


EMPIRE

GROWING VALUE

Empire Company Limited Annual Report 2002

 : EMPIRE COMPANY LIMITED IS A DIVERSIFIED CANADIAN COMPANY WHOSE KEY BUSINESSES INCLUDE FOOD DISTRIBUTION, REAL ESTATE AND CORPORATE INVESTMENT ACTIVITIES. GUIDED BY CONSERVATIVE BUSINESS PRINCIPLES, OUR PRIMARY GOAL IS TO GROW LONG-TERM SHAREHOLDER VALUE THROUGH INCOME AND CASH FLOW GROWTH AND EQUITY APPRECIATION. WE ACCOMPLISH THIS THROUGH DIRECT OWNERSHIP AND EQUITY PARTICIPATION IN BUSINESSES THAT HAVE THE POTENTIAL FOR LONG-TERM GROWTH AND PROFITABILITY.

Financial Highlights

(\$ in millions, except per share amounts)	2002	2001	% change
Operations			
Revenue	\$ 9,926.5	\$ 9,331.1	6.4
Operating Income	416.2	341.1	22.0
Operating earnings*	132.2	88.5	49.4
Capital gains and other items, net of tax	13.7	491.5	(97.2)
Gain on sale of discontinued operation	50.0	—	—
Net earnings	195.9	580.0	(66.2)
Operating Cash Flow**	437.9	260.3	68.2
Financial Condition			
Total Assets	4,312.6	4,254.3	1.4
Shareholders' Equity	1,290.6	1,115.0	15.7
Per Share Information			
Operating earnings	4.01	2.66	50.8
Capital gains and other items, net of tax	0.41	14.98	(97.3)
Gain on sale of discontinued operation	1.53	—	—
Net earnings	5.95	17.64	(66.3)
Operating cash flow	13.33	7.94	67.9
Book value	38.93	33.63	15.8
Dividends	0.4275	0.34	25.7
Share Price Close	66.60	36.50	82.5

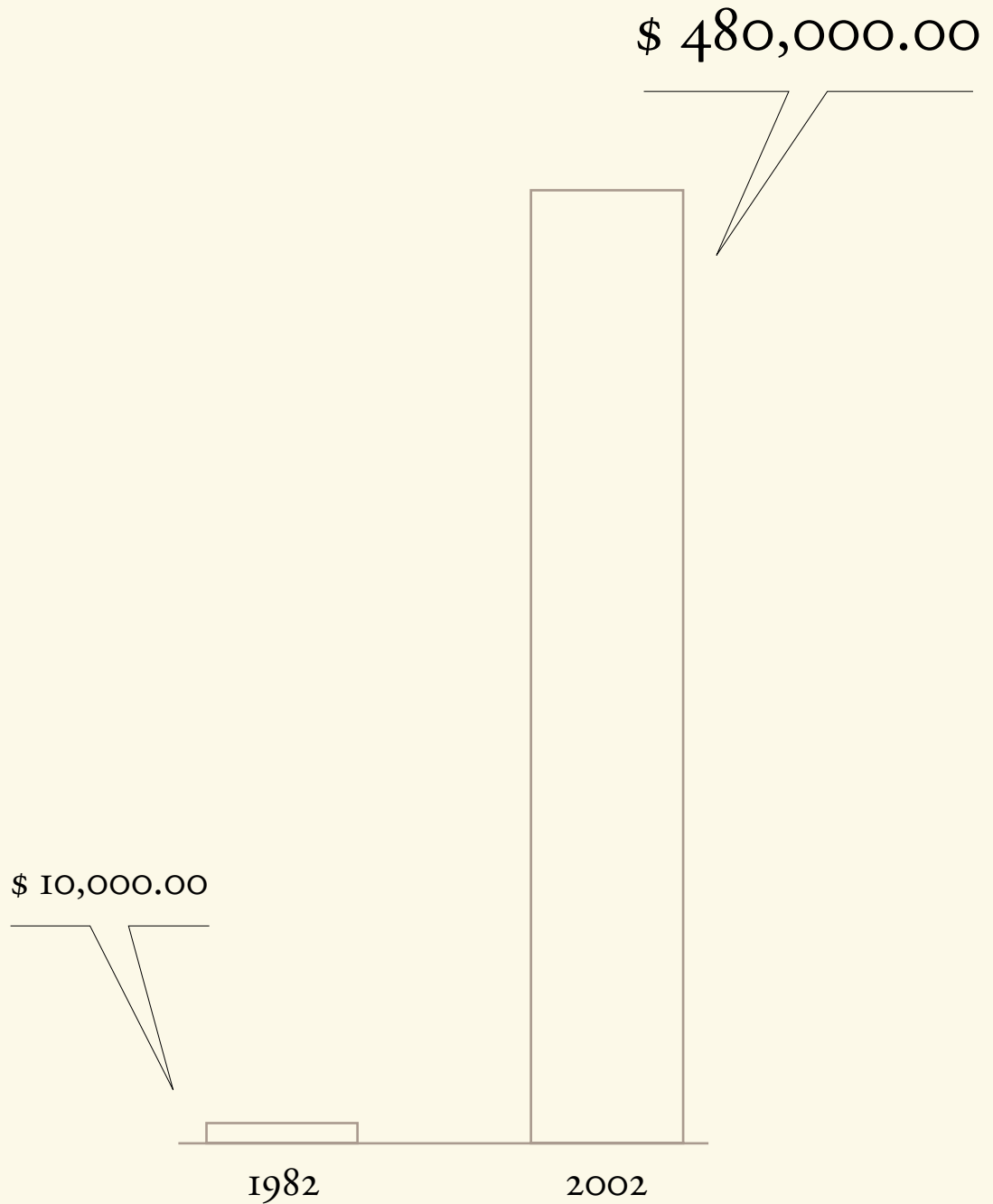
* Net earnings before gain on sale of discontinued operations, and before net capital gains and other items.

** Before net change in other current items.

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YOU CAN SEE IT IN OUR NUMBERS



SINCE EMPIRE BECAME A PUBLIC COMPANY IN JULY 1982, OUR FOCUS ON ENHANCING VALUE HAS PRODUCED ANNUAL COMPOUND GROWTH IN TOTAL RETURN OR THE VALUE OF SHAREHOLDER CAPITAL OF MORE THAN 21 PERCENT. THIS MEANS A \$10,000 INVESTMENT IN EMPIRE SOME 20 YEARS AGO, WITH REINVESTMENT OF DIVIDENDS, WOULD HAVE BEEN WORTH APPROXIMATELY \$480,000 ON APRIL 30, 2002.

Empire At A Glance

PROFILE

FOOD DISTRIBUTION



Sobeys Inc. (“Sobeys”), a 62 percent-owned subsidiary of Empire, is one of Canada’s largest food distribution companies with annual revenues of \$9.7 billion. The Company operates a national network of over 1,300 corporate and franchised stores that includes popular banners such as IGA, IGA extra, Garden Market IGA, Sobeys and Price Chopper. Sobeys is committed to providing the most worthwhile experience for its customers, people and franchisees, suppliers and shareholders.

REAL ESTATE



Empire’s real estate operation controls one of the largest portfolios of prime retail properties in Atlantic Canada through wholly-owned subsidiaries Atlantic Shopping Centres Limited (“ASC”) and Sobeys Leased Properties Limited (“SLP”). ASC’s is a diversified portfolio made up of enclosed shopping centers and business centers while SLP’s portfolio is primarily directed at supporting retail operations. The real estate division also owns 35 percent of Genstar Development Partnership (“Genstar”), a residential land development business with operations primarily in western Canada.

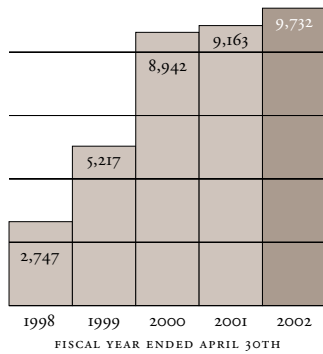
INVESTMENTS & THEATRE OPERATIONS



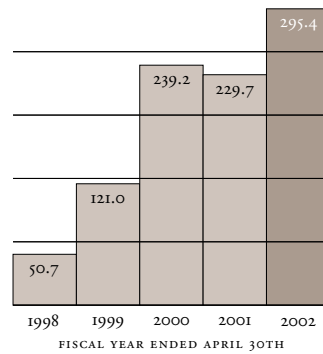
Empire manages an investment portfolio that was valued at \$614.6 million as of fiscal 2002 year-end. Our investments provide financial flexibility and a pool of capital that can augment the growth of our core operations. During fiscal 2002, the annualized rate of return on our investments was approximately 10 percent, ahead of benchmark index returns which were negative over the same period.

Empire Theatres Limited (“Empire Theatres”), a wholly-owned subsidiary of Empire, is the leading movie exhibitor in Atlantic Canada with 136 screens in 23 locations.

FOOD DISTRIBUTION REVENUE
(\$ IN MILLIONS)

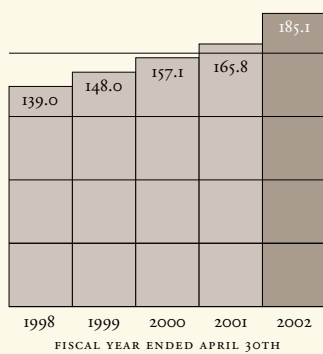


FOOD DISTRIBUTION OPERATING INCOME
(\$ IN MILLIONS)

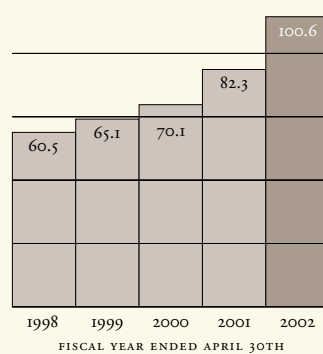


- Revenue increased by 6.2 percent and same-store sales grew by 3.5 percent in fiscal 2002.
- EBITDA or trading margin improved 58 basis points to 4.09 percent primarily as a result of various merchandizing and cost reduction initiatives.
- Sharpened focus and reduced debt by selling the SERCA foodservice business to SYSCO Corporation for \$411 million resulting in a net gain of \$50 million after minority interest.
- Built 55 new or replacement stores and expanded or modernized another 77 stores in fiscal 2002.
- IGA became #1 grocery banner in Quebec.

REAL ESTATE REVENUE
(\$ IN MILLIONS)

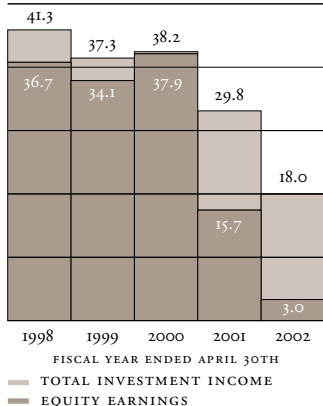


REAL ESTATE OPERATING INCOME
(\$ IN MILLIONS)

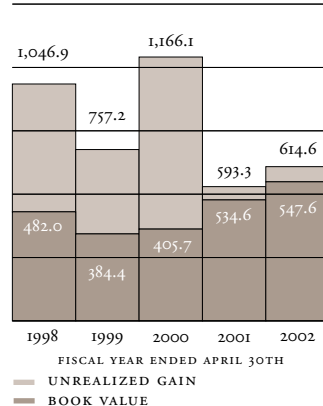


- Revenue increased by 11.6 percent while operating costs grew by 2.9 percent.
- Funds from operations increased to \$48.2 million from \$29.7 million last year.
- Empire's 35 percent investment in the Genstar Development Partnership, a residential land development business, continued its strong performance.
- Continued to expand the Atcan self-storage business in Atlantic Canada and Ontario.

EMPIRE COMPANY INVESTMENT INCOME
(\$ IN MILLIONS)



EMPIRE COMPANY MARKET VALUE AND BOOK VALUE OF INVESTMENTS
(\$ IN MILLIONS)



- Investment portfolio produced a total return of approximately 10 percent.
- Reduced investment in the Delhaize Group from 46 percent to 22 percent of total portfolio through the sale of 1.5 million common shares during the year.
- Empire Theatres posted new records for revenue and operating income.
- New theatre complexes were opened in three locations while the company completed renovations or expansions in another four locations.

Dear Fellow Shareholders

Fiscal 2002 was a very exciting year for your Company and one that saw Empire achieve record operating results, surpassing virtually all of our performance objectives.

On a consolidated basis, several milestones were achieved:

- Revenues increased 6.4 percent, to reach \$9.92 billion.
- Operating income increased by 22 percent, to reach \$416.2 million.
- Operating earnings (after goodwill amortization) increased by 49 percent to reach \$132.2 million or \$4.01 per share.
- Empire's net asset value grew by \$914 million in fiscal 2002 to reach \$2.52 billion, or \$76.62 per share, at April 30, 2002.

These strong results demonstrate that at Empire, Growing Value is not just a theme for an annual report, it is an on-going commitment to our shareholders. Traditionally, Empire shareholders have been well served by the Company's approach to growing value and we intend to stay the course. We will continue to focus our energies and capital on growing the long-term, sustainable value in each of our operating businesses: food distribution, real estate and corporate investments.

In keeping with this philosophy, Sobeys Inc. (Empire's 62 percent owned food distribution subsidiary), sold its SERCA Foodservice operation in March of 2002. The cash proceeds received of \$411 million provides Sobeys with significant capital



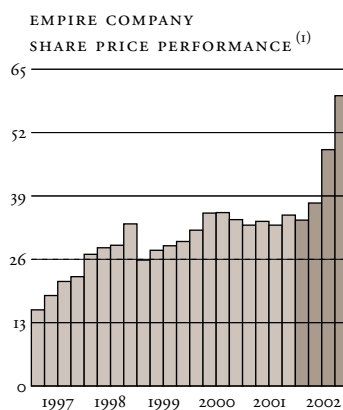
LEFT: PAUL D. SOBEY, PRESIDENT AND CEO

RIGHT: DONALD R. SOBEY, CHAIRMAN

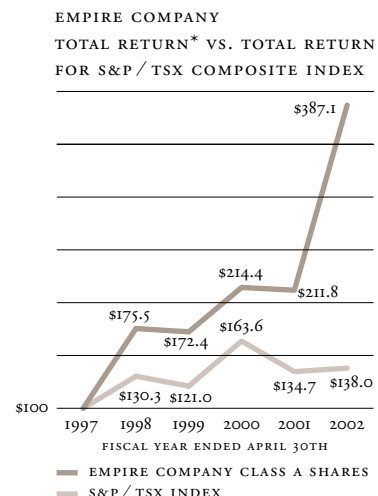
and also allows Sobey's management to focus their time, energy and resources on capitalizing on the increasing growth opportunities in Sobey's core retail food operation. We wish SYSCO well with their acquisition of this fine company and sincerely thank all of SERCA's management and employees for their dedication and hard work in the growth of the Foodservice operation over the years.

With the sale of SERCA, our financial position and that of Sobey's has never been stronger. At fiscal year-end, Empire's consolidated net debt to capital ratio improved to 23.3 percent from the 40.8 percent reported at April 30, 2001.

Going forward, we will continue to direct our resources towards the most promising opportunities within our core operations and we remain committed to maintaining our investment portfolio to ensure that we have the financial flexibility to take advantage of these opportunities as and when they arise.



(1) SHARE PRICE AT FISCAL QUARTER END DATES.



*\$100 INVESTED ON 04/30/97 IN EMPIRE COMPANY COMMON SHARES OR THE INDEX, INCLUDING REINVESTMENT OF DIVIDENDS

■ : How We Measure Success

To keep track of our progress, we measure success by the long-term growth of our shareholders' investment in our Company. Since Empire went public some 20 years ago, our focus on enhancing value has produced annual compound growth in total return or the value of shareholder capital of 21.7 percent.

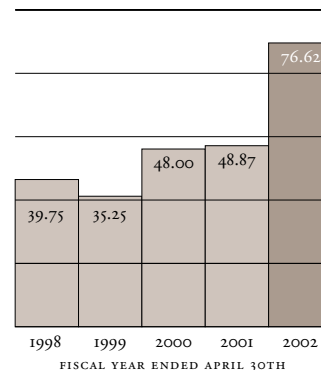
To put it another way, a \$10,000 investment made when Empire went public in July 1982 would have been worth approximately \$480,000 at the end of fiscal 2002. While we acknowledge that past returns are not a guarantee of future performance and there have, indeed, been periods of lower growth experienced in the past, our objective remains focused on the unwavering goal to enhance the long-term value of the investment you have in our Company.

■ : How We Create Value

Empire brings a particular perspective to its investments - one that is characterized by a controlling shareholders' proprietary interest and a long-term focus. As such, we will not sacrifice longer-term growth in shareholder value for simply a short-term win. We believe that the two key factors in the creation of value are first, strong management and second, an emphasis on long-term growth in cash flow that exceeds the after-tax dollar cost of capital.

WE BELIEVE THAT THE TWO KEY FACTORS IN THE CREATION OF VALUE ARE FIRST, STRONG MANAGEMENT AND SECOND, AN EMPHASIS ON LONG-TERM GROWTH IN CASH FLOW THAT EXCEEDS THE AFTER-TAX DOLLAR COST OF CAPITAL.

EMPIRE COMPANY
NET ASSET VALUE PER SHARE
(\$ PER SHARE)



Capital is directed at high-potential opportunities for which we have reasonable assurance that the return on capital employed will be in excess of our cost of capital. By doing so, we enhance economic value. Empire's management performance incentive programs are directly correlated to growth in economic value added (EVA).

■ : Another Record Year

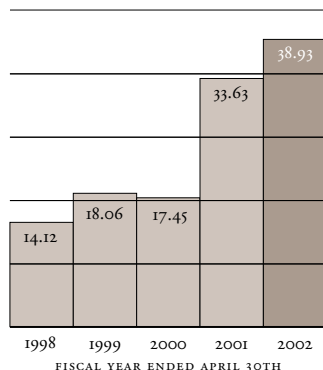
As we mentioned, fiscal 2002 was Empire's best year ever in terms of operating performance. Record results were achieved in revenues, operating income, operating earnings and operating cash flow.

It should be noted that with the sale of Sobeys' SERCA Foodservice business on March 30, 2002 to SYSCO Corporation, foodservice financial results have been accounted for as a discontinued operation.

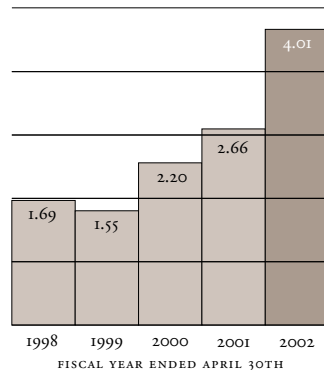
For fiscal 2002, net capital gains and other items amounted to \$63.7 million or \$1.94 per share, primarily the result of Empire's interest in the gain on the sale of SERCA along with realized gains on the sale of portfolio investments; partially offset by a provision associated with marking our investment in Wajax Limited to market.

Capital gains and other items last year amounted to \$491.5 million after-tax or \$14.98 per share and were primarily associated with the sale of our 25 percent equity interest in Hannaford Bros. Co. in the first quarter of last year.

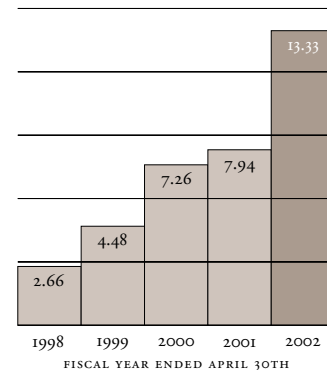
EMPIRE COMPANY
BOOK VALUE PER SHARE
(\$ PER SHARE)



EMPIRE COMPANY
OPERATING EARNINGS PER SHARE
(\$ PER SHARE)



EMPIRE COMPANY
OPERATING CASH FLOW PER SHARE
(\$ PER SHARE)



Operating income
of \$295 million,
up 28%



WE CONTINUE TO BE VERY PLEASED WITH THE PERFORMANCE OF OUR MAJOR HOLDING, OUR 62 PERCENT INTEREST IN SOBEYS INC. IN FISCAL 2002, THE MARKET VALUE OF OUR INVESTMENT INCREASED BY \$875 MILLION OR 92 PERCENT AS SOBEYS CONTINUED BUILDING SUSTAINABLE WORTH FOR EMPIRE SHAREHOLDERS.

■ : Growth in Food Distribution Operations

Food Distribution sales rose 6.2 percent to \$9.73 billion in fiscal 2002 with same store sales, including expanded stores, up 4.9 percent. Sales and other financial results do not include the SERCA Foodservice operation, which, as previously mentioned, was sold during the past year and is considered for purposes of year-over-year comparisons, a discontinued operation. Operating income increased at a significantly faster pace, rising 28 percent to \$295.4 million. Operating earnings totaled \$141.7 million in fiscal 2002 compared to \$91.2 million last year.

This improved financial performance is largely the result of steady progress on all of the Company's margin development and efficiency initiatives. In national merchandizing, Sobeys replaced hundreds of regional, volume-based procurement arrangements with a handful of core vendor agreements that reflect its determination to win a consistently larger share of customers' everyday requirements. In distribution and logistics, Sobeys reduced expenses and raised productivity levels by taking ownership of facilities, which were previously leased, installing new warehouse management software and implementing engineered labour standards across the country. Sobeys reduced its selling and administration overhead by eliminating redundant services in areas such as regional accounting and payroll functions. At the same time, managed working capital requirements – the relationship of accounts receivable, accounts payable and inventories – were reduced by \$90 million. Largely because of these initiatives, Sobeys' EBITDA margins rose from 3.51 percent to 4.09 percent in the past year with plans for additional improvement ahead.

Sobeys continued to make investments to improve and expand its store network. During fiscal 2002, Sobeys opened or replaced 55 stores and expanded or renovated 77 others. Gross square footage increased by 0.9 million square feet to 21.6 million square feet, an increase of 4.4 percent over the prior year.

The sale of SERCA has benefited Sobeys and therefore Empire in several ways. First, the cash proceeds of \$411 million received from the sale has strengthened our financial condition with substantial improvements in debt and interest coverage ratios and a positive impact on margin. Second, the sale supports Sobeys' desire to focus attention on its growing core retail food business. And finally, it has enabled Sobeys to enter a strategic alliance with SYSCO Corporation, the purchaser of SERCA's operations outside British Columbia. We look forward to a long and mutually rewarding relationship with SYSCO.

Sobeys has also accelerated its marketing and merchandizing efforts to a level unprecedented in the organization. They are doing a better job of building unique and consistent value propositions that appeal more effectively to different segments of the market. In larger scale IGA and Sobeys stores, for instance, the company is working hard to earn the loyalty of discriminating, time-challenged shoppers in medium and large-sized communities across Canada. The banner strategy is simple and focused. It's about having the right size stores – not necessarily the biggest – and an unwavering focus on fresh food offerings, high-quality service and selection, unique regional features and a physical design that makes shopping easier for today's busy customers. This approach has earned the increasing loyalty of its customers and it has, in particular, struck the right chord in Quebec, where IGA became that province's #1 grocery banner in the past year. In the year ahead, you can expect to see more evidence of Sobeys' fresh approach to the market across Canada.

Operating income
of \$100 million,
up 22%



THE REAL ESTATE OPERATION ENJOYED A RECORD YEAR IN 2002. AS A RESULT OF A SIGNIFICANT CONTRIBUTION FROM 35 PERCENT OWNED GENSTAR, WHICH OWNS AND DEVELOPS RESIDENTIAL LAND, AND CONTINUED GROWTH IN THE COMMERCIAL PROPERTY PORTFOLIO IN ATLANTIC CANADA, RECORDS WERE POSTED FOR REVENUE, OPERATING EARNINGS AND CASH FLOW.

■ : Growth in Real Estate Operations

Real Estate division revenues were ahead 11.6 percent to \$185.1 million while operating income increased \$18.3 million or 22 percent to \$100.6 million. Commercial occupancy levels declined modestly in fiscal 2002 reaching 92.7 percent versus 93.4 percent a year earlier.

Our key focus continues to be developing and leasing retail assets that are complementary to, and in direct support of, related retail operations. In fact, our skill at acquiring and developing commercial property traces its roots to the 1960s, when securing prime sites for Sobeys necessitated the development of our own network. Today, 86 percent of the 12.1 million sq. ft. in our real estate portfolio is retail space, of which 30 percent is leased to Sobeys or another Empire-affiliated company.

Over the last year, we continued to strengthen and diversify our real estate portfolio through the redevelopment of existing properties, additional expansion into residential property development through our investment in Genstar, self-storage expansion, and targeted anchor development. Real estate operations are now more diversified than ever before with a wide range of high-quality tenants, an ever-growing residential component, a greater presence outside Atlantic Canada and the development of new, complementary operations.

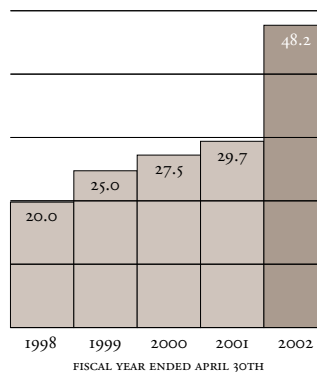
As a result of redevelopment activity, our Real Estate division has now leased more than 631,000 square feet of space to 20 call centres throughout Atlantic Canada. Its properties are occupied by many of the region's leading companies including Aliant, CIBC, Client Logic, ICT Group, Purolator and Scotiabank. The Scotia Square, Halifax property contains the largest concentration of corporate call and data centres in eastern Canada.

As well, new properties have been acquired in Ontario, including Village Square in Ottawa, while Atcan, our new self-storage business, has been growing in Atlantic Canada and Ontario.

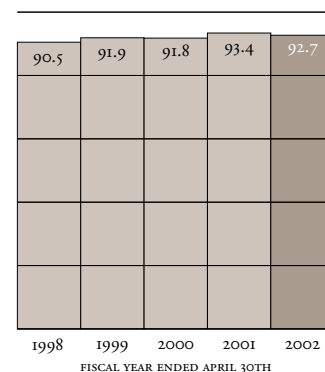
In early fiscal 2003 we are experiencing some continued softness in our retail leasing activity. Despite this, our real estate management group still expects overall retail occupancy levels to improve during fiscal 2003 as a result of improving economic conditions in Atlantic Canada and the diligence of our leasing team.

We continue to forecast strong performance at Genstar, however, we do not expect that the level of residential activity experienced in our fourth quarter will continue throughout fiscal 2003. We plan to reinvest cash in the business to maximize future prospects as and when future opportunities are identified.

**REAL ESTATE DIVISION
FUNDS FROM OPERATIONS**
(\$ IN MILLIONS)



**REAL ESTATE DIVISION
OCCUPANCY RATE**
(% OF GROSS LEASABLE AREA LEASED)



Operating income
of \$27 million,
down 25%



AT FISCAL YEAR-END, EMPIRE'S PORTFOLIO INVESTMENTS CARRIED A MARKET VALUE OF \$614.6 MILLION. INVESTMENT OPERATING INCOME LAST FISCAL YEAR INCLUDED \$9.9 MILLION IN EQUITY EARNINGS FROM HANNAFORD BROS. CO. EXCLUDING THIS EQUITY EARNINGS CONTRIBUTION, OPERATING INCOME WAS UP \$0.6 MILLION OVER THE PRIOR YEAR.

■ : Growth in Investments and Theatre Operations

Fiscal 2002 was a good year for our Investment division despite negative returns for the broad market indices. At fiscal year-end Empire's total investments carried a market value of \$614.6 million, \$67 million over book value, and provided a total shareholder return of approximately 10 percent. This compares favorably to negative returns for the S&P/TSX composite index and S&P 500 index, respectively, over the same time period.

At fiscal year end, April 30, 2002, Empire's investment portfolio consisted of:

<i>(\$ in millions Canadian)</i>	Market Value	% of Portfolio	Cost	Unrealized Gain
Delhaize Group ("Delhaize")	\$ 135.6	22.1%	\$ 109.3	\$ 26.3
Canadian Common Equities	237.3	38.6%	209.7	27.6
US Common Equities	157.8	25.7%	144.7	13.1
Preferred Shares	54.8	8.9%	54.8	—
Cash/Other	29.1	4.7%	29.1	—
	<u>\$ 614.6</u>	<u>100.0%</u>	<u>\$ 547.6</u>	<u>\$ 67.0</u>

The portfolio is now more balanced. At the end of the fiscal year, the Delhaize investment weighting had been managed down to 22 percent from 46 percent at the start of the fiscal year. This reduction is primarily the result of the sale of 1.5 million Delhaize common shares during the year. Empire continues to hold 1.8 million shares of Delhaize.

Realized gains from the sale of investments amounted to \$33.2 million on an after-tax basis, partially offset by an after-tax charge of \$18.2 million as a result of marking-to-market Empire's investment in Wajax Limited.

The primary objective of Empire's investment portfolio is to ensure that Empire has the financial flexibility to take advantage of opportunities to support the growth and development of our core operations as and when they arise.

The specific composition of our investment portfolio has been and will continue to be primarily focused on larger capitalization, liquid common equity investments with an objective to earn a return on investments, over a normal business cycle, in excess of our cost of capital.

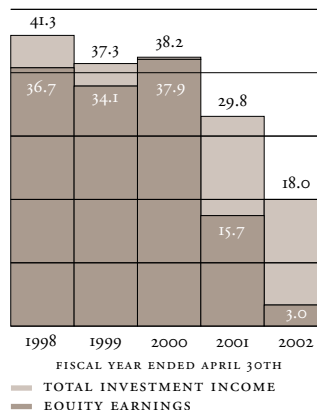
We will continue to allocate capital from our investment portfolio to support the growth and development of our operating divisions as and when opportunities arise. In the meantime we will continue to manage our investments prudently to ensure appropriate diversification, liquidity, and to augment growth in our core operating companies.

FISCAL 2002 COMPARATIVE TOTAL RETURNS⁽¹⁾

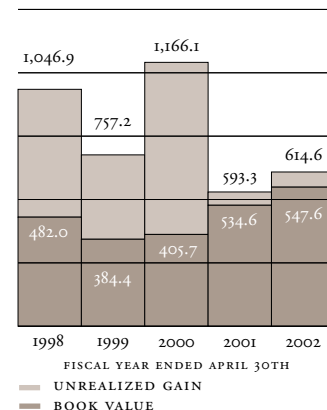
Empire Investment Portfolio return	10%
S&P 500 Index return	(14%)
S&P / TSX Composite Index return	(2%)

(1) TOTAL RETURNS ARE FROM APRIL 30, 2001 TO APRIL 30, 2002

EMPIRE COMPANY INVESTMENT INCOME (\$ IN MILLIONS)



EMPIRE COMPANY MARKET VALUE AND BOOK VALUE OF INVESTMENTS (\$ IN MILLIONS)



■ : Growth in Theatre Operations

Wholly-owned Empire Theatres had another good year, posting new records for revenue and operating income. The improved results were a direct result of management's continued focus on customer satisfaction, the on-going modernization and expansion of existing theatre venues, improved operational efficiency and stronger product offerings.

As the largest movie exhibitor in Atlantic Canada with 136 screens in 23 locations, Empire Theatres continued to strengthen its competitive position through modernization of existing cinemas and through a new joint venture with Landmark Cinemas, which has already resulted in screen development opportunities in western Canada.

During fiscal 2002, Empire Theatres opened new theatre complexes in three locations and completed renovations or expansions in four other locations.

■ : Outlook

While we are very pleased with our performance in fiscal 2002, we also believe that we have a positive and exciting outlook. In recognition of our improved fundamentals, we are pleased to report that subsequent to year-end Empire's common dividend per share was increased from 45 cents annually to 66 cents annually and secondly, that the Board of Directors has also recommended a 2 for 1 stock split which will be subject to shareholder approval at our Annual General and Special Meeting to be held on September 12, 2002.

Going forward we will remain focused on supporting profitable growth in each of our operating companies while also growing the value of our investments. We believe that our strategy, combined with our proven ability to execute effectively across our core businesses - Food distribution, Real Estate, Investments and Theatre operations - creates a solid foundation for future growth. We are confident that Empire will continue to have a capacity for growth and successful performance in the years ahead.

Our progress during the past year is the direct result of the hard work of more than 30,000 employees, franchisees and affiliates at Empire and its related companies. We offer our sincere thanks for their ongoing support of our strategies to grow value by making our customers our number one focus. Congratulations to all on a job well done!

We thank Dr. Elizabeth Parr-Johnston who is retiring from the Empire Board of Directors after eight years of distinguished service. We would also like to acknowledge the contributions of Frank Sobey, Chairman Atlantic Shopping Centres, who has provided distinguished service to the Empire Board of Directors over the last twelve years. Frank did not stand for reelection as a Director last September but was elected as a Director of Sobeys Inc. We were pleased that Karl Sobey, with over 25 years of progressive experience and leadership in the retail grocery business, was elected as a Director of Empire Company at the Annual General Meeting last September.

Finally, on behalf of the entire Board, we also wish to thank our customers, business partners and shareholders whose support is so essential to Empire's success.



Paul D. Sobey
President and CEO
July 18, 2002



Donald R. Sobey
Chairman
July 18, 2002

Management's Discussion and Analysis

Overview of the Business

Empire Company Limited ("Empire" or the "Company") is a diversified Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses are retail food distribution, real estate, and investments and other operations. With assets in excess of \$4.3 billion, Empire employs more than 30,000 people directly and through subsidiaries.

FOOD DISTRIBUTION Empire's food distribution operations are carried on through its 62 percent ownership in Sobeys Inc. ("Sobeys"), the second largest retail food distribution organization in Canada in terms of sales (\$9.73 billion), number of corporate and franchised stores (1,323 stores), and geographic presence.

At year-end, Sobeys operated 392 corporate stores and 931 franchised stores. Of the 1,323 total stores, 119 operate under the Sobeys banner and 558 stores operate under the IGA banner (including IGA Garden Market and IGA extra). The proportion of total retail store square footage by region across Canada is as follows: 17.2 percent Western, 32.8 percent Ontario, 29.0 percent Quebec, and 21.0 percent Atlantic.

REAL ESTATE Empire's real estate operations are focussed on the acquisition, development and management of a portfolio of properties primarily located in Atlantic Canada. At the end of fiscal 2002, Empire real estate operations had 12.1 million square feet under ownership, relatively unchanged from the prior year. Operations are conducted through wholly-owned Atlantic Shopping Centres Limited ("ASC"), wholly-owned Sobeys Leased Properties Limited ("SLP") and a 35 percent ownership position in Genstar Development Partnership ("Genstar"). Genstar is a residential land development business, operating primarily in high growth communities in western Canada.

ASC's portfolio consists of 32 shopping centres with a gross leasable area of area of 6.1 million square feet and 10 office buildings with a gross leasable area of 1.5 million square feet. SLP's portfolio consists mainly of freestanding food stores and attached shopping plazas, together having a total gross leasable area of 4.5 million square feet. At Empire's fiscal year-end, the real estate portfolio consisted of 86 percent retail space and 14 percent office space.

INVESTMENTS AND OTHER OPERATIONS The third component of Empire's business is its investments and other operations. The investments primarily consist of a portfolio of short-term liquid equity investments. Other operations primarily consist of wholly-owned Empire Theatres Limited ("Empire Theatres"), the leading movie exhibitor in Atlantic Canada with 136 screens in 23 locations.

Key Focus is on Growing Value

Management's primary objective is to maximize the long-term sustainable value of Empire for its shareholders. We are committed to enhancing the worth of the Company's net assets and in turn, having that value reflected in Empire's share price.

Empire's management intends to continue to direct energy and capital on growing the long-term sustainable value of each its core operating businesses – food distribution and real estate. While these are excellent businesses in their own right, the diversification they offer Empire by both business line and by market area is an additional source of strength. Together, these core businesses reduce risk and volatility, thereby contributing to consistency in overall earnings growth. Going forward, we will continue to direct our resources towards the most promising opportunities within these businesses, in order to maximize our potential.

At the same time, our investment portfolio gives us the opportunity to augment earnings while we are waiting to make further investment in our core operations. Over the years we have been successful in generating investment returns in excess of the Company's cost of capital and well in excess of returns that would otherwise have been generated by money market investments.

Consolidated Operating Results

Fiscal 2002 Consolidated Financial Results Summary

<i>(\$ in millions, except per share data)</i>	2002	2001	Percent Change
Revenue			
Food Distribution	\$ 9,732.5	\$ 9,163.0	6.2%
Real Estate (net of intercompany elimination)	137.8	119.0	15.8%
Investment and Other Operations	56.2	49.1	14.5%
	9,926.5	9,331.1	6.4%
Operating Income			
Food Distribution	295.4	229.7	28.6%
Real Estate	100.6	82.3	22.2%
Investment and Other Operations	20.2	29.1	(30.6)%
	416.2	341.1	22.0%
Interest expense	111.6	145.8	(23.5)%
Income taxes (from operating activities)	117.1	73.2	60.0%
Goodwill amortization	9.5	9.3	2.2%
Minority interest	54.5	34.3	58.9%
Earnings from continuing operations			
before net capital gains and other items	123.5	78.5	57.3%
Earnings from discontinued operations	8.7	10.0	(13.0)%
Operating earnings	132.2	88.5	49.4%
Net capital gains (losses) and other items	13.7	491.5	(97.2)%
Net gain on the sale of discontinued operations	50.0	-	
Net earnings	195.9	580.0	(66.2)%
Operating cash flow	437.9	260.3	68.2%
Per Share			
Operating earnings	4.01	2.66	50.8%
Net capital gains (losses) and other items	0.41	14.98	(97.3)%
Net gain on the sale of discontinued operations	1.53	-	
Net earnings	5.95	17.64	(66.3)%
Operating cash flow	13.33	7.94	67.9%

Please refer to pages 32 through 48 for a detailed financial statement and accompanying notes.

REVENUE Revenue increased 6.4 percent in fiscal 2002, to \$9.92 billion, an increase of \$595 million over fiscal 2001, primarily as a result of growth in the food distribution business and the real estate business. Food distribution revenues increased \$570 million or 6.2 percent. Same store sales for all food distribution banners (including expanded stores) grew by 4.9 percent in fiscal 2002. Growth in real estate revenues (net of intercompany elimination) was \$18.8 million or 15.8 percent.

OPERATING INCOME In fiscal 2002, operating income reached \$416.2 million compared to \$341.1 million in the prior year. The increase was primarily attributable to growth in operating income in the food distribution and real estate businesses, partially offset by the decrease in Empire's share of income from equity accounted investments. With respect to investments and other operations, Empire recorded a decrease in operating income of \$8.9 million from the prior year. This was the result of the sale of Empire's equity accounted Hannaford investment in the first quarter of fiscal 2001, along with reduced contribution from equity earnings in the Wajax Limited ("Wajax") investment. Operating income from other operations increased by \$2.5 million from the prior year, reflecting another year of improved performance by Empire Theatres.

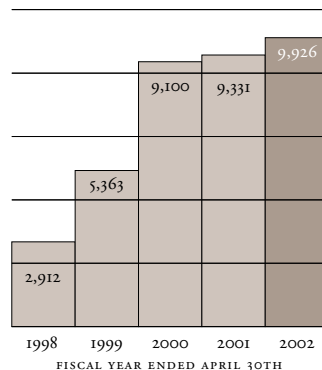
INTEREST EXPENSE For the year ended April 30, 2002, interest expense amounted to \$111.6 million, a 23.5 percent reduction from the \$145.8 million expensed in fiscal 2001. Interest on long-term debt declined \$11.0 million, or 9.6 percent, while interest expense on short-term debt declined \$23.2 million or 75.3 percent. The decrease was due to a combination of a reduction of funded debt and lower borrowing rates. The majority of the Company's debt is at fixed rates and therefore there is little exposure to interest rate risk from fluctuating short-term interest rates.

INCOME TAXES The fiscal 2002 effective tax rate before goodwill charges and restructuring charges was 38.4 percent, compared to 37.4 percent for fiscal 2001. The increase is in line with management's expectations. Total income tax expense (from operating activities) for fiscal 2002 was \$117.1 million versus \$73.2 million recorded last year.

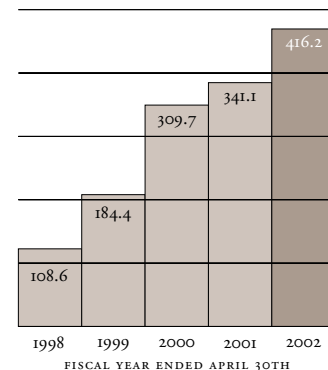
GOODWILL CHARGES Goodwill charges for fiscal 2002 were \$9.5 million, compared to \$9.3 million recorded in fiscal 2001, a \$0.2 million or 2.2 percent increase. Consistent with the new accounting standard issued by the Canadian Institute of Chartered Accountants ("CICA") on goodwill and other intangible assets, Empire will discontinue the amortization of goodwill beginning in fiscal 2003. Instead, goodwill will be subject to an impairment test on at least an annual basis.

OPERATING EARNINGS In fiscal 2002, operating earnings (net earnings before gain on sale of discontinued operations, and before net capital gains (losses) and other items) reached \$132.2 million, an increase of \$43.7 million or 49 percent from last year's \$88.5 million. Included in the 2002 earnings are earnings from discontinued operations of \$8.7 million versus \$10.0 million last year. Earnings from discontinued operations reflect accounting for SERCA Foodservice operations ("SERCA") as a discontinued operation due to the sale by Sobeys of substantially all of the net assets of SERCA on March 30, 2002. Excluding discontinued operations, earnings from continuing operations before net capital gains and other items was \$123.5 million versus \$78.5 million in the previous fiscal year, a 57 percent increase. The increase in operating earnings from continuing operations is attributed to sales and margin improvements in core food distribution and real estate businesses along with reduced interest expense.

EMPIRE COMPANY
TOTAL REVENUE
(\$ IN MILLIONS)



EMPIRE COMPANY
OPERATING INCOME
(\$ IN MILLIONS)



GAIN ON SALE OF DISCONTINUED OPERATIONS The net gain on sale of discontinued operations (after-tax and minority interest) of \$50.0 million or \$1.53 per share represents Empire's share of the gain on the sale of SERCA on March 30, 2002.

NET CAPITAL GAINS AND OTHER ITEMS Net capital gains and other items after minority interest totaled \$13.7 million in fiscal 2002, as compared to the \$491.5 million recorded in fiscal 2001. During fiscal 2002 the Company realized net capital gains from the sale of investments of \$33.2 million and incurred a reduction in book value of investments of \$18.2 million. The significant capital gain last year is associated with the Hannaford sale in the first quarter of fiscal 2001.

FINANCIAL INFORMATION BY QUARTER The following table summarizes key operating results, by quarter, for the last eight quarters:

(\$ in millions, except per share information)

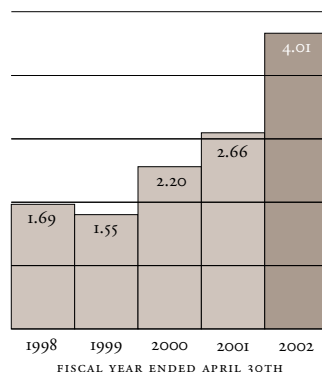
	April 2002	Jan. 2002	Oct. 2001	July 2001	April 2001	Jan. 2001	Oct. 2000	July 2000
Revenue	\$ 2,478.8	\$ 2,484.0	\$ 2,474.4	\$ 2,489.3	\$ 2,337.7	\$ 2,330.0	\$ 2,334.0	\$ 2,329.4
Operating income	108.3	108.5	101.8	97.6	88.6	71.7	83.6	97.2
Earnings from continuing operations ¹	33.4	34.4	29.5	26.2	20.8	16.0	19.0	22.7
Earnings from discontinued operations ²	1.8	0.9	1.9	4.1	3.7	1.4	1.7	3.2
Operating earnings ³	35.2	35.3	31.4	30.3	24.5	17.4	20.7	25.9
Net capital gains (loss) and other items	(16.3)	0.8	10.9	18.3	8.1	(3.9)	0.9	486.4
Gain on sale of discontinued operations	50.0	-	-	-	-	-	-	-
Net earnings	68.9	36.1	42.3	48.6	32.6	13.5	21.6	512.3
Per Share								
Operating earnings ³	1.06	1.08	0.95	0.92	0.73	0.53	0.63	0.77
Net capital gains (loss) and other items	(0.50)	0.02	0.33	0.56	0.25	(0.13)	0.03	14.83
Gain on sale of discontinued operations	1.53	-	-	-	-	-	-	-
Net earnings	2.09	1.10	1.28	1.48	0.98	0.40	0.66	15.60
Weighted average number of common shares outstanding	32.87	32.86	32.84	32.83	32.83	32.82	32.81	32.79

¹ Before net capital gains and other items.

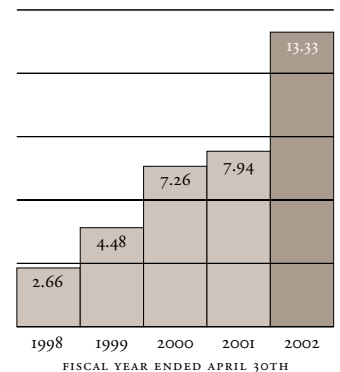
² Before gain on sale of discontinued operations.

³ Earnings from continuing and discontinued operations before net capital gains and other items and gain on sale of discontinued operations.

**EMPIRE COMPANY
OPERATING EARNINGS PER SHARE
(\$ PER SHARE)**



**EMPIRE COMPANY
OPERATING CASH FLOW PER SHARE
(\$ PER SHARE)**



Operating Performance and Outlook by Segment

FOOD DISTRIBUTION

KEY DEVELOPMENTS

- Sobeys sold SERCA for cash proceeds of \$411 million, resulting in a net gain for Empire after minority interest of \$50 million.
- Top line sales growth of 6.2 percent and same-store sales growth of 4.9 percent (including expanded stores).
- EBITDA as a percentage of sales improved to 4.09 percent or 58 basis points from the previous fiscal year.
- Total company-wide spending of \$679 million (including the purchase of the Milton and Whitby distribution centres in Ontario).

REVENUE Food distribution revenue increased 6.2 percent in fiscal 2002 to reach \$9.73 billion, an increase of \$570 million over fiscal 2001 results. Increased sales performance was recorded in all regions. Same-store sales (excluding expanded stores) for fiscal 2002 increased 3.5 percent. Same-stores sales (including expanded stores) increased 4.9 percent for the fiscal year. For fiscal 2002, food price inflation was approximately 2.0 percent compared to 3.0 percent for the previous fiscal year. The improved sales performance is a result of increased same-store sales, as mentioned, and additional sales generated by increased retail square footage.

During the fiscal year, Sobeys' national merchandising group developed and implemented a number of successful customer loyalty and other programs to grow sales. The foundation of Sobeys' national merchandising group is focussed on increasing the share of overall customer requirements purchased from Sobeys' stores. The national merchandising program, even in its early stages, has had a positive effect on sales and market share.

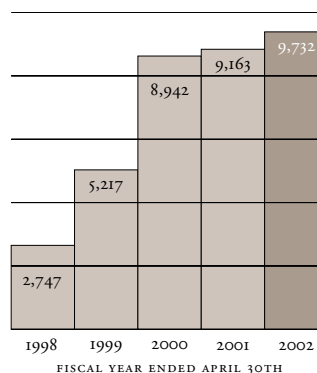
The food division's capital investment program also contributed to sales growth with 55 new stores opened or replaced during the year, with another 77 locations expanded or renovated. In total, Sobeys invested, company-wide (which includes total company, franchisee and third-party capital expenditures), \$679 million in fiscal 2002 primarily for the expansion and modernization of the store and distribution network. At fiscal year-end, the food business operated 1,323 stores (comprised of 392 corporate stores and 931 franchised stores). Sobeys gross square footage increased by 0.9 million square feet to 21.6 million square feet or by 4.4 percent over the previous fiscal year.

OPERATING INCOME In fiscal 2002, food distribution operating income or EBIT (earnings before interest and income taxes) reached \$295.4 million, an increase of \$65.7 million or 28.6 percent over fiscal 2001. Fiscal 2002 EBITDA (earnings before interest, income taxes, depreciation and amortization) amounted to \$396.4 million, an increase of 23.8 percent over the previ-

FOOD DISTRIBUTION

REVENUE

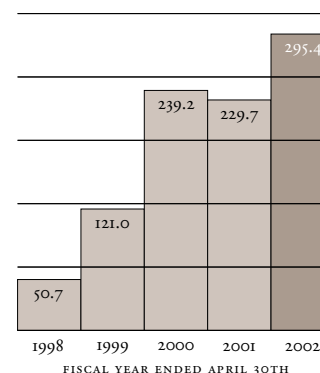
(\$ IN MILLIONS)



FOOD DISTRIBUTION

OPERATING INCOME

(\$ IN MILLIONS)



ous fiscal year. As a percentage of sales, EBITDA margin improved to 4.09 percent from the 3.51 percent recorded in fiscal 2001. The improvement in margin percentage was primarily due to newly implemented core national merchandising programs, more efficient distribution and logistics, and selling, general and administrative ("SG&A") cost streamlining.

OPERATING EARNINGS Food distribution's contribution to Empire's operating earnings equaled \$86.8 million in 2002, an increase of \$31.7 million or 57.5 percent from the \$55.1 million contribution recorded in 2001. Earnings from continuing operations amounted to \$78.1 million, up \$33.0 million or 73 percent from last year. The increased contribution by food distribution to Empire's earnings is attributable to: (i) the \$65.7 million increase in operating income as mentioned; (ii) a \$20.5 million decrease in interest expense as a result of lower borrowing requirements and lower interest rates; partially offset by a \$20.1 million increase in minority interest. Earnings from discontinued operations totaled \$8.7 million versus \$10.0 million last year.

GAIN ON THE SALE OF DISCONTINUED OPERATIONS As previously mentioned, during the year-ended April 30, 2002, Empire recorded an after-tax gain on discontinued operations (after minority interest) of \$50.0 million. This amount represents Empire's portion of the gain generated from the sale of the SERCA Foodservice operation by Sobeys.

NET CAPITAL LOSS AND OTHER ITEMS Net capital loss and other items (excluding the gain on the sale of SERCA) amounted to \$7.3 million. The loss was primarily the result of (i) the write-down, by Sobeys, of the book value of certain real estate assets; and (ii) a charge of \$9.5 million resulting from a change in the estimate of Sobeys' employee future benefit obligation relating to the future provision of employee benefits to former Oshawa Group employees.

In fiscal 2001, net capital loss and other items generated by the food division amounted to \$30.3 million and included the restructuring charge associated with Sobeys' decision on January 24, 2001 to discontinue further development and implementation of its enterprise-wide software and related systems.

NET EARNINGS Net earnings contribution to Empire from the food division totaled \$129.5 million, an increase of \$104.7 million from the \$24.8 million contributed last year. The improvement is primarily the result of the above mentioned improvements in operating performance, the effect of last year's restructuring charge, and the net gain associated with the SERCA sale.

OUTLOOK Looking forward to fiscal 2003, management believes the food distribution operation is well positioned for continued growth. Sobeys expects continued growth in sales and earnings as a result of positive same-store sales growth, operating cost savings, margin enhancement initiatives, continued modernization and expansion of existing stores, and investment in new retail locations across Canada. Sobeys operating results are expected to enhance its financial position and ability to continue its planned store expansion and modernization program.

REAL ESTATE

KEY DEVELOPMENTS

- The occupancy rate at April 30, 2002 was 92.7 percent compared to 93.4 percent at April 30, 2001.
- Today, 86 percent of the 12.1 million square feet in our real estate portfolio is retail space, of which 30 percent is leased to Sobeys or another Empire subsidiary.
- The real estate portfolio was strengthened and diversified through the redevelopment of existing properties, expansion of residential development through Genstar, investment in self-storage operations and targeted anchor development.
- Real estate division now has 20 call centres as tenants throughout Atlantic Canada.
- New properties in Ontario were acquired including Village Square in Ottawa, while Atcan, the real estate division's new self-storage business, continued to expand in Atlantic Canada and Ontario.

REVENUE In fiscal 2002 revenue from real estate operations (before intercompany revenue elimination) increased 11.6 percent to \$185.1 million from \$165.8 million last year. The growth in real estate revenues is primarily attributable to strong performance from Empire's 35 percent interest in Genstar. While we expect continued growth in Genstar's key markets, we do not expect residential lot sales to continue at the same pace during fiscal 2003.

OPERATING INCOME The real estate division recorded operating income of \$100.6 million in fiscal 2002, an increase of \$18.3 million or 22.2 percent over fiscal 2001. This performance is the result of: (i) strong contribution from Genstar; (ii) successful development activities; and (iii) higher net effective rental rates and lower costs. The real estate operation contributed 24.1 percent of Empire's total operating income in fiscal 2002.

NET CAPITAL GAINS AND OTHER ITEMS In fiscal 2002, net capital gains of \$6.3 million were generated by the real estate division versus a net capital loss of \$45.5 million generated in the previous fiscal year. The \$51.8 million difference is primarily a result of: (i) net capital gain associated with Genstar's bulk land sales in the fourth quarter of fiscal 2002; (ii) a net capital loss of \$3.9 million associated with the write-down of certain properties in fiscal 2002; and (iii) the \$45.9 million write-down of real estate assets in fiscal 2001.

NET EARNINGS Real estate's contribution to Empire's fiscal 2002 net earnings increased to \$40.8 million, an increase of \$71.3 million from the \$30.5 million loss in fiscal 2001. The improvement is principally the result of the aforementioned improved operating income earned in fiscal 2002 (driven primarily by strong Genstar performance) and the \$45.9 million after-tax write-down of certain real estate assets taken in fiscal 2001.

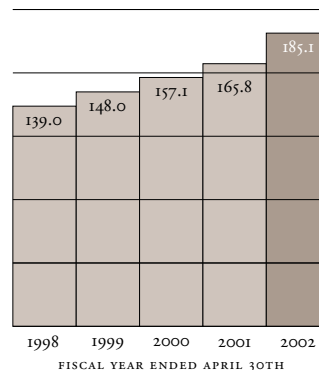
Operating cash flow for the real estate operation increased by 55.4 percent in 2002, to reach \$60.6 million, equivalent to 13.8 percent of total Empire operating cash flow. This improvement is primarily the result of the above-mentioned improved operating performance and the contribution of bulk land sales of Genstar.

OUTLOOK We continue to experience some softness in our retail leasing activity. Empire's real estate management group, however, is still expecting overall retail occupancy levels to improve during fiscal 2003 as a result of the continued diligence of our leasing team and expectations for improving economic conditions in Atlantic Canada.

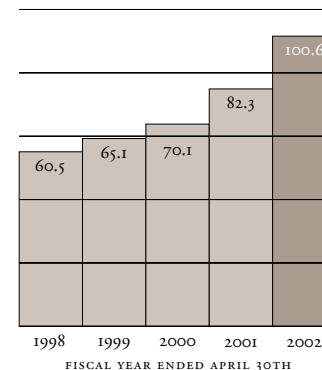
While pleased with the performance of Genstar to date, we do not expect that the level of residential activity during the fourth quarter will continue at the same pace throughout fiscal 2003.

During fiscal 2003, Empire's real estate management group will continue its policy of maximizing and prudently reinvesting cash flow to further strengthen its portfolio of residential and commercial properties.

**REAL ESTATE
REVENUE**
(\$ IN MILLIONS)



**REAL ESTATE
OPERATING INCOME**
(\$ IN MILLIONS)



INVESTMENTS AND OTHER OPERATIONS

KEY DEVELOPMENTS

- Delhaize Group (“Delhaize”) investment weighting in the Empire investment portfolio was reduced to 22 percent from 46 percent at the start of the fiscal year. A total of 1.5 million shares were sold during fiscal 2002. Our investment in Wajax was marked-to-market, resulting in a reduction in book value of \$23.2 million (\$18.2 million after-tax).
- Theatre operations continued a program of on-going modernization, expansion of existing theatre venues and improving operational efficiency.
- Empire Theatres entered into a new joint-venture arrangement with Landmark Cinemas of Canada Limited, which has already resulted in development opportunities outside of Atlantic Canada.
- During fiscal 2002, Empire Theatres opened new theatre complexes in three locations and completed renovations or expansions in four other locations.

PORTFOLIO VALUE AT APRIL 30, 2002 Empire’s investment portfolio carried a market value of \$614.6 million at April 30, 2002, on a cost base of \$547.6 million, resulting in an unrealized gain of \$67.0 million. At year-end, the investment portfolio consisted of:

INVESTMENT PORTFOLIO

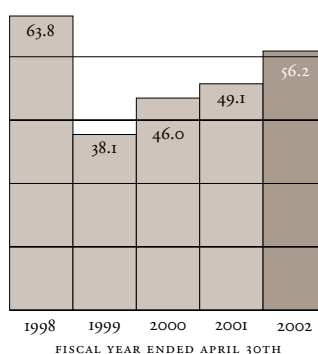
(\$ in millions Canadian)

	Market Value	Cost	Percent of Portfolio
Delhaize Group	\$ 135.6	\$ 109.3	22.1%
Canadian Common Equities	237.3	209.7	38.6%
U.S. Common Equities	157.8	144.7	25.7%
Preferred Share Investments	54.8	54.8	8.9%
Other Investments	29.1	29.1	4.7%
Total Investments¹	\$ 614.6	\$ 547.6	100%

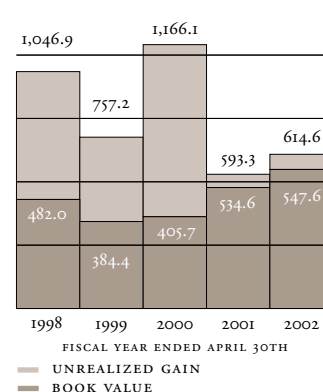
¹ Excludes short-term investment of Sobeys which had a market value of \$140.1 million on a cost base of \$138.8 million at April 30, 2002. Includes investment in Wajax Limited, which had a cost and market value of \$41.1 million at April 30, 2002.

Empire’s direct debt matched to these investments equaled \$164.9 million at year-end, equivalent to 26.8 percent of total investment market value. Management considers a ratio of debt to investment value of no greater than 35 percent as prudent.

INVESTMENTS AND OTHER OPERATIONS REVENUE
(\$ IN MILLIONS)



EMPIRE COMPANY MARKET VALUE AND BOOK VALUE OF INVESTMENTS
(\$ IN MILLIONS)



INVESTMENT RETURNS The time-weighted annual return on investments in fiscal 2002 was approximately 10 percent, driven primarily from common equity investments.

REVENUE Investments and other operations revenue, primarily generated by wholly-owned Empire Theatres, reached \$56.2 million versus \$49.1 million last year. Revenue growth at Empire Theatres is primarily attributable to a stronger product offering, the on-going modernization of existing locations and an increase of the number of screens in operation. At April 30, 2002, Empire Theatres had 136 screens in operation versus 126 at April 30, 2001.

OPERATING EARNINGS Investment income declined by \$11.8 million to \$18.0 million in fiscal 2002. The decrease is a result of \$9.9 million in equity accounted earnings from Hannaford Bros. Co. being included in the first quarter of fiscal 2001 and lower equity accounted earnings contribution from Wajax in fiscal 2002, partially offset by improved income generated in fiscal 2002 from portfolio investments.

Other operations' contribution to Empire's operating earnings increased by \$1.8 million or 58.1 percent from the prior year. This increase is primarily the result of strong revenue growth of 14.5 percent and effective expense control at wholly-owned Empire Theatres.

NET CAPITAL GAINS AND OTHER ITEMS In fiscal 2002, net capital gains of \$ 33.2 million were realized from the sale of investments, versus \$589.5 million in the previous fiscal year. The decline from last year is primarily the result of a \$573.5 million net capital gain on the sale of Hannaford Bros. Co. last year. The fiscal 2002 net capital gain was primarily associated with the sale of common shares of Delhaize, partially offset by an \$18.2 million charge associated with the write-down of our investment in Wajax.

NET EARNINGS Investments and other operations (net of corporate expenses) contributed \$23.1 million to Empire's consolidated net earnings, down from the \$586.4 last year. The difference is primarily due to the net capital gain of \$573.5 million from the sale of the Hannaford investment recorded in fiscal 2001.

OUTLOOK Investment income is expected to grow modestly in fiscal 2003, primarily on the strength of rising dividends and interest income associated with Empire's investment portfolio. We do not budget for realized capital gains or losses on the investment portfolio, rather we focus on total annualized shareholder return for funds employed in the portfolio during the year versus appropriate investment benchmarks. We recognize that equity investments by their nature carry a higher risk, and believe that the equity markets will continue to remain volatile during fiscal 2003.

Fourth Quarter Results

The following table provides a summary of Empire's fourth quarter results:

<i>(\$ in millions, except per share data)</i>	2002	2001	Percent Change
Revenue			
Food Distribution	\$ 2,424.3	\$ 2,293.1	5.7%
Real Estate (net of intercompany elimination)	40.6	32.7	24.2%
Investments and Other Operations	13.9	11.9	16.8%
	<u>2,478.8</u>	<u>2,337.7</u>	6.0%
Operating Income			
Food Distribution	74.7	59.4	25.8%
Real Estate	31.3	23.4	33.8%
Investments and Other Operations	2.3	5.8	(60.3)%
	<u>108.3</u>	<u>88.6</u>	22.2%
Earnings from continuing operations before net capital gains (losses) and other items	33.4	20.8	60.6%
Earnings from discontinued operations	1.8	3.7	(51.4)%
Operating earnings	35.2	24.5	43.7%
Net capital gains (losses) and other items	(16.3)	8.1	
Net gain on the sale of discontinued operations	50.0	-	
Net earnings	<u>68.9</u>	<u>32.6</u>	111.3%
Operating Cash Flow	142.6	76.5	86.4%
Per Share			
Operating earnings	1.06	0.73	45.2%
Net capital gains (losses) and other items	(0.50)	0.25	
Net gain on the sale of discontinued operations	1.53	-	
Net earnings	<u>2.09</u>	<u>0.98</u>	113.3%
Operating cash flow	4.34	2.34	85.5%

CONSOLIDATED FINANCIAL RESULTS Fourth quarter revenue of \$2.48 billion versus \$2.34 billion last year represented a 6.0 percent increase. Food distribution operations reported revenue of \$2.42 billion, an increase of 5.7 percent over the fourth quarter last year. Real estate and other operations reported revenue growth of 24.2 percent and 16.8 percent, respectively, over the fourth quarter last year.

Operating income totaled \$108.3 million, an increase of \$19.7 million or 22.2 percent compared to the fourth quarter of the previous fiscal year. All operating companies recorded improvement in EBITDA margin over last year.

Net earnings, including net capital gains (losses) and other items, amounted to \$68.9 million or \$2.09 per share versus \$32.6 million or \$0.98 per share in the fourth quarter last year. The \$36.3 million increase in net earnings is attributable to the \$10.7 million increase in operating earnings, driven largely by improved performance in the core food distribution and real estate businesses, along with a net increase in capital gains (losses) and other items of \$25.6 million over the prior year (including the \$50.0 million net gain after minority interest on sale of discontinued operations).

FOOD DISTRIBUTION Fourth quarter sales reached \$2.42 billion versus \$2.29 billion in the fourth quarter of fiscal 2001. All four regions experienced sales growth with volumes in excess of respective budget. The increase in sales of 5.7 percent was primarily the result of 1.9 percent growth in same-store sales (3.7 percent including expanded stores). This includes food price inflation (primarily in meat and fresh produce) of 1.5 percent. Sales also increased as a result of the continued refinement of national and regional merchandising programs and a net 2.0 percent increase in gross square footage related to the opening of fifteen new stores, the expansion of six stores and the closure of ten stores.

Company-wide capital spending in the fourth quarter totaled \$246 million, resulting in 0.4 million net square feet added with the average new store size of 33,529 square feet. Total retail space increased by 1.9 percent in the fourth quarter to reach 21.6 million square feet at year-end.

Fourth quarter EBITDA contribution to Empire amounted to \$102.6 million, an increase of \$19.1 million or 22.9 percent over the fourth quarter last year. As a percentage of sales, EBITDA reached 4.28 percent, an increase of 56 basis points over the 3.72 percent recorded in the fourth quarter of fiscal 2001. All regions recorded growth in margin over the fourth quarter last year. The increase in margin is primarily attributable to continued sales growth, steady progress on all of Sobeys' margin development and efficiency initiatives, and improved national merchandising programs.

Operating earnings contribution to Empire in for the fourth quarter equaled \$22.4 million, an increase of \$7.6 million or 51.4 percent over last year. The earnings increase is the result of the sales and margin growth, along with lower interest expense and lower marginal income tax rates in comparison to last year. Earnings from continuing operations reached \$20.6 million, up 85.6 percent from the fourth quarter last year. Earnings from discontinued operations amounted to \$1.8 million in fourth quarter versus \$3.7 million last year.

Net earnings contribution to Empire from the food division in the fourth quarter was \$65.1 million reflecting the improved operating results as discussed, the net capital gain from the sale of discontinued operations (after minority interest) of \$50.0 million, and the net capital losses generated from the write-down of certain real estate properties and the pension benefit obligation adjustment mentioned previously.

REAL ESTATE Revenue in the fourth quarter of fiscal 2002 increased 24.2 percent to reach \$40.6 million. Operating income in the fourth quarter increased to \$31.3 million or 33.8 percent over the same quarter last year. Real estate contributed 28.9 percent of Empire's total consolidated operating income in the fourth quarter.

Net capital gains and other items in the fourth quarter totaled \$6.2 million and were primarily generated from bulk land sales by Genstar, partially offset by the write-down of certain real estate properties. Net earnings for the quarter amounted to \$20.0 million and represented 29.0 percent of Empire's consolidated net earnings for the quarter.

Operating cash flow in the fourth quarter of fiscal 2002 was \$26.7 million compared to \$11.4 million in the fourth quarter last year.

Real estate revenue, earnings and cash flow improvements are primarily the result of continued strong financial performance from Genstar.

INVESTMENTS AND OTHER OPERATIONS Investment income for the quarter of \$2.0 million was below last year's result of \$6.0 million. This decline is attributable to a decrease of \$2.9 million in interest and dividend income and a \$1.1 million decrease in earnings contribution from Wajax, Empire's only equity accounted investment.

Other operations contribution to Empire's operating income increased by \$0.8 million from the fourth quarter last year, primarily as a result of a 16.8 percent increase in revenue and effective expense control at wholly-owned Empire Theatres Limited.

The investment division generated a net capital loss and other items of \$15.2 million in the fourth quarter of fiscal 2002, compared to a net capital gain of \$8.1 million recorded last year. The fourth quarter net capital loss and other items was the result of the mark-to-market of Empire's investment in Wajax resulting in an \$18.2 million charge, partially offset by net capital gains of \$3.0 million generated from the sale of investments.

Consolidated Financial Position

CAPITAL STRUCTURE AND KEY FINANCIAL CONDITION MEASURES

(\$ millions, except per share and ratio calculations)

	April 30, 2002	April 30, 2001
Net Asset Value (see page 27)	\$ 2,517	\$ 1,603
Net Asset Value Per Share	76.62	48.87
Shareholders' Equity	1,290	1,115
Short-Term Debt	293	318
Long-Term Debt	975	1,107
Net Debt To Total Capital	23.3%	40.8%
Interest Coverage	3.73X	2.34X

ASSETS AND NET ASSET VALUES Total assets at year-end of \$4,312.6 million represent a \$58.3 million increase over fiscal 2001. Identifiable assets in food distribution increased 0.3 percent from \$2,830.2 million at April 30, 2001 to \$2,839.4 million at April 30, 2002. Identifiable assets in real estate increased \$27.3 million or 3.2 percent, from \$844.5 million at April 30, 2001 to \$871.8 million at April 30, 2002.

At April 30, 2002, management calculates Empire's consolidated net asset value at \$2,517 million (\$76.62 per Empire common share), an increase of \$914 million or 57 percent from a calculated consolidated net asset value at April 30, 2001 of \$1,603 million (\$48.87 per share). The table on page 27 presents the composition of value by division. At April 30, 2002, approximately 86 percent of Empire's net asset value was derived from assets which are valued by market prices and which trade on internationally recognized exchanges. This includes Sobeys Inc. common shares, Delhaize Group common shares, and the balance of Empire's investment portfolio. With Delhaize Group, value is expressed in Canadian equivalent dollars. For each dollar increase in Sobeys' share price, Empire's net asset value increases by \$1.24 per share. The Real Estate division is valued at an average 6.2 times funds from operations (net income plus depreciation).

FOOD DISTRIBUTION ASSETS
(\$ IN MILLIONS)

	1998	1999	2000	2001	2002
		2,864.6	2,857.3	2,830.2	2,839.4
	562.0				

FISCAL YEAR ENDED APRIL 30TH

REAL ESTATE ASSETS
(\$ IN MILLIONS)

	1998	1999	2000	2001	2002
	818.8		846.6	844.5	871.8
		728.6			

FISCAL YEAR ENDED APRIL 30TH

NET ASSET VALUE

(\$ in millions, except per share data)

	April 30, 2002		April 30, 2001	
	Net Asset Value	Percent of Total	Net Asset Value	Percent of Total
Food Distribution	\$ 1,730	65%	\$ 896	51%
Real Estate	299	11%	235	13%
Investments and Other	653	24%	625	36%
	\$ 2,682	100%	\$ 1,756	100%
Less: corporate debt	(165)		(153)	
Net asset value	\$ 2,517		\$ 1,603	
Net asset value per share	\$ 76.62		\$ 48.87	

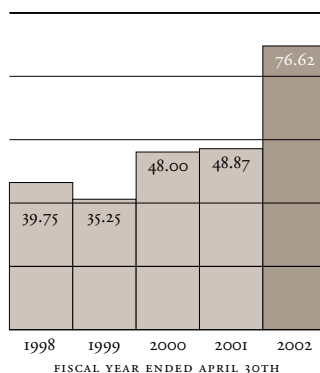
SHAREHOLDERS' EQUITY At April 30, 2002, Shareholders' equity totaled \$1,290.6 million versus \$1,115.0 million last year. The 175.6 million or 15.7 percent increase is attributed to higher retained earnings driven largely by the \$195.9 million in net earnings recorded in fiscal 2002.

Total common shares outstanding at April 30, 2002 were 32.87 million, relatively unchanged from April 30, 2001. Total dividends paid to common shareholders amounted to \$14.1 million or \$0.4275 per share, an increase of 25.7 percent over the previous fiscal year on a per share basis. Book value per common share was \$38.93 compared to \$33.63 at April 30, 2001.

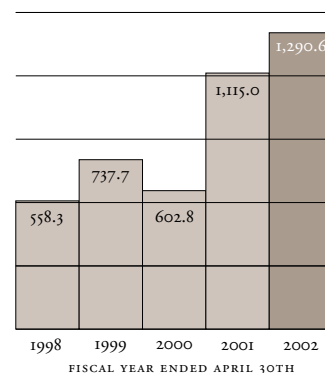
LIABILITIES Empire finances a significant portion of its assets through the use of debt, the majority of which is fixed-rate and long-term in nature. Total fixed-rate, long-term debt at year-end of 986.8 million (includes the current portion of long-term debt) represents 78 percent of Empire's total funded debt of \$1,267.8 million. Of this fixed-rate, long-term debt, 50.3 percent was directly related to the food distribution segment, 49.1 percent was directly related to the real estate segment and 0.6 percent was related to other operations. The investment segment carries no long-term debt. Given that the underlying investments are highly liquid in nature, financing matched to the investment segment is short-term. Empire finances its long-term assets with fixed-rate debt, thereby reducing both interest rate and refinancing risk.

Operating income increased 22.0 percent in fiscal 2002, while interest expense decreased by 23.5 percent due to reduced funded debt, lower borrowing rates and short-term cash flow management initiatives. The net effect of these factors was an increase in Empire's overall interest coverage to 3.73 times from 2.34 times in fiscal 2001. All of Empire's businesses reported improved interest coverage in fiscal 2002.

EMPIRE COMPANY
NET ASSET VALUE PER SHARE
(\$ PER SHARE)



EMPIRE COMPANY
SHAREHOLDERS' EQUITY
(\$ IN MILLIONS)



Funded debt (less the estimated realizable value (after-tax) of the Company's investments) to total capital decreased by 17.5 percentage points to 23.3 percent from 40.8 percent last year. Total funded debt, net of cash and estimated after-tax proceeds on sale of investments, equaled \$391.4 million at April 30, 2002, a decrease of \$376.6 million or 49 percent from \$768.0 million last year.

Empire maintains a corporate unsecured debt rating of BBB- (stable) from Standard & Poors and a debt rating of BBB (stable) from Dominion Bond Rating Service.

Capital Resources & Liquidity

Short-term liquidity remains strong as a result of internally generated cash flow, net cash on hand, unutilized bank credit facilities, and liquid short-term investments. On a non-consolidated basis, Empire maintains authorized bank lines for operating, general and corporate purposes of \$325 million, of which 51 percent was utilized at year-end. Financial instruments are used from time to time to manage short-term interest rate fluctuations on underlying short-term lines of credit.

During fiscal 2002, Empire's managed working capital (year-over-year change in accounts receivable and inventory less accounts payable) improved \$134.8 million. This improvement was primarily the result of sustainable improvements in inventory management, accounts receivable collection processes, and accounts payable administration in the food division. The real estate division improved its managed working capital position in fiscal 2002, primarily as a result of contribution from Genstar. Empire expects to continue to run a negative (favourable) managed working capital balance in fiscal 2003. Any temporary short falls will be financed through short-term debt facilities currently in place.

OPERATING ACTIVITIES For the year ended April 30, 2002, Empire recorded cash provided by operations of \$618.2 million, an increase of \$444.4 million from the \$173.8 million recorded in the previous fiscal year. The increase is primarily the result of a \$609.6 million improvement in items not affecting cash. See Empire's fiscal 2002 financial statement (note 14) for detail on items not affecting cash.

The \$180.3 million net change in other current items (negative \$86.5 million in fiscal 2001) was principally the result of improved inventory management, lower accounts receivable, and increased accounts payable in the food division.

INVESTING ACTIVITIES Cash flows used for investments amounted to \$654.9 million for fiscal 2002 versus cash available of \$260.3 million last year. The turnaround is primarily the result of a \$240.1 million increase in investment in property, equipment and other assets from last year, combined with the net proceeds from the sale of Hannaford Bros. Co. last year of \$667.8 million.

The table below presents the balance sheet capital expenditures over the last two years by business segment.

(\$ in millions)

	2002	2001
Food Distribution	\$ 458.9	\$ 256.7
Real Estate	48.1	20.6
Investments & Other	12.5	2.1
Total Capital Expenditures	\$ 519.5	\$ 279.4

During fiscal 2002, food division company-wide capital spending totaled \$679 million for the food distribution segment. This capital spending, which includes expenditures by Sobey's, franchisees, third parties and the purchase of the Milton and Whitby distribution centres, represents an increase of \$174 million or 34.4 percent over the \$505 million in total spending for fiscal 2001.

FINANCING ACTIVITIES Cash flows used for financing totaled \$322.4 million in fiscal 2002, versus \$365.1 million last year. Long-term debt of \$169.5 million was repaid during the year and \$150.0 million of revolving accounts receivable securitization financing was repurchased with proceeds of the SERCA sale. Empire's total debt at April 30, 2002 amounted to \$1,267.8 million, a decrease of 11 percent from the \$1,425.0 million reported at April 30, 2001.

Empire maintains direct access to capital markets for longer-term capital resources. The real estate operation generally structures its long-term obligations with fixed rates and fully amortized debt to reduce interest rate and refinancing risk. Short-term lines are maintained for operating requirements.

The food distribution division services its short-term financing requirements through internally generated cash flow, cash on hand and via established bank lines. Long-term financing is obtained primarily through an established medium term note ("MTN") program. The food division normally refinances existing long-term debt as it matures, and maintains financial flexibility through access to the capital markets for additional long-term debt or equity financing.

At year-end, on a consolidated basis, the Company's authorized bank credit facilities exceeded borrowings by \$596 million. The Company, at its option, can convert \$250 million of its authorized revolving-term credits into non-revolving fixed-rate financing for a term up to 30 months. The Company anticipates ready access to financing sources as a result of its investment grade credit ratings and previous experiences in the capital markets.

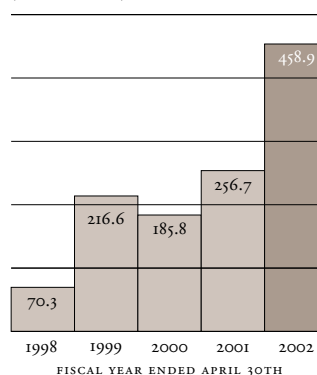
Risk And Risk Management

Empire, through its operating companies and investment portfolio, is exposed to a number of risks in the normal course of business that have the potential to affect operating performance. These risks include retail competitive risk, environmental risk, financial risk, operational risk and equity price risk.

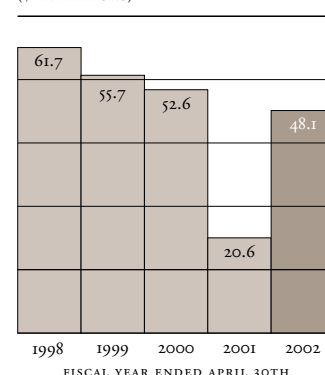
RETAIL COMPETITIVE RISK Empire's food distribution operations face the potential for reduced revenue and margins as a result of intensified competition. To mitigate this risk, Sobeys' strategy is: to be geographically diversified with a national presence, to be market-driven, to be focussed on superior execution, and to have cost effective operations. Empire's real estate operations generate a stable source of cash flow and income from ongoing tenant payments. Continued growth of rental income is dependent on renewing expiring leases and finding new tenants to fill vacancies at prevailing rental rates, thereby ensuring an attractive return on our investment. The success of the real estate portfolio is subject to general economic conditions, the supply and demand for rental property in key markets served, and the availability of attractive financing to expand the real estate portfolio where deemed prudent. During fiscal 2002, our real estate operations encountered relatively positive economic conditions in our key markets and a relative lack of new rental space resulted in improved rental rates.

ENVIRONMENTAL RISK Empire's operating subsidiaries conduct an ongoing, comprehensive environmental monitoring process and the Company is unaware of any material environmental liabilities.

**FOOD DISTRIBUTION
CAPITAL EXPENDITURES
(\$ IN MILLIONS)**



**REAL ESTATE
CAPITAL EXPENDITURES
(\$ IN MILLIONS)**



FINANCIAL RISK At the consolidated level, a formal debt management policy has been approved by the Board of Directors, which details certain directives to ensure that prudent financial management is adhered to. In the ordinary course of managing its debt, Empire and its operating companies have entered into various financial instruments, which are not reflected on the balance sheet, to manage the volatility of borrowing costs. Financial instruments are not used for speculative purposes.

At year end Empire consolidated had in place an interest rate hedge of \$25 million on its funded debt at a fixed rate of 4.98 percent, maturing in 2003. The food division had in place interest hedges of \$84 million on its funded debt at a fixed rate of 6.7 percent for three years, to mature in 2005. The real estate division had an interest rate hedge for \$18 million, maturing in 2004, at a fixed rate of 4.015 percent and an interest rate hedge for \$10 million, maturing in September 2002, at a fixed rate of 6.84 percent.

The majority of Empire's and its subsidiaries' debt is at fixed rates and accordingly there is limited exposure to interest rate risk.

OPERATIONAL RISK Empire and its subsidiaries are self-insured with respect to certain operational risks. In addition, comprehensive loss prevention programs are maintained to mitigate the financial impact to the Company or its subsidiaries.

The food division, as part of its quality control program, recognizes that total product integrity and a safe, well managed supply chain to ensure food safety overall, is of utmost importance. Sobeys Inc. maintains strict policies in its facilities to ensure food quality and safety are not compromised.

Labour disruptions pose a moderate operational risk. Empire and its subsidiaries have good relations with their employees and unions and does not anticipate any material labour disruptions in fiscal 2003.

EQUITY PRICE RISK The carrying values of the investments in Empire's investment portfolio are based on cost, however, their realizable value is based on market prices and therefore are subject to market price fluctuations. Empire has a disciplined, long-term approach to select quality investments and we have, in the past, been successful in generating above market returns. While we may not expect our portfolio returns to match those of the prior year, we will continue to manage it prudently to ensure appropriate diversification and liquidity.

Accounting Policy Changes

Effective the first quarter of fiscal 2002 (three months ended July 31, 2001), the Company adopted CICA accounting standard, Section 1751, "Interim Financial Statements" which resulted in expanded disclosure on quarterly consolidated financial statements.

Effective the first quarter of fiscal 2003 (three months ended July 31, 2002) the Company intends to adopt prospectively the new accounting standard issued by the CICA on goodwill and other intangible assets. Under the new standard, goodwill and intangible assets with indefinite useful lives will no longer be amortized, but will be subject to impairment tests on at least an annual basis.

Intangible assets, other than goodwill, which do not have indefinite lives, will be amortized over their useful lives. These intangible assets will be subject to an annual impairment test comparing asset values to net recoverable amounts. Any permanent impairment in the book value of goodwill or intangible assets will be recognized as an expense in the determination of the Company's earnings.

Effective the first quarter of fiscal 2003, the Company will adopt CICA accounting standard, Section 3870, "Stock-based Compensation and Other Stock-based Payments". This pronouncement establishes standards for recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services.

The cost of Empire's stock-based compensation plan for non-employee members of the Board of Directors, introduced in 2001, has been fully accrued in the financial statements based on the April 30, 2002 price for the Non-voting Class A shares. While the Company's long-term incentive plan for executives provides for the issuance of stock options, the Company ceased issuing options in 1996, and, as of April 30, 2002, Empire had only 47,437 options outstanding. Adoption of this standard will not have a material effect on Empire's financial statements.

Outlook

Management has projected stronger financial performance in fiscal 2003, primarily as a result of continued growth in contribution from each operating company. We have assumed the continuation of intense competition in our projections and have factored in conservative cost of capital assumptions. We are committed to growing value in each of our businesses and thereby, growing value in Empire Company Limited.

Forward Looking Statements

Certain forward-looking statements are included in this annual report relating to capital expenditures, cost reduction and operating performance. Such statements are based on management's assumptions and beliefs in light of information currently available. These forward-looking statements are subject to inherent uncertainties and risks, including but not limited to: business and economic conditions generally in the Company's operating regions; pricing pressures and other competitive factors; results of the Company's ongoing efforts to reduce costs; equity price risk; and the availability and terms of financing. Consequently, actual results and events may vary significantly from those included in or contemplated or implied by such statements.

Management's Responsibility for Financial Report

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 financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgements. All other financial information in the report is consistent with that contained in the financial statements.

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 of non-management directors, meets 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 financial statements to be issued to shareholders. The external auditors have full and free access to the Audit Committee.



Paul D. Sobey
President and Chief Executive Officer
June 27, 2002



Paul V. Beesley
Senior Vice President,
Chief Financial Officer and Secretary
June 27, 2002

Auditors' Report

To the Shareholders of Empire Company Limited

We have audited the consolidated balance sheets of Empire Company Limited as at April 30, 2002 and 2001, and the consolidated statements of earnings, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



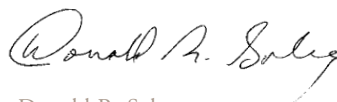
Grant Thornton LLP
Chartered Accountants
New Glasgow, Nova Scotia
Canada
June 10, 2002

Consolidated Balance Sheets

April 30 (in millions)

	2002	2001
ASSETS		
Current		
Cash	\$ 137.1	\$ 83.5
Receivables	312.8	330.9
Inventories	425.7	441.9
Prepays	37.0	38.1
Investments, at cost (quoted market value \$713.6; 2001 \$552.3)	645.3	473.2
Discontinued operations (Note 2)	5.8	217.8
	<u>1,563.7</u>	<u>1,585.4</u>
Investments, at equity (quoted market value \$41.1; 2001 \$41.0)	41.1	61.4
Current assets and marketable investments	<u>1,604.8</u>	<u>1,646.8</u>
Property and equipment (Note 5)	1,911.6	1,610.4
Other assets (Note 6)	796.2	794.6
Discontinued operations (Note 2)	-	202.5
	<u>\$ 4,312.6</u>	<u>\$ 4,254.3</u>
LIABILITIES		
Current		
Bank loans and notes payable (Note 7)	\$ 207.2	\$ 229.2
Payables and accruals	1,006.5	906.0
Income taxes payable	51.9	33.8
Future income taxes (Note 13)	9.6	16.4
Long-term debt due within one year	85.6	88.6
Discontinued operations (Note 2)	-	224.7
	<u>1,360.8</u>	<u>1,498.7</u>
Long-term debt (Note 8)	975.0	1,107.2
Deferred revenue	12.8	14.1
Employee future benefit obligation (Note 19)	71.7	59.3
Minority interest	480.9	406.9
Future income taxes (Note 13)	120.8	50.5
Discontinued operations (Note 2)	-	2.6
	<u>3,022.0</u>	<u>3,139.3</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 10)	195.6	193.4
Retained earnings	1,094.5	923.1
Foreign currency translation (Note 1)	0.5	(1.5)
	<u>1,290.6</u>	<u>1,115.0</u>
	<u>\$ 4,312.6</u>	<u>\$ 4,254.3</u>

On behalf of the Board


Paul D. Sobey
Director

Donald R. Sobey
Director

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Retained Earnings

Year Ended April 30 (in millions)

	2002	2001
Balance, beginning of year, as previously reported	\$ 923.1	\$ 360.3
Adjustment relating to adoption of accounting policy changes	-	(4.8)
Balance, beginning of year, as restated	923.1	355.5
Net earnings	195.9	580.0
	<u>1,119.0</u>	<u>935.5</u>
Refundable taxes		
Paid	11.7	-
Recovered	(1.7)	-
	<u>10.0</u>	<u>-</u>
Dividends paid		
Preferred shares	0.4	1.2
Common shares	14.1	11.2
	<u>14.5</u>	<u>12.4</u>
Balance, end of year	<u>\$ 1,094.5</u>	<u>\$ 923.1</u>

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Earnings

Year Ended April 30 (in millions except per share amounts)

	2002	2001
Revenue	\$ 9,926.5	\$ 9,331.1
Cost of sales, selling and administrative expenses	9,409.4	8,910.8
	517.1	420.3
Depreciation	118.9	109.0
	398.2	311.3
Investment income (Note 11)	18.0	29.8
Operating income	416.2	341.1
Interest expense		
Long-term debt	104.0	115.0
Short-term debt	7.6	30.8
	111.6	145.8
	304.6	195.3
Capital gains (losses) and other items (Note 12)	(3.1)	531.3
	301.5	726.6
Income taxes (Note 13)		
Current income taxes	97.1	87.1
Future income taxes	7.7	44.8
	104.8	131.9
	196.7	594.7
Minority interest	50.0	15.4
Earnings before goodwill amortization	146.7	579.3
Goodwill amortization (Note 1)	9.5	9.3
Earnings from continuing operations	137.2	570.0
Discontinued operations (Note 2)		
Earnings from discontinued operations	8.7	10.0
Gain on sale of discontinued operations	50.0	-
	58.7	10.0
Net earnings	\$ 195.9	\$ 580.0
Earnings per share, basic and diluted (Note 4)		
Earnings from continuing operations	\$ 4.16	\$ 17.34
Earnings from discontinued operations	\$ 1.79	\$ 0.30
Net earnings	\$ 5.95	\$ 17.64

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Year Ended April 30 (in millions except per share amounts)

	2002	2001
Cash provided by (used for) operations		
Earnings from continuing operations	\$ 137.2	\$ 570.0
Items not affecting cash (Note 14)	301.1	(308.5)
Payment of preferred dividends	(0.4)	(1.2)
Operating cash flow	437.9	260.3
Net change in other current items	180.3	(86.5)
	<u>618.2</u>	<u>173.8</u>
Cash provided by (used for) financing		
Net decrease in bank loans	(22.0)	(359.9)
Net increase (decrease) in construction loans	(13.1)	0.2
Proceeds from issue of long term debt	47.4	553.1
Revolving securitization of accounts receivable	(150.0)	150.0
Repayment of long term debt	(169.5)	(772.1)
Increase in minority interest	8.3	93.9
Redemption of preferred shares	-	(20.2)
Issue of Non-Voting Class A shares, net of costs	0.6	1.1
Payment of common dividends	(14.1)	(11.2)
Refundable taxes	(10.0)	-
	<u>(322.4)</u>	<u>(365.1)</u>
Total cash available (used)	<u>295.8</u>	<u>(191.3)</u>
Cash provided by (used for) investments		
Net increase in short-term investments	(172.1)	(172.1)
Net proceeds from sale of investment in Hannaford Bros. Co.	-	667.8
Purchase of shares in subsidiary, Sobeys Inc.	(20.9)	(10.9)
Purchase of property, equipment and other assets	(519.5)	(279.4)
Proceeds from sale of property	53.2	55.2
Increase in employee future benefit obligation	2.9	1.7
Increase (decrease) in deferred foreign currency translation gains	1.5	(2.0)
Total cash available (used)	<u>(654.9)</u>	<u>260.3</u>
Increase (decrease) in cash from continuing operations	(359.1)	69.0
Discontinued operations	412.7	(39.7)
Cash, beginning of year	83.5	54.2
Cash, end of year	<u>\$ 137.1</u>	<u>\$ 83.5</u>
Operating cash flow per share (Note 4)	<u>\$ 13.33</u>	<u>\$ 7.94</u>

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

April 30, 2002 (in millions except share capital)

NOTE I • Accounting policies

PRINCIPLES OF CONSOLIDATION These consolidated financial statements include the accounts of the Company and all subsidiary companies. Investments in which the Company has significant influence are accounted for by the equity method. Investments in real estate joint ventures are consolidated on a proportionate basis.

DEPRECIATION The sinking fund method is used to record depreciation of the real estate buildings, calculated as an amount which, compounded annually at the rate of 5 percent, will fully amortize the cost of the buildings over their estimated useful lives ranging from 20 to 40 years. During the 2001 fiscal year, the Company changed the estimated useful lives of its rental properties based on a review of its properties. This change in accounting estimate was applied prospectively. Prior to 2001, estimated lives ranged from 20 to 50 years from the date of acquisition. Deferred leasing costs are amortized over the terms of the related leases and included in operating expenses.

Depreciation of other property and equipment is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Equipment	3 – 10 years
Buildings	15 – 40 years
Leasehold improvements	7 – 10 years

CAPITALIZATION OF COSTS

A) CONSTRUCTION PROJECTS Certain subsidiary companies and joint ventures capitalize interest during the construction period until the project opening date. The amount of interest capitalized to construction progress in the current year was \$0.7 (2001 - \$0.8).

B) RENTAL PROPERTIES Certain subsidiaries and joint ventures capitalize the direct carrying and operating costs applicable to the unleased areas of each new project for a reasonable period from the project opening date until a certain level of occupancy is reached.

C) LAND HELD FOR FUTURE DEVELOPMENT A subsidiary company capitalizes interest and real estate taxes to the extent that they relate to properties for immediate development. The carrying costs on the balance of properties held for future development are expensed as incurred. The amount of interest capitalized to land held for future development in the current year was \$0.2 (2001 – Nil).

COST OF FINANCING The direct costs of debt financing are being amortized over the terms of the related debt.

GOODWILL Goodwill represents the excess of the purchase price of the business acquired over the fair value of the underlying net tangible assets acquired at the date of acquisition. Goodwill is amortized on a straight-line basis over its estimated life of 40 years. Goodwill amortization is net of income tax recovery of \$0.6 and minority interest of \$5.9 (2001 income taxes of \$0.6 and minority interest of \$5.8).

The Company evaluates the carrying value of goodwill for possible impairment by considering whether the amortization of the goodwill balance over the remaining life can be recovered through undiscounted future operating cash flow of the acquired operations.

Canadian Institute of Chartered Accountants (CICA) Handbook Section 3062, Goodwill and Other Intangibles was revised during the past year. Goodwill with an indefinite life no longer has to be amortized, but must undergo an impairment test on an annual basis to determine if a write down is required. This section must be applied for fiscal years beginning on or after January 1, 2002 and will be implemented by the Company on May 1, 2002, the beginning of the next fiscal year.

NET EARNINGS PER SHARE At the beginning of the year, the Company adopted the CICA Handbook Section 3500 which requires that basic and diluted earnings per share be presented on the face of the earnings statement. The treasury stock method is used to calculate the dilution effect of stock options. The adoption of this section had no effect on earnings per share.

INVENTORIES Warehouse inventories are valued at the lower of cost and net realizable value with cost being substantially determined on a first-in, first-out basis. Retail inventories are valued at the lower of cost and net realizable value less normal profit margins as determined by the retail method of inventory valuation.

LEASES Leases meeting certain criteria are accounted for as capital leases. The imputed interest is charged against income and the capitalized value is depreciated on a straight-line basis over its estimated useful life. Obligations under capital leases are reduced by rental payments net of imputed interest. All other leases are accounted for as operating leases with rental payments being expensed as incurred.

REVENUE RECOGNITION Sales are recorded at the point of sale. Food distribution sales include revenues from customers through corporate stores operated by the Company and revenue from franchised stores, associated stores and independent accounts.

DEFERRED REVENUE Deferred revenue consists of a long-term purchase agreement and rental revenue arising from the sale of subsidiaries. Deferred revenue is being taken into income over the term of the related agreement and leases.

FOREIGN CURRENCY Assets and liabilities of self-sustaining foreign investments are translated at exchange rates prevailing at the balance sheet date. The revenues and expenses are translated at average exchange rates prevailing during the year. The gains and losses on translation are deferred and included as a separate component of shareholders' equity titled "foreign currency translation".

DEVELOPMENT AND STORE OPENING EXPENSES Development and opening expenses of new stores, store conversions and new warehouses are written off during the first year of operation.

EMPLOYEE FUTURE BENEFITS During the previous fiscal year, the Company adopted the CICA Handbook Section 3461 on accounting for employee future benefits. This change was applied on a retroactive basis without restatement of prior years.

FUTURE INCOME TAXES LIABILITY During the previous fiscal year, the Company adopted the CICA Handbook Section 3465 relating to the new method of accounting for income taxes. The difference between the tax basis of assets and liabilities and their carrying value on the balance sheet has been used to calculate future tax assets and liabilities. The future tax assets and liabilities have been measured using the substantially enacted tax rates that will be in effect when the differences are expected to reverse.

ACCOUNTING ESTIMATES The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future.

NOTE 2. Discontinued operations

On April 1, 2002 Sobeys Inc. announced completion of the sale of all of its assets for the SERCA Foodservice operations.

The revenues of the discontinued operations are \$2,003.6 for the 47 weeks ended March 30, 2002.

SERCA Foodservice earnings net of minority interest before taxes during the period from May 6, 2001 until the measurement date of November 3, 2001 were \$11.4 with income taxes of \$5.4 giving net earnings of \$6.0. Since November 3, 2001 earnings before taxes were \$6.0 and income taxes were \$3.3 giving net earnings of \$2.7.

Interest on other debt that is not directly attributable to the discontinued operations has not been allocated to the discontinued operations.

Noncurrent assets of discontinued operations are comprised principally of fixed assets and goodwill for fiscal 2001.

Cash flow from discontinued operations for the 11 months ended March 30, 2002 include operating cash used by SERCA Foodservice of \$2.2, cash generated by investing activities of \$3.8 and cash used by financing activities of \$0.3.

GAIN ON SALE On March 30, 2002 predominately all of the assets of the SERCA Foodservice business were sold to SYSCO Corp. The components of the gain on sale are:

Cash proceeds	\$ 411.4
Trade and other receivables	(185.7)
Inventory	(97.6)
Property and equipment	(37.1)
Goodwill	(154.0)
Other assets and liabilities	(11.9)
Selling expenses	(3.6)
Trade and other payables	198.7
Net assets	(291.2)
Gain on sale, before tax and minority interest	120.2
Current tax expense	39.5
Gain on sale before minority interest	80.7
Minority interest	30.7
Gain	\$ 50.0

NOTE 3. Sale of Hannaford Bros. Co.

On July 28, 2000 the Company sold the Hannaford Bros. Co. investment. Details of the sale are as follows:

Proceeds	
Cash	\$ 745.0
11,915,463 shares Delhaize America Inc.	287.3
	1,032.3
Expenses and foreign currency translation losses	39.6
	992.7
Book value net of foreign currency translation gains	268.5
Gain before income taxes	724.2
Income taxes	150.7
Gain	\$ 573.5

NOTE 4. Net earnings and operating cash flow per share

Net earnings and operating cash flow per share amounts are calculated on the weighted average number of shares outstanding (2002 – 32,850,000 shares; 2001 – 32,813,000 shares) after providing for preference share dividends accrued to the balance sheet date. Diluted earnings per share have been calculated on the assumption that all the outstanding stock options were exercised at the beginning of the year.

Earnings applicable to common shares is comprised of the following:

	2002	2001
Earnings before goodwill amortization	\$ 146.7	\$ 579.3
Goodwill amortization	9.5	9.3
Earnings from continuing operations	137.2	570.0
Capital gains and other items, net of taxes of \$12.3 [2001 - \$(58.7)] and minority interest of \$4.5 (2001 - \$18.9)	13.7	491.5
	123.5	78.5
Earnings from discontinued operations	8.7	10.0
Operating earnings	132.2	88.5
Capital gains and other items	13.7	491.5
Gain on sale of discontinued operations	50.0	-
	63.7	491.5
Net earnings	195.9	580.0
Preferred share dividends	0.4	1.2
Earnings applicable to common shares	\$ 195.5	\$ 578.8
Earnings per share is comprised of the following:		
Earnings before goodwill amortization applicable to common shares	\$ 4.45	\$ 17.62
Goodwill amortization	0.29	0.28
Earnings from continuing operations	4.16	17.34
Capital gains and other items, net of taxes and minority interest	0.41	14.98
	3.75	2.36
Earnings from discontinued operations	0.26	0.30
Operating earnings	4.01	2.66
Capital gains and other items	0.41	14.98
Gain on sale of discontinued operations	1.53	-
	1.94	14.98
Net earnings per share	\$ 5.95	\$ 17.64
Diluted earnings per share	\$ 5.95	\$ 17.64
Other information		
Net interest paid	\$ 114.4	\$ 146.1
Net income taxes paid	\$ 104.3	\$ 67.2

NOTE 5. Property and equipment

	Cost	Accumulated Depreciation	2002	2001
			Net Book Value	Net Book Value
Real estate segment				
Land	\$ 112.3	\$	\$ 112.3	\$ 111.1
Land held for future development	22.2		22.2	8.3
Buildings	799.0	142.5	656.5	637.4
	<u>933.5</u>	<u>142.5</u>	<u>791.0</u>	<u>756.8</u>
Food distribution and other				
Land	75.5		75.5	72.7
Land held for future development	78.8		78.8	69.6
Buildings	483.5	100.6	382.9	245.5
Equipment	1,235.5	787.2	448.3	359.8
Leasehold improvements	258.1	133.9	124.2	94.1
Assets under capital leases	17.6	6.7	10.9	11.9
	<u>2,149.0</u>	<u>1,028.4</u>	<u>1,120.6</u>	<u>853.6</u>
Total	\$ 3,082.5	\$ 1,170.9	\$ 1,911.6	\$ 1,610.4

NOTE 6. Other assets

	2002	2001
Mortgages and loans	\$ 109.0	\$ 115.4
Goodwill (less accumulated amortization of \$56.1 2001 - \$40.1)	565.8	565.6
Deferred charges	121.4	113.6
	<u>\$ 796.2</u>	<u>\$ 794.6</u>

LOANS RECEIVABLE Loans receivable represent long-term financing to certain retail associates. These loans are primarily secured by inventory, fixtures and equipment, bear interest at rates which fluctuate with prime and have repayment terms up to ten years. The carrying amount of the loans receivable approximates fair value based on the variable interest rates charged on the loans and the operating relationship of the associates with the Company.

The loans and mortgages receivable are net of current portions of \$19.3 (2001 - \$41.9).

NOTE 7. Bank loans and notes payable

As security for certain bank loans, the Company has provided an assignment of certain marketable securities and, in certain divisions and subsidiaries, general assignments of receivables and leases, first floating charge debentures on assets and the assignment of proceeds of fire insurance policies.

Under the terms of a credit agreement entered into between the Company and a banking syndicate arranged by the Bank of Nova Scotia, a revolving term credit facility of \$300.0 was established. This unsecured facility will expire on June 28, 2002, however, various provisions of the agreement provide the Company with the ability to extend the facility for a minimum period of two years. Interest is payable on this facility at rates which fluctuate with changes in the prime rate.

In the ordinary course of managing its debt, the Company uses various financial instruments, which are not reflected on the balance sheet, to reduce or eliminate exposure to interest rate and foreign currency risks. Interest rate swaps, caps, collars and forward contracts are used to hedge or reduce the exposure to floating interest rates and foreign currency fluctuations associated with short-term obligations. At April 30, 2002, \$25.0 in short-term obligations were covered by such instruments with an interest rate of 4.98 percent maturing in 2003.

NOTE 8. long-term debt

			2002	2001
	Real Estate Segment	Food Distribution	Total	Total
First mortgage loans, average interest rate 9.4%, due 2002-2026	\$ 402.5	\$ 32.5	\$ 435.0	\$ 428.2
Secured loans, average interest rate 6.8%, due June 29, 2005	-	100.0	100.0	220.0
Medium term note, interest rate 7.6%, due November 1, 2005	-	175.0	175.0	175.0
Medium term note, interest rate 7.0%, due October 2, 2003	-	100.0	100.0	100.0
Debentures, average interest rate 10.7%, due 2002-2016	82.8	83.4	166.2	175.3
Notes payable and other debt at interest rates fluctuating with the prime rate	45.6	27.8	73.4	71.7
	530.9	518.7	1,049.6	1,170.2
Construction loans at interest rates fluctuating with the prime rate	0.4	-	0.4	13.5
Capital lease obligations, due 2001-2011, net of imputed interest	-	10.6	10.6	12.1
	531.3	529.3	1,060.6	1,195.8
Less amount due within one year	31.2	54.4	85.6	88.6
	\$ 500.1	\$ 474.9	\$ 975.0	\$ 1,107.2

The Company has fixed the interest rate on \$111.7 of its long-term debt at rates from 4.0 percent to 6.8 percent by utilizing interest exchange agreements.

Long-term debt is secured by land and buildings, specific charges on certain assets and additional security as described in Note 7.

During the previous year a short form prospectus was filed providing for the issuance of up to \$500.0 in unsecured medium term notes. The Company also negotiated a new unsecured \$550.0 credit facility consisting of \$250.0 of non-revolving debt to be repaid over five years, plus a \$300.0 revolving line of credit. As of April 30, 2002, \$150.0 of the non-revolving debt had been retired.

Debt retirement payments and capital lease obligations in each of the next five fiscal years are:

	Long term Debt	Capital Leases
2003	\$ 84.2	\$ 1.4
2004	169.8	1.4
2005	50.9	1.5
2006	219.9	1.5
2007	31.4	1.6

OPERATING LEASES The net aggregate, annual, minimum rent payable under operating leases for fiscal 2002 is approximately \$84.3 (\$169.8 gross less expected sub-lease income of \$85.5).

The net commitment over the next five fiscal years are:

	Net Lease Obligation
2003	\$ 84.3
2004	69.9
2005	64.8
2006	61.0
2007	47.2

NOTE 9. Accounts receivable securitization

On June 29, 2000, the Company entered into a revolving securitization program, whereby some accounts receivable

were sold to a banking syndicate under terms that transferred significant risks and rewards of ownership. The transaction was recognized as a sale and the accounts receivables were removed from the consolidated balance sheet. As at March 27, 2002, the Company had received \$175.0 from the revolving securitization.

On March 28, 2002, the Company purchased these accounts receivables from the banking syndicate for \$175.0. The transaction was recognized as a purchase and the accounts receivable were added to the consolidated balance sheet at the time of the purchase. On March 30, 2002, the Company sold \$76.2 of these accounts receivable as part of the sale of net assets of its SERCA Foodservice operations.

NOTE 10. Capital stock

AUTHORIZED

	Number of Shares
Preferred shares, par value of \$25 each, issuable in series as a class. Series 2 cumulative, redeemable, rate of 75 percent of prime. Series 3 cumulative, redeemable, rate 8 percent.	34,261,305
Non-voting Class A shares, without par value	136,583,367
Class B common shares, without par value, voting	20,400,000

ISSUED AND OUTSTANDING

	2002		2001	
	Number of Shares		Number of Shares	
Preferred shares, Series 2	431,900	\$ 10.8	431,900	\$ 10.8
Non-voting Class A	15,423,110	180.6	15,380,044	180.0
Class B common	17,448,728	7.7	17,448,728	7.7
		199.1		198.5
Loans receivable from employees and directors under share purchase plan		(3.5)		(5.1)
		\$ 195.6		\$ 193.4

In 2001, the Company purchased for cancellation 545,000 of its Series 2 preferred shares for \$13.6 and 262,352 of its Series 3 preferred shares for \$6.6.

During the year 43,066 (2001 – 34,872) options were exercised resulting in 43,066 (2001 – 34,872) Non-Voting Class A shares being issued for \$0.6 (2001 – \$0.5). Options allow holders to purchase Non-Voting Class A shares at \$13.11 per share. Options expire at dates from June 2002 to October 2006. There were 47,437 options outstanding at April 30, 2002.

In 2001, 19,243 Non-Voting Class A shares were issued under the Company's share purchase plan to certain officers and employees for \$0.6, which was based on the average trading price of the non-voting Class A shares on the Toronto Stock Exchange for the five previous trading days.

Loans receivable from officers and employees of \$3.5 (2001 – \$5.1) under the Company's share purchase plan are classified as a reduction of Shareholders' Equity. Loan repayments will result in a corresponding increase in Share Capital. The loans are non-interest bearing and non-recourse, secured by

140,178 (2001 – 225,368) Non-Voting Class A shares. Market value of the shares at April 30, 2002 was \$8.1 (2001 – \$7.7).

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.

NOTE II. Investment income

	2002	2001
Dividend and interest income	\$ 15.0	\$ 14.1
Share of income of companies accounted for by the equity method	3.0	15.7
	<u>\$ 18.0</u>	<u>\$ 29.8</u>

NOTE I2. Capital gains and other items

	2002	2001
Gain on sale of investments	\$ 34.3	\$ 19.1
Foreign currency translation loss	(3.1)	
Gain (loss) on disposal of properties	15.1	(1.4)
Gain on sale of investment in Hannaford Bros. Co.	–	724.2
Restructuring charges	–	(89.1)
Employee future benefit obligation	(9.5)	–
Reduction of book value of investments	(23.2)	(47.8)
Reduction of book value of real estate assets	(16.7)	(73.7)
	<u>\$ (3.1)</u>	<u>\$ 531.3</u>

On January 24, 2001 Sobeys Inc., the Company's food distribution segment subsidiary, announced its decision to discontinue further development and implementation of its enterprise-wide software and systems initiative. This resulted in an expense of \$89.1 or \$30.3 net of income taxes of \$39.9 and minority interest of \$18.9.

At the time of the implementation of CICA section 3461, relating to employee future benefits, the liability was estimated to be \$59.1. In March 2002, the Company requested an

updated actuarial evaluation of the liability. This evaluation, using current information, indicated that the previous estimate was understated by \$9.5.

As a result of a strategic review, including a review of the carrying value of investments and real estate assets, the Company determined that a write-down is appropriate. Accordingly, the carrying value of Wajax has been reduced by \$23.2 less income taxes of \$5.0 (2001 – \$47.8 less income taxes of \$6.6) and the carrying value of certain real estate properties has been reduced by \$16.7 less income taxes of \$6.9 and minority interest of \$2.2 (2001 – \$73.7 less income taxes of \$27.8).

NOTE I3. 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:

	2002	2001
Income tax expense according to combined statutory rate of 40.2% (2001 – 39.8%)	\$ 116.2	\$ 71.4
Increase (reduction) in income taxes resulting from		
Adjustment to future tax assets and liabilities for substantially enacted changes in tax laws and reduction in capital gains inclusion rate	(3.9)	1.5
Non-taxable gains	(0.1)	(0.6)
Non-taxable dividends and equity earnings	(7.3)	(9.5)
Non-deductible goodwill amortization	6.1	5.8
Other non-deductible costs	2.2	–
Large corporation tax	3.3	3.9
Total income taxes (before capital gains and other items)	116.5	72.5
Capital gains and other items	(12.3)	58.8
	<u>\$ 104.2</u>	<u>\$ 131.3</u>

April 30, 2002 income tax expense attributable to net income consists of:

	Current	Future	Total
Operations	\$ 92.5	\$ 24.6	\$ 117.1
Capital gains and other items	4.6	(16.9)	(12.3)
Goodwill	—	(0.6)	(0.6)
	<u>\$ 97.1</u>	<u>\$ 7.1</u>	<u>\$ 104.2</u>

April 30, 2001 income tax expense attributable to net income consists of:

	Current	Future	Total
Operations	\$ 63.7	\$ 9.4	\$ 73.1
Capital gains and other items	23.4	35.4	58.8
Goodwill	—	(0.6)	(0.6)
	<u>\$ 87.1</u>	<u>\$ 44.2</u>	<u>\$ 131.3</u>

The tax effect of temporary differences that give rise to significant portions of future income taxes at April 30, 2002 are presented below:

Real estate division property	\$ 75.5
Investments	48.6
Future employee benefit obligation	(26.9)
Restructuring provisions	(5.4)
Pension contributions	13.8
Deferred cost	10.2
Goodwill	9.2
Other	5.4
	<u>\$ 130.4</u>
Future income taxes – current	\$ 9.6
Future income taxes – non-current	120.8
	<u>\$ 130.4</u>

NOTE 14. Items not affecting cash

	2002	2001
Depreciation	\$ 118.9	\$ 109.0
Goodwill amortization	16.0	15.7
Future income taxes	77.9	(10.7)
Amortization of deferred items	19.0	23.2
Equity in earnings of other companies, net of dividends received	(3.0)	(13.3)
Minority interest	42.9	23.7
Gain on sale of investment in Hannaford Bros. Co., net of income taxes of \$150.7	—	(573.5)
Restructuring and other charges, net of taxes of \$39.9 and minority interest of \$18.9	—	30.3
Employee future benefit obligation, net of taxes of \$3.6 and minority interest of \$2.3	3.6	—
Reduction of book value of investments, net of income taxes of \$5.0 (2001 – \$6.6)	18.2	41.2
Reduction of book value of real estate assets, net of income taxes of \$6.9 (2001 – \$27.8) and minority interest of \$2.2	7.6	45.9
	<u>\$ 301.1</u>	<u>\$ (308.5)</u>

NOTE 15. Real estate joint ventures

The financial statements include the Company's proportionate share of the accounts of incorporated and unincorporated real estate joint ventures. A summary of these amounts is as follows:

	2002	2001
Assets	\$ 92.6	\$ 76.2
Liabilities	\$ 41.3	\$ 32.0
Equity and advances	51.3	44.2
	\$ 92.6	\$ 76.2
Revenues	\$ 34.0	\$ 4.4
Expenses	2.5	2.4
Income before income taxes	\$ 31.5	\$ 2.0
Cash provided (used)		
Operating activities	\$ 50.3	\$ 8.9
Investing activities	(0.2)	(53.1)
Financing activities	(25.0)	43.5
	\$ 25.1	\$ (0.7)

On January 15, 2001 the Company acquired a 40 percent interest in the joint venture Genstar Development Partnership for cash proceeds of \$29.0. The Company's proportionate share of the assets and liabilities acquired are as follows:

Assets	\$ 73.3
Liabilities	\$ 44.3
Equity and advances	29.0
	\$ 73.3

NOTE 16. Segmented information

	2002	2001
Revenue		
Food distribution	\$ 9,732.5	\$ 9,163.0
Real estate		
Outside	137.8	119.0
Inter-segment	47.3	46.8
	185.1	165.8
Other operations	56.2	49.1
	9,973.8	9,377.9
Elimination	(47.3)	(46.8)
	\$ 9,926.5	\$ 9,331.1
Operating income		
Food distribution	\$ 295.4	\$ 229.7
Real estate	100.6	82.3
Other operations	9.0	6.5
Investment income	18.0	29.8
Corporate expenses	(6.8)	(7.2)
	\$ 416.2	\$ 341.1
Identifiable assets		
Food		
Food distribution	\$ 2,267.8	\$ 1,844.3
Goodwill	565.8	565.6
Discontinued operations	5.8	420.3
	2,839.4	2,830.2
Real estate	871.8	844.5
Investments	520.7	534.6
Other	80.7	45.0
	\$ 4,312.6	\$ 4,254.3

	2002	2001
Depreciation		
Food distribution	\$ 101.0	\$ 90.6
Real estate	13.7	14.7
Corporate and other	4.2	3.7
	<u>\$ 118.9</u>	<u>\$ 109.0</u>
Capital expenditure		
Food distribution	\$ 458.9	\$ 256.7
Real estate	48.1	20.6
Corporate and other	12.5	2.1
	<u>\$ 519.5</u>	<u>\$ 279.4</u>

The Company operates principally in two business segments: food distribution and real estate. The food distribution segment consists of distribution of food products in Canada. The real estate segment consists of development, rental and management of shopping centres and office buildings located principally in the Atlantic Provinces. Intersegment transactions are at market values.

NOTE 17. Financial instruments

CREDIT RISK There is no significant concentration of credit risk. The credit risk exposure is considered normal for the business.

OTHER FINANCIAL INSTRUMENTS The book value of cash, receivables, mortgages and loans receivable, bank loans and notes payable, accounts payables and accrued charges and income taxes payable approximate fair values at April 30, 2002. The fair value of investments is \$754.7.

The total fair value of long-term debt is estimated to be \$1,165.5. The fair value of variable rate debt is assumed to approximate its carrying amount. The fair value of other long-term debt has been estimated by discounting future cash flows at a rate offered for debt of similar maturities and credit quality.

INTEREST RATE RISK The majority of the Company debt is at fixed rates. Accordingly, there is limited exposure for interest rate risk.

NOTE 18. Contingent liabilities

At April 30, 2002, the Company was contingently liable for letters of credit issued in the aggregate amount of \$39.8.

The Company has guaranteed certain bank loans contracted by franchisees. As at April 30, 2002, these loans amounted to approximately \$10.3.

Upon entering into the lease of its new Mississauga distribution center, in March 2000, Sobeys Capital guaranteed to the landlord a performance, by SERCA, of all its obligation under the lease. The remaining term of the lease is 18 years with an aggregate obligation of \$52.0. At the time of the sale of assets of SERCA Foodservice to SYSCO the lease of the Mississauga distribution center was assigned to and assumed by the purchaser and SYSCO Corp. agreed to indemnify and hold Sobeys Capital harmless from any liability it may incur pursuant to its guarantee.

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.

NOTE 19. Employee future benefits

The Company has a number of defined benefit and defined contribution plans providing pension and other retirement benefits to most of its food distribution and real estate employees.

DEFINED CONTRIBUTION PLANS The total expense for the Company's defined contribution plans is as follows:

2002	\$ 10.1
2001	\$ 7.7

DEFINED BENEFIT PLANS Information about the Company's defined benefits plans, in aggregate, is as follows:

	Pension Benefit Plans 2002	Pension Benefit Plans 2001	Other Benefit Plans 2002	Other Benefit Plans 2001
ACCRUED BENEFIT OBLIGATION				
Balance, beginning of year	\$ 206.4	\$ 195.9	\$ 61.8	\$ 59.1
Current service cost	3.8	4.3	1.6	1.5
Interest cost	14.9	14.4	4.3	4.1
Employee contributions	0.4	0.3	—	—
Plan amendments	—	0.4	—	—
Divestitures of SERCA Foodservice	—	—	(3.9)	—
Benefits paid	(23.2)	(15.7)	(4.5)	(3.9)
Curtailement	—	0.1	—	—
Other adjustments	2.5	—	—	—
Actuarial loss	2.0	6.7	31.6	1.0
Balance, end of year	\$ 206.8	\$ 206.4	\$ 90.9	\$ 61.8
PLAN ASSETS				
Market value, beginning of year	\$ 209.5	\$ 205.6	\$ —	\$ —
Actual return on plan assets	9.2	11.3	—	—
Employer contributions	7.6	8.0	4.5	3.9
Employee contributions	0.4	0.3	—	—
Benefits paid	(23.2)	(15.7)	(4.5)	(3.9)
Market value, end of year	\$ 203.5	\$ 209.5	\$ —	\$ —
FUNDED STATUS				
Surplus (deficit)	\$ (3.3)	\$ 3.1	\$ (90.9)	\$ (61.8)
Unamortized past service cost	0.5	0.4	—	—
Unamortized actuarial loss	21.3	12.0	19.2	1.0
Accrued benefit asset (liability)	\$ 18.5	\$ 15.5	\$ (71.7)	\$ (60.8)
EXPENSE				
Current service cost	\$ 3.8	\$ 4.3	\$ 1.6	\$ 1.5
Interest cost	14.9	14.4	4.3	4.1
Amortization	0.1	—	—	—
Expected return on plan assets	(16.4)	(16.6)	—	—
	\$ 2.4	\$ 2.1	\$ 5.9	\$ 5.6

Discontinued operations includes \$1.5 of accrual benefit asset (liability) for fiscal 2001.

Included in the accrued benefit obligation at year end are the following amounts in respect of plans that are not funded:

	Pension Benefit Plans 2002	Pension Benefit Plans 2001	Other Benefit Plans 2002	Other Benefit Plans 2001
Accrued benefit obligation	\$ 16.6	\$ 19.2	\$ 71.7	\$ 60.8

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions as of April 30, 2002):

	Pension Benefit Plans 2002	Pension Benefit Plans 2001	Other Benefit Plans 2002	Other Benefit Plans 2001
Discount rate	7.00%	7.35%	7.00%	7.35%
Expected long-term rate of return on plan assets	8.00%	8.00%		
Rate of compensation increase	4.00%	4.00%		

For measurement purposes, a 9 percent fiscal 2002 annual rate of increase in the per capita cost of covered health care benefits was assumed. The cumulative rate expectation to 2006 is 5 percent. The average remaining service period of the active employees covered by the pension benefit plans and other benefit plans is 13 and 17 years, respectively.

NOTE 20. Comparative figures

Comparative figures have been reclassified, where necessary, to reflect the current year's presentation, including disclosure for discontinued operations.

Eleven Year Financial Review

<i>(Fiscal years ended April 30)</i>	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Financial Results (\$ in millions; except ROE)											
Revenue	9,926.5	9,331.1	9,100.1	5,362.7	2,912.2	3,149.7	2,915.2	2,699.5	2,577.4	2,358.4	2,235.5
Operating income	416.2	341.1	309.7	184.4	108.6	114.2	110.1	122.5	117.6	104.7	94.5
Interest expense	111.6	145.8	159.6	112.6	76.8	79.2	87.7	89.3	81.4	73.4	76.1
Income taxes	104.8	131.9	68.1	49.1	17.9	16.9	13.7	16.8	19.4	15.6	11.0
Minority interest	54.5	34.3	32.9	9.2	—	0.4	0.5	0.5	0.5	0.3	1.5
Earnings from continuing operations											
before net capital gains and other items	123.5	78.5	78.8	59.0	56.1	51.5	41.1	42.7	42.9	42.4	26.4
Earnings from discontinued operations											
before gain on sale											
of discontinued operations	8.7	10.0	5.9	1.1	8.1	—	—	—	—	—	—
Operating earnings	132.2	88.5	84.7	60.1	64.2	51.5	41.1	42.7	42.9	42.4	26.4
Capital gains and other items, net of tax	13.7	491.5	2.1	74.9	23.6	1.4	(19.4)	(1.5)	5.0	(13.9)	(5.4)
Gain on sale of discontinued operations, net of tax	50.0	—	—	—	—	—	—	—	—	—	—
Net earnings	195.9	580.0	86.8	135.0	87.8	52.9	21.7	41.2	47.9	28.5	21.0
Operating cash flow	437.9	260.3	274.2	167.9	98.5	93.9	83.0	80.7	81.5	72.4	54.1
Return on equity	16.4%	69.1%	13.3%	21.7%	17.9%	11.9%	3.9%	9.4%	12.2%	6.8%	3.7%
Financial Position (\$ in millions)											
Total assets	4,312.6	4,254.3	4,171.0	4,023.5	1,907.2	1,797.4	1,731.4	1,761.1	1,696.9	1,426.5	1,421.9
Long-term debt (excluding current portion)	975.0	1,107.2	1,322.0	1,391.8	616.5	606.8	656.1	648.0	633.6	514.9	472.6
Shareholders' equity	1,290.6	1,115.0	602.8	737.5	558.3	479.6	474.9	469.5	447.9	401.6	398.9
Per Share Data (\$ per share)											
Operating earnings	4.01	2.66	2.20	1.55	1.69	1.29	0.93	0.97	0.95	0.93	0.44
Capital gains and other items, net of tax	0.41	14.98	0.05	2.00	0.64	0.04	(0.52)	(0.04)	0.14	(0.41)	(0.16)
Gain on sale of discontinued operations	1.53	—	—	—	—	—	—	—	—	—	—
Net earnings	5.95	17.64	2.25	3.55	2.33	1.33	0.41	0.93	1.09	0.52	0.28
Operating cash flow	13.33	7.94	7.26	4.48	2.66	2.54	2.22	2.17	2.33	2.11	1.57
Dividends											
Non-voting Class A Common Shares	0.4275	0.34	0.28	0.2725	0.2425	0.22	0.215	0.20	0.20	0.18	0.16
Class B Common Shares	0.4275	0.34	0.28	0.2725	0.2325	0.18	0.165	0.12	0.12	0.09	0.06
Book value	38.93	33.63	17.45	18.06	14.12	11.86	10.48	10.24	9.59	7.66	7.35
Share Price, Non-voting											
Class A Shares (\$ per share)											
High	66.60	36.50	33.95	32.55	28.50	15.70	15.75	16.50	17.75	14.75	13.75
Low	31.50	27.75	24.65	25.00	15.60	12.25	11.50	13.00	12.25	10.00	11.00
Close	57.75	34.00	32.10	26.00	27.25	15.70	12.30	13.38	16.13	14.25	12.63
Weighted average number of common shares outstanding (in millions)											
	32.85	32.81	37.79	37.50	36.95	37.01	37.29	37.26	35.00	34.23	34.46

*Fiscal years 1998 through 2001 have been restated to remove financial contribution from SERCA Foodservice operations which is now accounted for as a discontinued operation.

Officers

OFFICERS

Donald R. Sobey
Chairman

Paul D. Sobey [A]
*President
and Chief Executive Officer*

Paul V. Beesley [B]
*Senior Vice-President, Chief
Financial Officer and Secretary*

Carol A. Campbell [C]
Vice-President, Risk Management

Stewart H. Mahoney [D]
*Vice-President,
Treasury and Investor Relations*

John G. Morrow [E]
Vice-President and Comptroller

DIRECTORS OF OPERATING COMPANIES

SOBEYS INC.

Sir Graham Day
Chairman, Sobeys Inc.

William G. (Bill) McEwan
*President and Chief Executive
Officer, Sobeys Inc.*

John L. Bragg
*President,
Oxford Frozen Foods Limited*

Marcel Côté
Senior Partner, Secor Inc.

Robert P. Dexter
*Chairman and Chief Executive
Officer, Maritime Travel Inc.*

Ronald V. Joyce
*Senior Chairman,
The TDL Group Limited*

Malen Ng
*President and Chief Executive
Officer, HydroOne Networks Inc.*

David F. Sobey
Chairman Emeritus, Sobeys Inc.

Donald R. Sobey
*Chairman,
Empire Company Limited*

Frank C. Sobey
*Chairman, Atlantic Shopping
Centres Limited*

John R. Sobey
*Retired President and Chief
Operating Officer, Sobeys Inc.*

Paul D. Sobey
*President and Chief Executive
Officer, Empire Company Limited*

Lawrence N. Stevenson
President, Pathfinder Capital

Annette Verschuren
President, Home Depot Canada

ATLANTIC SHOPPING CENTRES LIMITED

Frank C. Sobey
*Chairman, Atlantic Shopping
Centres Limited*

J. Stuart Blair
*President and Chief Executive
Officer, Atlantic Shopping
Centres Limited*

David G. Graham
*President,
Atlantic Developments Inc.*

David J. Hennigar
*Chairman, Annapolis Basin
Group Inc.*

Kenneth C. Rowe
*Chairman and Chief Executive
Officer, IMP Group Ltd.*

John B. Roy
*Chief Executive Officer,
Summit REIT*

David F. Sobey
Chairman Emeritus, Sobeys Inc.

Donald R. Sobey
*Chairman,
Empire Company Limited*

John R. Sobey
Corporate Director

Paul D. Sobey
*President and Chief Executive
Officer, Empire Company Limited*

OFFICERS OF OPERATING COMPANIES

SOBEYS INC.

Sir Graham Day
Chairman

William G. (Bill) McEwan
*President
and Chief Executive Officer*

James (Jim) M. Dickson
*Executive Vice-President,
Chief Development Officer,
General Counsel and Secretary*

R. Glenn Hynes
*Executive Vice-President
and Chief Financial Officer*

Clinton D. Keay
*Vice-President,
Finance and Treasurer*

L. Jane McDow
Assistant Secretary

John K. Lynn
*President Operations,
Atlantic Region*

Marc Poulin
*President Operations,
Quebec Region*

Duncan F. Reith
*President of Operations,
Ontario Region*

Wayne A. Wagner
*President Operations,
Western Region*

ATLANTIC SHOPPING CENTRES LIMITED

Frank C. Sobey
Chairman

J. Stuart Blair
*President
and Chief Executive Officer*

Allan K. MacDonald
Vice-President, Leasing

Scott R. MacLean
Vice-President, Operations

John G. Morrow
*Vice-President,
Finance and Secretary*

Paul W. Wigginton
Comptroller

EMPIRE THEATRES LIMITED

Stuart G. Fraser
*President
and Chief Executive Officer*

Kevin J. MacLeod
Vice-President, Operations



Officers are identified with alphabetical reference above

Board of Directors



Directors are identified with alphabetical reference above

John L. Bragg ^{3,5} [A]

*Collingwood, Nova Scotia
Director since 1999. Director
and President, Oxford Frozen
Foods Ltd.*

Sir Graham Day ^{1,5} [B]

*Hantsport, Nova Scotia
Director since 1991. Counsel to
Stewart McKelvey Stirling Scales.*

Robert P. Dexter ^{3,6} [C]

*Halifax, Nova Scotia
Director since 1987. Chairman
and CEO of Maritime Travel Inc.*

Peter C. Godsoe ¹ [D]

*Toronto, Ontario
Director since 1993.
Chairman and CEO of
The Bank of Nova Scotia.*

James W. Gogan ² [E]

*New Glasgow, Nova Scotia
Director since 1972.
Corporate Director.*

James L. Moody, Jr ⁴ [F]

*Cape Elizabeth, Maine
Director Since 1998.
Corporate Director.*

Dr. Elizabeth Parr-Johnston ¹ [G]

*Fredericton, New Brunswick
Director since 1994.
Corporate Director.*

E. Courtney Pratt ^{3,5} [H]

*Toronto, Ontario
Director since 1995.
President and CEO of
Toronto Hydro.*

J. William Sinclair ⁵

*Pictou, Nova Scotia
Director since 1980.
Corporate Director.*

David F. Sobey ³ [I]

*New Glasgow, Nova Scotia
Director since 1963.
Chairman Emeritus of Sobeys Inc.*

Donald R. Sobey ³ [J]

*Stellarton, Nova Scotia
Director since 1963. Chairman
of Empire Company Limited.*

John R. Sobey ¹ [K]

*Stellarton, Nova Scotia
Director since 1979.
Corporate Director.*

Karl R. Sobey ³ [L]

*Halifax, Nova Scotia
Director since 2002.
Corporate Director.*

Paul D. Sobey [M]

*New Glasgow, Nova Scotia
Director since 1993. President
and CEO of Empire Company
Limited.*

Robert G. Sobey [N]

*Stellarton, Nova Scotia
Director since 1998.
Vice-President,
Performance Development of
Sobeys Inc.*

- 1 Audit Committee Member
- 2 Audit Committee Chairman
- 3 Human Resources Committee Member
- 4 Human Resources Committee Chairman
- 5 Corporate Governance Committee Member
- 6 Corporate Governance Committee Chairman

Investor Information

EMPIRE COMPANY LIMITED

Head Office
115 King Street
Stellarton, Nova Scotia
B0K 1S0
Telephone: (902) 755-4440
Fax: (902) 755-6477
Internet: www.empireco.ca

INVESTOR RELATIONS

For additional information please write to the Company,
c/o Stewart H. Mahoney CFA,
Vice President, Treasury and Investor Relations
E-mail: investor.relations@empireco.ca

AFFILIATED COMPANY WEB ADDRESSES

www.sobeys.com
www.empiretheatres.com
www.atlanticshoppingcentres.com

SHAREHOLDERS' ANNUAL GENERAL AND SPECIAL MEETING

September 12th, 2002 at 11:00 a.m.
Aberdeen Cinemas
610 East River Road
New Glasgow, Nova Scotia

CONFIRMATORY MEETING

September 26th, 2002 at 9:00 a.m.
Empire Company Offices
115 King Street
Stellarton, Nova Scotia

STOCK EXCHANGE LISTING

Toronto Exchange

STOCK SYMBOLS

Non-voting Class A shares - EMP.A
Preferred shares:
Series 2 - EMP.PR.B

AVERAGE DAILY TRADING VOLUME (TSE)

25,441

COMMON DIVIDEND RECORD AND PAYMENT DATES FOR FISCAL 2003*

Record Date	Payment Date
July 15 th , 2002	July 31 st , 2002
Oct. 15 th , 2002	Oct. 31 st , 2002
Jan. 15 th , 2003	Jan. 31 st , 2003
Apr. 15 th , 2003	Apr. 30 th , 2003

**subject to approval by Board of Directors*

OUTSTANDING SHARES

As of July 12th, 2002

Non-Voting Class A common	15,446,863
Options exercisable with Class A common shares	41,737
Class B common, voting	17,448,728

TRANSFER AGENTS

Computershare Trust Company of Canada
Telephone: (800) 564-6253
Non-voting Class A shares

CIBC Mellon Trust Company
Telephone: (902) 420-3821
Series 2 Preferred shares

BANKERS

Bank of Montreal
Bank of Nova Scotia
Canadian Imperial Bank of Commerce
National Bank of Canada
Royal Bank of Canada
TD Canada Trust

SOLICITORS

Stewart M^cKelvey Stirling Scales
Halifax, Nova Scotia

AUDITORS

Grant Thornton, LLP
New Glasgow, Nova Scotia

MULTIPLE MAILINGS

If you have more than one account, you may receive a separate annual report for each. If this occurs, please contact Computershare Trust Company of Canada at (800) 564-6253 to eliminate the multiple mailings.

INVESTOR INQUIRIES

Communications regarding investor records, including changes of address or ownership, should be directed to the Company's transfer agent, Computershare Trust Company of Canada, at the above contact information.

Shareholders, analysts and investors should direct their financial inquiries or requests to Stewart H. Mahoney.

EXAMPLAIRE FRANÇAIS

Vous pouvez obtenir un exemplaire français de ce rapport annuel en écrivant à :
Empire Company Limited
Relations avec les investisseurs
115 rue King
Stellarton, Nova Scotia
B0K 1S0

Mission Statement

Goal: Empire is committed to building shareholder value through long-term profitability and growth by becoming a market leader in its core operating businesses and by investing in other opportunities to augment this growth in value.

How: We believe that the two key factors in the creation of value are first, strong management and second, an emphasis on long-term growth in cash flow that exceeds the after-tax dollar cost of capital.

Values: Empire will be a good corporate citizen, upholding the highest standards of integrity and ethical conduct.

Corporate Governance

The governance of the corporation is the responsibility of Empire's Board of Directors, which has three committees: Corporate Governance; Human Resource; and Audit. For a more detailed review of the Company's governance practices see Empire's 2002 Management Information Circular.

Community Involvement

Empire and its subsidiary companies and affiliates are active members of the communities in which they operate through the volunteer efforts of employees and the financial support provided each year by the Sobey Foundation. The Company is a member of the "Imagine" corporate giving program and sponsors numerous charitable initiatives through its operating companies and franchisees.

Imagine  **A Caring Company**



MARCH ON THE CACHE

MAURICE GALBRAITH CULLEN (1866-1934)

Maurice Galbraith Cullen (1866-1934) of St. John's, Newfoundland, studied art in Montreal with sculptor Philippe Hebert and from 1889 to 1892 attended classes at the Ecole des Beaux-Arts in Paris. Cullen traveled widely in Europe, but by 1895 was settled in Montreal where he began to apply his French-learned impressionism to the Canadian landscape.

Considered by many to be the father of modern Canadian painting, Cullen was elected to the Royal Canadian Academy in 1907 and from 1908 to 1915 served as a member of the Canadian Art Club, an organization established to improve the arts in Canada. During World War I, he served as an official war artist on the Western Front and later acted as a mentor to many younger painters.

In the early 1920s Cullen began to spend time painting in the Lac Tremblant area of Quebec, recording and interpreting the changing seasons. The area along the Cache River was a favorite painting area, and paintings like "March on the Cache" are representative of his broad post-Impressionist style. This painting was first exhibited at the artist's 6th annual exhibition at the Watson Art Gallery in Montreal in January, 1928.

Colour reproductions of this painting are available in limited numbers, upon request. Please write to the Company, c/o The Sobey Art Foundation or visit our website at www.empireco.ca.