Empire Company Limited
Interim Condensed Consolidated Financial Statements
November 4, 2017

CONTENTS

Condensed Consolidated Balance Sheets.. 1

Condensed Consolidated Statements of Earnings (Loss) 2

Condensed Consolidated Statements of Comprehensive Income (Loss) 3

Condensed Consolidated Statements of Changes in Shareholders' Equity...................... 4

Condensed Consolidated Statements of Cash Flows.. 5

Notes to the Unaudited Interim Condensed Consolidated Financial Statements....... 6 - 12

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

	November 4 2017	May 6 2017	November 5 2016
ASSETS			
Current			
Cash and cash equivalents	**$ 268.7**	$ 207.3	$ 212.6
Receivables	**449.0**	413.6	448.2
Inventories (Note 4)	**1,355.1**	1,322.2	1,351.9
Prepaid expenses	**130.9**	117.5	127.3
Loans and other receivables	**23.0**	25.5	32.9
Income taxes receivable	**28.1**	31.9	19.1
Assets held for sale	**22.4**	48.5	17.4
	2,277.2	2,166.5	2,209.4
Loans and other receivables	**82.1**	82.1	87.9
Investments (Note 14)	**-**	25.1	25.0
Investments, at equity (Note 5)	**616.7**	648.4	664.6
Other assets	**37.8**	43.3	51.5
Property and equipment	**2,939.4**	3,033.3	3,149.0
Investment property	**100.3**	103.0	82.2
Intangibles	**855.7**	880.5	890.7
Goodwill	**1,001.5**	1,003.4	1,004.2
Deferred tax assets	**724.3**	709.9	688.9
	$ 8,635.0	$ 8,695.5	$ 8,853.4
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 2,153.1**	$ 2,230.2	$ 2,228.3
Income taxes payable	**35.7**	38.4	24.1
Provisions (Note 6)	**156.5**	88.1	169.3
Long-term debt due within one year (Note 7)	**624.7**	134.0	50.3
	2,970.0	2,490.7	2,472.0
Provisions (Note 6)	**135.9**	105.8	118.7
Long-term debt (Note 7)	**1,179.4**	1,736.8	1,910.9
Other long-term liabilities	**150.5**	141.7	129.8
Employee future benefits	**344.7**	374.0	357.0
Deferred tax liabilities	**148.4**	143.8	159.1
	4,928.9	4,992.8	5,147.5
SHAREHOLDERS' EQUITY			
Capital stock	**2,038.3**	2,034.4	2,034.5
Contributed surplus	**23.2**	25.3	21.5
Retained earnings	**1,568.0**	1,572.8	1,578.4
Accumulated other comprehensive income	**11.3**	11.7	11.6
	3,640.8	3,644.2	3,646.0
Non-controlling interest	**65.3**	58.5	59.9
	3,706.1	3,702.7	3,705.9
	$ 8,635.0	$ 8,695.5	$ 8,853.4

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

On Behalf of the Board

(signed) *"James Dickson"*
Director

(signed) *"Michael Medline"*
Director

Empire Company Limited
Condensed Consolidated Statements of Earnings (Loss)

Unaudited (in millions of Canadian dollars, except per share amounts)	13 Weeks Ended November 4 2017	13 Weeks Ended November 5 2016	26 Weeks Ended November 4 2017	26 Weeks Ended November 5 2016
Sales	**$ 6,026.1**	$ 5,930.9	**$ 12,299.3**	$ 12,117.5
Other income (Note 8)	**13.4**	20.2	**21.1**	33.0
Share of earnings from investments, at equity	**15.5**	23.6	**28.4**	40.7
Operating expenses				
Cost of sales	**4,552.6**	4,530.2	**9,294.8**	9,226.0
Selling and administrative expenses	**1,499.8**	1,368.1	**2,926.2**	2,762.2
Operating income	**2.6**	76.4	**127.8**	203.0
Finance costs, net (Note 9)	**29.8**	30.3	**58.5**	61.5
(Loss) earnings before income taxes	**(27.2)**	46.1	**69.3**	141.5
Income tax (recovery) expense	**(8.5)**	11.9	**21.6**	29.7
Net (loss) earnings	**$ (18.7)**	$ 34.2	**$ 47.7**	$ 111.8
(Loss) earnings for the period attributable to:				
Non-controlling interest	**$ 4.9**	$ 1.1	**$ 17.3**	$ 13.3
Owners of the Company	**(23.6)**	33.1	**30.4**	98.5
	$ (18.7)	$ 34.2	**$ 47.7**	$ 111.8
(Loss) earnings per share (Note 10)				
Basic	**$ (0.09)**	$ 0.12	**$ 0.11**	$ 0.36
Diluted	**$ (0.09)**	$ 0.12	**$ 0.11**	$ 0.36
Weighted average number of common shares outstanding, in millions (Note 10)				
Basic	**271.8**	271.6	**271.8**	271.7
Diluted	**271.8**	272.2	**271.9**	272.2

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

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

	13 Weeks Ended		***26 Weeks Ended***	
	November 4 2017	**November 5 2016**	**November 4 2017**	**November 5 2016**
Net (loss) earnings	**$ (18.7)**	$ 34.2	**$ 47.7**	$ 111.8
Other comprehensive (loss) income				
Items that will be reclassified subsequently to net (loss) earnings				
Unrealized gains (losses) on derivatives designated as cash flow hedges (net of taxes of $(0.1) and $ nil (2016 - $ nil and $0.1))	**0.9**	(0.1)	**0.9**	(0.2)
Share of other comprehensive income of investments, at equity (net of taxes of $(0.4) and $(0.6) (2016 - $(0.1) and $(0.2)))	**0.8**	0.2	**1.4**	0.4
Exchange differences on translation of foreign operations (net of taxes of $0.1 and $0.4 (2016 - $ nil and $0.9))	**(1.3)**	0.6	**(1.9)**	1.3
	0.4	0.7	**0.4**	1.5
Items that will not be reclassified subsequently to net (loss) earnings				
Actuarial gains (losses) on defined benefit plans (net of taxes of $(2.6) and $(8.0) (2016 - $3.9 and $4.1))	**7.6**	(10.0)	**21.8**	(10.8)
Unrealized (losses) gains on available for sale financial assets (net of taxes of $ nil and $0.2 (2016 - $0.1 and $ nil))	**-**	(0.1)	**(0.8)**	0.2
Total comprehensive (loss) income	**$ (10.7)**	$ 24.8	**$ 69.1**	$ 102.7
Total comprehensive (loss) income for the period attributable to:				
Non-controlling interest	**$ 4.9**	$ 1.1	**$ 17.3**	$ 13.3
Owners of the Company	**(15.6)**	23.7	**51.8**	89.4
	$ (10.7)	$ 24.8	**$ 69.1**	$ 102.7

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

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

	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total Attributable to Owners of the Company	Non-controlling Interest	Total Equity
Balance at May 7, 2016	$ 2,045.1	$ 22.5	$ 9.9	$ 1,546.4	$ 3,623.9	$ 59.1	$ 3,683.0
Dividends declared on common shares	-	-	-	(55.7)	(55.7)	-	(55.7)
Equity based compensation, net	-	(1.0)	-	-	(1.0)	-	(1.0)
Acquisition of shares held in trust	(10.6)	-	-	-	(10.6)	-	(10.6)
Capital transactions with structured entities	-	-	-	-	-	(12.5)	(12.5)
Transactions with owners	(10.6)	(1.0)	-	(55.7)	(67.3)	(12.5)	(79.8)
Net earnings	-	-	-	98.5	98.5	13.3	111.8
Other comprehensive loss	-	-	1.7	(10.8)	(9.1)	-	(9.1)
Total comprehensive income for the period	-	-	1.7	87.7	89.4	13.3	102.7
Balance at November 5, 2016	$ 2,034.5	$ 21.5	$ 11.6	$ 1,578.4	$ 3,646.0	$ 59.9	$ 3,705.9
Balance at May 6, 2017	**$ 2,034.4**	**$ 25.3**	**$ 11.7**	**$ 1,572.8**	**$ 3,644.2**	**$ 58.5**	**$ 3,702.7**
Dividends declared on common shares	**-**	**-**	**-**	**(57.0)**	**(57.0)**	**-**	**(57.0)**
Equity based compensation, net	**0.2**	**(2.1)**	**-**	**-**	**(1.9)**	**-**	**(1.9)**
Shares held in trust, net	**3.7**	**-**	**-**	**-**	**3.7**	**-**	**3.7**
Capital transactions with structured entities	**-**	**-**	**-**	**-**	**-**	**(10.5)**	**(10.5)**
Transactions with owners	**3.9**	**(2.1)**	**-**	**(57.0)**	**(55.2)**	**(10.5)**	**(65.7)**
Net earnings	**-**	**-**	**-**	**30.4**	**30.4**	**17.3**	**47.7**
Other comprehensive income	**-**	**-**	**(0.4)**	**21.8**	**21.4**	**-**	**21.4**
Total comprehensive income for the period	**-**	**-**	**(0.4)**	**52.2**	**51.8**	**17.3**	**69.1**
Balance at November 4, 2017	**$ 2,038.3**	**$ 23.2**	**$ 11.3**	**$ 1,568.0**	**$ 3,640.8**	**$ 65.3**	**$ 3,706.1**

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

Empire Company Limited **Condensed Consolidated Statements of Cash Flows** **Unaudited (in millions of Canadian dollars)**	***13 Weeks Ended*** **November 4 2017**	 **November 5 2016**	***26 Weeks Ended*** **November 4 2017**	 **November 5 2016**
Operations				
Net (loss) earnings	**$ (18.7)**	$ 34.2	**$ 47.7**	$ 111.8
Adjustments for:				
Depreciation	**89.4**	88.8	**179.9**	177.9
Income tax (recovery) expense	**(8.5)**	11.9	**21.6**	29.7
Finance costs, net (Note 9)	**29.8**	30.3	**58.5**	61.5
Amortization of intangibles	**21.0**	22.6	**44.1**	45.2
Net gain on disposal of assets	**(6.9)**	(13.8)	**(8.0)**	(19.3)
Impairment of non-financial assets, net	**2.0**	1.8	**4.3**	10.9
Amortization of deferred items	**3.2**	3.2	**4.9**	6.4
Equity in earnings of other entities, net of distributions received	**21.5**	4.8	**31.7**	3.2
Employee future benefits	**(1.8)**	1.5	**0.4**	5.3
Increase in long-term lease obligation	**3.8**	6.7	**6.3**	7.7
Increase (decrease) in long-term provisions	**23.0**	(8.7)	**27.0**	(20.5)
Equity based compensation, net	**1.6**	(3.4)	**4.3**	(0.5)
Net change in non-cash working capital	**(33.6)**	(18.2)	**(102.9)**	17.3
Income taxes paid, net	**(19.8)**	(18.8)	**(38.3)**	(54.4)
Cash flows from operating activities	**106.0**	142.9	**281.5**	382.2
Investment				
Property, equipment and investment property purchases	**(52.3)**	(159.0)	**(113.8)**	(285.3)
Proceeds on disposal of assets	**63.7**	35.0	**69.4**	377.6
Additions to intangibles	**(6.2)**	(12.3)	**(19.3)**	(21.0)
Loans and other receivables	**2.6**	(8.3)	**2.5**	(0.9)
Tenant inducements	**-**	-	**-**	58.8
Other assets and other long-term liabilities	**1.7**	(1.9)	**(3.1)**	(5.2)
Business acquisitions	**-**	(5.6)	**(1.0)**	(18.7)
Interest received	**0.1**	0.6	**0.1**	1.0
Proceeds on redemption of investment	**-**	-	**24.3**	-
Cash flows from (used in) investing activities	**9.6**	(151.5)	**(40.9)**	106.3
Financing				
Issue of long-term debt	**15.6**	20.6	**38.2**	40.4
Repayment of long-term debt	**(14.0)**	(31.5)	**(56.5)**	(362.4)
Net (repayment) advance of credit facilities	**(16.5)**	34.0	**(49.7)**	(93.0)
Interest paid	**(36.2)**	(37.1)	**(43.7)**	(46.8)
Acquisition of shares held in trust	**-**	(10.6)	**-**	(10.6)
Dividends paid, common shares	**(28.5)**	(27.9)	**(57.0)**	(55.7)
Non-controlling interest	**(2.5)**	(6.4)	**(10.5)**	(12.5)
Cash flows used in financing activities	**(82.1)**	(58.9)	**(179.2)**	(540.6)
Increase (decrease) in cash and cash equivalents	**33.5**	(67.5)	**61.4**	(52.1)
Cash and cash equivalents, beginning of period	**235.2**	280.1	**207.3**	264.7
Cash and cash equivalents, end of period	**$ 268.7**	$ 212.6	**$ 268.7**	$ 212.6

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

1. Reporting entity

Empire Company Limited ("Empire" or the "Company") is a Canadian company whose key businesses are food retailing and related real estate. The Company is incorporated in Canada and the address of its registered office of business is 115 King Street, Stellarton, Nova Scotia, B0K 1S0, Canada. The unaudited interim condensed consolidated financial statements for the period ended November 4, 2017 include the accounts of Empire, all subsidiary companies, including 100 percent owned Sobeys Inc. ("Sobeys"), and certain enterprises considered structured entities ("SEs"), where control is achieved on a basis other than through ownership of a majority of voting rights. Investments in which the Company has significant influence and its joint ventures are accounted for using the equity method. As at November 4, 2017 the Company's business operations were conducted through its two reportable segments: Food retailing and Investments and other operations, as further described in Note 11, *Segmented Information*. The Company's Food retailing business is affected by seasonality and the timing of holidays. Retail sales are traditionally higher in the Company's first quarter. The Company's fiscal year ends on the first Saturday in May.

2. Basis of preparation

Statement of compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and note disclosures normally included in annual consolidated financial statements have been omitted or condensed. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended May 6, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on December 13, 2017.

Basis of measurement

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

Use of estimates and judgments

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

Estimates, judgments and assumptions that could have a significant impact on the amounts recognized in the unaudited interim condensed consolidated financial statements are summarized in the Company's annual consolidated financial statements for the year ended May 6, 2017 and remain unchanged for the period ended November 4, 2017.

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

3. Summary of significant accounting policies

These unaudited interim condensed consolidated financial statements were prepared using the same accounting policies as disclosed in the Company's annual consolidated financial statements for the year ended May 6, 2017, with the exception of the following:

Change to accounting policy adopted during fiscal 2018

Statement of cash flows
In January 2016, the IASB issued Disclosure Initiative Amendments to IAS 7, "Statement of Cash Flows". These amendments require entities to provide additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash and non-cash changes. These amendments became effective during the first quarter of fiscal 2018 and had no material impact on the Company's consolidated financial statements. A reconciliation of long-term debt has been presented in Note 7.

Share-based payment
In June 2016, the IASB issued amendments to IFRS 2, "Share-based payment". The amendments provide clarification around the effects of vesting conditions on cash-settled share-based payment transactions, classification of share-based payment transactions with net settlement features and modification of the terms and conditions of a share-based payment that changes the classification of the transaction. These amendments are effective for annual periods beginning on or after January 1, 2018. The Company early adopted these amendments in the first quarter of fiscal 2018.

4. Inventories

The cost of inventories recognized as an expense during the 13 and 26 weeks ended November 4, 2017 was $4,552.6 and $9,294.8 respectively (November 5, 2016 - $4,530.2 and $9,226.0). The Company recorded an expense of $1.8 (November 5, 2016 - $2.7) for the write-down of inventories below cost to net realizable value for inventories on hand. There were no reversals of inventories written down previously (November 5, 2016 - $ nil).

5. Investments, at equity

	November 4 2017	November 5 2016
Investment in associates		
Crombie Real Estate Investment Trust ("Crombie REIT")	**$ 457.9**	$ 459.0
Canadian real estate partnerships	**116.2**	149.9
U.S. real estate partnerships	**33.0**	46.2
Investment in joint ventures		
Canadian Digital Cinema Partnership ("CDCP")	**9.6**	9.5
Total	**$ 616.7**	$ 664.6

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

	November 4 2017	November 5 2016
Crombie REIT	**$ 839.6**	$ 824.6

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

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

6. Provisions

November 4, 2017	Lease Contracts	Legal	Environmental	Restructuring[1]	Onerous Contracts	Total
Opening balance	$ 29.9	$ 6.7	$ 49.0	$ 96.3	$ 12.0	$ 193.9
Provisions made	7.0	4.2	0.7	132.8	-	144.7
Provisions used	(6.0)	(2.4)	(0.6)	(32.3)	-	(41.3)
Provisions reversed	(1.0)	(0.8)	(0.5)	(5.7)	-	(8.0)
Change due to discounting	0.8	-	0.8	1.5	-	3.1
Closing balance	$ 30.7	$ 7.7	$ 49.4	$ 192.6	$ 12.0	$ 292.4
Current	$ 14.2	$ 7.7	$ 2.9	$ 119.7	$ 12.0	$ 156.5
Non-current	16.5	-	46.5	72.9	-	135.9
Total	$ 30.7	$ 7.7	$ 49.4	$ 192.6	$ 12.0	$ 292.4

[1] Restructuring provisions relate to the Company's initiatives to simplify organizational structures and reduce costs. As a result of these initiatives, a $132.8 restructuring provision has been recorded during the 26 weeks ended November 4, 2017. Of this amount, $121.4 relates to a single organizational restructuring initiative and is expected to be utilized until fiscal 2021. These costs have been recorded in selling and administrative expenses on the condensed consolidated statements of earnings (loss).

7. Long-term debt

On June 2, 2017, Sobeys entered a new, senior, unsecured non-revolving credit facility for $500.0. The facility bears floating interest tied to Canadian prime rate or bankers' acceptance rates. The facility is intended to be used to repay long-term debt due in calendar 2018.

The following table reconciles the changes in cash flows from financing activities for long-term debt for the 13 and 26 weeks ended November 4, 2017:

	13 Weeks Ended	26 Weeks Ended
Opening balance	$ 1,818.3	$ 1,870.8
Issuance of debt	15.6	38.2
Repayments	(14.0)	(56.5)
Net repayment of credit facilities	(16.5)	(49.7)
Total cash flow from long-term debt financing activities	(14.9)	(68.0)
Deferred financing costs	0.7	1.3
Closing balance	$ 1,804.1	$ 1,804.1

8. Other income

	13 Weeks Ended		26 Weeks Ended	
	November 4 2017	November 5 2016	November 4 2017	November 5 2016
Net gain on disposal of assets	$ 6.9	$ 13.8	$ 8.0	$ 19.3
Lease revenue from owned property	6.5	6.4	13.1	13.7
Total	$ 13.4	$ 20.2	$ 21.1	$ 33.0

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

9. Finance costs, net

	13 Weeks Ended		26 Weeks Ended	
	November 4 2017	**November 5 2016**	**November 4 2017**	**November 5 2016**
Finance income				
Interest income from cash and cash equivalents	**$ 0.1**	$ -	**$ 0.1**	$ 0.4
Fair value gains on forward contracts	**0.7**	1.2	**1.5**	2.1
Investment income	**-**	0.3	**0.2**	0.6
Accretion income on loans and receivables	**0.2**	0.5	**0.4**	0.5
Total finance income	**1.0**	2.0	**2.2**	3.6
Finance costs				
Interest expense on financial liabilities measured at amortized cost	**26.1**	25.7	**51.8**	51.8
Net pension finance costs	**2.9**	2.9	**5.8**	5.8
Accretion expense on provisions	**1.8**	3.7	**3.1**	7.5
Total finance costs	**30.8**	32.3	**60.7**	65.1
Finance costs, net	**$ 29.8**	$ 30.3	**$ 58.5**	$ 61.5

10. Earnings per share

	13 Weeks Ended		26 Weeks Ended	
	November 4 2017	**November 5 2016**	**November 4 2017**	**November 5 2016**
Weighted average number of shares - basic	**271,784,242**	271,643,288	**271,827,995**	271,659,634
Shares deemed to be issued for no consideration in respect of stock-based payments	**-**	554,886	**72,961**	555,525
Weighted average number of shares - diluted	**271,784,242**	272,198,174	**271,900,956**	272,215,159

Due to the Company's reported net loss for the 13 weeks ended November 4, 2017, an equal weighted average number of shares was used for the purpose of basic and diluted earnings per share, as the impact of all potential common shares would have been anti-dilutive.

11. Segmented information

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

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

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

No asymmetrical allocations of income, expense or assets have been applied between segments.

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

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

	13 Weeks Ended		26 Weeks Ended	
	November 4 2017	**November 5 2016**	**November 4 2017**	**November 5 2016**
Segmented operating income				
Food retailing	**$ (11.7)**	$ 53.3	**$ 99.6**	$ 165.1
Investments and other operations				
Crombie REIT	**8.9**	9.8	**17.3**	21.0
Real estate partnerships	**6.5**	13.6	**10.6**	19.3
Other operations, net of corporate expenses	**(1.1)**	(0.3)	**0.3**	(2.4)
	14.3	23.1	**28.2**	37.9
Total	**$ 2.6**	$ 76.4	**$ 127.8**	$ 203.0

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

	13 Weeks Ended		26 Weeks Ended	
	November 4 2017	**November 5 2016**	**November 4 2017**	**November 5 2016**
Total operating income	**$ 2.6**	$ 76.4	**$ 127.8**	$ 203.0
Finance costs, net	**29.8**	30.3	**58.5**	61.5
Total	**$ (27.2)**	$ 46.1	**$ 69.3**	$ 141.5

	November 4 2017	**November 5 2016**
Total assets by segment		
Food retailing	**$ 7,950.3**	$ 8,093.8
Investments and other operations	**684.7**	759.6
Total	**$ 8,635.0**	$ 8,853.4

12. Financial instruments

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

Long-term debt	**November 4, 2017**	**May 6, 2017**	**November 5, 2016**
Total carrying amount	**$ 1,804.1**	$ 1,870.8	$ 1,961.2
Total fair value	**$ 1,801.9**	$ 1,893.0	$ 2,014.2

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

13. Stock-based compensation

Performance share unit plan
The Company has awarded performance share units ("PSUs") to certain employees. The number of PSUs that vest under an award, for the most part, is dependent on time and the achievement of specific performance measures. Upon vesting each employee is entitled to receive Non-Voting Class A shares equal to the number of their vested PSUs. The weighted average fair value of $20.01 per PSU issued during the 26 weeks ended November 4, 2017 was determined using the Black Scholes model with the following weighted average assumptions:

Share price	$20.94
Expected life	2.24 years
Risk-free interest rate	1.02%
Expected volatility	27.25%
Dividend yield	2.01%

At November 4, 2017, there were 561,935 (November 5, 2016 - 1,140,291) PSUs outstanding. The compensation expense (reversal) recorded for the 13 and 26 weeks ended November 4, 2017 was $1.2 and $2.4 respectively (November 5, 2016 - $(4.3) and $(2.4)).

Stock option plan
During the 26 weeks ended November 4, 2017, the Company granted 1,255,047 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 $3.48 per option issued during the period was determined using the Black Scholes model with the following weighted average assumptions:

Share price	$19.06
Expected life	8.03 years
Risk-free interest rate	1.29%
Expected volatility	22.36%
Dividend yield	2.20%

The compensation expense recorded for the 13 and 26 weeks ended November 4, 2017 was $0.4 and $1.9 respectively (November 5, 2016 - $0.9 and $1.9). The total increase in contributed surplus related to stock options during the 26 weeks ended November 4, 2017 was $1.9 (November 5, 2016 - $1.9).

Deferred stock unit plans
In the first quarter of fiscal 2017, the Company implemented a new employee deferred stock unit ("DSU") plan. The DSUs issued to employees vest dependent on time and the achievement of specific performance measures. At November 4, 2017 there were 840,600 (November 5, 2016 - 608,681) DSUs outstanding related to this plan and the total carrying amount of the liability was $4.3 (November 5, 2016 - $1.0). The compensation expense recorded for the 13 and 26 weeks ended November 4, 2017 was $2.0 and $3.3 respectively (November 5, 2016 - $ nil and $1.0).

Members of the Board of Directors may elect to receive all or any portion of their fees in DSUs in lieu of cash. The number of DSUs received is determined by the market value of the Company's Non-Voting Class A shares on each directors' or employees' fee payment date. At November 4, 2017 there were 169,535 (November 5, 2016 - 300,447) DSUs outstanding and the total carrying amount of the liability was $3.9 (November 5, 2016 - $5.6). The compensation expense (reversal) recorded for the 13 and 26 weeks ended November 4, 2017 was $1.0 and $1.1 (November 5, 2016 - $(0.5) and $(0.1)).

Under both DSU plans, vested DSUs cannot be redeemed until the holder is no longer a director of the Company or the employee has left the Company, respectively. 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.

14. Related party transaction

The Company has related party transactions with Crombie REIT and key management personnel, including ongoing leases and property management agreements. There have been no material changes to the specified contractual obligations between the Company and Crombie REIT during the quarter, other than as described below. The Company holds a 41.5 percent ownership interest in Crombie REIT and accounts for its investment using the equity method.

On July 4, 2017, Crombie REIT redeemed its 5.00% Series D Convertible Unsecured Subordinate Debentures. In exchange for its investment in the Series D convertible debentures, the Company received $24.3 in principal and interest payments. There was no gain or loss recognized on the redemption.

During the 13 weeks ended November 4, 2017, Sobeys sold a property to Crombie REIT for cash consideration of $6.4. This resulted in a pre-tax gain of $0.2, which has been recognized in other income on the condensed consolidated statements of earnings (loss).

15. Employee future benefits

During the 13 and 26 weeks ended November 4, 2017, the net employee future benefits expense reported in net (loss) earnings was $13.1 and $25.9, respectively (November 5, 2016 - $13.1 and $29.1). Actuarial gains (losses) before taxes on defined benefit pension plans for the 13 and 26 weeks ended November 4, 2017 were $10.2 and $29.8 respectively (November 5, 2016 - $(13.9) and $(14.9)). These gains (losses) have been recognized in other comprehensive income (loss).