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OPERATOR: Good afternoon. My name is Tracey and I will be your conference operator today. At this time I would like to welcome everyone to the Empire Company Ltd. IFRS conference call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. If you would like to ask a question during this time, simply press * then the number 1 on your telephone keypad. If you would like to withdraw your question, press the # key. Thank you.

I would now like to turn the call over to Paul Beesley, CFO. Please go ahead, sir.

PAUL BEESLEY (Chief Financial Officer, Empire Company Ltd.): Thank you, Tracey, and good afternoon and welcome to Empire Company Ltd.'s IFRS conference call. Thank you for joining us today.

Our comments will focus on the anticipated impact of the implementation of IFRS on the company's financial results. Afterwards we'll then be open to your questions.

This call is being recorded in live audio on our website at www.EmpireCo.ca, and the slides for today's presentation are also available on our website.

Today's discussion includes forward-looking statements. We want to caution you that such statements are based on management's assumptions and beliefs. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements, and I'd also refer you to pages 3 and 4 of the slide deck for additional forward-looking information disclaimers.

So with me today on the call are from Empire, Steward Mahoney, Vice President, Investor Relations and Treasury, and Gordon Campbell, Senior Director, Accounting and Controls. And from Sobeys we have François Vimard, Chief Financial Officer; Paul Jewer, Senior Vice President, Finance and Treasurer; and Adam Sheparski, Vice President, Financial Reporting and Standards.

I'll now turn the call over to Paul.

PAUL JEWER (Senior Vice President, Finance and Treasurer, Sobeys Inc.): Thank you, Paul. I'll begin by focusing on the impacts of IFRS adoption on Sobeys Inc., and I'll refer to slide 5.

The first IFRS standard that I'll speak to is employee benefits, IAS 19 and IFRS 1. An IFRS 1 election has been utilized to recognize previously deferred actuarial gains and losses at the transition date. Under IFRS, the company has chosen to recognize actuarial gains and losses immediately in other comprehensive income. The impact on return retained earnings at opening balance sheet is a decrease of $75.5 million net of tax. Subsequent to transition, adjustments will be made to assets and liabilities based on vested past service costs and actuarial gains and losses over the period. Adjustments to the pension expense and actuarial gains and losses would result in a change to net earnings and other comprehensive income.

The second standard is impairment of assets, IAS 36. Impairment testing of assets now has to be performed at a lower level for CGUs, which is store level under IFRS. The impact on retained earnings at opening balance sheet date is a decrease of $58.8 million net of tax. Subsequent to transition, further impairments or impairment reversals could result in an increase or decrease to assets and net earnings.

The third standard is the IFRS 1 election fair value as deemed cost. The company has elected to report certain items of property and equipment and investment property in its opening IFRS balance sheet at a deemed cost. The impact on retained earnings at the opening balance sheet date is a decrease of $21 million net of tax. Subsequent to transition there will be a resulting increase in net earnings as a result of lower depreciation expense.

The fourth standard is leases, IAS 17. Gains on sale lease-back transactions where the lease is classified as operating and the transaction occurs at fair value can be recognized immediately under IFRS. This results on an impact on the retained earnings at opening balance sheet of an increase of $4.4 million net of tax. Subsequent to transition gains from sale lease back transaction occurring at fair value will be recognized immediately in net earnings.

Turning to slide 7. Customer loyalty programs, IFRS 13, the fair value of award credits are to be recognized as a separate component of the sales transaction and deferred. The impact on retained earnings at opening balance sheet is a decrease of $1.4 million net of tax. Subsequent to transition the impact on net earnings is not significant.

Finally, provisions, IAS 37, is a new classification for liabilities of uncertain timing and/or amount will result in new line items on the consolidated balance sheet for current and non-current provisions. The impact on retained earnings at the opening balance sheet date is a decrease of $0.1 million net of tax. Subsequent to transition, further balance sheet reclassifications will occur with minimal impact to net earnings.

Turning to slide 8, the company has had other minor adjustments that impacted the consolidated balance sheet and consolidated statements of income. Other adjustments will increase and decrease various assets and liabilities, and when aggregated will reduce retained earnings by $5.2 million net of tax at the opening balance sheet date, with minimal impact subsequent to transition on earnings.

There will be a number of presentation changes, including on the consolidated balance sheet, new mandatory line items for investment property, provisions and derivative financial liabilities. The assets and liability portion for both current and deferred taxes are separated. Deferred tax assets and liabilities are classified as non-current. And minority interest is presented within equity versus presented in a liability section.

Turning to slide 9, presentation changes on the consolidated statement of income, cost of sales and selling and administrative expenses are now shown separately. Finance income and finance costs are segregated into a single line, finance costs net. Depreciation and amortization is no longer shown separately, and is included within selling and administrative expenses, but will continue to be disclosed in financial statement notes and in the company's MD&A.

Turning to slide 10, there are no significant impacts on the statement of cash flows.

Slide 11 identifies deep changes on a line-by-line basis on the balance sheet.

Slide 12 summarizes these items for the balance sheet on the impact on assets.

Slide 13 identifies these changes on a line-by-line basis for the liability section of the balance sheet.

Slide 14 providing additional detail on the liability adjustments.

Slide 15 identifies the quarterly impact on the consolidated statement of net income for Sobeys. We've identified what Canadian GAAP reported earnings were, and what the IFRS reported earnings would be in each quarter.

You will note a small impact on net earnings in quarter one.

In quarter two Sobeys Inc. realized a gain on sale of properties to Crombie REIT of $29 million in operating income as part of a sale lease-back transaction. Under Canadian GAAP this gain was deferred whereas IFRS allowed full recognition, leading to a significant increase to other income in the quarter.

In quarter three there was a modification to the post-retirement benefit plan at Sobeys Inc. This was treated as a past service event under IFRS, and resulted in an increase to operating income of $28 million. Previous un-amortized actuarial gains and losses were recognized as an adjustment to retained earnings at the opening balance sheet date.

And in quarter four there was a minor impact on net earnings.

I'll now turn the call back over to Paul Beesley to review the impact of IFRS adoption at the Empire level.

PAUL BEESLEY: Thank you, Paul. And I'm going to begin with slide 16.

The impact of Empire, of course, include Sobeys' impact, so the incremental ones are first around equity-accounted investment. And some of our real estate investments are joint ventures which have been accounted for using proportionate consolidation under Canadian GAAP. Going forward under IFRS, we will be required to account for these using the equity method. The impact is quite de minimus so there'd be a decrease initially on the retained earnings at the opening balance sheet of $1.5 million.

Our investment in Crombie REIT, I think most of you know that we account for that. And Canadian GAAP requires us to not recognize gains on real estate sold to Crombie REIT. Rather, we take the amount of the gain and use that to effectively reduce the carrying value in Crombie.

Going forward under IFRS, we are required to recognize a proportion of the gain on real estate sales related to the ownership, the non-Empire ownership of Crombie. At adoption that will increase retained earnings on the opening balance sheet to a tune of about $64 million.

The next page, we talked about the IFRS 1 elections where you can elect to have fair value as being the costs. And within Empire we've made some of those elections resulting in a net decrease in retained earnings of $37.7 million. The largest individual item at the Empire level relates to a very small oil and gas investment we have that we are writing down to the tune of about $16 million. And regardless of what happens to gas prices this won't change.

Slide 18 shows the effects on the balance sheet of these adjustments. And you can also see 19 the same thing.

We have a useful survey on page 20 of, on a consolidated basis, the impact on retained earnings from the adoption of IFRS, which is, in total, aggregates to a reduction in retained earnings of $118.8 million, which compared to equity and assets within Empire. There really is a net-net de minimus amount.

On page 21 we show you the quarterly information on Empire at a consolidated level. And the key difference between Sobeys and Empire is in the second quarter Sobeys recognizes a complete gain on the sale of real estate to Crombie whereas Empire recognizes approximately 53 per cent. And then the other large difference is in Q4 when Empire recognizes an impairment loss on its investment in oil and gas in the amount of about $9.6 million. And that was not recorded under Canadian GAAP because the ceiling test under the two accounting methods are different. So there will be an impairment recorded under IFRS.

On the last page of the deck, we just highlight that there are a couple of significant changes in the works. The first being leases, which ISB has delayed the issuance of the new lease standard until the fourth quarter of 2011. If it is in fact issued as it now stands, it has certainly has the potential to have a significant impact on the company's balance sheet.

There's also been issued a standard IFRS 10 dealing with consolidated financial statements. And this standard, along with leases, management continues to evaluate the impact of both on the company.

With that, we've gone through the presentation and would be pleased to entertain any questions.

Tracey, back to you. Thank you.

OPERATOR: Thank you, Mr. Beesley. At this time I would like to remind everyone in order to ask a question, please press * then the number 1 on your telephone keypad. We will pause for a moment to compile the Q&A roster.

Again, if you would like to ask a question, please press * then the number 1 on your telephone keypad.

Your first question comes from Michael Van Aelst from TD Newcrest. Your line is open.

MICHAEL VAN AELST: Thanks and good afternoon. Question regarding the summary on slide 15, the $29 million in Q2 and the $28 million in Q3, are those pre-tax numbers?

PAUL JEWER: Those are pre-tax numbers, yes, Michael.

MICHAEL VAN AELST: Do you have the after-tax impact?

PAUL JEWER: It would be essentially 30 per cent. Thirty per cent of that would be the tax amounts, so 70 per cent of those numbers would be the after-tax impact.

MICHAEL VAN AELST: Okay, great. Thank you.

OPERATOR: Again, if you would like to ask a question, please press * then the number 1 on your telephone keypad.

There are no further questions at this time.

PAUL BEESLEY: Thank you very much, Tracey, and thank you, ladies and gentlemen for your continued interest in Empire. Good-bye.

OPERATOR: This concludes today’s conference. You may now disconnect.

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