Consolidated financial statements

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Management's statement of responsibility for financial reporting

Preparation of the consolidated financial statements accompanying this annual report and the presentation of all other information in the report is the responsibility of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards or Generally Accepted Accounting Principles and reflect management's best estimates and judgments. All other financial information in the report is consistent with that contained in the consolidated financial statements.

Management of the Company has established and maintains a system of internal control that provides reasonable assurance as to the integrity of the consolidated financial statements, the safeguarding of Company assets, and the prevention and detection of fraudulent financial reporting.

The Board of Directors, through its Audit Committee, oversees management in carrying out its responsibilities for financial reporting and systems of internal control. The Audit Committee, which is chaired by and composed solely of directors who are unrelated to, and independent of, the Company, meet regularly with financial management and external auditors to satisfy itself as to reliability and integrity of financial information and the safeguarding of assets. The Audit Committee reports its findings to the Board of Directors for consideration in approving the annual consolidated financial statements to be issued to shareholders.

The external auditors have full and free access to the Audit Committee.

(signed) "Marc Poulin"

Marc Poulin

President and
Chief Executive Officer

June 26, 2014

(signed) "François Vimard"

François Vimard

Chief Financial Officer

June 26, 2014

Independent Auditor’s Report

To the shareholders of Empire Company Limited

We have audited the accompanying consolidated financial statements of Empire Company Limited, which comprise the consolidated balance sheets as at May 3, 2014 and May 4, 2013 and the consolidated statements of earnings, comprehensive income, changes in shareholders’ equity, and cash flows for the 52 week fiscal years then ended, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Empire Company Limited as at May 3, 2014 and May 4, 2013, and its consolidated financial performance and its consolidated cash flows for the 52 week fiscal years then ended, in accordance with International Financial Reporting Standards.

(signed) “Grant Thornton LLP”

Chartered Accountants

Halifax, Canada
June 26, 2014

CONSOLIDATED BALANCE SHEETS

As at (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 *(Note 5)*	**46.4**	66.2
Investments	**–**	14.5
Income taxes receivable	**39.7**	33.8
Assets held for sale *(Note 6 and 23)*	**204.8**	22.0
	2,605.2	1,960.4
Loans and other receivables *(Note 5)*	**52.5**	53.8
Investments	**24.8**	25.0
Investments, at equity *(Note 7)*	**554.2**	407.6
Other assets *(Note 8)*	**30.3**	50.5
Property and equipment *(Note 9)*	**3,650.7**	2,703.0
Investment property *(Note 10)*	**104.5**	96.9
Intangibles *(Note 11)*	**950.8**	490.5
Goodwill *(Note 12)*	**4,134.0**	1,310.4
Deferred tax assets *(Note 13)*	**131.0**	42.3
	$ 12,238.0	$ 7,140.4
Liabilities		
Current		
Bank indebtedness *(Note 14)*	**$ –**	$ 6.0
Accounts payable and accrued liabilities	**2,246.0**	1,765.8
Income taxes payable	**21.0**	75.2
Provisions *(Note 15)*	**82.4**	30.6
Long-term debt due within one year *(Note 16)*	**218.0**	47.6
	2,567.4	1,925.2
Provisions *(Note 15)*	**140.7**	52.9
Long-term debt *(Note 16)*	**3,279.9**	915.9
Other long-term liabilities *(Note 17)*	**389.2**	309.7
Deferred tax liabilities *(Note 13)*	**119.3**	180.6
	6,496.5	3,384.3
Shareholders' Equity		
Capital stock *(Note 19)*	**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 consolidated financial statements.
(1) Certain fiscal 2013 amounts have been restated (see Note 3(aa)(i)).

On Behalf of the Board

(signed) "Rob Dexter" (signed) "Marc Poulin"

Rob Dexter
Director

Marc Poulin
Director

CONSOLIDATED STATEMENTS OF EARNINGS

52 Weeks Ended (in millions of Canadian dollars, except per share amounts)	**May 3, 2014**	May 4, 2013[1]
Sales	**$ 20,993.0**	$ 17,400.8
Other income *(Note 20)*	**14.1**	54.2
Share of earnings from investments, at equity *(Note 7)*	**50.2**	44.0
Operating expenses		
Cost of sales	**15,941.3**	13,326.3
Selling and administrative expenses	**4,787.5**	3,599.5
Operating income	**328.5**	573.2
Finance costs, net *(Note 22)*	**133.2**	55.4
Earnings before income taxes	**195.3**	517.8
Income taxes *(Note 13)*	**36.3**	136.4
Net earnings from continuing operations	**159.0**	381.4
Net earnings from discontinued operations *(Note 23)*	**84.4**	7.2
Net earnings	**$ 243.4**	$ 388.6
Earnings for the year attributable to:		
Non-controlling interest	**$ 8.0**	$ 9.1
Owners of the parent		
From continuing operations	**151.0**	372.3
From discontinued operations	**84.4**	7.2
	$ 243.4	$ 388.6
Earnings per share from continuing and discontinued operations *(Note 24)*		
Basic		
From continuing operations	**$ 1.89**	$ 5.48
From discontinued operations	**1.05**	0.11
Total	**$ 2.94**	$ 5.59
Diluted		
From continuing operations	**$ 1.88**	$ 5.47
From discontinued operations	**1.05**	0.11
Total	**$ 2.93**	$ 5.58
Weighted average number of common shares outstanding, in millions *(Note 24)*		
Basic	**80.0**	67.9
Diluted	**80.2**	68.1

See accompanying notes to the consolidated financial statements.

(1) Certain fiscal 2013 amounts have been restated (see Note 3(aa)(i) and 23).

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

52 Weeks Ended (in millions of Canadian dollars)	May 3, 2014	May 4, 2013[1]
Net earnings	$ 243.4	$ 388.6
Other comprehensive income		
Items that will be reclassified subsequently to net earnings		
Unrealized gains on derivatives designated as cash flow hedges (net of income taxes of $(0.3) (2013 - $(0.3)))	0.6	0.5
Reclassification of losses on derivative instruments designated as cash flow hedges to earnings (net of income taxes of $ nil (2013 - $(0.5)))	–	1.2
Unrealized (losses) gains on available for sale financial assets (net of income taxes of $ nil (2013 - $(0.3)))	(0.2)	1.3
Reclassification of gains on available for sale financial assets to earnings (net of income taxes of $ nil (2013 - $0.6))	–	(3.0)
Share of other comprehensive income of investments, at equity (net of income taxes of $ nil (2013 - $(0.7)))	2.7	1.7
Exchange differences on translation of foreign operations	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 $(11.4) (2013 - $(3.5)))	29.9	11.7
Total comprehensive income	$ 282.4	$ 403.0
Total comprehensive income for the year attributable to:		
Non-controlling interest	$ 8.0	$ 9.1
Owners of the parent	274.4	393.9
	$ 282.4	$ 403.0
Total comprehensive income attributable to owners of the parent arises from:		
Continuing operations	$ 190.0	$ 386.7
Discontinued operations *(Note 23)*	84.4	7.2
	$ 274.4	$ 393.9

See accompanying notes to the consolidated financial statements.

(1) Certain fiscal 2013 amounts have been restated (see Note 3(aa)(i) and 23).

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(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 year	–	–	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 19)*	**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 year	**–**	**–**	**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 consolidated financial statements.

(1) Certain fiscal 2013 amounts have been restated (see Note 3(aa)(i)).

CONSOLIDATED STATEMENTS OF CASH FLOWS

52 Weeks Ended (in millions of Canadian dollars)	May 3, 2014	May 4, 2013[1]
Operations		
Net earnings	**$ 243.4**	$ 388.6
Adjustments for:		
Restructuring	**169.8**	–
Depreciation	**362.5**	314.8
Income taxes	**49.6**	138.3
Finance costs, net *(Note 22 and 23)*	**134.0**	57.0
Amortization of intangibles	**68.1**	44.5
Gain on disposal of assets *(Note 20 and 23)*	**(137.5)**	(47.2)
Impairment (reversal) of non-financial assets *(Note 9, 10, 11 and 12)*	**(7.0)**	6.9
Amortization of deferred items	**7.1**	0.9
Equity in earnings of other entities, net of dividends received	**27.5**	37.8
Employee future benefits obligation	**2.9**	2.7
Increase in long-term lease obligation	**1.2**	4.2
Decrease in long-term provisions	**(0.6)**	(8.0)
Stock-based compensation	**4.8**	0.6
Losses recognized on re-measurement of assets and restructuring costs of discontinued operations *(Note 23)*	**34.8**	–
Net change in non-cash working capital	**38.4**	(73.6)
Income taxes paid, net	**(211.6)**	(86.5)
Cash flows from operating activities	**787.4**	781.0
Investment		
Net increase in investments	**(151.6)**	(150.4)
Property, equipment and investment property purchases	**(571.4)**	(531.9)
Proceeds on disposal of property, equipment and investment property	**1,644.4**	181.1
Additions to intangibles	**(18.5)**	(12.3)
Loans and other receivables	**21.2**	(19.1)
Other assets and other long-term liabilities	**1.1**	12.2
Proceeds on sale of asset-backed commercial paper	**26.0**	–
Business acquisitions *(Note 25)*	**(5,825.0)**	(17.9)
Interest received	**4.4**	3.0
Non-controlling interest	**1.7**	(12.9)
Cash flows used in investing activities	**(4,867.7)**	(548.2)
Financing		
(Decrease) increase in bank indebtedness	**(6.0)**	1.6
Issue of long-term debt	**3,337.6**	133.7
Deferred debt financing costs	**(50.6)**	–
Repayment of long-term debt	**(798.6)**	(303.0)
Stock option purchases	**(9.1)**	-
Interest paid	**(102.3)**	(54.9)
Issue of Non-voting Class A shares, net *(Note 19)*	**1,842.6**	–
Share issue costs	**(75.9)**	–
Dividends paid, common shares	**(83.3)**	(65.2)
Cash flows from (used in) financing activities	**4,054.4**	(287.8)
Decrease in cash and cash equivalents	**(25.9)**	(55.0)
Cash and cash equivalents, beginning of year	**455.2**	510.2
Cash and cash equivalents, end of year	**$ 429.3**	$ 455.2

See accompanying notes to the consolidated financial statements.

(1) Certain fiscal 2013 amounts have been restated (see Note 3(aa)(i) and 23).

Notes to the Consolidated Financial Statements

May 3, 2014 (in millions of Canadian dollars, except per share amounts)

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 consolidated financial statements for the year 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB").

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

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 ("FVTPL"), financial instruments classified as available for sale, and stock based compensation plans.

Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the 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.

The Company's investments in associates are accounted for using the equity accounting method. In assessing the potential impact of IFRS 10 which became effective during the first quarter of 2014 (Note 3(aa)(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.

Estimates and assumptions that could have a significant impact on the amounts recognized in the consolidated financial statements are summarized below. 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.

(a) Inventories

Inventories are valued at the lower of cost and estimated net realizable value. Significant estimation or judgment is required in the determination of (i) inventories valued at retail and adjusted to cost; (ii) estimated inventory provisions due to spoilage and shrinkage occurring between the last physical inventory count and the balance sheet dates; and (iii) estimated inventory provisions associated with vendor allowances and internal charges.

(b) Impairment

Management assesses impairment of non-financial assets such as goodwill, intangible assets, property and equipment, and investment property. In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows. When measuring expected future cash flows, management makes assumptions about future growth of profits which relate to future events and circumstances. Actual results could vary from these estimated future cash flows. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate. Impairment losses and reversals are disclosed in the consolidated financial statements in Notes 9, 10, 11, and 12.

(c) Employee future benefits

Accounting for the costs of defined benefit pension plans and other post-employment benefits requires the use of a number of assumptions. Pension obligations are based on current market conditions and actuarial determined data such as medical cost trends, mortality rates, and future salary increases. A sensitivity analysis and more detail of key assumptions used in measuring the pension and post-employment benefit obligations are disclosed in Note 18.

(d) Income taxes

Assumptions are applied when management assesses the timing and reversal of temporary differences and estimates the Company's future earnings to determine the recognition of current and deferred income taxes. Judgments are also made by management when interpreting the tax rules in jurisdictions where the Company operates. Note 13 details the current and deferred income tax expense and deferred tax assets and liabilities.

(e) Business acquisitions

For business acquisitions, the Company applies judgment on the recognition and measurement of assets acquired and liabilities assumed, and estimates are utilized to calculate and measure such adjustments, and to calculate the proforma results as if the business acquisitions had occurred at the beginning of the Company's fiscal year. 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.

(f) Provisions

Estimates and assumptions are used to calculate provisions when the Company estimates the expected future cash flows relating to the obligation and applies an appropriate discount rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The financial statements for the Company include the accounts of the Company and all of its subsidiary undertakings drawn up to the reporting date. Subsidiaries, including SEs, are all entities which the Company controls. 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.

Control exists when the Company has existing rights that give it the current ability to direct the activities that significantly affect the entity's returns. The Company reassesses control on an ongoing basis.

SEs are entities controlled by the Company which were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. SEs are consolidated if based on an evaluation of the substance of its relationship with the Company, the Company concludes that it controls the SE. SEs controlled by the Company were established under terms that impose strict limitations on the decision making powers of the SEs management and that results in the Company receiving the majority of the benefits related to the SEs operations and net assets, being exposed to the majority of risks incident to the SEs activities, and retaining the majority of the residual or ownership risks related to the SEs or their assets.

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.

Non-controlling 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 non-controlling interest exceed the non-controlling interest in the subsidiary's equity, the excess is allocated to the non-controlling interest except to the extent that the majority has a binding obligation and is able to cover the losses.

(b) Business acquisitions

Business acquisitions 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 International Accounting Standard ("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 Company's share 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 loss immediately after acquisition. Transaction costs related to the acquisition are expensed as they are incurred.

(c) Foreign currency translation

Assets and liabilities of foreign operations with a different functional currency than the Company are translated at exchange rates in effect at each reporting period end 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.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign currency exchange rate in effect at each reporting period end date. Non-monetary items are translated at the historical exchange rate at the date of transaction. Exchange gains or losses arising from the translation of these balances denominated in foreign currencies are recognized in operating income. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average foreign currency exchange rate for the period.

(d) Cash and cash equivalents

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

(e) 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.

(f) 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 acquisition 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.

(g) Assets held for sale

Certain property and equipment, inventory, and intangible assets 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. Assets held for sale are valued at the lower of carrying value 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.

(h) Investments in associates

Associates are those entities over which the Company is able to exert significant influence but which it does not control and which are not interests in a joint venture. Control is reassessed on an ongoing basis. 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 acquisition 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 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.

At each reporting period end date, the Company assesses whether there are any indicators of impairment in its investment in associates. For investments in publicly traded entities, carrying value of the investment is compared to the current market value of the investment based on its quoted price at the balance sheet date. For entities which are not publicly traded, value-in-use of the investment is determined by estimating the Company's share of the present value of the estimated cash flow's expected to be generated by the investee. If impaired, the carrying value of the Company's investment is written down to its estimated recoverable amount, being the higher of fair value less cost to sell and value-in-use.

In the process of measuring 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 investments in associates in the subsequent financial years.

Each of the associates identified by the Company has a reporting year end of December 31. For purposes of the Company's consolidated year end financial statements, each of the associates results are included based on financial statements prepared as at March 31, with any changes occurring between March 31 and the Company's year-end that would materially affect the results being taken into account.

(i) Financial instruments

Financial instruments are recognized on the consolidated balance sheets when the Company becomes a party to the contractual provisions of a financial instrument. 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 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.

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) 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 liabilities – measured at amortized cost with gains and losses recognized in net earnings in the period that the liability is derecognized.

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

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

All financial assets are reviewed for impairment at each reporting date, except those classified as FVTPL. Loans and receivables are reviewed for past due balances from independent accounts and based on an evaluation of recoverability net of security assigned for franchisee or affiliate locations.

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

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; or Level 3 – unobservable inputs for the asset or liability. Inputs into the determination of the fair value require 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.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or if the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

(j) 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 other long-term liability as required based on their fair value determination.

Significant derivatives include the following:

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

(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 contracts are accumulated in other comprehensive income until the variability in cash flows being hedged is recognized in earnings in future accounting periods.

(k) 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 carrying 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 or loss within other income. If the sale is to a Company's investment, at equity, a portion of the gain is deferred and would reduce the carrying value of the investment.

(l) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both, rather than for the principal purpose of the Company's operating activities. 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 case a portion of the gain is deferred and 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.

(m) 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 and 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.

(n) 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 intangibles are subject to impairment testing. The following useful lives are applied:

Deferred purchase agreements	5 – 10 years
Franchise rights/agreements	10 years
Lease rights	5 – 10 years
Off market leases	Lesser of lease term and 40 years
Prescription 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. Included in intangibles are brand names, loyalty programs, and private labels, the majority of which have indefinite useful lives. Subsequent expenditures made by the Company relating to intangible assets that do not meet the capitalization criteria are expensed in the period incurred.

(o) 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.

(p) 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 of disposal 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 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 of disposal 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 store or theatre. Corporate assets such as head offices and distribution centres do not individually generate separate cash inflows and are therefore aggregated for testing with the locations they service. 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.

(q) Customer loyalty programs

The Company utilizes loyalty card programs (the "Programs") which allow members to earn points on their purchases in certain Sobeys retail stores. 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. The fair value of loyalty points awarded is accounted for as a separate element of the sales transaction and recognition of revenue 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 deferred revenue relating to the Programs 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®.

(r) 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.

(s) 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.

(t) Deferred revenue

Deferred revenue consists of long-term supplier purchase agreements and gains on sale and 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.

(u) Employee benefits

(i) Short-term employment benefits

Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses expected to be settled within 12 months from the end of the reporting period. Short-term employee benefits are measured on an undiscounted basis and are recorded as selling and administrative 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 salary escalation, and retirement ages.

The liability recognized on the consolidated balance sheets for defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair market value of plan assets. 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.

Re-measurements comprising of actuarial gains and losses and the return on plan assets (excluding amounts in net interest), are recognized immediately on the consolidated balance sheets with a corresponding charge to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to net earnings or loss in subsequent periods.

Past service costs are recognized in net earnings or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Company recognizes restructuring-related costs.

Service cost on the net defined benefit liability, comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, is included in selling and administrative expenses. Net interest expense on the net defined benefit liability is included in finance costs, net.

(iii) Termination benefits

Termination benefits are recognized as an expense at the earlier of when the Company recognizes related restructuring costs and when the Company can no longer withdraw the offer of those benefits.

(v) 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 SEs, and revenue from sales to non-SE franchised stores, affiliated stores and independent accounts. Revenue received from non-SE 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.

(w) 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.

(x) 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.

(y) 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.

(z) Stock-based compensation

The Company operates both equity and cash settled stock-based compensation plans for certain 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 (Note 29).

(aa) Accounting standards and policies adopted during fiscal 2014

(i) 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 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:

Consolidated Statements of Earnings and Comprehensive Income
Increase (Decrease)

	May 4, 2013 (52 Weeks Ended)
Selling and administrative expenses	$ 0.9
Operating income	(0.9)
Finance costs, net	6.2
Earnings before income taxes	(7.1)
Income taxes	(1.8)
Net earnings	(5.3)
Other comprehensive income, net of taxes	4.7
Total comprehensive income	$ (0.6)

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)

Enhanced annual disclosures required for defined benefit plans have been included in Note 18 to these consolidated financial statements.

(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 SEs. 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 additional disclosures have been included in Notes 7 and 26 to these consolidated financial statements.

(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 Notes 10 and 27 to these 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.

(bb) 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.

4. INVENTORIES

The cost of inventories (including those from discontinued operations) recognized as an expense during the year was $15,956.4 (2013 – $13,350.1). The Company has recorded during the year $10.1 (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 (2013 – $ nil).

5. LOANS AND OTHER RECEIVABLES

	May 3, 2014	May 4, 2013
Loans receivable	$ 61.8	$ 60.3
Notes receivable and other	37.1	59.7
	98.9	120.0
Less amount due within one year	46.4	66.2
	$ 52.5	$ 53.8

Loans receivable represent long-term financing to certain retail associates. These loans 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 receivable approximates fair value based on the variable interest rates charged on the loans.

Loans receivable from officers and employees of $1.4 (2013 – $2.6) under the Company's share purchase plan are classified as notes receivable and other. Loan repayments will result in a corresponding decrease in notes receivable and other. The loans are non-interest bearing and non-recourse, secured by 53,002 (2013 – 96,489) Non-Voting Class A shares. The market value of the shares at May 3, 2014 was $3.6 (2013 – $6.6).

6. 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 acquisition. 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.

7. 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	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 Canadian Digital Cinema Partnership 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 Crombie REIT is as follows:

	May 3, 2014	May 4, 2013
Balance, beginning of year	$ 195.2	$ 167.4
Equity earnings	19.2	13.7
Share of comprehensive income	2.5	2.4
Distributions	(38.5)	(33.4)
Deferral of gains on sale of property	(0.3)	(11.4)
Reversal of deferred gain on sale of property to unrelated party	1.1	–
Interest acquired in Crombie REIT	150.0	38.3
Dillution gain *(Note 20)*	4.3	18.2
Balance, end of year	$ 333.5	$ 195.2

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

	May 3, 2014	May 4, 2013
Balance, beginning of year	$ 136.0	$ 99.7
Equity earnings	22.0	23.5
Distributions	(22.4)	(34.6)
Investment	13.7	45.8
Deferral of gains on sale of property to Sobeys	–	1.6
Remeasurement of deferred tax attributes	(5.6)	–
Balance, end of year	$ 143.7	$ 136.0

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

	May 3, 2014	May 4, 2013
Balance, beginning of year	$ 67.2	$ 39.1
Equity earnings	8.4	6.1
Distributions	(16.5)	(13.8)
Foreign currency translation adjustment	6.0	1.0
Investment	2.2	34.8
Balance, end of year	$ 67.3	$ 67.2

The Company's carrying value of its investment in Canadian Digital Cinema Partnership is as follows:

	May 3, 2014	May 4, 2013
Balance, beginning of year	$ 9.2	$ 7.2
Equity earnings	0.6	0.7
Distributions	(0.3)	–
Share of comprehensive income	–	(0.1)
Investment	0.2	1.4
Balance, end of year	$ 9.7	$ 9.2

The Company owns 50,241,245 Class B units and attached special voting units of Crombie REIT, along with 909,090 REIT units, representing a 41.6% economic and voting interest in Crombie.

The following amounts represent the revenues, expenses, assets, and liabilities of Crombie REIT as of and for the 12 months ended March 31, 2014, as well as a reconciliation of the carrying amount of the Company's investment in Crombie REIT to Unitholders equity of Crombie.

	March 31, 2014	March 31, 2013
Revenues	$ 316.9	$ 267.6
Expenses	280.3	227.6
Earnings before income taxes	$ 36.6	$ 40.0
Loss from continuing operations	$ (58.5)	$ (38.4)
OCI	3.8	5.2
Total comprehensive income	$ (54.7)	$ (33.2)

	March 31, 2014	March 31, 2013
Assets		
Current	$ 73.8	$ 30.0
Non-current	3,271.1	2,268.1
	$ 3,344.9	$ 2,298.1
Liabilities		
Current	$ 211.4	$ 184.8
Non-current	2,019.3	1,335.1
	$ 2,230.7	$ 1,519.9
Unitholder's equity		
REIT Units	$ 675.1	$ 469.3
Class B LP Units	439.1	308.9
	1,114.2	778.2
Less REIT Units	(675.1)	(469.3)
Cumulative changes since acquisition of Crombie REIT		
Variance in timing of distributions	3.6	2.8
Issue costs related to Class B units	12.3	12.2
Deferred gains (net of depreciation addback)	(174.0)	(176.6)
Dilution gains	38.5	34.2
Write off of portion of AOCI on dilution of interest in Crombie	0.7	–
Carrying amount attributable to investment in Class B Units	320.2	181.5
REIT Units owned by Empire Company	13.8	13.8
Cumulative equity earnings on REIT Units	0.6	0.2
Cumulative distributions on REIT Units	(1.1)	(0.3)
Carrying amount of investment in Crombie REIT	$ 333.5	$ 195.2

Cash flows	March 31, 2014	March 31, 2013
Operating cash flows	$ 29.5	$ 41.5
Investing cash flows	$ (1,092.3)	$ (479.7)
Financing cash flows	$ 1,063.5	$ 355.7

The Company has interests in various Canadian real estate partnerships ranging from 40.7% to 49.0% which are involved in residential property developments in Ontario and Western Canada.

The following amounts represent the revenues, expenses, assets, and liabilities of the Canadian real estate partnerships as of and for the 12 months ended March 31, 2014.

	March 31, 2014	March 31, 2013
Revenues	$ 112.5	$ 105.9
Expenses	55.0	40.9
Earnings before income taxes	$ 57.5	$ 65.0

	March 31, 2014	March 31, 2013
Assets		
Current	$ 325.5	$ 317.6
Liabilities		
Current	$ 24.8	$ 25.0
Non-current	10.0	17.4
	$ 34.8	$ 42.4
Net assets	$ 290.7	$ 275.2
Carrying amount of investment	$ 143.7	$ 136.0

Cash flows	March 31, 2014	March 31, 2013
Operating cash flows	$ 37.3	$ (41.9)
Investing cash flows	$ 15.5	$ 2.1
Financing cash flows	$ (49.3)	$ 21.4

The Company has interests in various US real estate partnerships ranging from 42.1% to 45.8% which are involved in residential property developments in the United States.

The following amounts represent the revenues, expenses, assets, and liabilities of the US real estate partnerships as of and for the 12 months ended March 31, 2014.

	March 31, 2014	March 31, 2013
Revenues	$ 78.1	$ 77.2
Expenses	58.6	63.3
Earnings before income taxes	$ 19.5	$ 13.9

	March 31, 2014	March 31, 2013
Assets		
Current	$ 178.4	$ 159.8
Liabilities		
Current	$ 14.6	$ 13.5
Net assets	$ 163.8	$ 146.3
Carrying amount of investment	$ 67.3	$ 67.2

Cash flows	March 31, 2014	March 31, 2013
Operating cash flows	$ 15.5	$ (1.3)
Investing cash flows	$ (2.2)	$ (22.5)
Financing cash flows	$ (15.9)	$ 35.1

Additional information regarding the Company's activities with its various associates is contained in Notes 15, 26, 30 and 32.

8. OTHER ASSETS

	May 3, 2014	May 4, 2013
Asset-backed commercial paper	$ –	$ 24.8
Restricted cash	6.3	2.1
Deferred lease assets	10.3	11.0
Other	13.7	12.6
Total	$ 30.3	$ 50.5

9. PROPERTY AND EQUIPMENT

	Food Retailing Segment					
May 3, 2014	Land	Buildings	Equipment	Leasehold Improvements	Assets Under Construction	Total
Cost						
Opening balance	$ 420.8	$ 1,033.2	$ 2,189.4	$ 486.9	$ 192.3	$ 4,322.6
Additions	31.4	38.0	159.3	44.1	311.5	584.3
Additions from business acquisitions	253.2	481.0	221.0	137.6	11.5	1,104.3
Transfers	(23.3)	43.4	54.2	14.6	(277.4)	(188.5)
Disposals and write downs	(14.5)	(31.5)	(61.4)	(13.3)	(1.2)	(121.9)
Closing balance	$ 667.6	$ 1,564.1	$ 2,562.5	$ 669.9	$ 236.7	$ 5,700.8
Accumulated depreciation and impairment losses						
Opening balance	$ –	$ 301.6	$ 1,203.9	$ 248.2	$ –	$ 1,753.7
Disposals and write downs	–	(2.4)	(24.9)	4.9	–	(22.4)
Transfers	–	(1.6)	(14.5)	(4.7)	–	(20.8)
Depreciation	–	58.5	240.2	59.4	–	358.1
Impairment losses	–	–	3.7	0.9	–	4.6
Impairment reversals	–	(0.1)	(5.5)	(5.6)	–	(11.2)
Closing balance	$ –	$ 356.0	$ 1,402.9	$ 303.1	$ –	$ 2,062.0
Net carrying value as at May 3, 2014	$ 667.6	$ 1,208.1	$ 1,159.6	$ 366.8	$ 236.7	$ 3,638.8

	Investments and Other Operations Segment						
May 3, 2014	Land	Buildings	Equipment	Leasehold Improvements	Assets Under Construction	Petroleum and Natural Gas	Total
Cost							
Opening balance	$ 2.6	$ 42.5	$104.4	$124.6	$ 3.5	$ –	$ 277.6
Additions	–	–	2.0	1.8	12.8	–	16.6
Additions from business acquisitions	–	–	–	–	–	–	–
Transfers	(1.5)	(6.2)	(2.9)	(2.0)	(16.3)	–	(28.9)
Disposals and write downs	(0.8)	(25.5)	(89.6)	(124.4)	–	–	(240.3)
Closing balance	$ 0.3	$ 10.8	$ 13.9	$ –	$ –	$ –	$ 25.0
Accumulated depreciation and impairment losses							
Opening balance	$ –	$ 23.8	$ 69.0	$ 50.7	$ –	$ –	$ 143.5
Disposals and write downs	–	(17.3)	(62.8)	(59.7)	–	–	(139.8)
Transfers	–	(2.6)	(2.6)	(2.0)	–	–	(7.2)
Depreciation	–	0.6	1.5	1.5	–	–	3.6
Impairment losses	–	0.5	5.3	15.8	–	–	21.6
Impairment reversals	–	–	(2.3)	(6.3)	–	–	(8.6)
Closing balance	$ –	$ 5.0	$ 8.1	$ –	$ –	$ –	$ 13.1
Net carrying value as at May 3, 2014	$ 0.3	$ 5.8	$ 5.8	$ –	$ –	$ –	$ 11.9

	Food Retailing Segment					
May 4, 2013	Land	Buildings	Equipment	Leasehold Improvements	Assets Under Construction	Total
Cost						
Opening balance	$ 402.9	$ 972.9	$ 2,006.0	$ 458.1	$ 342.0	$ 4,181.9
Additions	49.1	43.6	136.4	32.5	231.8	493.4
Additions from business acquisitions	2.1	2.1	0.4	–	–	4.6
Transfers	(10.9)	54.6	203.6	27.4	(355.5)	(80.8)
Disposals and write downs	(22.4)	(40.0)	(157.0)	(31.1)	(26.0)	(276.5)
Closing balance	$ 420.8	$ 1,033.2	$ 2,189.4	$ 486.9	$ 192.3	$ 4,322.6
Accumulated depreciation and impairment losses						
Opening balance	$ –	$ 280.8	$ 1,145.6	$ 228.4	$ –	$ 1,654.8
Disposals and write downs	–	(16.0)	(156.4)	(29.3)	–	(201.7)
Transfers	–	(3.1)	–	–	–	(3.1)
Depreciation	–	40.9	210.9	48.2	–	300.0
Impairment losses	–	0.2	4.7	1.6	–	6.5
Impairment reversals	–	(1.2)	(0.9)	(0.7)	–	(2.8)
Closing balance	$ –	$ 301.6	$ 1,203.9	$ 248.2	$ –	$ 1,753.7
Net carrying value as at May 4, 2013	$ 420.8	$ 731.6	$ 985.5	$ 238.7	$ 192.3	$ 2,568.9

	Investments and Other Operations Segment						
May 4, 2013	Land	Buildings	Equipment	Leasehold Improvements	Assets Under Construction	Petroleum and Natural Gas	Total
Cost							
Opening balance	$ 6.7	$ 51.8	$ 95.1	$ 109.0	$ 1.1	$ 70.5	$ 334.2
Additions	–	0.1	7.7	12.7	13.0	–	33.5
Additions from business acquisitions	–	–	2.6	2.9	–	–	5.5
Disposals and write downs	(4.1)	(9.4)	(1.0)	–	(10.6)	(70.5)	(95.6)
Closing balance	$ 2.6	$ 42.5	$ 104.4	$ 124.6	$ 3.5	$ –	$ 277.6
Accumulated depreciation and impairment losses							
Opening balance	$ –	$ 24.1	$ 62.5	$ 42.9	$ –	$ 52.6	$ 182.1
Disposals and write downs	–	(2.6)	–	–	–	(53.0)	(55.6)
Depreciation	–	2.3	5.4	6.1	–	0.4	14.2
Impairment losses	–	–	1.6	1.9	–	–	3.5
Impairment reversals	–	–	(0.5)	(0.2)	–	–	(0.7)
Closing balance	$ –	$ 23.8	$ 69.0	$ 50.7	$ –	$ –	$ 143.5
Net carrying value as at May 4, 2013	$ 2.6	$ 18.7	$ 35.4	$ 73.9	$ 3.5	$ –	$ 134.1
Consolidated property and equipment							
Net carrying value as at May 3, 2014	$ 667.9	$1,213.9	$1,165.4	$ 366.8	$ 236.7	$ –	$3,650.7
Net carrying value as at May 4, 2013	$ 423.4	$ 750.3	$1,020.9	$ 312.6	$ 195.8	$ –	$2,703.0

Finance leases

The Company has various property leases for store locations that are held under finance leases with a net carrying value of $30.2 as at May 3, 2014 (2013 – $4.3). These leases are included in buildings.

The Company has equipment leases under finance leases with a net carrying value of $13.9 as at May 3, 2014 (2013 – $22.1). These leases are included in equipment.

Assets under construction

During the year the Company capitalized borrowing costs of $1.7 (2013 – $6.0) on indebtedness related to property and equipment under construction. The Company used capitalization rate of 4.3% (2013 – 3.5% to 6.0%).

Security

As at May 3, 2014 the net carrying value of property pledged as security for borrowings is $102.3 (2013 – $111.3).

Impairment of property and equipment

Property and equipment is reviewed each reporting period for events or changes in circumstances which 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 of disposal 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 based on value in use calculations are determined using 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.

Forecasts are projected beyond three years based on long-term growth rates ranging from 3.0 to 5.0 percent. Discount rates are calculated on a pre-tax basis and range from 8.0 to 10.0 percent.

Impairment losses arise when the carrying amount of the assets is higher than the greater of the present value of cash flows of a cash generating unit and its fair value less costs of disposal. Impairment losses of $26.2 were recorded in the year ended May 3, 2014 (2013 – $10.0).

Impairment reversals of $19.8 were recorded in the year ended May 3, 2014 (2013 – $3.5).

10. INVESTMENT PROPERTY

Investment property is comprised primarily of commercial properties owned by the Company held for income generating purposes, rather than for the principal purpose of the Company's operating activities.

	May 3, 2014	May 4, 2013
Cost		
Opening balance	$ 112.1	$ 102.2
Additions	6.8	10.7
Additions from business acquisitions	5.0	–
Transfers	6.5	4.6
Assets held for sale	–	(4.0)
Disposals and write downs	(9.4)	(1.4)
Closing balance	$ 121.0	$ 112.1
Accumulated depreciation and impairment losses		
Opening balance	$ 15.2	$ 15.3
Depreciation	0.8	0.6
Transfers	1.5	–
Impairment losses	–	0.4
Disposals and write downs	(1.0)	(1.1)
Closing balance	$ 16.5	$ 15.2
Net carrying value	$ 104.5	$ 96.9
Fair value	$ 151.5	$ 136.9

The fair value of investment property is classified as Level 3 on the fair value hierarchy. The fair value represents the price that would be received to sell the assets in an orderly transaction between market participants at the measurement date.

An external, independent valuation company, having appropriate recognized professional qualifications and experience assisted in determining the fair value of investment property at May 3, 2014 and at May 4, 2013. Additions to investment property through acquisition are transacted at fair value and therefore carrying value equals fair value. Properties reclassified from property and equipment are valued for disclosure purposes using comparable market information, internal valuation methodologies, or the use of an external independent valuation company.

Rental income from investment property included in the consolidated statements of earnings amounted to $2.7 for the year ended May 3, 2014 (2013 – $3.8).

Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from investment property that generated rental income amounted to $1.6 for the year ended May 3, 2014 (2013 – $2.2). Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from non-income producing investment property amounted to $1.3 for the year ended May 3, 2014 (2013 – $1.4). All direct operating expenses for investment properties are included in selling and administrative expenses on the consolidated statements of earnings.

Impairment of investment property follows the same methodology as property and equipment (Note 9). For the year ended May 3, 2014 impairment losses of $ nil (2013 – $0.4) and reversals of $ nil (2013 – $ nil) were recorded.

11. INTANGIBLES

May 3, 2014	Brand Names	Deferred Purchase Agreements	Franchise Rights/ Agreements	Prescription Files	Software	Lease Rights	Loyalty Programs	Private Labels	Off Market Leases	Other	Total
Cost											
Opening balance	$ 201.0	$ 97.6	$ 54.3	$ 33.0	$ 180.8	$ 48.7	$ 11.4	$ 59.5	$ 1.6	$ 24.4	$ 712.3
Additions, separately acquired	–	16.4	0.6	0.2	0.3	2.5	–	–	–	1.7	21.7
Additions from business acquisitions	14.0	–	–	275.2	–	–	–	–	146.9	9.2	445.3
Transfers	–	–	–	–	71.3	–	–	–	–	–	71.3
Disposals and write downs	–	(4.2)	(5.2)	(1.6)	(1.7)	(3.0)	–	–	–	–	(15.7)
Closing balance	$ 215.0	$ 109.8	$ 49.7	$ 306.8	$ 250.7	$ 48.2	$ 11.4	$ 59.5	$ 148.5	$ 35.3	$1,234.9
Accumulated amortization and impairment losses											
Opening balance	$ 17.2	$ 30.9	$ 31.9	$ 20.0	$ 83.3	$ 24.5	$ –	$ –	$ 0.2	$ 13.8	$ 221.8
Amortization	3.7	13.1	4.0	11.4	26.5	3.0	–	–	3.7	2.7	68.1
Impairment losses	–	–	–	–	0.5	–	–	–	–	–	0.5
Impairment reversals	–	–	–	(0.4)	(0.1)	–	–	–	–	–	(0.5)
Disposals and write downs	–	(3.5)	(4.1)	(0.1)	(1.3)	(3.0)	–	–	6.2	–	(5.8)
Closing balance	$ 20.9	$ 40.5	$ 31.8	$ 30.9	$ 108.9	$ 24.5	$ –	$ –	$ 10.1	$ 16.5	$ 284.1
Net carrying value as at May 3, 2014	$ 194.1	$ 69.3	$ 17.9	$ 275.9	$ 141.8	$ 23.7	$ 11.4	$ 59.5	$ 138.4	$ 18.8	$ 950.8

May 4, 2013	Brand Names	Deferred Purchase Agreements	Franchise Rights/ Agreements	Prescription Files	Software	Lease Rights	Loyalty Programs	Private Labels	Off Market Leases	Other	Total
Cost											
Opening balance	$ 201.0	$ 89.9	$ 58.8	$ 32.8	$ 119.8	$ 49.7	$ 11.4	$ 59.5	$ 1.6	$ 23.6	$ 648.1
Additions, separately acquired	–	13.2	–	–	0.2	0.8	–	–	–	1.5	15.7
Additions from business acquisitions	–	–	–	0.2	–	–	–	–	–	–	0.2
Transfers	–	–	–	–	60.8	–	–	–	–	–	60.8
Disposals and write downs	–	(5.5)	(4.5)	–	–	(1.8)	–	–	–	(0.7)	(12.5)
Closing balance	$ 201.0	$ 97.6	$ 54.3	$ 33.0	$ 180.8	$ 48.7	$ 11.4	$ 59.5	$ 1.6	$ 24.4	$ 712.3
Accumulated amortization and impairment losses											
Opening balance	$ 14.2	$ 25.5	$ 29.4	$ 18.0	$ 63.6	$ 22.8	$ –	$ –	$ –	$ 12.8	$ 186.3
Amortization	3.0	9.8	5.2	2.0	19.7	3.1	–	–	0.2	1.5	44.5
Disposals and write downs	–	(4.4)	(2.7)	–	–	(1.4)	–	–	–	(0.5)	(9.0)
Closing balance	$ 17.2	$ 30.9	$ 31.9	$ 20.0	$ 83.3	$ 24.5	$ –	$ –	$ 0.2	$ 13.8	$ 221.8
Net carrying value as at May 4, 2013	$ 183.8	$ 66.7	$ 22.4	$ 13.0	$ 97.5	$ 24.2	$ 11.4	$ 59.5	$ 1.4	$ 10.6	$ 490.5

In addition to development costs capitalized related to software, the Company included in selling and administrative expenses $6.5 of research and development costs (2013 – $6.7).

Impairment of intangibles follows the same methodology as property and equipment (Note 9). For the year ended May 3, 2014 impairment losses of $0.5 (2013 – $ nil) and reversals of $0.5 (2013 – $ nil) were recorded.

Included in intangibles as at May 3, 2014, and May 4, 2013 are the following amounts with indefinite useful lives: Brand names – $172.8; Loyalty programs $11.4; and Private labels $59.5 all of which relate to the food retailing segment. Impairment of these intangibles is assessed annually on the same basis as goodwill as noted in Note 12 below.

12. GOODWILL

	May 3, 2014	May 4, 2013
Opening balance	**$ 1,310.4**	$ 1,302.1
Additions from business acquisitions	**2,884.4**	8.3
Transfer to assets held for sale	**(19.4)**	–
Impairments	**(9.1)**	–
Disposals	**(32.6)**	–
Other	**0.3**	–
Closing balance	**$ 4,134.0**	$ 1,310.4

As a result of changes in the Chief Operating Decision Makers of the Company, allocation of goodwill has been updated to reflect the new operating segments. Prior year balances have been reclassified to reflect the current year change.

Goodwill arising from business acquisitions 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 before aggregation. Therefore, goodwill has been allocated to the following operating segments:

	May 3, 2014	May 4, 2013
Atlantic	**$ 121.0**	$ 121.0
Lawtons	**15.4**	14.8
Ontario	**98.8**	97.2
Quebec	**526.0**	523.7
West	**493.8**	512.0
Canada Safeway acquisition	**2,879.0**	–
Investments and other operations	**–**	41.7
Total	**$ 4,134.0**	$ 1,310.4

Goodwill related to the Canada Safeway acquisition, will be allocated across the Company's six operating segments upon finalization of the valuations and related accounting for the acquisition in fiscal 2015. The allocations will be based on synergies expected to be realized in each segment, with the majority expected to be allocated to the West.

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 performs an annual review during its first quarter, and no impairment was recorded (2013 – $ nil). In performing the review, the Company determined the recoverable amount of goodwill based on fair value less costs of disposal. The key assumption used by management to determine the fair value of the cash generating unit includes industry earnings multiples in a range from 7.0 to 12.5. This key assumption is classified as Level 2 on the fair value hierarchy.

As part of the sale of Empire Theatres (Note 23), goodwill relating to Empire Theatres, which was previously assessed as one operating segment, was assessed for each of the two sales transactions separately. As a result of this assessment, an impairment loss of $9.1 was recorded and is reported as part of discontinued operations.

13. 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:

	May 3, 2014	May 4, 2013
Earnings before income taxes	**$ 195.3**	$ 517.8
Effective combined statutory income tax rate	**26.7%**	26.9%
Income tax expense according to combined statutory income tax rate	**52.1**	139.3
Income taxes resulting from:		
Non-deductible items	**6.7**	1.3
Capital items	**(1.5)**	(3.1)
Non-taxable items	**(4.5)**	(1.2)
Change in tax rates	**3.2**	1.2
Remeasurement of deferred tax attributes	**(20.7)**	–
Other	**1.0**	(1.1)
Total income taxes, combined effective tax rate of 18.6% (2013 – 26.3%)	**$ 36.3**	$ 136.4

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

	May 3, 2014	May 4, 2013
Current tax expense	**$ 135.9**	$ 158.5
Deferred tax expense:		
Origination and reversal of temporary differences	**(82.1)**	(23.3)
Change in tax rates	**3.2**	1.2
Remeasurement of deferred tax attributes	**(20.7)**	–
Total	**$ 36.3**	$ 136.4

The Company completed a remeasurement of its deferred income tax provision in the year ended May 3, 2014 resulting in an adjustment of certain tax attributes recognized in earnings in the amount of $20.7.

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

May 3, 2014	Opening Balance	Recognized in: Other Comprehensive Income and Equity	Recognized in: Business Acquisitions	Recognized in: Net Earnings	Closing Balance
Accounts payable and accrued liabilities	$ 3.2	$ –	$ 2.0	$ 1.3	$ 6.5
Equity	–	20.1	–	(4.1)	16.0
Goodwill and intangibles	(102.0)	–	(20.7)	(37.0)	(159.7)
Inventory	2.2	–	–	2.1	4.3
Investments	(29.6)	–	–	15.7	(13.9)
Long-term debt	7.3	–	9.5	0.1	16.9
Other assets	–	–	–	(0.9)	(0.9)
Other long-term liabilities	78.3	(11.7)	32.9	(0.9)	98.6
Property, equipment and investment property	(79.0)	–	3.6	15.0	(60.4)
Provisions	22.5	–	2.9	38.2	63.6
Partnership deferral reserve	(43.7)	–	–	38.7	(5.0)
Losses	3.8	2.1	–	34.0	39.9
Other	(1.3)	–	1.4	5.7	5.8
	$ (138.3)	$ 10.5	$ 31.6	$ 107.9	$ 11.7
Less: Recognized in discontinued operations				(8.3)	
Recognized in continuing operations				99.6	
Recognized as:					
Deferred tax assets	$ 42.3	$ 25.5	$ 40.3	$ 22.9	$ 131.0
Deferred tax liabilities	$ (180.6)	$ (15.0)	$ (8.7)	$ 85.0	$ (119.3)

May 4, 2013	Opening Balance	Recognized in: Other Comprehensive Income and Equity	Recognized in: Business Acquisitions	Recognized in: Net Earnings	Closing Balance
Accounts payable and accrued liabilities	$ 3.8	$ –	$ –	$ (0.6)	$ 3.2
Equity	–	–	–	–	–
Goodwill and intangibles	(100.0)	–	–	(2.0)	(102.0)
Inventory	3.6	–	–	(1.4)	2.2
Investments	(18.9)	(0.4)	–	(10.3)	(29.6)
Long-term debt	3.8	–	–	3.5	7.3
Other assets	4.4	–	–	(4.4)	–
Other long-term liabilities	77.1	(4.3)	–	5.5	78.3
Property, equipment and investment property	(66.1)	–	–	(12.9)	(79.0)
Provisions	21.6	–	–	0.9	22.5
Partnership deferral reserve	(87.2)	–	–	43.5	(43.7)
Losses	1.5	–	–	2.3	3.8
Other	3.1	–	–	(4.4)	(1.3)
	$ (153.3)	$ (4.7)	$ –	$ 19.7	$ (138.3)
Less: Recognized in discontinued operations				2.4	
Recognized in continuing operations				22.1	
Recognized as:					
Deferred tax assets	$ 36.7	$ –	$ –	$ 5.6	$ 42.3
Deferred tax liabilities	$ (190.0)	$ (4.7)	$ –	$ 14.1	$ (180.6)

All deferred tax assets (including tax losses and other tax credits) have been recognized in the consolidated balance sheets. The amount of deferred tax assets and deferred tax liabilities that are expected to be recovered or settled beyond the next 12 months is $(90.8).

14. BANK INDEBTEDNESS

As security for certain bank loans, the Company provided an assignment of certain marketable securities and, in certain subsidiaries and joint ventures, general assignments of receivables and leases, first floating charge debentures on assets and the assignment of proceeds of fire insurance policies. The interest rate at May 4, 2013 was 3.9%.

15. PROVISIONS

The provisions carrying amounts are comprised of the following:

May 3, 2014	Lease Contracts	Legal	Environmental	Restructuring	Other	Total
Opening balance	$ 26.5	$ 5.6	$ 36.4	$ 10.5	$ 4.5	$ 83.5
Assumed in business acquisitions	–	7.5	7.1	–	–	14.6
Provisions made	15.4	3.6	1.0	141.9	–	161.9
Provisions used	(10.5)	(3.7)	(3.4)	(11.8)	(1.3)	(30.7)
Provisions reversed	(4.8)	(1.8)	(0.7)	(1.9)	–	(9.2)
Change due to discounting	1.4	–	1.5	–	0.1	3.0
Closing balance	$ 28.0	$ 11.2	$ 41.9	$ 138.7	$ 3.3	$ 223.1
Current	$ 8.6	$ 11.2	$ 4.5	$ 55.3	$ 2.8	$ 82.4
Non-current	19.4	–	37.4	83.4	0.5	140.7
Total	$ 28.0	$ 11.2	$ 41.9	$ 138.7	$ 3.3	$ 223.1

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. Onerous contract provisions for planned store closures as part of the Company's rationalization activities are classified as restructuring provisions and are measured and recorded using the same methodology. Discounting of provisions resulting from lease contracts has been calculated using pre-tax discount rates ranging between 7.0 and 9.0 percent.

Legal costs

Legal provisions relate to claims of $11.2 that are outstanding as at May 3, 2014 that arose in the ordinary course of business.

Environmental 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 4.0 and 15.0 percent.

Restructuring

Restructuring provisions relate to the Company's initiatives to lower operating costs and improve financial performance. The Company performed an analysis of its retail store network and recorded a $137.1 restructuring provision in the fourth quarter of fiscal 2014 for planned store closures. This provision includes severance costs of $29.7, onerous lease costs of $98.8, and other restructuring costs of $8.6. The value of the provision is management's best estimate of the amount of expenditures expected to occur throughout fiscal 2015.

Total restructuring costs of $169.8 were recognized in selling and administrative expenses for the year ended May 3, 2014. This expense includes write downs of $35.8 to property and equipment and intangible assets, a $3.1 reversal of straight-line lease provisions, and $137.1 for severance, onerous lease, and other costs as noted above.

Other

The Company has obligations to provide various forms of support to Crombie REIT pursuant to various agreements between the parties. These amounts are included in other provisions.

16. LONG-TERM DEBT

	May 3, 2014	May 4, 2013
First mortgage loans, weighted average interest rate 7.87%, due 2014 – 2021	**$ 37.4**	$ 41.9
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**	150.0
Sinking fund debentures, weighted average interest rate 9.33%, due 2014 – 2016	**14.0**	28.3
Series 2013-1 Notes, interest rate 3.52%, due August 8, 2018	**500.0**	–
Series 2013-2 Notes, interest rate 4.70%, due August 8, 2023	**500.0**	–
Notes payable and other debt primarily at interest rates fluctuating with the prime rate	**141.2**	125.9
Credit facility, due November 4, 2017, floating interest rate tied to bankers' acceptance rates	**1,735.0**	181.0
	3,477.6	927.1
Unamortized transaction costs	**(45.1)**	(2.3)
Finance lease obligations, weighted average interest rate 5.81%, due 2014 – 2040	**65.4**	38.7
	3,497.9	963.5
Less amount due within one year	**218.0**	47.6
Balance, end of year	**$ 3,279.9**	$ 915.9

First mortgage loans are secured by land, buildings and specific charges on certain assets. Finance lease obligations are secured by the related finance lease asset. Medium term notes and Series 2013-1 and 2013-2 Notes are unsecured.

Sinking fund debenture payments are required on an annual basis. The proportionate share of related debt is retired with these repayments.

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.

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 Sobeys' 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 the Company 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 the Company's Canada Safeway acquisition can be found in Note 25.

Principal debt retirement in each of the next five fiscal years is as follows:

2015	$ 218.3
2016	209.2
2017	205.4
2018	1,293.5
2019	508.0
Thereafter	1,043.2

Finance lease liabilities

Finance lease liabilities are payable in each of the next five fiscal years as follows:

	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
2015	$ 14.1	$ 3.0	$ 11.1
2016	12.3	2.6	9.7
2017	11.6	2.1	9.5
2018	9.0	1.7	7.3
2019	7.4	1.4	6.0
Thereafter	30.6	8.8	21.8
Total	$ 85.0	$ 19.6	$ 65.4

During fiscal 2014 the Company increased its finance lease obligation, excluding $37.0 related to the Canada Safeway acquisition, by $2.4 (2013 – $8.8) with a similar increase in assets under finance leases. These additions are non-cash in nature, therefore have been excluded from the statements of cash flows.

17. OTHER LONG-TERM LIABILITIES

	May 3, 2014	May 4, 2013
Deferred lease obligation	**$ 84.3**	$ 104.0
Accrued benefit liability *(Note 18)*	**119.1**	63.0
Employee future benefits *(Note 18)*	**174.5**	133.9
Deferred revenue	**5.0**	5.3
Other	**6.3**	3.5
Total	**$ 389.2**	$ 309.7

18. EMPLOYEE FUTURE BENEFITS

The Company has a number of defined contribution, defined benefit, and multi-employer 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.

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 defined benefit plan typically exposes the Company to actuarial risks such as interest rate risk, mortality risk and salary risk.

Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate that reflects the average yield, as at the measurement date, on high quality corporate bonds of similar duration to the plans' liabilities. A decrease in the market yield on high quality corporate bonds will increase the Company's defined benefit liability.

Mortality risk

The present value of the defined benefit plan is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salary of the plan participants. As such, an increase in the salary of plan participants will increase the plan's liability.

The Company uses either April 30 or December 31 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 Plans	December 31, 2013	December 31, 2016
Senior Management Pension Plans	December 31, 2013	December 31, 2016
Other Benefit Plans	May 1, 2012	May 1, 2015

Multi-employer plans

The Company participates in various multi-employer pension plans which are administered by independent boards of trustees generally consisting of an equal number of union and employer representatives. Approximately 17.0 percent of employees in the Company and of its independent franchisees participate in these plans. Defined benefit multi-employer pension plans are accounted for as defined contribution plans as adequate information to account for the Company's participation in the plans is not available due to the size and number of contributing employers in the plans. The Company's responsibility to make contributions to these plans is limited by amounts established pursuant to its collective agreements. The contributions made by the Company to multi-employer plans are expensed as contributions are due.

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.

Defined contribution plans

The total expense, and cash contributions, for the Company's defined contribution plans was $30.4 for the year ended May 3, 2014 (2013 – $25.2).

Defined benefit plans

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

	Pension Benefit Plans		Other Benefit Plans	
	May 3, 2014	May 4, 2013	**May 3, 2014**	May 4, 2013
Defined benefit obligation				
Balance, beginning of year	**$ 310.6**	$ 301.0	**$ 133.9**	$ 143.3
Additions from business acquisitions	**531.0**	–	**43.9**	–
Current service cost, net of employee contributions	**3.2**	1.7	**2.7**	1.4
Interest cost	**22.9**	12.3	**6.1**	5.4
Employee contributions	**0.1**	0.1	**–**	–
Benefits paid	**(45.9)**	(22.4)	**(5.6)**	(4.3)
Past service costs	**0.6**	1.0	**–**	–
Past service costs – curtailments	**–**	–	**(0.3)**	–
Remeasurement – actuarial losses (gains) included in other comprehensive income	**19.0**	16.9	**(6.2)**	(11.9)
Balance, end of year	**$ 841.5**	$ 310.6	**$ 174.5**	$ 133.9
Plan assets				
Fair value, beginning of year	**$ 247.6**	$ 230.9	**$ –**	$ –
Additions from business acquisitions	**437.4**	–	**–**	–
Interest income on plan assets	**18.5**	9.5	**–**	–
Remeasurement return on plan assets (excluding amount in net interest)	**53.9**	20.0	**–**	–
Employer contributions	**11.9**	9.6	**5.6**	4.3
Employee contributions	**0.1**	0.1	**–**	–
Benefits paid	**(45.9)**	(22.4)	**(5.6)**	(4.3)
Administrative costs	**(1.1)**	(0.1)	**–**	–
Fair value, end of year	**$ 722.4**	$ 247.6	**$ –**	$ –

	Pension Benefit Plans		Other Benefit Plans	
	May 3, 2014	May 4, 2013	**May 3, 2014**	May 4, 2013
Funded status				
Total fair value of plan assets	**$ 722.4**	$ 247.6	**$ –**	$ –
Present value of unfunded obligations	**(83.2)**	(46.1)	**(174.5)**	(133.9)
Present value of partially funded obligations	**(758.3)**	(264.5)	**–**	–
Accrued benefit liabilities	**$ (119.1)**	$ (63.0)	**$ (174.5)**	$ (133.9)

Accrued benefit liabilities have been recognized within other long-term liabilities on the consolidated balance sheets.

	Pension Benefit Plans		Other Benefit Plans	
	May 3, 2014	May 4, 2013	**May 3, 2014**	May 4, 2013
Expenses				
Current service cost, net of employee contributions	**$ 3.2**	$ 1.7	**$ 2.7**	$ 1.4
Net interest on net defined benefit liability	**4.4**	2.8	**6.1**	5.4
Administrative costs	**1.1**	0.1	**–**	–
Actuarial loss recognized	**–**	–	**0.1**	0.1
Past service costs	**0.6**	1.0	**–**	–
Past service costs – curtailments	**–**	–	**(0.3)**	–
Costs	**$ 9.3**	$ 5.6	**$ 8.6**	$ 6.9

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

Actuarial gains and losses recognized directly in other comprehensive income:

	Pension Benefit Plans		Other Benefit Plans	
	May 3, 2014	May 4, 2013	**May 3, 2014**	May 4, 2013
Remeasurement effects recognized in other comprehensive income				
Return on plan assets (excluding amounts in net interest)	**$ (53.9)**	$ (20.1)	**$ –**	$ –
Actuarial gain – experience changes	**(6.2)**	(1.4)	**(7.0)**	(14.4)
Actuarial loss (gain) – demographic assumptions	**12.5**	–	**9.3**	(3.1)
Actuarial loss (gain) – financial assumptions	**12.5**	18.2	**(8.5)**	5.6
Remeasurement effects recognized in other comprehensive income	**$ (35.1)**	$ (3.3)	**$ (6.2)**	$ (11.9)

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions as of May 3, 2014):

	Pension Benefit Plans		Other Benefit Plans	
	May 3, 2014	May 4, 2013	**May 3, 2014**	May 4, 2013
Discount rate	**4.25%**	3.75%	**4.00%**	4.00%
Rate of compensation increase	**3.50%**	4.00%		

For measurement purposes, a 7.50 percent fiscal 2014 annual rate of increase in the per capita cost of covered health care benefits was assumed (2013 – 8.00 percent). The cumulative rate expectation to 2019 and thereafter is 5.00 percent.

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 defined 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.

The table below outlines the sensitivity of the fiscal 2014 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]
Discount rate[2]	4.25%	4.00%	4.00%	4.00%
Impact of: 1% increase	$ (107.8)	$ (3.8)	$ (21.3)	$ 0.1
Impact of: 1% decrease	$ 136.2	$ 1.8	$ 26.3	$ (0.3)
Growth rate of health care costs[3]			7.50%	7.50%
Impact of: 1% increase			$ 21.3	$ 1.2
Impact of: 1% decrease			$ (17.5)	$ (1.0)

(1) Reflects the impact on the current service cost, interest cost, and net interest on defined benefit liability (asset).

(2) Based on a weighted average of discount rates related to all plans.

(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 is as follows:

	May 3, 2014	May 4, 2013
Canadian equity funds	**38.4%**	36.7%
Foreign equity funds	**35.9%**	39.6%
Fixed income funds	**25.6%**	23.7%
Cash	**0.1%**	–
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 year-end is as follows:

	May 3, 2014	% of Plan Assets	May 4, 2013	% of Plan Assets
Empire Company Limited Non-Voting Class A shares	$ 104.0	7.7%	$ 102.8	8.6%

All of the securities are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities or based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The actual return on plan assets was $71.3 for the year ended May 3, 2014 (2013 – $29.3).

Management's best estimate of contributions expected to be paid to the defined benefit plans during the annual period beginning on May 4, 2014 and ending on May 2, 2015 is $8.6.

Multi-employer plans

During the year ended May 3, 2014, the Company recognized an expense of $24.4 (2013 – $ nil) in operating income, which represents the contributions made in connection with multi-employer pension plans. During fiscal 2015, the Company expects to continue to make contributions into these multi-employer pension plans.

19. CAPITAL STOCK

	Number of Shares	
Authorized	**May 3, 2014**	May 4, 2013
2002 Preferred shares, par value of $25 each, issuable in series	**991,980,000**	991,980,000
Non-Voting Class A shares, without par value	**257,044,056**	257,044,056
Class B common share, without par value, voting	**40,800,000**	40,800,000

Issued and outstanding:	**Number of Shares**	**May 3, 2014**	May 4, 2013
Non-Voting Class A	**58,049,484**	**2,101.0**	311.7
Class B common	**34,260,763**	**7.6**	7.6
Total		**$ 2,108.6**	$ 319.3

Under certain circumstances, where an offer (as defined in the share conditions) is made to purchase Class B common shares, the holders of the Non-Voting Class A shares shall be entitled to receive a follow-up offer at the highest price per share paid, pursuant to such offer to purchase Class B common shares.

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.

During fiscal 2014, the Company paid preferred dividends of $ nil (2013 – $ nil) and common dividends of $83.3 (2013 – $65.2) to its equity holders. This represents a payment of $1.04 per share (2013 – $0.96 per share) for common shareholders.

20. OTHER INCOME

	May 3, 2014	May 4, 2013
Gain on disposal of assets	**$ 8.0**	$ 26.4
Dilution gains	**4.3**	18.2
Investment income	**1.8**	9.6
Total	**$ 14.1**	$ 54.2

21. EMPLOYEE BENEFITS EXPENSE

	May 3, 2014	May 4, 2013
Wages, salaries and other short-term employment benefits	$ 2,468.7	$ 2,012.5
Post-employment benefits	37.8	28.7
Termination benefits	24.2	10.2
Total	$ 2,530.7	$ 2,051.4

22. FINANCE COSTS, NET

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

	May 3, 2014	May 4, 2013
Finance income		
Interest income from cash and cash equivalents	$ 9.1	$ 3.0
Fair value gains on cash flow hedges	–	0.2
Fair value gains on other financial assets	–	1.6
Gain on disposal of financial assets	1.2	–
Total finance income	10.3	4.8
Finance costs		
Interest expense on financial liabilities measured at amortized cost	132.5	49.6
Fair value losses on forward contracts	0.6	0.8
Losses on cash flow hedges reclassified from other comprehensive income	–	1.7
Net pension finance costs	10.4	8.1
Total finance costs	143.5	60.2
Finance costs, net	$ 133.2	$ 55.4

23. DISCONTINUED OPERATIONS

During the second quarter of fiscal 2014, 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

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:

	May 3, 2014	May 4, 2013
Sales	$ 127.5	$ 211.9
Other income	–	2.6
Expenses, including finance costs of $0.8 for the 52 weeks to date (2013 – $1.6)	120.2	205.4
Earnings before income taxes of discontinued operations	7.3	9.1
Income taxes	2.1	1.9
Net earnings of discontinued operations	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 $6.2 for the 52 weeks to date	(15.7)	–
Gain on disposal of assets, net of tax of ($21.0) for the 52 weeks to date	104.2	–
Restructuring costs, net of tax of $3.6 for the 52 weeks to date	(9.3)	–
Net gain from re-measurement and disposal of assets and from restructuring costs	79.2	–
Net earnings from discontinued operations	$ 84.4	$ 7.2

Cash flows from discontinued operations:

	May 3, 2014	May 4, 2013
Operating cash flows	$ (24.9)	$ 22.8
Investing cash flows	$ 239.3	$ (14.1)
Financing cash flows	$ (21.0)	$ (7.5)

24. EARNINGS PER SHARE

Earnings applicable to common shares are comprised of the following:

	May 3, 2014	May 4, 2013
Earnings from continuing operations	$ 151.0	$ 372.3
Earnings from discontinued operations	84.4	7.2
Earnings applicable to common shares	$ 235.4	$ 379.5

Earnings per share is comprised of the following:

	May 3, 2014	May 4, 2013
Basic earnings per share		
From continuing operations	$ 1.89	$ 5.48
From discontinued operations	1.05	0.11
	$ 2.94	$ 5.59
Diluted earnings per share		
From continuing operations	$ 1.88	$ 5.47
From discontinued operations	1.05	0.11
	$ 2.93	$ 5.58

The weighted average number of outstanding shares as at May 3, 2014 used for basic earnings per share amounted to 80,049,235 (2013 – 67,948,510) 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:

	May 3, 2014	May 4, 2013
Weighted average number of shares used in basic earnings per share	**80,049,235**	67,948,510
Shares deemed to be issued for no consideration in respect of stock-based payments	**159,691**	134,746
Weighted average number of shares used in diluted earnings per share	**80,208,926**	68,083,256

25. 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 year 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:

	May 3, 2014	May 4, 2013
Stores, retail gas locations and theatres		
Inventories	**$ 457.9**	$ 1.7
Property, equipment and investment property	**1,109.3**	10.1
Intangibles	**138.8**	–
Deferred tax assets	**40.3**	–
Assets held for sale	**391.4**	–
Assets acquired for sale-leaseback	**991.3**	–
Goodwill	**2,884.4**	8.3
Accounts payable and accrued liabilities	**(397.7)**	–
Pension obligations	**(137.5)**	–
Deferred tax liabilities	**(8.7)**	–
Other assets and liabilities	**49.0**	(2.4)
	5,518.5	17.7
Prescription files		
Intangibles	**306.5**	0.2
Cash consideration	**$ 5,825.0**	$ 17.9

From the date of acquisition, the businesses acquired contributed sales of $3,286.1 and net earnings of $76.0 for the year ended May 3, 2014.

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 year 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 year 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 6. 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 30; (iii) $2,025.0 in term credit facilities, as discussed in Note 16; (iv) the issuance of $1,000.0 in unsecured notes by Sobeys, as discussed in Note 16; 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 $97.8 relating to external legal, consulting, due diligence, financial advisory and other closing costs incurred during the year ended May 3, 2014, have been included in selling and administrative expenses in the consolidated statements of earnings.

26. GUARANTEES, COMMITMENTS, AND CONTINGENT LIABILITIES

Guarantees

Franchise affiliates

Sobeys is party to a number of franchise and operating agreements as part of its business model. These agreements contain clauses which require the Company to provide support to franchise operators to offset or mitigate retail store losses, reduce store rental payments, minimize the impact of promotional pricing, and assist in covering other store related operating expenses. Not all of the financial support noted above will apply in each instance as the provisions of the agreements vary. The Company will continue to provide financial support pursuant to the franchise and operating agreements in future years.

Sobeys has a guarantee contract under the terms of which, should certain franchise affiliates be unable to fulfill their lease obligations, Sobeys would be required to fund the greater of $7.0 or 9.9 percent (2013 – $7.0 or 9.9 percent) of the authorized and outstanding obligation. The terms of the guarantee contract are reviewed annually each August. As at May 3, 2014, the amount of the guarantee was $7.0 (2013 – $7.0).

Sobeys has guaranteed certain equipment leases of its franchise affiliates. Under the terms of the guarantee should franchise affiliates be unable to fulfill their equipment lease obligations, Sobeys would be required to fund the difference of the lease commitments up to a maximum of $70.0 on a cumulative basis. Sobeys approves each of the contracts.

During fiscal 2009, Sobeys entered into an additional credit enhancement contract in the form of a standby letter of credit for certain independent franchisees for the purchase and installation of equipment. Under the terms of the contract should franchisee affiliates be unable to fulfill their lease obligations or provide an acceptable remedy, Sobeys would be required to fund the greater of $6.0 or 10.0 percent (2013 – $6.0 or 10.0 percent) of the authorized and outstanding obligation annually. Under the terms of the contract, Sobeys is required to obtain a letter of credit in the amount of the outstanding guarantee, to be revisited each calendar year. This credit enhancement allows Sobeys to provide favourable financing terms to certain independent franchisees. The contract terms have been reviewed and Sobeys determined that there were no material implications with respect to the consolidation of SEs. As at May 3, 2014 the amount of the guarantee was $6.0 (2013 – $6.0).

The minimum rent payments under the guaranteed operating equipment leases over the next five fiscal years are:

	Third Parties
2015	$ 13.5
2016	0.3
2017	–
2018	–
2019	–
Thereafter	–

Other

At May 3, 2014, the Company was contingently liable for letters of credit issued in the aggregate amount of $94.6 (2013 – $97.8).

Upon entering into the lease of its new Mississauga distribution centre, in March 2000, Sobeys guaranteed to the landlord the performance, by SERCA Foodservice Inc., of all of its obligations under the lease. The remaining term of the lease is 6 years with an aggregate obligation of $19.5 (2013 – $22.6). At the time of the sale of assets of SERCA Foodservice Inc. to Sysco Corp., the lease of the Mississauga distribution centre was assigned to and assumed by the purchaser, and Sysco Corp. agreed to indemnify and hold Sobeys harmless from any liability it may incur pursuant to its guarantee.

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 3, 2014 is approximately $3,857.2. This reflects a gross lease obligation of $4,838.0 reduced by expected sub-lease income of $980.8. 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
2015	$ 226.9	$ 340.9	$ 123.7	$ 123.7
2016	198.5	305.9	122.0	122.0
2017	178.8	274.8	122.1	122.1
2018	158.4	243.3	121.4	121.4
2019	139.7	213.5	122.9	122.9
Thereafter	787.6	1,292.3	1,555.2	1,555.2

The Company recorded $500.0 (2013 – $440.0) as an expense for minimum lease payments for the year ended May 3, 2014 in the consolidated statements of earnings. The expense was offset by sub-lease income of $155.9 (2013 – $129.9), and a further $11.9 (2013 – $9.2) of expense was recognized for contingent rent.

Operating leases, as lessor

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

Rental income for the year ended May 3, 2014 was $34.3 (2013 – $59.2) and was included in sales in the consolidated statements of earnings. In addition, the Company recognized $0.9 of contingent rent for the year ended May 3, 2014 (2013 – $1.0).

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

	Third Parties
2015	$ 19.9
2016	17.6
2017	16.4
2018	14.4
2019	13.3
Thereafter	74.9

Contingent liabilities

On June 21, 2005, Sobeys received a notice of reassessment from Canada Revenue Agency ("CRA") for fiscal years 1999 and 2000 related to the Goods and Service Tax ("GST"). CRA asserts that Sobeys was obliged to collect GST on sales of tobacco products to status Indians. The total tax, interest and penalties in the reassessment was $13.6. Sobeys has reviewed this matter, has received legal advice, and believes it was not required to collect GST. During the second quarter of fiscal 2006, Sobeys filed a Notice of Objection with CRA. Accordingly, Sobeys has not recorded in its statements of earnings any of the tax, interest or penalties in the notice of reassessment. Sobeys has deposited with CRA funds to cover the total tax, interest and penalties in the reassessment and has recorded this amount as an other long-term receivable from CRA pending resolution of the matter.

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.

27. FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, receivables, loans and other receivables, derivative contracts and guarantees.

The Company's maximum exposure to credit risk corresponds to the carrying amount for all cash and cash equivalents, loans and receivables, and guarantee contracts for franchise affiliates (Note 26).

The Company mitigates credit risk associated with its trade receivables and loans receivables through established credit approvals, limits and a regular monitoring process. The Company generally considers the credit quality of its financial assets that are neither past due or impaired to be solid. The Company regularly monitors collection performance and pledged security for all of its receivables and loans and other receivables to ensure adequate payments are being received and adequate security is available. Pledged security can vary by agreement, but generally includes inventory, fixed assets including land and/or building, as well as personal guarantees. Credit risk is further mitigated due to the large number of customers and their dispersion across geographic areas. The Company only enters into derivative contracts with counterparties that are dual rated and have a credit rating of "A" or better to minimize credit risk.

Receivables are substantially comprised of balances due from independent accounts, franchisee or affiliate locations as well as rebates and allowances from vendors. The due date of these amounts can vary by agreement but in general balances over 30 days are considered past due. The aging of the receivables is as follows:

	May 3, 2014	May 4, 2013
0 – 30 days	**$ 365.1**	$ 320.5
31 – 90 days	**40.6**	36.3
Greater than 90 days	**75.1**	44.1
Total receivables before allowance for credit losses	**480.8**	400.9
Less: allowance for credit losses	**(20.3)**	(19.2)
Receivables	**$ 460.5**	$ 381.7

Interest earned on past due accounts is recorded as a reduction to selling and administrative expenses in the consolidated statements of earnings. Receivables are classified as current on the consolidated balance sheets as of May 3, 2014.

Allowance for credit losses is reviewed at each balance sheet date. An allowance is taken on receivables from independent accounts, as well as receivables, loans and other receivables from franchise or affiliate locations and is recorded as a reduction to its respective receivable account on the consolidated balance sheets. The Company updates its estimate for credit losses based on past due balances from independent accounts and based on an evaluation of recoverability net of security assigned for franchise or affiliate locations. Current and long-term receivables, loans and other receivables are reviewed on a regular basis and are written-off when collection is considered unlikely. The change in allowance for credit losses is recorded as selling and administrative expenses in the consolidated statements of earnings and is presented as follows:

	May 3, 2014	May 4, 2013
Allowance, beginning of year	**$ 19.2**	$ 21.8
Provision for losses	**7.1**	2.7
Recoveries	**(5.0)**	(1.1)
Write-offs	**(1.0)**	(4.2)
Allowance, end of year	**$ 20.3**	$ 19.2

Liquidity risk

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they come due. The Company actively maintains a committed credit facility to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

The Company monitors capital markets and the related conditions, and monitors its cash flows in order to assist in optimizing its cash position and evaluate longer term cash and funding requirements. Market conditions allowing, the Company will access debt capital markets for various long-term debt maturities and as other liabilities come due or as assessed to be appropriate in order to minimize risk and optimize pricing.

The following table summarizes the amount and the contractual maturities of both the interest and principal portion of significant financial liabilities on an undiscounted basis as at May 3, 2014:

	2015	2016	2017	2018	2019	Thereafter	Total
Derivative financial liabilities							
Foreign currency swaps	$ 1.3	$ 1.4	$ 1.6	$ 1.5	$ –	$ –	$ 5.8
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	2,246.0	–	–	–	–	–	2,246.0
Long-term debt	318.2	306.2	302.2	1,370.2	570.1	1,706.4	4,573.3
Total	$ 2,565.5	$ 307.6	$ 303.8	$ 1,371.7	$ 570.1	$ 1,706.4	$ 6,825.1

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.

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 approximate fair values 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 year 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.

May 4, 2013	FVTPL	Available for Sale	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair Value
Financial assets						
Cash and cash equivalents	$ –	$ –	$ 455.2	$ –	$ 455.2	$ 455.2
Receivables	–	–	381.7	–	381.7	381.7
Investments – current	14.5	–	–	–	14.5	14.5
Loans and other receivables	–	–	120.0	–	120.0	120.0
Investments	–	25.0	–	–	25.0	25.0
Other assets[1]	26.9	–	–	–	26.9	26.9
Total financial assets	$ 41.4	$ 25.0	$ 956.9	$ –	$ 1,023.3	$ 1,023.3
Fair value level 1	$ 16.6	$ 25.0				$ 41.6
Fair value level 2	–	–				–
Fair value level 3	24.8	–				24.8
	$ 41.4	$ 25.0				$ 66.4
Financial liabilities						
Bank indebtedness	$ –	$ –	$ –	$ 6.0	$ 6.0	$ 6.0
Accounts payable and accrued liabilities	–	–	–	1,765.8	1,765.8	1,765.8
Long-term debt	–	–	–	963.5	963.5	1,060.0
Derivative financial liabilities[2]	0.2	–	–	–	0.2	0.2
Total financial liabilities	$ 0.2	$ –	$ –	$ 2,735.3	$ 2,735.5	$ 2,832.0
Fair value level 1	$ –	$ –				$ –
Fair value level 2	0.2	–				0.2
Fair value level 3	–	–				–
	$ 0.2	$ –				$ 0.2

(1) The total carrying value of financial assets included in other assets is $26.9.
(2) Derivative financial liabilities are included in other long-term liabilities on the consolidated balance sheets.

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	May 4, 2013
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 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.

As of May 3, 2014, the fair values of the outstanding derivatives designated as cash flow hedges of forecast transactions were assets of $0.5 (2013 – $ nil) and liabilities of $ nil (2013 – $0.2).

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.

The gains and losses on ineffective portions of such derivatives are recognized immediately in net earnings for the year. During the year, the Company recognized $ nil (2013 – $ nil) directly into net earnings as a result of ineffective hedging contracts.

Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Financial instruments that potentially subject the Company to interest rate risk include financial liabilities with floating interest rates.

The Company manages interest rate risk by monitoring market conditions and the impact of interest rate fluctuations on its debt. The Company utilized interest rate swaps designated as cash flow hedges to manage variable interest rates associated with some of the Company's long-term debt. Hedge accounting treatment resulted in interest expense on the related borrowings being reflected at hedged rates rather than at variable interest rates.

The majority of the Company's long-term debt is at fixed interest rates or hedged with interest rate swaps. Bank indebtedness and approximately 54.2 percent (2013 – 31.4 percent) of the Company's long-term debt is exposed to interest rate risk due to floating rates.

Net earnings is sensitive to the impact of a change in interest rates on the average balance of interest bearing financial liabilities during the year. For the year ending May 3, 2014, the Company's average outstanding unhedged floating rate debt was $1,060.5 (2013 – $312.6). An increase (decrease) of 25 basis points would have impacted net earnings by $1.9 ($1.9) (2013 – $0.5 ($0.5)) and other comprehensive income by $ nil ($ nil) (2013 – $ nil ($ nil)) as a result of the Company's exposure to interest rate fluctuations on its hedged and unhedged floating rate debt.

Subsequent to the fourth quarter, Sobeys entered into an interest rate swap to hedge the interest on a portion of the Company's Acquisition Facility (Note 32).

Foreign currency exchange risk

The Company conducts the vast majority of its business in Canadian dollars. The Company's foreign currency exchange risk principally relates to purchases made in U.S. dollars. In addition, the Company also uses forward contracts to fix the exchange rate on some of its expected requirements for Euros, British Pounds and U.S. dollars. Amounts received or paid related to instruments used to hedge foreign exchange, including any gains and losses, are recognized in the cost of purchases. The Company does not consider its exposure to foreign currency exchange risk to be material.

The Company has entered into foreign currency forward contracts and foreign currency swaps 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 net earnings in future accounting periods.

The Company estimates that a 10 percent increase (decrease) in applicable foreign currency exchange rates would impact net earnings by $ nil ($ nil) (2013 – $ nil ($ nil)) and other comprehensive income by $0.8 ($0.8) (2013 – $0.4 ($0.4)) for foreign currency derivatives in place at year-end.

Subsequent to the fourth quarter, Sobeys entered into seven new Euro/Canadian dollar forward contracts (Note 32).

Market risk

Market risk is the risk that the fair value of investments will fluctuate as a result of changes in the price of the investment. The Company estimates that a 10 percent change in the market value of its investments that trade on a recognized stock exchange would impact net earnings by $ nil (2013 – $1.2) and other comprehensive income by $2.1 (2013 – $2.1).

28. 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:

	May 3, 2014	May 4, 2013
Segmented sales		
Food retailing	**$ 20,994.9**	$ 17,402.7
Investments and other operations	**5.2**	9.8
	21,000.1	17,412.5
Sales to discontinued of operations	**7.1**	11.7
Total	**$ 20,993.0**	$ 17,400.8

	May 3, 2014	May 4, 2013
Segmented operating income		
Food retailing	**$ 291.6**	$ 514.4
Investments and other operations		
Crombie REIT	**19.2**	13.7
Real estate partnerships	**30.4**	29.6
Other operations, net of corporate expenses	**(12.7)**	15.5
	36.9	58.8
Total	**$ 328.5**	$ 573.2

	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
Total	**$ 12,238.0**	$ 7,140.4

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

	May 3, 2014	May 4, 2013
Total operating income	**$ 328.5**	$ 573.2
Finance costs, net	**133.2**	55.4
Total	**$ 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.

29. 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 consolidated statements of earnings. At May 3, 2014 there were 146,365 (2013 – 131,175) DSUs outstanding. During the 52 weeks ended May 3, 2014, the compensation expense was $1.1 (2013 – $2.6).

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 (2013 – 41,461) PSUs outstanding. During the 52 weeks ended May 3, 2014, the compensation expense was $2.7 (2013 – $0.9).

The total carrying amount of liability for DSUs and PSUs at May 3, 2014 was $12.1 (2013 – $10.5)

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 Resources ("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 (2013 – 1,515,535) outstanding and the carrying amount of the liability associated with these options was $11.0 (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 to 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 outstanding and the carrying amount of the liability associated with these units was $4.2.

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 (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 for the year ended May 3, 2014 was $3.4 (2013 – $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 (2013 – $0.6).

The outstanding options at May 3, 2014 were granted at prices between $46.04 and $82.31 and expire between June 2017 and March 2022. Stock option transactions during fiscal 2014 and 2013 were as follows:

	2014		2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	**684,128**	**$ 47.06**	638,818	$ 46.57
Granted	**826,799**	**78.89**	45,310	53.93
Purchased	**(291,980)**	**46.89**	–	–
Exercised	**(240,940)**	**44.16**	–	–
Forfeited	**(43,641)**	**78.46**	–	–
Balance, end of year	**934,366**	**$ 74.56**	684,128	$ 47.06
Stock options exercisable, end of year	**101,289**		468,450	

The following table summarizes information about stock options outstanding at May 3, 2014:

	Options Outstanding			Options Exercisable	
Year Granted	Number of Outstanding Options	Weighted Average Remaining Contractual Life(1)	Weighted Average Exercise Price	Number Exercisable at May 3, 2014	Weighted Average Exercise Price
2010	20,743	3.17	46.04	20,743	46.04
2011	75,885	4.17	51.99	56,914	51.99
2012	39,945	5.17	54.40	19,973	54.40
2013	14,635	6.17	53.93	3,659	53.93
2014	783,158	7.42	78.92	–	–
Total	934,366	6.94	$ 74.56	101,289	$ 51.32

(1) Weighted average remaining contractual life is expressed in years.

Share Purchase Plan

The Company has a share purchase plan for employees of the Company whereby loans are granted to purchase Non-Voting Class A Shares.

The Company's current practice is to use only the performance share unit plan and the stock option plan to provide medium-term and long-term incentive for employees. As a result, outstanding loans under the share purchase plan will be repaid at the employees' option, but no later than the expiry date of the loans which were originally set for 10 years.

30. RELATED PARTY TRANSACTIONS

The Company has related party transactions with Crombie REIT and key management personnel. The Company holds a 41.6 percent ownership interest in Crombie REIT and accounts for its investment using the equity method. As as result of the Company's subscription of Class B units and the conversion of Crombie REIT debentures during the current fiscal year, the Company's interest in Crombie REIT decreased from 42.8 to 41.6 percent.

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.)

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 6.0 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.

The Company rents premises from Crombie REIT, at amounts in management's opinion which approximate fair market value. Management has determined these amounts to be fair value due to the significant number of leases negotiated with third parties in each market it operates. During fiscal year 2014, the aggregate net payments under these leases, which are measured at exchange amounts, were $110.5 (2013 – $80.6).

In addition, Crombie REIT provides administrative and management services to the Company. The charges incurred for administrative and management services are on a cost recovery basis.

At May 3, 2014, investments included $24.6 (2013 – $24.8) of Crombie REIT convertible unsecured subordinated debentures. The Company received interest from Crombie REIT of $1.2 for the year ended May 3, 2014 (2013 – $1.2). These amounts are included in other income in the consolidated statements of earnings.

Key management personnel compensation

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 was as follows:

	May 3, 2014	May 4, 2013
Salary, bonus and other short-term employee benefits	**$ 12.0**	$ 17.8
Post-employment benefits	**3.8**	3.8
Termination benefits	**7.2**	–
Share-based payments	**10.7**	1.8
Total	**$ 33.7**	$ 23.4

Indemnities

The Company has agreed to indemnify its directors, officers and particular employees in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

31. CAPITAL MANAGEMENT

The Company's objectives when managing capital are: i) ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans; ii) to minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions; iii) to maintain an optimal capital structure that provides necessary financial flexibility while also ensuring compliance with any financial covenants; and iv) to maintain an investment grade credit rating with each rating agency that assesses the credit worthiness of the Company.

The Company monitors and makes adjustments to its capital structure, when necessary, in light of changes in economic conditions, the objectives of its shareholders, the cash requirements of the business and the condition of capital markets.

The Company considers its total capitalization to include all interest bearing debt, including bank loans, long-term debt (including the current portion thereof) and shareholders' equity, net of cash and cash equivalents. The calculation is set out in the following table:

	May 3, 2014	May 4, 2013
Bank indebtedness	$ –	$ 6.0
Long-term debt due within one year	218.0	47.6
Long-term debt	3,279.9	915.9
Funded debt	3,497.9	969.5
Less cash and cash equivalents	(429.3)	(455.2)
Net funded debt	3,068.6	514.3
Shareholders' equity, net of non-controlling interest	5,700.5	3,724.8
Capital under management	$ 8,769.1	$ 4,239.1

Although the Company does not include operating leases in its definition of capital, the Company does give consideration to its obligations under operating leases when assessing its total capitalization.

The primary investments undertaken by the Company include additions to the selling square footage of its store network via the construction of new, relocated and expanded stores, including related leasehold improvements and the purchase of land bank sites for future store construction. The Company makes capital investments in information technology and its distribution capabilities to support an expanding store network. In addition, the Company makes capital expenditures in support of its investments and other operations. The Company largely relies on its cash flow from operations to fund its capital investment program and dividend distributions to its shareholders. The cash flow is supplemented, when necessary, through the borrowing of additional debt or the issuance of additional capital stock. No changes were made to these objectives in the current year.

Management monitors certain key ratios to effectively manage capital:

	May 3, 2014	May 4, 2013
Funded debt to total capital(1)	38.0%	20.7%
Funded debt to EBITDA(2)	4.6x	1.1x
EBITDA to interest expense(2)	5.7x	17.9x

(1) Total capital is funded debt plus shareholders' equity, net of non-controlling interest.

(2) EBITDA and interest expense are comprised of EBITDA and interest expense for each of the 52 week periods then ended. EBITDA (operating income plus depreciation and amortization of intangibles) and interest expense (interest expense on financial liabilities measured at amortized cost plus losses on cash flow hedges reclassified from other comprehensive income) are non-GAAP financial measures. Non-GAAP financial measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other reporting issuers.

As part of existing debt agreements, three financial covenants are monitored and communicated, as required by the terms of credit agreements, on a quarterly basis by management to ensure compliance with the agreements. The covenants are: i) adjusted total debt/EBITDA – calculated as net funded debt plus letters of credit, guarantees and commitments divided by EBITDA (as defined by the credit agreements and for the previous 52 weeks); ii) lease adjusted debt/EBITDAR – calculated as adjusted total debt plus eight times rent divided by EBITDAR (as defined by the credit agreements and for the previous 52 weeks); and iii) debt service coverage ratio – calculated as EBITDA divided by interest expense plus repayments of long-term debt (as defined by the credit agreements and for the previous 52 weeks). The Company was in compliance with these covenants during the year.

32. 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 the Company's Acquisition Facility (Note 16). 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%.