income taxes as follows:

	13 Weeks Ended August 6 2016	13 Weeks Ended August 1 2015
Total operating income	**$ 126.6**	$ 195.5
Finance costs, net	**31.2**	32.9
Total	**$ 95.4**	$ 162.6

	August 6 2016	August 1 2015
Total assets by segment		
Food retailing	**$ 8,080.3**	$ 10,956.9
Investments and other operations	**762.2**	675.4
Total	**$ 8,842.5**	$ 11,632.3

13. Business acquisitions

The Company acquires franchise and non-franchise stores, retail gas locations 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 acquisition method. Goodwill recorded on the acquisitions of franchise and non-franchise stores and retail gas locations relate 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.

The following table represents the amounts of identifiable assets from resulting acquisitions for the 13 weeks ended August 6, 2016:

Stores and retail gas locations	
Inventories	**$ 2.9**
Property and equipment	**5.0**
Intangibles	**2.0**
Goodwill	**2.8**
	12.7
Prescription files	
Intangibles	**0.4**
Cash consideration	**$ 13.1**

From the date of acquisition, the businesses acquired contributed sales of $7.8 and net earnings of $0.1 for the 13 weeks ended August 6, 2016.

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

14. Financial instruments

The carrying amount of the Company's financial instruments approximates their fair values with the following exception:

Long-term debt	**August 6, 2016**	**May 7, 2016**	**August 1, 2015**
Total carrying amount	**$ 1,936.9**	$ 2,367.4	$ 2,272.0
Total fair value	**$ 1,995.4**	$ 2,489.4	$ 2,453.1

15. Stock-based compensation

Performance share unit plan
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, for the most part, is dependent on time and the achievement of specific performance measures. Upon vesting each employee is entitled to receive the Company's Non-Voting Class A shares equal to the number of their vested PSUs. The weighted average fair value of $20.28 per PSU issued in the current period was determined using the Black Scholes model with the following weighted average assumptions:

Share price	$20.68
Expected life	0.95 years
Risk-free interest rate	0.65%
Expected volatility	19.09%
Dividend yield	1.98%

At August 6, 2016, there were 983,767 (August 1, 2015 - 1,043,193) PSUs outstanding. The compensation expense relating to the 13 weeks ended August 6, 2016 was $1.9 (August 1, 2015 - $4.1) with the amortization of the cost over the vesting period of three years. The total increase in contributed surplus during the 13 weeks ended August 6, 2016 was $1.9 (August 1, 2015 - $4.1) for the units issued during the period.

Stock option plan
During fiscal 2017, the Company granted an additional 1,542,741 options under the stock option plan for employees of the Company whereby options are granted to purchase Non-Voting Class A shares. On September 28, 2015, the Company completed a three-for-one share split. The number of options, weighted average fair value of options, and share price have been restated to reflect the three-for-one share split. The weighted average fair value of $2.95 per option issued in the current period was determined using the Black Scholes model with the following weighted average assumptions:

Share price	$20.68
Expected life	7.76 years
Risk-free interest rate	0.65%
Expected volatility	19.09%
Dividend yield	1.98%

The compensation cost relating to the 13 weeks ended August 6, 2016 was $1.0 (August 1, 2015 - $1.1) 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 $1.0 (August 1, 2015 - $1.1) for options issued during the period.

Deferred stock unit plan
In the first quarter of fiscal 2017, the Company implemented a new employee deferred stock unit ("DSU") plan. The number of DSUs that vest is dependent on the time and the achievement of specific performance measures. At August 6, 2016 there were 610,397 (August 1, 2015 - nil) DSUs outstanding related to this plan and the total carrying amount of the liability was $1.0 (August 1, 2015 - $ nil). The compensation expense relating to the 13 weeks ended August 6, 2016 was $1.0 (August 1, 2015 - $ nil) with the amortization of the cost over the vesting period of three years.

Members of the Board of Directors may elect to receive all or any portion of their fees in 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' or employees' fee payment date. Additional DSUs are received as dividend equivalents. At August 6, 2016 there were 447,558 (August 1, 2015 - 457,702) DSUs outstanding and the total carrying amount of the liability was $9.4 (August 1, 2015 - $11.6). During the 13 weeks ended August 6, 2016, the compensation expense was $0.4 (August 1, 2015 - $0.6).

Under both plans, vested DSUs cannot be redeemed until the holder is no longer a director of the Company or the employee has retired. 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 consolidated statement of earnings.

16. Related party transactions

The Company has related party transactions with Crombie REIT. The Company holds a 41.5 percent ownership interest in Crombie REIT and accounts for its investment using the equity method.

On June 29, 2016, Sobeys and its wholly-owned subsidiaries closed an agreement with Crombie REIT to sell and leaseback a portfolio of 19 retail properties and a 50 percent interest in each of its three automated distribution centres, as well as the sale of two parcels of development land which were previously owned by Empire. Crombie REIT also invested approximately $58.8 in renovations or expansions of ten Sobeys retail locations already in Crombie REIT's portfolio. In addition to cash, Crombie REIT issued to a subsidiary of Sobeys $93.4 in value of Class B LP units and attached special voting units of Crombie REIT at a price of $14.70 per unit. The subsidiary of Sobeys subsequently sold its Class B LP units to Empire on a tax deferred basis. Total net cash proceeds to the Company and its wholly-owned subsidiaries from these transactions with Crombie REIT were $323.8, resulting in a pre-tax loss of $0.8 which has been recognized in the condensed consolidated statements of earnings. Proceeds from the transactions were used to repay the senior unsecured notes.

On July 29, 2016, Sobeys, through a wholly-owned subsidiary, sold and leased back an additional property from Crombie REIT for cash consideration of $26.4. This resulted in a pre-tax gain of $2.1, which has been recognized in the condensed consolidated statements of earnings. Sobeys also purchased one property from Crombie REIT for $9.1.

17. Employee future benefits

During the first quarter of fiscal 2017, the net employee future benefits expense reported in net earnings was $16.0 (August 1, 2015 - $13.7). Actuarial (losses) gains before taxes on defined benefit pension plans for the 13 weeks ended August 6, 2016 were $(1.0) (August 1, 2015 - $10.9). These (losses) gains have been recognized in other comprehensive income.