

EMPIRE

What we value

Empire Company Limited 2004 Annual Report

FINANCIAL HIGHLIGHTS

Years Ended April 30 th (\$ in millions, except per share amounts)	2004	2003	2002
Operations			
Revenue	\$11,284.0	\$10,624.2	\$ 9,926.5
Operating income	423.6	444.9	416.2
Operating earnings	163.9	159.9	132.2
Capital gain (loss) and other items, net of tax	9.2	(6.0)	13.7
Gain on sale of discontinued operations, net of tax	–	–	50.0
Net earnings	173.1	153.9	195.9
Financial Condition			
Total assets	4,681.7	4,516.1	4,318.0
Long-term debt	985.4	1,112.0	1,060.6
Shareholders' equity	1,576.8	1,427.1	1,290.6
Per Share Information, basic and diluted			
Operating earnings	2.49	2.43	2.00
Capital gain (loss) and other items, net of tax	0.14	(0.09)	0.21
Gain on sale of discontinued operations, net of tax	–	–	0.76
Net earnings	2.63	2.34	2.97
Book value	23.81	21.54	19.47
Dividends	0.4000	0.3300	0.2138
Share Price			
High	29.50	33.25	33.30
Low	23.10	23.70	15.75
Close	26.65	23.85	28.88

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 PARTICIPATION IN BUSINESSES THAT HAVE THE POTENTIAL FOR LONG-TERM GROWTH AND PROFITABILITY.

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What we value

At Empire, our business and investment philosophy is very simple and straightforward – there is no mystery as to what we value in our core businesses and our investments. We value **businesses we know and understand** – solid businesses in fundamental industry sectors that are often undervalued. We value **strong management and dedicated people** – reflecting the basic values of **good corporate citizenship and social responsibility**. We value **disciplined financial management** and conservative business principles. We value consistent, steady, **long-term performance**. We value **our legacy of value creation**, and we value our **prospects for future growth**.



PAUL D. SOBESY
PRESIDENT AND C.E.O.

DONALD R. SOBESY
CHAIRMAN

A view of Empire



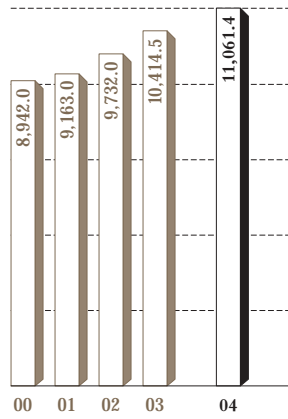
Food Distribution

Sobeys Inc. ("Sobeys"), a 65%-owned subsidiary of Empire, is a leading national grocery retailer and food distribution company in Canada with annual revenue of \$11 billion. Headquartered in Stellarton, Nova Scotia, Sobeys owns or franchises more than 1,300 stores in all 10 provinces under retail banners that include Sobeys, IGA extra, IGA and Price Chopper. During fiscal 2004, Empire increased its ownership in Sobeys to 65% from 62% a year earlier.

Real Estate

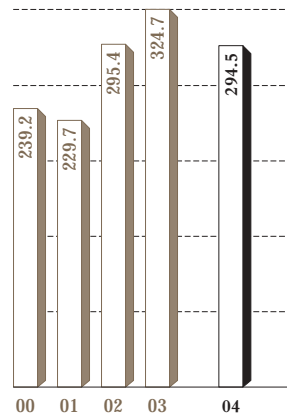
Empire owns one of the largest portfolio's of prime retail properties in Eastern Canada through wholly-owned Crombie Properties Limited ("Crombie") and its affiliates. Crombie and its affiliates own and operate a diversified portfolio which includes shopping centres and office properties. The real estate division, through Crombie, also owns Atcan self-storage and 35.8% of Genstar Development Partnership ("Genstar"), a residential land development business with operations primarily in Western Canada.

FOOD DISTRIBUTION REVENUE⁽¹⁾
(\$ in millions)



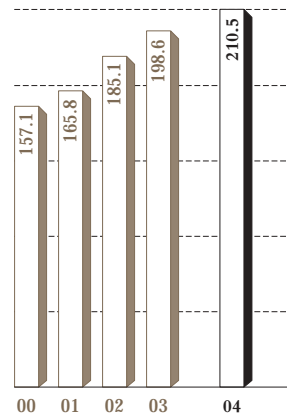
YEAR ENDED APRIL 30TH
(1) Includes gain of \$14.6 million on sale of redundant real estate in fiscal 2004.

FOOD DISTRIBUTION OPERATING INCOME
(\$ in millions)



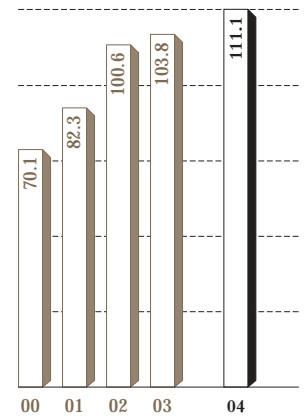
YEAR ENDED APRIL 30TH

REAL ESTATE REVENUE⁽¹⁾
(\$ in millions)



YEAR ENDED APRIL 30TH
(1) Revenue is before inter-segment elimination.

REAL ESTATE OPERATING INCOME
(\$ in millions)



YEAR ENDED APRIL 30TH



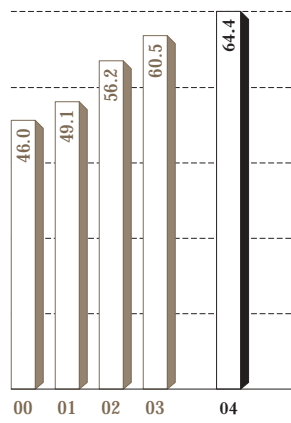
Other Operations

Empire's other operations consist primarily of wholly-owned Empire Theatres Limited ("Empire Theatres"), the leading movie exhibitor in Atlantic Canada with 149 screens in 22 locations at fiscal year-end. Empire Theatres is committed to providing its customers with an enjoyable movie-going experience by offering modern stadium-style seating, a broad concession variety, and exceptional customer service.

Investments

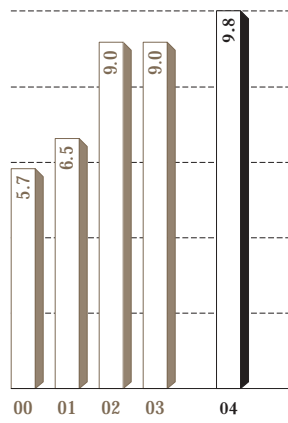
Empire manages an investment portfolio that carried a market value of \$390.9 million as at fiscal 2004 year-end. Empire is committed to maintaining a high quality, liquid investment portfolio that offers a combination of yield and attractive growth characteristics, providing Empire with a pool of capital to support the growth and development of our operating businesses and to enhance shareholder net asset value.

OTHER OPERATIONS REVENUE
(\$ in millions)



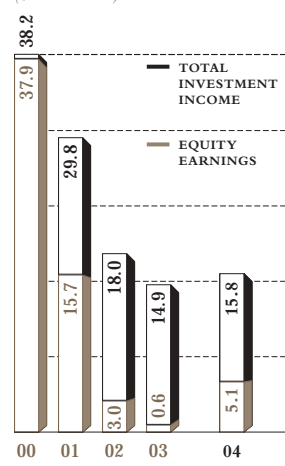
YEAR ENDED APRIL 30TH

OTHER OPERATIONS OPERATING INCOME
(\$ in millions)



YEAR ENDED APRIL 30TH

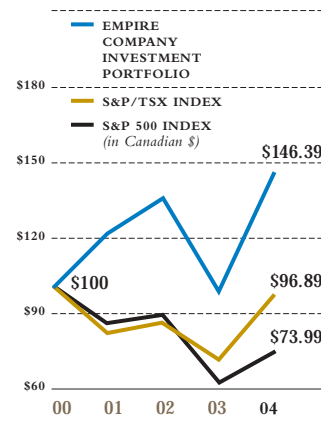
INVESTMENT INCOME⁽¹⁾
(\$ in millions)



YEAR ENDED APRIL 30TH

(1) The decline in equity earnings is related to the sale of Empire's investment in Hannaford Bros. Co. on July 28, 2000.

INVESTMENT PORTFOLIO TOTAL RETURN* VS. BENCHMARKS



YEAR ENDED APRIL 30TH

*\$100 invested on 04/30/2000 in Empire Company investment portfolio or the index, including reinvestment of dividends.

Adding value

Empire delivered growth in earnings in fiscal 2004, despite a challenging year for our food division. A decline in Sobeys' operating earnings was offset by the continued strong performance for our real estate, theatre and investment operations.

In fiscal 2004 Empire revenues increased by 6%, operating earnings grew by 2% to reach \$2.49 per share, and the common dividend rate per share increased by 21%.

This is a good indication of the value of our diversified business base and our business and investment balance, which has contributed over the long term to ongoing growth and profitability. While both real estate and food distribution are basic and complementary businesses, they are driven by different market dynamics and economic cycles. Having both sectors in our business mix reduces volatility and stabilizes growth trends over time.

Sobeys faced a number of unplanned events during the year, but maintained national market share and posted sales growth of 6% in a highly competitive marketplace. Unplanned events ranged from SARS, an Ontario power failure and recovery from a labour disruption at an Ontario operation, among others. All businesses face unanticipated events and challenges from time to time; the real test of management is the ability to withstand short term challenges and build a healthy, competitive and sustainable business for the future by executing on their strategic plan. Sobeys' strategic direction is sound and progress is being made. We are confident that management will continue to focus on

improving the operations of the business and grow profitability in fiscal 2005.

Growing diversity

Our business balance and diversity has been enhanced over the past few years by growing the geographic diversity of our operating businesses as we have expanded steadily and carefully beyond our traditional core markets in Atlantic Canada. Sobeys gained a national platform in Canada with the acquisition of the Oshawa Group in December 1998, and has built on that, growing in every region. In real estate, Crombie has been increasing its presence in Ontario – and, through Genstar, we are participating in high growth residential markets principally in Western Canada. As well, in our theatre business, we have developed a new platform for growth through an established theatre operator in Western Canada.

This geographic expansion is important for two reasons – it has broadened growth opportunities, and it has provided us with greater resilience to regional downturns.

Supporting this diversification is one of the ways that Empire has added value as a holding company. At Empire, we don't micromanage our operating businesses, nor do we attempt to manage the other businesses in which we invest. Our primary role is to ensure excellent



ABOVE: PAUL SOBEY, President and Chief Executive Officer, Empire Company Limited

management is in place and that they remain focused on executing day-to-day improvements to the business with care, passion and integrity. In assessing management, we have learned over time not to confuse good markets with good management or difficult and challenging markets with poor management. We don't get concerned with short-term fluctuations based on changing market conditions, and we don't have a lot of time for quick fix "flavours of the week" in terms of management strategies and theory. We look to the long term, we look for steady progress on the execution of each operating company's strategic plan, and we are not disappointed. Empire's long-term track record reflects the benefit of this approach.

With strong operating management in place, we strive to add value through our stewardship role – reviewing strategies, monitoring progress, determining capital allocation in support of growth initiatives, strengthening our financial resources, and providing guidance and stability –

as owners with a long-term perspective, broad business experience and a profound and passionate commitment to our businesses.

Managing growth in 2004

Sobeys, while not meeting our earnings expectations in 2004, made significant progress in very tough competitive markets. Sobeys continued to invest in pricing, while pursuing its highly focused strategies for strengthening the value proposition for customers, enhancing and expanding the store network, improving merchandising, and investing in operations. Sobeys focused on top line performance and delivered top line improvements with a strong increase in sales.

Our real estate business had another strong year with a 9.4% increase in operating earnings, supported by continued earnings growth from Genstar and from our commercial retail business. Genstar continued to perform above our expectation with an 8.1% growth in operating



LEFT: CROMBIE PROPERTIES MANAGEMENT DISCUSS REAL ESTATE DEVELOPMENT. PICTURED FROM LEFT: SCOTT MACLEAN, Vice-President Operations; STUART BLAIR, President and Chief Executive Officer; PAUL WIGGINTON, Comptroller; FRANK SOBEY, Chairman; ALLAN MACDONALD, Vice-President Leasing

RIGHT: SOBEYS' MANAGEMENT MEET TO DISCUSS REGULATORY REQUIREMENTS. PICTURED FROM LEFT: JAMES DICKSON, Executive Vice-President, Chief Development Officer and Secretary; JANE MCDOW, Assistant Secretary; PAUL JEWER Vice-President, Finance and Treasury OPPOSITE PAGE: EMPIRE COMPANY MANAGEMENT MEET TO DISCUSS RISK MANAGEMENT CONTROLS. PICTURED FROM LEFT: STUART FRASER, President and Chief Executive Officer (Empire Theatres Limited); JOHN MORROW, Vice-President and Comptroller; CAROL CAMPBELL, Vice-President, Risk Management



earnings over the past year. While we believe that kind of growth rate is not sustainable year-over-year, Genstar has a very focused strategic approach and has shown an ongoing ability to outperform in its market sector.

Crombie's commercial retail business also had positive year-over-year results, posting improvements in occupancy and rental rates, while increasing future value with the acquisition of seven strip plaza properties in Ontario.

Empire Theatres' performance continued to be strong, expanding with three new theatres in Atlantic Canada and one joint venture in Western Canada, enhancing its offering and delivering record revenues and earnings.

We also achieved first quartile return performance from our investments including

a solid turnaround by our equity accounted investment in Wajax Limited ("Wajax").

Emerging synergies

Our operating businesses are distinct and autonomous, but some synergies have emerged. Clearly, real estate strategies are vital to both the ongoing development and expansion of the food distribution business and the theatre business, while knowledge of retail and consumer trends is vital to the real estate business. Our businesses all benefit from the pool of market and industry knowledge that we collectively represent, and this has been extremely beneficial as each has expanded beyond Atlantic Canadian markets.

Clear evidence of this was the joint approach to the acquisition of Commisso's – a regional grocery business in Southwestern Ontario. Both Sobeys and Crombie had identified Commisso's



“The management teams are supported by the diligence and efforts of thousands of dedicated people who have the passion, the integrity, the knowledge and the will to succeed. That has driven our performance in the past and will continue in the future.”

as an attractive acquisition candidate. Together, they were able to determine the full and potential value of the acquisition and through a joint approach, Sobeys was able to acquire Comisso's grocery business assets, while Crombie was able to buy the real estate assets.

Accounting for value

As Empire has grown, we have worked hard to identify and measure the value of our businesses and to report accurately to our shareholders. While this will be more challenging going forward given that the new accounting principles will impact all of our operating companies, we remain committed to ensuring transparency to the investment community.

New accounting principles, both enacted and pending, will affect depreciation charges, revenue recognition, accounting for acquisitions of rental properties, and potentially consolidation of franchising arrangements, to name a few. While these accounting changes will not impact the cash position of the corporation or its underlying economic value, they risk making the financial statements more confusing for our shareholders, masking actual improvements in fundamental values, particularly for our real estate business.

While complying with the new rules, we will endeavour to provide commentary that will give as accurate a picture of underlying value as possible.

Looking forward

Going forward, we intend to stay the course by supporting and encouraging the management of our operating businesses towards continued progress on the successful execution of their respective business plans. In doing so we are confident that the fundamentals of each of our core operating businesses – food distribution, real estate and theatres – will improve.

We enter fiscal 2005 in a strong financial position and with strong and balanced operating businesses that know where they are going and have the business plans, leadership teams and people to get them there.

PAUL D. SOBEY
PRESIDENT AND C.E.O.
JULY 19, 2004



ABOVE: **BILL MCEWAN**, President and Chief Executive Officer, Sobeys Inc.

Food Distribution

CHALLENGES AND OPPORTUNITIES Canada's retail food industry is a high turnover, low margin business that has seen increasing competitive pressures over the past decade. Marketplace dynamics have changed with demographics and lifestyle preferences of Canadians who are looking for more choice and greater convenience. In these challenging conditions, opportunities are there for those that satisfy the full array of household food requirements with the best value proposition.

STRATEGIC FOCUS Building on our position – and our national market presence – Sobeys has established a differentiated position with our focus on food, driven by our fresh expertise, in the right-sized stores, supported by superior customer service. We have been driving our formats, merchandising programs, staffing and service levels accordingly – with the right size and right format stores for each market we serve. Our value proposition is compelling and is supported by highly competitive pricing and a focus on continuously improving our operating systems, business processes, and distribution efficiencies to further enhance value for all stakeholders.

“We are setting Sobeys apart by focusing first and foremost on our core business – food.”

PROGRESS With our proactive and aggressive pricing posture, coupled with improved merchandising execution, we increased sales, consistent with our expectations, in a highly competitive marketplace in fiscal 2004. Operating earnings reflect our promotional investments and a series of one-time costs throughout the year. Our progress in executing our strategy is on track. In 2004, we successfully launched the full service format and Sobeys banner in Western Canada with the rapid conversion or opening of 43 stores, and we acquired Comisso's 15-store grocery chain in Southwestern Ontario. Going forward, we will stay the course, executing our plans to improve sales per square foot by continuing to update our store network and customer offerings. We anticipate, and are prepared for, challenges along the way – but we know that we have the right strategy and are confident that growing customer satisfaction, driven by our focus on food, will result in greater value creation.

BILL MCEWAN
PRESIDENT AND C.E.O., SOBEYS INC.

SIR GRAHAM DAY
CHAIRMAN, SOBEYS INC.

Real Estate

CHALLENGES AND OPPORTUNITIES Commercial retail real estate operations by their nature produce a relatively consistent return over the long term, while residential land development is more cyclical, being dependent on macro factors such as mortgage rates and regional economic growth.

STRATEGIC FOCUS Our strategic focus continues to be on the growth and development of our commercial retail property portfolio while also benefiting from the residential land development business through our investment in Genstar – a successful developer that has delivered outstanding returns to Crombie. We continue to look for residential land development opportunities in Canada and, through joint venture opportunities, in selected centres in U.S. markets.

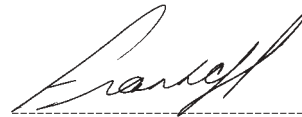
The opportunity for long-term growth in our commercial real estate portfolio continues to rely on our leasing efforts, the quality of new developments and programs to improve our existing properties, and on the acquisition of new properties that meet our economic valuation criteria. With a full service approach and a highly experienced team, Crombie and its affiliates have become the leaders in this market in Atlantic Canada, with 73 properties, and now own 1.0 million square feet of gross leaseable area in Ontario and Quebec, for 12.9 million square feet in total.

“Our real estate business continues to focus on growth and diversification outside of our traditional Atlantic Canada base. As we grow our commercial retail business we look forward to capitalizing on the synergies that exist with Empire’s food retail division and other operations.”

PROGRESS Performance of our real estate division was buoyed by another significant contribution from Genstar in fiscal 2004. Our commercial retail business also delivered increased earnings, while acquiring seven properties in Ontario – including six properties previously owned by Commisso’s Properties Inc. in conjunction with Sobeys’ acquisition of Commisso’s food retail stores. Our occupancy rate improved to 93.6% from 92.7% a year ago, with total real estate division earnings growing by 7.7% to reach \$41.9 million. We expect further progress in the year ahead, although expansion may slow as our targeted markets in Ontario appear somewhat overvalued at present.



J. STUART BLAIR
PRESIDENT AND C.E.O., CROMBIE PROPERTIES LIMITED



FRANK C. SOBEY
CHAIRMAN, CROMBIE PROPERTIES LIMITED



ABOVE: **STUART BLAIR**, President and Chief Executive Officer, Crombie Properties Limited



ABOVE: **STUART FRASER**, President and Chief Executive Officer, Empire Theatres Limited

“At Empire Theatres, we have grown successfully by focusing on relatively smaller communities where we can become the entertainment destination of choice.”

Other Operations

CHALLENGES AND OPPORTUNITIES The theatre business in North America is generally viewed as mature in major urban markets with increasing competition from home entertainment alternatives. Yet for many, the modern cinema remains a wonderful experience and a great gathering place for social occasions.

STRATEGIC FOCUS At Empire Theatres, our strategic focus has been very simple – to offer the consumer the best movie-going experience at good value in communities where we have the opportunity to be the entertainment or social occasion destination of choice.

We have grown by providing customers with a terrific “big city” cinema experience – with modern complexes featuring stadium seating, self-serve electronic ticketing, large curved screens and digital sound, modern arcade amenities, and branded food choices. As a social occasion centre, we have the opportunity to expand the entertainment offering beyond movie releases to meet local needs, with live broadcast sporting events or business meetings, for example.

We have pursued this focus with success in Atlantic Canada. We have launched a second platform for growth in Western Canada, through a joint venture arrangement with Landmark Cinemas of Canada Limited – a like-minded operator.

PROGRESS Steady progress continued in fiscal 2004. Our performance exceeded our expectations; we posted record revenues and earnings while continuing our measured expansion with the opening of three new theatres in Atlantic Canada and one in Western Canada as part of our joint venture with Landmark. As well, we tested programming alternatives in key markets and are expanding our agreement with the WWE for live sporting event broadcasts. We will continue to pursue our focused strategy in the year ahead.

STUART G. FRASER
PRESIDENT AND C.E.O., EMPIRE THEATRES LIMITED

Investments

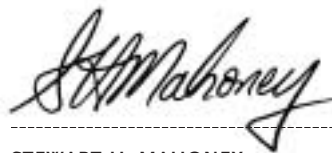
CHALLENGES AND OPPORTUNITIES The past four years have shown investors just how volatile equity markets can be. Despite impressive gains over the past year, annualized four-year returns for the major North American stock indexes were flat or negative by March 31, 2004. Markets remain volatile. The challenge for Empire as a long-term value investor is uncovering opportunities that meet our investment criteria.

STRATEGIC FOCUS In managing our investment portfolio, we take the same long-term perspective as we do with our operating businesses – and we place the same priority on good management. We focus on significant equity investments in a relatively small number of large cap companies, with high liquidity to ensure access to capital that may be required to support the growth of our operating businesses. We focus on undervalued businesses that have outstanding fundamentals and growth prospects – we are not interested in the latest hot stock or industry fad.

Our approach is highly disciplined with strict criteria and our investment committee actively monitors the portfolio to enhance returns. We currently own only 12 stocks, many of

which we will hold for the long-term – our best investments tend to be the ones we never sell.

PROGRESS In fiscal 2004, we benefited from our long-term disciplined approach, a strong turnaround at Wajax and the rebound in equity markets, maintaining first quartile return performance with a total annual return well above the S&P/TSX Composite Index and the S&P 500 Index in Canadian dollars – our main benchmarks. Empire's investment returns over the past four years have been 10% annualized – compared to negative returns for that period by the benchmark indexes. During fiscal 2004 we also invested further in our operations by allocating \$68 million in capital to purchase close to two million additional common shares of Sobeys. This increased our ownership interest from 62% to 65%.



STEWART H. MAHONEY
VICE-PRESIDENT, TREASURY AND INVESTOR RELATIONS

“As with our operating businesses, we take a long-term perspective to our investment portfolio, looking to invest in businesses we know and understand with strong management and with a sound strategic direction for long-term profitable growth.”



FROM LEFT: **FRANK SOBEY**, Chairman, Crombie Properties Limited; **PAUL SOBEY**, President and Chief Executive Officer, Empire Company Limited; **STEWART MAHONEY**, Vice-President, Treasury and Investor Relations, Empire Company Limited; **VIVEK SOOD**, Manager, Treasury and Investor Relations, Empire Company Limited

Long-term progress

The value of Empire's long-term perspective and business philosophy can be seen in its long-term performance through different business cycles since the Company went public 22 years ago. It all adds up to a legacy of value creation.



July, 1982

On July 9, 1982 Empire goes public at \$8/share, \$0.67 split adjusted. Annual revenue \$300 million; total assets \$260 million; net earnings \$7 million.



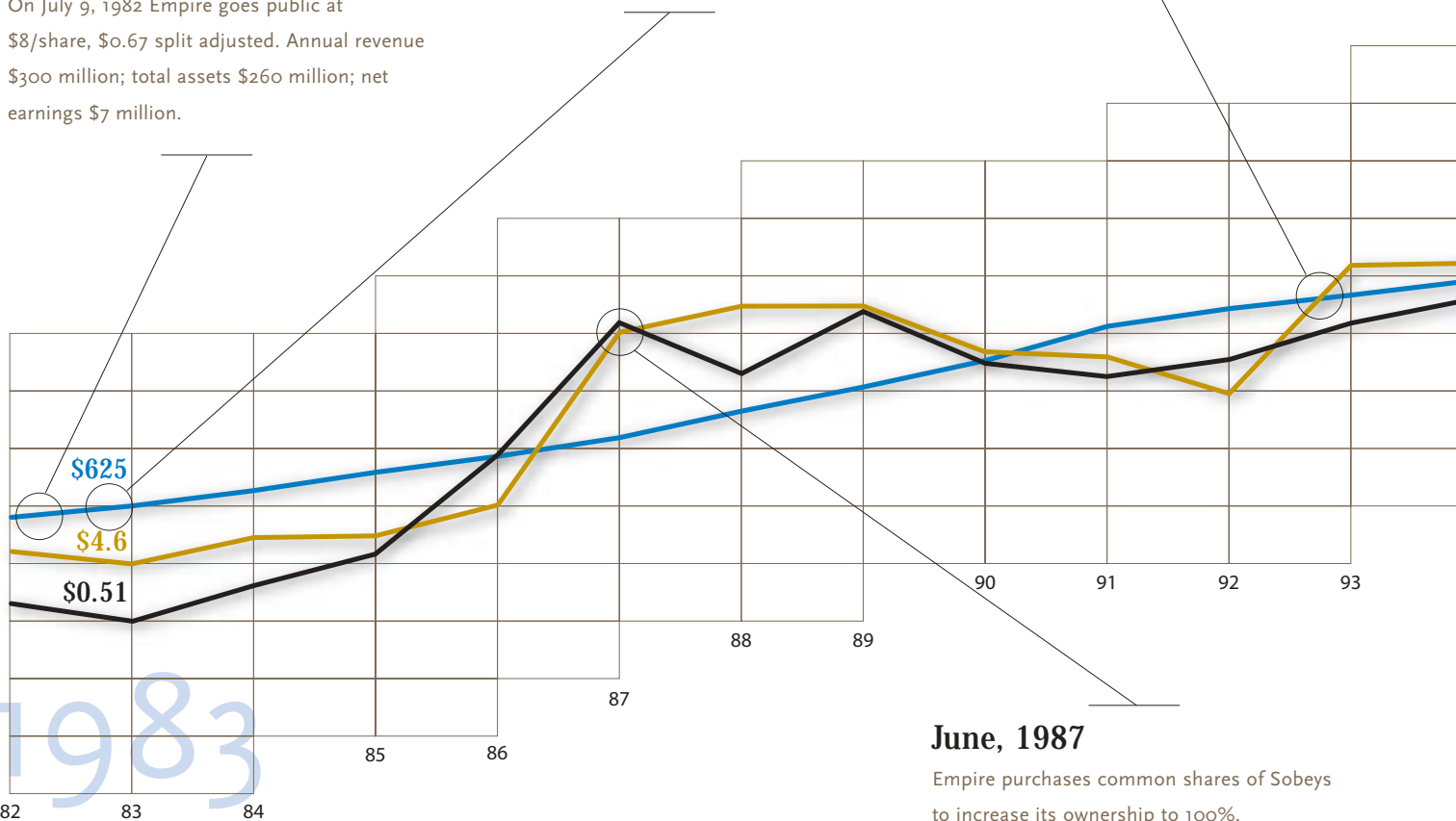
February, 1983

Empire increases ownership in Hannaford Bros. Co. (a U.S. food retailer) to 25% resulting in a cost base of \$20 million.



December, 1993

The real estate division increases its ownership of Halifax Developments Limited (HDL) to 100% from 36% at a cost of \$12.7 million.



June, 1987

Empire purchases common shares of Sobeys to increase its ownership to 100%.

January, 2001

The real estate division purchases a 35.8% interest in Genstar Development Partnership.



December, 1998

Sobeys went public with the TSE on December 9, 1998. The assets of The Oshawa Group were acquired for \$1.5 billion, tripling the size of the company's food operations. Empire owns 62% of Sobeys.

March, 2002

Sobeys sells its SERCA Foodservice operation to SYSCO for \$411 million.

February, 2004

Acquisition of Comisso's Food Markets by Sobeys and six real estate properties owned by Comisso's Properties by Crombie.



March, 2000

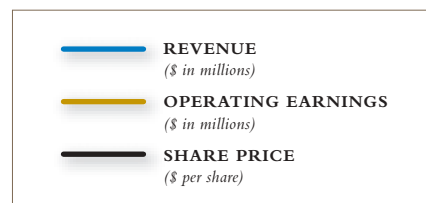
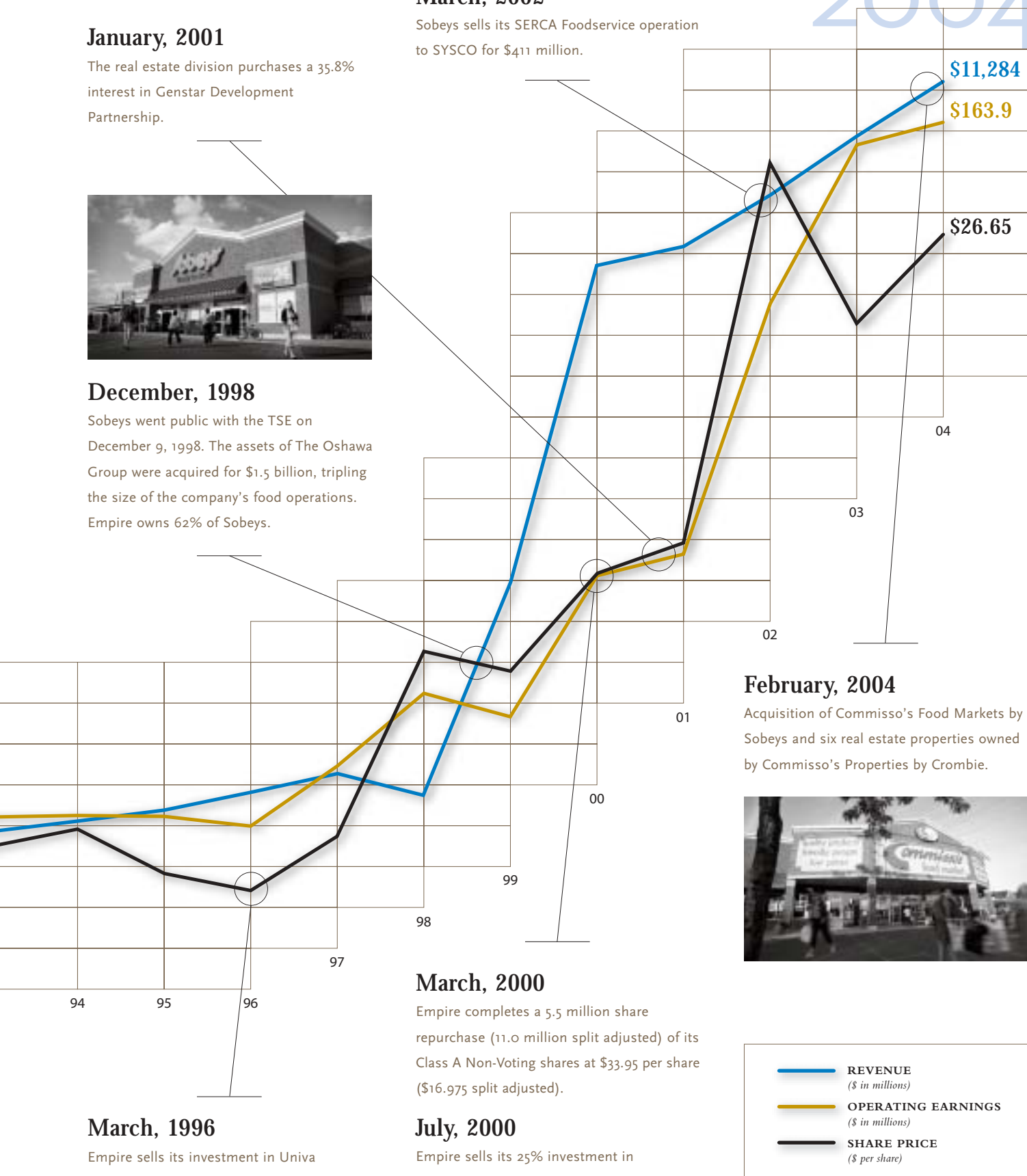
Empire completes a 5.5 million share repurchase (11.0 million split adjusted) of its Class A Non-Voting shares at \$33.95 per share (\$16.975 split adjusted).

July, 2000

Empire sells its 25% investment in Hannaford Bros. Co. for a \$1.2 billion Canadian consideration.

March, 1996

Empire sells its investment in Univa (previously Provigo) for net proceeds of \$145 million.



Defining values

What we value in our businesses and in people really reflects our corporate values statement: 'Empire will be a good corporate citizen, upholding the highest standards of integrity and ethical conduct'. We believe living by these values is fundamental to long-term value creation in any enterprise.

At Empire, we don't spend a lot of time talking about our values of good corporate citizenship – we just try and live by them. Over the past few years, the newspapers and media have been full of headlines chronicling corporate misbehaviour, fraud, accounting scandals and the fall of many a mighty enterprise. This has increased concerns about governance, accountability and transparency – and the conduct of management, directors and major shareholders. It has also underscored the importance of acting in a socially responsible manner, as good corporate citizens – in the interests of all stakeholders.

We believe Empire's legacy of steady growth and value creation over the long term is clear evidence of our values in action.

The value of family control

For the better part of a century, the Sobey family created value in our communities by building strong and growing businesses. Since Empire was launched as a public company twenty-two years ago, our family has maintained its role as controlling shareholder and we have been actively involved in building on the legacy of this company. We have every intention of maintaining control and participating over the long term.

With concern about governance issues in recent years, there has been considerable discussion about the pros and cons of different ownership and governance models. From our perspective, we believe family-ownership models tend to benefit from long-term ownership and commitment – providing stability to businesses through economic cycles and structural change. Long-term shareholders with a stake in the enterprise tend to be less concerned with quarter-over-quarter earnings fluctuations or with sharp, short-term, market driven changes in share value and more concerned with steady performance over time; this reduces pressure on management to sacrifice long-term viability for short-term wins.

When families are major long-term shareholders, they tend to stay with an enterprise for a combination of growth potential and sustainable income and dividend potential. We believe Empire has achieved a good balance throughout our history. We have redistributed substantial income to all shareholders while fuelling the growth and viability of our core businesses. Over the past few years, each of our operating businesses has established new, national platforms for growth beyond our core traditional markets in Atlantic Canada – enhancing future prospects.



ABOVE: DONALD SOBEY, Chairman, Empire Company Limited

The value of good governance and independent, outside directors

As mentioned in the CEO's Letter to Shareholders, we value good management in our operating businesses and in the companies in which we invest – and we don't micromanage the businesses. As a holding company, Empire plays a stewardship role. Critical to that role and to ensuring effective governance is the role of the Board.

Family shareholders and independent shareholders alike are well served by the outside directors on the Board of Empire and on the Boards of our core operations. We have great outside directors – business leaders representing diverse industry experience and bringing fresh and thoughtful perspectives and advice to the table. They ask good and probing questions, holding management to account and ensuring that Empire meets all our obligations as corporate citizens.

An indication of the value we place on Board participation and advice can be seen in the very existence of our Board for Crombie Properties. Crombie is a wholly-owned subsidiary of Empire and there is no requirement for it to have its own board. Clearly, we believe shareholders and all stakeholders of Empire are well served by the stewardship role and Board governance model.

We are very grateful for the efforts of all of our Board members, and this year we pay special tribute to Mary Mogford and Peter Godsoe, who will not be standing for re-election to the Empire Board of Directors. Mary and Peter have each provided exemplary service and wise counsel to the Empire Board and we thank them for their outstanding contributions. We are pleased that Peter has agreed to join the Sobeyes Board of Directors and will therefore continue to be a major contributor to the governance of the Company.



“On behalf of the Board of Directors, we extend our sincere appreciation to all stakeholders in every community we serve – and to the tens of thousands of employees and associates of Empire and our businesses for the value we have built together and for your ongoing support, contributions and commitment to a proud legacy.”

Delivering value to all stakeholders

In our annual reports and discussions of results, we tend to focus on performance from a shareholder's perspective. We could not deliver such a strong performance over the long term if we didn't make progress with and for all stakeholders. Delivering value to and meeting the interests of employees, customers, suppliers and people in all the communities we serve is the essence of good corporate citizenship. It is also good business.

To achieve success – past and future – we are very fortunate to have the support, commitment and efforts of our employees – more than 34,000 people across Canada. We strive to ensure that all employees throughout our enterprise are treated well and fairly, and that they have the opportunity to benefit from the success and growth of the enterprise through good employment policies and benefits, and rewarding career opportunities. We are proud of our pension program, which we believe is second to none in Canada.

Our success also rests on earning and maintaining the trust and loyalty of customers, and we need to help maintain the prosperity of communities where we do business. We contribute in part by delivering on good programs of community support and corporate philanthropy.

It is also vital to ensure that we have sound environmental policies in place, good programs for workplace health and safety, and, in our food distribution business, a clear focus on food safety in the interest of our customers. We hold ourselves accountable and monitor performance in these critical areas, which are also subject to regular review by the Board. This is essential to both good corporate citizenship and risk management; failure to deliver on such responsibilities carries a significant business risk and could entail serious costs down the road. Cutting corners in any of these areas to meet short-term performance targets makes no sense. Serving stakeholder interests is in our own self interest. It's also the right thing to do. That's why we do more than give lip service to our corporate values; we live by them and strive to make them part of our culture.

By living our values, Empire has created considerable value over time, not just for shareholders but for all stakeholders. That's a legacy we are very proud of – and it is a legacy we aim to build upon.

A handwritten signature in dark ink that reads "Donald R. Sobey". The signature is written in a cursive style and is positioned above a horizontal dashed line.

DONALD R. SOBEY
CHAIRMAN
JULY 19, 2004

Governance policies and practices

At Empire, we are dedicated to good governance in the interest of all stakeholders. A comprehensive review of our corporate governance policies and practices can be found in our Management Proxy Circular and on our website at www.empireco.ca. As well, our Code of Business Conduct is available on the website; as is a detailed explanation of our Comprehensive Disclosure Policy, approved by the Corporate Governance Committee of our Board of Directors.

Canada's regulatory environment has been evolving rapidly and we continue to assess our own policies and practices in light of changes to ensure that Empire keeps pace with the expectations of stakeholders and with best practices in governance.

Empire's Board is composed of a talented group of business executives who have explicit responsibility for the stewardship of the Company. A majority of the Board is independent as defined by both current and proposed securities rules.

Board committees

Governance by our Board of Directors is supported by three key committees of the Board. In accordance with regulatory guidelines, membership of all the committees is comprised of outside directors, the majority of whom are also unrelated. In addition, the Audit Committee members meet the independence and financial

literacy tests set out in policies recently adopted by most Canadian securities regulators. The committees of the Board include:

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE – develops Empires' corporate governance policies, including responsibility for disclosure; assesses and recommends candidates for election or appointment as Directors; reviews and assesses the performance and effectiveness of the Board, its committees and individual directors; and recommends compensation of directors.

AUDIT COMMITTEE – reviews and assesses financial reporting practices and procedures, assesses risk management and reviews and approves consolidated quarterly and annual consolidated financial statements and related communications. The external auditor reports directly to the Audit Committee.

HUMAN RESOURCES COMMITTEE – reviews our management training and development programs, monitors succession planning and management compensation.



ABOVE: **PAUL BEESLEY**, Senior Vice-President, Chief Financial Officer and Secretary, Empire Company Limited

Board of Directors

JOHN L. BRAGG^{3,5}

Collingwood, Nova Scotia
 Director since 1999.
 Chairman, President and
 Co-Chief Executive Officer of
 Oxford Frozen Foods Ltd.

SIR GRAHAM DAY^{3,5}

Hantsport, Nova Scotia
 Director since 1991.
 Counsel to Stewart McKelvey
 Stirling Scales and Chairman
 of Sobeys Inc.

ROBERT P. DEXTER^{3,6}

Halifax, Nova Scotia
 Director since 1987.
 Chairman and
 Chief Executive Officer of
 Maritime Travel Inc.

PETER C. GODSOE¹

Toronto, Ontario
 Director since 1993.
 Corporate Director



JAMES W. GOGAN²

New Glasgow, Nova Scotia
 Director since 1972.
 Corporate Director

ED HARSANT¹

Woodbridge, Ontario
 Director since 2003.
 Corporate Director

MARY MOGFORD¹

Newcastle, Ontario
 Director since 2002.
 Corporate Director

E. COURTNEY PRATT^{4,5}

Toronto, Ontario
 Director since 1995.
 President and Chief Executive
 Officer of Stelco Inc.

J. WILLIAM SINCLAIR⁵

Pictou, Nova Scotia
Director since 1980.
Corporate Director

DAVID F. SOBEY³

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

DONALD R. SOBEY³

Pictou County, Nova Scotia
Director since 1963.
Chairman of
Empire Company Limited

JOHN R. SOBEY¹

Pictou County, Nova Scotia
Director since 1979.
Corporate Director



KARL R. SOBEY³

Halifax, Nova Scotia
Director since 2001.
Corporate Director

PAUL D. SOBEY

Pictou County, Nova Scotia
Director since 1993.
President and
Chief Executive Officer of
Empire Company Limited

ROB G. C. SOBEY

Stellarton, Nova Scotia
Director since 1998.
Senior Vice-President,
Merchandising and Marketing
of Sobeys Atlantic

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



“The Sobeys Foundation supports programs that promote the education, well being and health of our communities. This support is strengthened and enhanced by the volunteer efforts of thousands of employees in communities across Canada.”

We value our community

Empire’s operating businesses – grocery retailing, real estate and theatres – are all community based, dependent on the economic vitality of the markets where we operate and on the support of the people who live in the communities we serve. As our Company has grown and prospered, we have always understood the importance of giving something back, and we have endeavoured to demonstrate leadership in corporate philanthropy.

We believe we have a particular responsibility to provide leadership in Atlantic Canada, as one of the major corporations based in the region. Our family and business roots are here. While contributing to the fabric of our communities, we are also very aware of the important role we play in enhancing the economic vitality and quality of life of this magnificent part of Canada.

Empire is proud to be a member of the Imagine Corporate Giving Program and we sponsor numerous charitable initiatives through our operating companies and franchisees as well as through the Sobeys Foundation. The Sobeys Foundation supports programs that promote

the education, well being and health of our communities. This support is strengthened and enhanced by the volunteer efforts of thousands of employees in communities across Canada.

We value education

We believe quality education is the most important contributor to future growth of our communities and to employment opportunities for young people. As a result, Sobeys Inc. and the Sobeys family have had a special focus on education and scholarships, including:

SOBEYS INC. SCHOLARSHIP PROGRAM The Sobeys Inc. Scholarship Program is designed to assist eligible employees and their children or spouses in continuing their university education, with 30 annual scholarships of \$1,000 for up to four years of full-time study.

FRANK H. SOBEY FUND The Frank H. Sobeys Fund for Excellence in Business Studies awards six scholarships of \$8,000 annually to eligible full-time business students at universities within the Atlantic Provinces.

Imagine A Caring Company



IN FISCAL 2004, SOBEYS INC. SUPPORTED HUNDREDS OF CHARITIES ACROSS CANADA, RANGING FROM KIDS HELP PHONE AND CHILDREN'S WISH TO UNITED WAY/CENTRAIDE AND EASTER SEALS AS WELL AS HOSPITALS, SPORTS AND RECREATIONAL PROGRAMS AND COMMUNITY FOOD BANKS. ABOVE: **KIDS HELP PHONE** PICTURED: **SOPHIA LABONTÉ**, Counsellor LEFT: **SCHOOL IS COOL** PICTURED: **GRAHAM BROMLEY**, Sobeyes Franchisee

DONALD R. SOBEY ATLANTIC LEADERSHIP SCHOLARSHIP

Donald R. Sobey, a Bachelor of Commerce graduate of Queens University (1957) committed \$3 million to his alma mater to establish annual scholarships for five Atlantic Canadian students planning to attend Queen's School of Business in Kingston, Ontario.

Valued at \$10,000 per year, the scholarship is renewable in each of the four years of the Bachelor of Commerce degree program.

We value Canadian culture

The Sobey Art Foundation was established in 1981 with a mandate to continue the work of the late Frank H. Sobey as a dedicated supporter and collector of Canadian visual art. Since then, the Foundation has assembled one of the finest collections of 19th and 20th century Canadian art at Crombie House, the former home of Frank and Irene Sobey in Pictou County, Nova Scotia. The collection, which is open to the public

during July and August or by appointment throughout the year, contains an impressive range of works from many of Canada's leading painters, including Cornelius Kreighoff, Tom Thomson, and J.E.H. MacDonald.

In 2001, the Foundation extended its support to contemporary Canadian art with the creation of the Sobey Art Award, which, at \$50,000, is the richest of its kind in Canada. Every two years, the Sobey Art Award is bestowed upon an emerging contemporary Canadian artist, 39 years of age or younger, who has exhibited work in one of the country's public or private art galleries within the past 18 months. The award is intended to provide meaningful assistance to the country's most promising artists, while stimulating greater public interest in their work.

For further information pertaining to the Sobey Art Award please visit the website at www.sobeyartaward.ca.

Corporate Officers

OFFICERS OF EMPIRE COMPANY LIMITED

DONALD R. SOBEY
Chairman

PAUL D. SOBEY
President and
Chief Executive Officer

PAUL V. BEESLEY
Senior Vice-President,
Chief Financial Officer
and Secretary

STEWART H. MAHONEY
Vice-President,
Treasury and Investor Relations

CAROL A. CAMPBELL
Vice-President,
Risk Management

JOHN G. MORROW
Vice-President and Comptroller

OFFICERS OF OPERATING COMPANIES

SOBEYS INC.

SIR GRAHAM DAY
Counsel to Stewart M^cKelvey
Stirling Scales and Chairman

BILL M^cEWAN
President and
Chief Executive Officer

JAMES M. (JIM) DICKSON
Executive Vice-President,
Chief Development Officer
and Secretary

R. GLENN HYNES
Executive Vice-President
and Chief Financial Officer

PAUL A. JEWER
Vice-President,
Finance and Treasurer

L. JANE M^cDOW
Assistant Secretary

MICHAEL G. SCOTT
President Operations
of Sobeys Atlantic

MARC POULIN
President Operations
of Sobeys Quebec

CRAIG T. GILPIN
President Operations
of Sobeys Ontario

J. GARY KERR
President Operations
of Sobeys West

DUNCAN F. REITH
Chief Merchandising Officer

FRANÇOIS VIMARD
Executive Vice-President

CROMBIE PROPERTIES 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

DIRECTORS OF OPERATING COMPANIES

SOBEYS INC.

SIR GRAHAM DAY
Counsel to Stewart M^cKelvey
Stirling Scales and Chairman

BILL M^cEWAN
President and
Chief Executive Officer

JOHN L. BRAGG
Chairman, President and
Co-Chief Executive Officer of
Oxford Frozen Foods Ltd.

MARCEL CÔTÉ
Senior Partner of Secor Inc.

CHRISTINE CROSS
President of Christine Cross Ltd.

ROBERT P. DEXTER
Chairman and
Chief Executive Officer of
Maritime Travel Inc.

PETER C. GODSOE
Corporate Director

MALEN NG
Chief Financial Officer of
Workplace Safety and
Insurance Board of Ontario

MEL A. RHINELANDER
President and
Chief Executive Officer of
Extencare Inc.

DAVID F. SOBEY
Chairman Emeritus

DONALD R. SOBEY
Chairman of
Empire Company Limited

FRANK C. SOBEY
Chairman of
Crombie Properties Limited

JOHN R. SOBEY
Corporate Director

PAUL D. SOBEY
President and
Chief Executive Officer of
Empire Company Limited

CROMBIE PROPERTIES LIMITED

FRANK C. SOBEY
Chairman

J. STUART BLAIR
President and
Chief Executive Officer

WILLIAM T. BROCK
Corporate Director

DAVID G. GRAHAM
President of
Atlantic Developments Inc.

DAVID J. HENNIGAR
Chairman of Acadian
Securities Inc.

KENNETH C. ROWE
Chairman, President and
Chief Executive Officer of
IMP Group Ltd.

JOHN B. ROY
Corporate Director

DAVID F. SOBEY
Chairman Emeritus of
Sobeys Inc.

DONALD R. SOBEY
Chairman of
Empire Company Limited

JOHN R. SOBEY
Corporate Director

PAUL D. SOBEY
President and Chief
Executive Officer of
Empire Company Limited

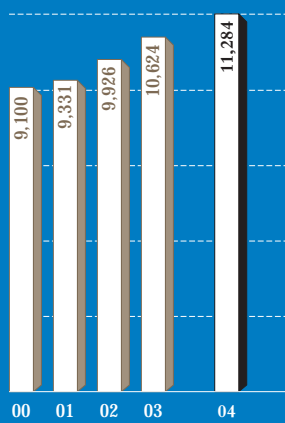
Management's Discussion and Analysis

Revenue increased 6.2 percent in fiscal 2004, primarily the result of continued growth in our food distribution and real estate businesses.

Operating earnings per share increased 2.5 percent to \$2.49 a share, compared to \$2.43 last year.

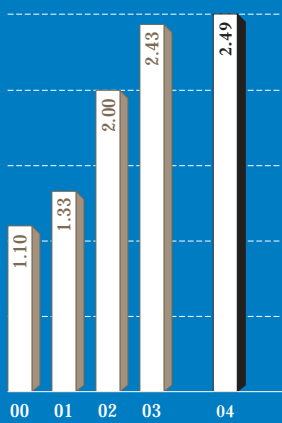
Shareholders' equity increased 10.5 percent in fiscal 2004, primarily as a result of a 12.5 percent increase in net earnings.

TOTAL REVENUE⁽¹⁾
(\$ in millions)



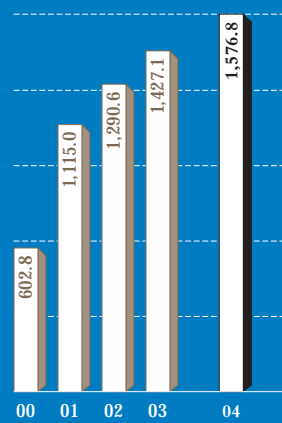
YEAR ENDED APRIL 30TH
(1) Includes gain of \$14.6 million on sale of redundant real estate in fiscal 2004.

OPERATING EARNINGS PER SHARE⁽¹⁾
(\$ per share)



YEAR ENDED APRIL 30TH
(1) Earnings before net capital gain (loss) and other items.

SHAREHOLDERS' EQUITY
(\$ in millions)



YEAR ENDED APRIL 30TH

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Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") section of the Annual Report contains commentary from management on the consolidated financial condition and results of operations of Empire Company Limited ("Empire" or the "Company") for the fiscal year ended April 30, 2004, as compared to the same period last year. Management also provides an explanation of the Company's fourth quarter results, changes in accounting policies, critical accounting estimates and factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. The information in this MD&A is current to June 24, 2004, unless otherwise noted.

In December 2003, the Canadian securities regulators released National Instrument 51-102 ("NI51-102"), "Continuous Disclosure Obligations." New disclosures have been introduced in this MD&A in compliance with NI51-102.

This discussion and analysis should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto for the fiscal year ended April 30, 2004 and the fiscal year ended April 30, 2003 respectively.

This discussion may contain forward-looking statements that are subject to risks and uncertainties that may cause actual results or events to differ materially from the results or events predicted in this discussion. In addition to the risks outlined in the Risk Management section, factors which could cause actual events or events to differ include, but are not limited to: the ability to execute on operating company strategic initiatives; the impact of competition; general economic conditions; interest rate and currency exchange rate fluctuations; conditions affecting the North American equity markets; conditions affecting the growth and development of our real estate property portfolio; the ability of our operating companies to attract and retain quality employees and

franchisees; the availability of capital and the associated cost of capital. As a result of these risk factors and others, no guarantee can be given that the results implied by any forward-looking statements will necessarily materialize.

DEFINING NON-GAAP MEASURES There are measures included in this MD&A that do not have a standardized meaning under Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable to similarly titled measures presented by other companies.

The Company includes these measures because it believes certain investors use these measures as a means of evaluating relative financial performance. Empire's definition of the non-GAAP terms are as follows:

- EBITDA is calculated as operating income plus depreciation and intangible amortization.
- Operating Income or EBIT is calculated as operating earnings plus interest expense and income taxes plus goodwill amortization.
- Operating earnings is calculated as net earnings before net capital gains (losses) and other items.
- Funds from operations is calculated as operating earnings plus depreciation expense.
- Interest coverage is calculated as operating income divided by interest expense.
- Net working capital is calculated as receivables plus inventories, plus prepaid expenses, less accounts payable and accrued liabilities, less the current portion of future income taxes payable.
- Funded debt is calculated as bank indebtedness plus long-term debt due within one year, plus long-term debt.
- Net debt is calculated as funded debt less cash and cash equivalents.
- Total capital is calculated as funded debt plus shareholders' equity.
- Net asset value is management's estimate of the market value of the Company's assets less liabilities.

Company Overview

Empire is a diversified Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses consist of: retail food distribution through a 65.0 percent ownership interest in Sobeys Inc. ("Sobeys"); real estate through two wholly-owned operating subsidiaries, Sobey Leased Properties Limited and Crombie Properties Limited ("Crombie"), which includes a 35.8 percent ownership interest in Genstar Development Partnership ("Genstar"); other operations including wholly-owned Empire Theatres Limited; and corporate investment activities.

Guided by conservative business principles, Empire's primary goal is to grow long-term shareholder value through income and cash flow growth and equity appreciation. This is accomplished through direct ownership and equity participation in businesses that management believes have the potential for long-term growth and profitability.

With assets of \$4.7 billion, Empire employs approximately 34,000 people directly and through its subsidiaries.

FOOD DISTRIBUTION Empire's food distribution operations are carried on through its 65.0 percent ownership in Sobeys. Headquartered in Stellarton, Nova Scotia, Sobeys is a leading national retail grocery and food distributor. Founded in Atlantic Canada in 1907, Sobeys owns or franchises more than 1,300 corporate and franchised food stores located in all 10 provinces under various retail banners; including Sobeys, IGA extra, IGA, and Price Chopper. Sobeys and its franchisees collectively generate approximately \$11.05 billion in retail sales annually.

Sobeys continues to attract new customers and sales with right-sized stores and a focus on food, driven by its fresh food expertise and well-communicated and well-executed offerings. Sobeys' vision is to build sustainable worth by being the most worthwhile experience for its customers, employees, franchisees, suppliers and shareholders.

REAL ESTATE Empire's real estate operations are focused on the development and management of its existing commercial property portfolio and through Genstar its residential business, while also pursuing accretive acquisitions and developments, primarily in Ontario.

At the end of fiscal 2004, real estate operations had 12.9 million square feet under ownership compared to 12.2 million square feet last year. Commercial real estate operations are conducted through Crombie and Sobey Leased Properties Limited, while residential land development is primarily conducted through Genstar, which operates principally in high growth communities in Ontario and Western Canada.

With the acquisition of six properties in Ontario on February 1, 2004, the real estate division now manages over 1.0 million square feet of property in Ontario and Quebec. The trend towards increasing the percentage of total property square footage in Ontario relative to the total portfolio is expected to continue.

Today, 87 percent of the gross leaseable area in Empire's real estate portfolio is retail space, of which 40 percent is leased to an Empire-affiliated company. The retail segment of the real estate portfolio includes 73 properties. The commercial real estate portfolio also includes 9 office properties, representing 13 percent of total gross leaseable area.

INVESTMENTS AND OTHER OPERATIONS The third component of Empire's business is its investments and other operations. Empire's investment portfolio consists of Canadian and U.S. equity investments. At fiscal year-end, Empire's investments carried a market value of \$390.9 million consisting of Canadian common equity investments valued at \$271.6 million, foreign common equities valued at \$117.8 million in Canadian dollars, and preferred equities and other investments valued at \$1.5 million. The Canadian common equity investment market value includes the market value of Empire's equity accounted investment in Wajax Limited (a 47.5 percent ownership position) of \$78.3 million at fiscal year-end. All of Empire's investments are listed on a recognized public stock exchange.

Other operations primarily consist of wholly-owned Empire Theatres Limited ("Empire Theatres" or "Theatres"), a movie exhibitor with 149 screens in 22 locations in Atlantic Canada and through a joint venture, 14 screens and four locations in Western Canada. Subsequent to fiscal year-end, on June 15, 2004, Empire Theatres announced the purchase of four cinemas operating 23 screens from Famous Players, a division of Viacom Canada Inc., in Nova Scotia and New Brunswick.

EMPIRE'S STRATEGIC DIRECTION Management's primary objective is to maximize the long-term sustainable value of Empire through enhancing the worth of the Company's net assets and in turn, having that value reflected in Empire's share price.

The strategic direction of the Company is to stay the course by continuing to direct energy and capital towards growing the long-term sustainable value of each of its core operating businesses – food distribution, real estate and theatres. While these respective core businesses are well established and profitable in their own right,

the diversification they offer Empire by both business line and by market area is considered by management to be an additional source of strength. Together, these core businesses reduce risk and volatility, thereby contributing to consistency in consolidated earnings growth over the long term. Going forward, the Company intends to continue to direct its resources towards the most promising opportunities within these core businesses in order to maximize long-term shareholder value.

In carrying out the Company's strategic direction, Empire management defines its role as having four fundamental responsibilities: first, to support the development and execution of sound strategic plans for each of its operating companies; second, to regularly monitor developments within each operating company; third, to ensure that Empire is well governed as a public company; and fourth, to prudently manage a pool of investment capital in order to augment the growth in our core operating businesses.

The Company also remains committed to holding an investment portfolio consisting largely of high quality common equities. A liquid investment portfolio provides Empire with the opportunity to augment earnings while waiting to make further investment in its core operations as attractive opportunities unfold. Historically the Company has 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 investing in money market investments.

Consolidated Operating Results

CONSOLIDATED FINANCIAL RESULTS SUMMARY

<i>Years Ended April 30th</i> <i>(\$ in millions, except per share information)</i>	2004	% Change over 2003	2003	% Change over 2002	2002	% Change over 2001
Revenue						
Food Distribution ⁽¹⁾	\$ 11,061.4	6.2 %	\$ 10,414.5	7.0 %	\$ 9,732.5	6.2 %
Real Estate, net of inter-segment	158.2	6.0 %	149.2	8.3 %	137.8	15.8 %
Other Operations	64.4	6.4 %	60.5	7.6 %	56.2	14.5 %
Consolidated revenue	\$ 11,284.0	6.2 %	\$ 10,624.2	7.0 %	\$ 9,926.5	6.4 %
Operating income						
Food Distribution	\$ 294.5	(9.3)%	\$ 324.7	9.9 %	\$ 295.4	28.6 %
Real Estate	111.1	7.0 %	103.8	3.2 %	100.6	22.2 %
Investments and Other	18.0	9.7 %	16.4	(18.8)%	20.2	(30.6)%
Consolidated operating income	423.6	(4.8)%	444.9	6.9 %	416.2	22.0 %
Interest expense	91.6	(1.4)%	92.9	(16.8)%	111.6	(23.5)%
Income taxes (from operating activities)	109.2	(12.1)%	124.3	6.1 %	117.1	60.2 %
Goodwill amortization	-	-	-	-	9.5	2.2 %
Minority interest	58.9	(13.1)%	67.8	24.4 %	54.5	224.7 %
Earnings from discontinued operations	-	-	-	-	8.7	(13.0)%
Operating earnings	163.9	2.5 %	159.9	20.9 %	132.2	49.4 %
Capital gain (loss) and other items, net of tax	9.2	253.3 %	(6.0)	(143.8)%	13.7	(97.2)%
Gain on sale of discontinued operations	-	-	-	-	50.0	-
Net earnings	\$ 173.1	12.5 %	\$ 153.9	(21.4)%	\$ 195.9	(66.2)%
Cash flows from operating activities	\$ 467.0	31.3 %	\$ 355.8	(42.7)%	\$ 621.1	257.4 %
Total assets	\$ 4,681.7	3.7 %	\$ 4,516.1	4.6 %	\$ 4,318.0	1.5 %
Total long-term liabilities	\$ 1,684.5	(1.0)%	\$ 1,701.5	1.5 %	\$ 1,676.2	2.3 %
PER SHARE, BASIC AND FULLY DILUTED						
Operating earnings	\$ 2.49	2.5 %	\$ 2.43	21.5 %	\$ 2.00	50.4 %
Capital gain (loss) and other items, net of tax	0.14	255.5 %	(0.09)	(142.8)%	0.21	(97.2)%
Gain on sale of discontinued operations	-	-	-	-	0.76	-
Net earnings	\$ 2.63	12.4 %	\$ 2.34	(21.2)%	\$ 2.97	(66.3)%
Basic and diluted weighted average number of shares outstanding	65.8	-	65.8	0.2 %	65.7	-
Dividends	\$ 0.4000	21.2 %	\$ 0.3300	54.3 %	\$ 0.2138	25.8 %

(1) Includes a \$14.6 million gain on the sale of redundant real estate which Empire has recorded in revenue in fiscal 2004.

Explanation of Fiscal 2004 Annual Results

Each of Empire's operating businesses contributed to the growth in the Company's consolidated revenue in fiscal 2004 over the prior fiscal year; an increase of \$659.8 million or 6.2 percent. Revenue and financial performance for each of the Company's businesses (food distribution; real estate; investments and other operations) are discussed in detail in further sections of this MD&A.

OVERALL OPERATING PERFORMANCE The revenue increase of \$659.8 million or 6.2 percent in fiscal 2004, to \$11.28 billion, is largely attributed to an increase in food division revenues of \$646.9 million or 6.2 percent over the prior year. Included in food division revenues is a \$14.6 million gain on the sale of redundant real estate. Growth in real estate revenues (net of inter-segment) totaled \$9.0 million or 6.0 percent, while other operations recorded revenue growth of \$3.9 million or 6.4 percent, primarily as a result of strong revenue growth at Empire Theatres.

DEPRECIATION EXPENSE Depreciation expense increased by \$27.8 million or 19.3 percent over the prior year, largely reflecting Sobeys' ongoing capital investment in its retail store network.

OPERATING INCOME The year-over-year decrease in operating income or EBIT of \$21.3 million or 4.8 percent is the result of a \$30.2 million decline in operating income contribution from the food distribution, partially offset by a \$7.3 million or 7.0 percent increase in operating income for the real estate division and a \$1.6 million or 9.8 percent increase in operating income for investments and other

operations. The year-over-year change in operating income for each division is explained in further sections of this MD&A.

INTEREST EXPENSE Interest on long-term debt declined \$3.8 million, or 4.2 percent largely as a result of \$187.8 million of long-term debt repayments made during the year compared to \$14.9 million of new long-term debt issued during the fiscal year. Interest expense on short-term debt increased \$2.5 million largely as a result of an increase in bank indebtedness of \$41.5 million over the prior year.

The majority of the Company's debt remains at fixed rates and therefore there is minimal exposure to interest rate risk from fluctuating short-term interest rates.

INCOME TAXES The fiscal 2004 effective tax rate was 32.9 percent compared to 35.3 percent for fiscal 2003. The year-over-year change is primarily a result of reduced statutory tax rates. Total income tax expense (from operating activities) for fiscal 2004 equaled \$109.2 million versus \$124.3 million recorded last year, as a result of lower taxable earnings in fiscal 2004 as well as the lower effective income tax rate.

BELOW: **DISTRIBUTION CENTRE**, Debert, Nova Scotia **PICTURED:** Tim Cosh, Sobeys' Employee; **COMMISSO'S MARKET PLAZA**, Hamilton, Ontario



MINORITY INTEREST The Company incurs minority interest expense as a consequence of not owning 100.0 percent of Sobeys. Fiscal 2004 minority interest equaled \$58.9 million, a decrease of \$8.9 million or 13.1 percent from the \$67.8 million recorded in 2003. The decline in minority interest is attributed to an increase in Empire's ownership interest in Sobeys, from 62.0 percent last year to 65.0 percent at the end of 2004, along with Sobeys reporting an \$11.5 million decline in net earnings relative to last year.

Empire purchased a total of 1.97 million common shares of Sobeys between July 1, 2003 and April 30, 2004

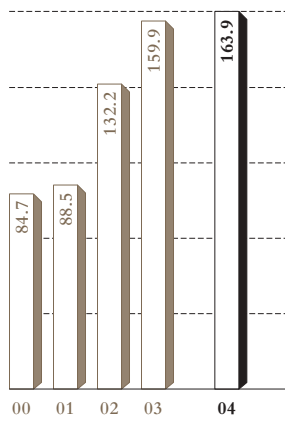
resulting in the increase in ownership of Sobeys. These share purchases totaled \$67.7 million and were funded through the sale of portfolio common equity investments and bank indebtedness.

OPERATING EARNINGS The \$4.0 million improvement in operating earnings (earnings before net capital gain (loss) and other items) over last year was the result of the interaction of the 6.2 percent growth in sales as explained, the 4.8 percent decline in operating income, the 1.4 percent reduction in interest expense, the 12.1 percent reduction in income tax expense, and the 13.1 percent decline in minority interest as previously discussed.

NET CAPITAL GAIN (LOSS) Net capital gain of \$9.2 million primarily resulted from the sale of portfolio investments during the year (2003 – \$6.0 million net capital loss).

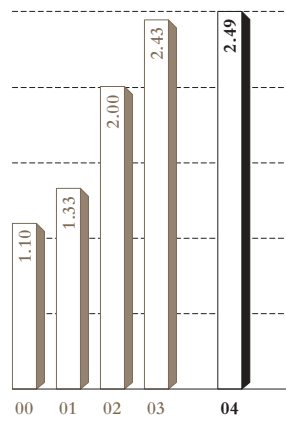
NET EARNINGS The increase in net earnings of \$19.2 million or 12.5 percent from last year is the result of the \$4.0 million increase in operating earnings as discussed and the increase in net capital gain (loss) over the prior year of \$15.2 million.

OPERATING EARNINGS⁽¹⁾
(\$ in millions)



YEAR ENDED APRIL 30TH
(1) Earnings before net capital gain (loss) and other items.

OPERATING EARNINGS PER SHARE⁽¹⁾
(\$ per share)



YEAR ENDED APRIL 30TH
(1) Earnings before net capital gain (loss) and other items.

BELOW: **SOBEYS express**, Truro, Nova Scotia; **EMPIRE THEATRES STUDIO 7**, Lower Sackville, Nova Scotia





ABOVE: SOBEYS FAST FUEL, Tantallon, Nova Scotia; SOBEYS QUEENSWAY, Toronto, Ontario

Operating Performance by Division and Outlook

Food Distribution Division

HIGHLIGHTS

- Sobeys achieved sales growth of 6.1 percent and same-store sales growth of 1.4 percent.
- EBITDA as a percentage of sales declined to 4.04 percent compared to 4.32 percent last year.
- Total capital expenditures equaled \$316.1 million (total company-wide capital expenditures, which includes franchisee and third party spending, equaled \$552.9 million).
- Opened or replaced 61 new stores, renovated or expanded 28 stores, completed banner conversions on 89 stores and, in February 2004, acquired six cash and carry's and 15 Commisso's stores.
- In Western Canada the Sobeys brand and Ready to serve were launched through the conversion of 36 IGA Garden Market stores to Sobeys bannered stores.
- Expanded the "We Serve, You Save" program across most of Sobeys and launched the "Hometown Advantage" program in its community format IGA stores.
- Introduced its new "prototype" Sobeys *express* convenience stores.

REVENUE In fiscal 2004, Sobeys recorded sales of \$11.05 billion, an increase of \$632.3 million or 6.1 percent over fiscal 2003. Sales increased in all operating regions.

Sobeys' same-store sales increased 1.4 percent despite little or no national food price inflation throughout the fiscal year. The growth in revenue was the result of: Sobeys increased retail selling square footage; the fourth quarter impact of the Commisso's acquisition; Sobeys' aggressive pricing posture and the continued

implementation of sales and merchandising initiatives across the country; and Sobeys' ongoing financial commitment to upgrade and renovate existing store assets. Management continues to focus on the opportunity to increase sales per square foot in its 24.1 million square foot retail network. Increased merchandising intensity, improved marketing, and enhanced in-store promotional programs have targeted a larger share of current customers' requirements in order to increase transaction size with its existing customer base.

Store square footage increased by 6.6 percent in fiscal 2004 as a result of the opening of 61 new stores, the expansion of 18 stores, and the acquisition of 15 Commisso's stores.

Sobeys expects continued sales growth in fiscal 2005 as a result of the ongoing capital investment in its retail store network, the full-year benefit of the Commisso's acquisition and continued store offering, merchandising and pricing improvements across Sobeys.

EBITDA AND OPERATING INCOME Sobeys' EBITDA margin declined to 4.04 percent of sales from 4.32 percent last year, a decrease of 28 basis points. This decrease was primarily due to the impact of lower retail prices in increasingly competitive markets. Competitive pressure in fiscal 2004 was particularly acute in the Ontario region. Existing system and process complexities in the Ontario business, including franchise and corporate store business management and process inefficiencies, compounded the heightened competitive intensity, to significantly reduce the earnings in the region. As a result, the Ontario region was the primary contributor

to Sobeys' overall earnings decline. Sobeys has been actively addressing the business model and process complexity issues. In March, Sobeys announced the appointment of Craig Gilpin, an experienced Ontario retail executive, to the position of President Operations, Sobeys Ontario, to lead the ongoing simplification of the Ontario business. Sobeys' productivity initiatives and business process optimization efforts will also enable performance improvement and simplification in the near and medium term.

The margin decline also reflects the short-term impact of Sobeys' acceleration of planned investments in its stores and offerings during the year, necessary to maintain and improve its competitive position while continuing to grow its total retail sales. The combination of lower retail selling prices arising from the Company's investments to remain competitive and relatively stable cost of goods sold resulted in lower gross profit percentages compared with the prior year.

In addition to the competitive environment, a number of factors contributed to the decline in operating income including: a reserve for the uninsured portion of the cost of the August 2003 power failure in Ontario (\$4.9 million pre-tax); the adverse outcome in a long-standing real estate lawsuit (\$4.0 million pre-tax); an increase in the estimate of store closing costs (\$5.3 million pre-tax); and pension and benefit costs for employees on long-term disability (\$4.8 million pre-tax).

Sobeys realized a pre-tax gain of \$14.6 million in the fourth quarter related to the sale of redundant real estate.

Sobeys undertook a number of specific initiatives during the year which helped offset some of the margin decline. Sobeys continued to reduce distribution and logistics costs through improved productivity. Voice pick technology was implemented in Sobeys' distribution centres to improve both order selection accuracy and productivity. This technology enhances the order selection process, substantially reducing the frequency of selection errors. Sobeys also closed redundant distribution facilities in Grand Prairie and Peace River, Alberta, recording closure costs of \$1.2 million pre-tax in its second quarter.

On January 31, 2004, the unionized employees at the food division's Milton, Ontario distribution centre ratified a new three-year collective agreement. The contract is consistent with Sobeys' commitment to building and sustaining a fair, equitable and competitive infrastructure and cost base for the long term.

In the future, the continued focus on increasing sales per square foot, banner rationalization, disciplined cost management and reduction, distribution efficiencies and

migration of best practices across its four regions, are expected to positively impact Sobeys' operating income.

Sobeys' depreciation expense increased by \$26.4 million year-over-year. Operating income or EBIT contribution by the food division amounted to \$294.5 million in fiscal 2004, a decrease of \$30.2 million or 9.3 percent from 2003.

NET EARNINGS Sobeys' fiscal year 2004 net earnings were \$167.5 million compared with \$179.0 million last year, a 6.4 percent decrease. Net earnings per share were \$2.54 for fiscal 2004 compared to \$2.72 per share in fiscal 2003.

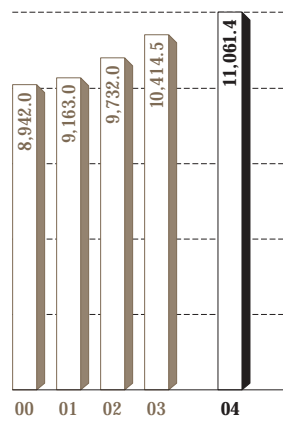
Sobeys' net earnings are the result of heightened competitiveness in the food retail business, increased depreciation expense, the other costs incurred as discussed, and investments made during the year.

Sobeys' contribution to Empire's net earnings equaled \$108.1 million (62.4% of Empire consolidated net earnings) compared to \$110.4 million the previous year, a 2.1 percent earnings reduction.

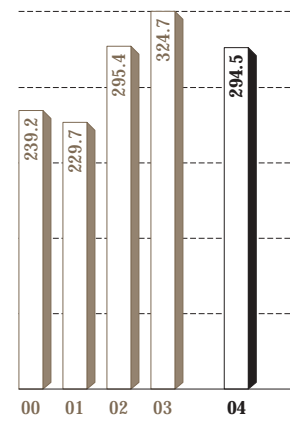
FOOD DIVISION OUTLOOK Sobeys' management believes that Sobeys is well positioned for growth throughout fiscal 2005 and is confident in its strategy. Sobeys' offerings will continue to improve in each operating region and Sobeys will remain competitive in increasingly competitive markets, as demonstrated in fiscal 2004. Sobeys' focus will continue to be on growing sales and earnings in fiscal 2005 and beyond in a sustainable manner over the long term.

Sobeys is committed to building sustainable worth for all its constituents.

FOOD DISTRIBUTION REVENUE⁽¹⁾
(\$ in millions)



FOOD DISTRIBUTION OPERATING INCOME
(\$ in millions)



YEAR ENDED APRIL 30TH
(1) Includes gain of \$14.6 million on sale of redundant real estate in fiscal 2004.

YEAR ENDED APRIL 30TH



ABOVE: **DOWNSVIEW MALL**, Lower Sackville, Nova Scotia; **BRIDGEWATER MALL**, Bridgewater, Nova Scotia

Real Estate Division

HIGHLIGHTS

- Increased occupancy rate to 93.6 percent compared to 92.7 percent last year.
- Funds from operations increased 8.8 percent to \$58.4 million.
- The real estate portfolio was strengthened and diversified through the redevelopment of existing properties, expansion of residential development through Genstar and property acquisitions in Ontario. Crombie purchased seven properties in Ontario resulting in over one million square feet of owned leaseable space in Ontario and Quebec.

The table below segments real estate division revenue, funds from operations and net earnings by commercial and residential operations.

<i>Years ended April 30th (\$ in millions)</i>	2004	% Change over 2003	2003	% Change over 2002
Revenue				
Commercial	\$ 180.4	4.1 %	\$ 173.3	3.6 %
Residential	30.1	19.0 %	25.3	41.3 %
	\$ 210.5	6.0 %	\$ 198.6	7.3 %
Inter-segment	(52.3)	5.9 %	(49.4)	4.4 %
	\$ 158.2	6.0 %	\$ 149.2	8.3 %
Funds from operations				
Commercial	\$ 40.8	9.4 %	\$ 37.3	6.0 %
Residential	17.6	7.3 %	16.4	26.2 %
	\$ 58.4	8.8 %	\$ 53.7	11.4 %
Net earnings				
Commercial	\$ 24.9	18.0 %	\$ 21.1	11.1 %
Residential	17.0	(4.5)%	17.8	18.3 %
	\$ 41.9	7.7 %	\$ 38.9	12.7 %

REVENUE Commercial property related revenue increased \$7.1 million or 4.1 percent as a result of increased leasing activity, generally stronger rental renewal rates and property development and acquisition activity during the year. In the first quarter, Crombie acquired a community shopping centre property in Hamilton, Ontario. At the start of the fourth quarter, Crombie acquired six properties from Commisso's Properties Ltd. in Southwestern Ontario which added gross leaseable area of 0.5 million square feet.

Leasing activity has been generally stronger than anticipated with an overall (retail plus office) occupancy rate of 93.6 percent compared to 92.7 percent a year ago. The retail occupancy rate was 94.4 percent compared to 93.2 percent a year earlier. Office vacancy, although at 9.8 percent compared to 8.9 percent a year earlier, was below the average vacancy rate in the Halifax and Moncton markets, respectively. The majority of the Company's office space is located in the Halifax and Moncton markets.

Revenue from residential activities increased \$4.8 million or 19.0 percent as a result of stronger than expected lot sales in Genstar's Western Canadian operation, particularly in the Calgary and Edmonton markets.

OPERATING INCOME The \$7.3 million or 7.0 percent increase in real estate division operating income for fiscal 2004 over the prior year was largely the result of a strong contribution from Genstar, successful redevelopment activities, higher net effective rental rates and lower operating costs. The real estate operation contributed 26.2 percent of Empire's total operating income in fiscal 2004 versus 23.3 percent a year earlier.

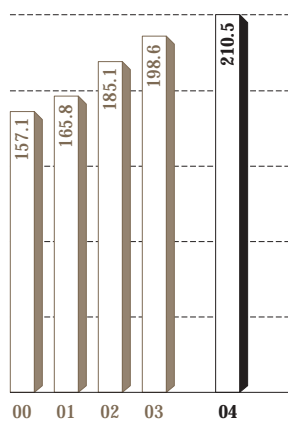
NET EARNINGS Real estate's contribution to Empire's fiscal 2004 net earnings was \$41.9 million (24.2 percent of Empire consolidated net earnings), an increase of \$3.0 million from the \$38.9 million recorded in fiscal 2003. The increase is principally the result of the higher operating income earned in fiscal 2004.

Funds from operations (net income plus depreciation) increased 8.8 percent to \$58.4 million from \$53.7 million last year as a result of improved operating earnings performance.

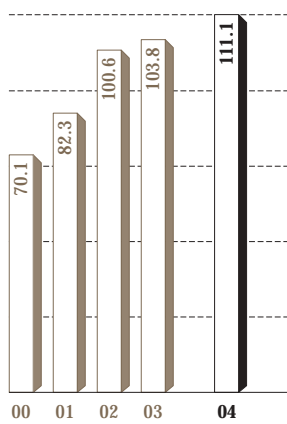
REAL ESTATE DIVISION OUTLOOK Over the next year, Empire's real estate management group will continue its policy of maximizing and prudently reinvesting its cash flow to further strengthen and diversify its portfolio of residential and commercial properties.

Empire's real estate management group expects overall retail occupancy levels to remain strong during fiscal 2005 as a result of the diligence of our leasing team and general economic conditions.

REAL ESTATE REVENUE⁽¹⁾
(*\$ in millions*)



REAL ESTATE OPERATING INCOME
(*\$ in millions*)



YEAR ENDED APRIL 30TH
(1) Revenue is before inter-segment elimination.

YEAR ENDED APRIL 30TH



ABOVE: EMPIRE THEATRES STUDIO 7, Lower Sackville, Nova Scotia

Investments and Other Operations

HIGHLIGHTS

- Empire's investments generated a 75.3 percent total return in fiscal 2004, resulting in first quartile return performance.
- Four-year annualized return performance for Empire's liquid portfolio investments was 10.0 percent compared to a negative 0.8 percent total return for the S&P/TSX Composite Index and a negative 7.9 percent total return for the S&P 500 Index, in Canadian dollars.
- Net investment capital gains of \$9.4 million were realized in fiscal 2004 largely as a result of the sale of common equity investments.
- Empire Theatres continued to diversify its operations outside of Atlantic Canada through its joint venture arrangement with Landmark Cinemas of Canada Limited, which has resulted in four locations to date.

PORTFOLIO VALUE AT APRIL 30, 2004 At fiscal year-end, April 30, 2004, Empire's total investments (excluding cash) carried a market value of \$390.9 million on a cost base of \$324.7 million, resulting in an unrealized gain of \$66.2 million. This compares to an unrealized gain of \$46.7 million at the end of the third quarter and an unrealized loss of \$68.7 million at the end of fiscal 2003.

At April 30, 2004, Empire's investment portfolio (excluding cash) consisted of:

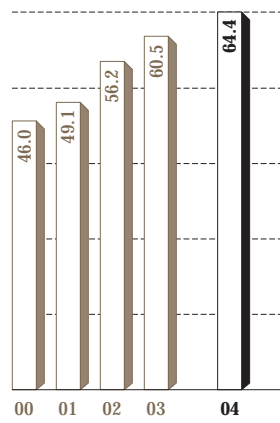
<i>\$ in millions (Canadian)</i>	Market Value	% of Portfolio	Cost	Unrealized Gain (Loss)
Canadian equities	\$ 193.3	49.5%	\$ 153.8	\$ 39.5
U.S. equities	117.8	30.1	122.7	(4.9)
Wajax	78.3	20.0	46.7	31.6
Preferred and other	1.5	0.4	1.5	–
	\$ 390.9	100.0%	\$ 324.7	\$ 66.2

Empire's direct debt matched to these investments was \$71.4 million Canadian at year-end, equivalent to 18 percent of total investment market value. Management considers a ratio of debt to investment value of no greater than 35 percent as prudent.

REVENUE Investments and other operations' revenue, primarily generated by Empire Theatres, reached \$64.4 million versus \$60.5 million last year. Revenue growth at Empire Theatres was primarily the result of the availability of quality product and the modernization of existing locations. Empire Theatres had 149 screens in operation versus 141 at April 30, 2003.

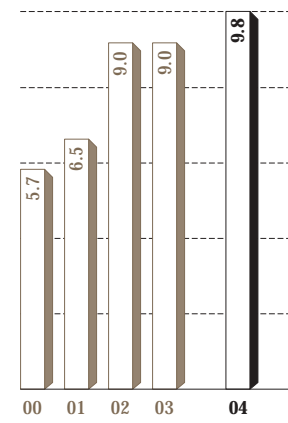
INVESTMENT RETURN The total return on the Empire investment portfolio, as independently benchmarked against over 100 North American equity fund managers, has provided first quartile return performance for each of Canadian equities and U.S. equity investments over two and three-year trailing periods ended March 31, 2004, respectively. Total portfolio return for the twelve-month period ended March 31, 2004 was 75.3 percent. This compares to a 37.7 percent total return for the S&P/TSX Composite Index and a 20.5 percent total return for the S&P 500 Index in Canadian dollars over the same twelve-month period. Empire's investment return performance was ranked as being in the top 5th percentile for each of Canadian equities and U.S. equities over the twelve-month period ended March 31, 2004.

OTHER OPERATIONS REVENUE
(\$ in millions)



YEAR ENDED APRIL 30TH

OTHER OPERATIONS OPERATING INCOME
(\$ in millions)



YEAR ENDED APRIL 30TH

The tables below present the return performance for Empire's portfolio investments relative to Canadian and U.S. equity benchmarks over each of the last four years ended March 31st, as well as on a two, three and four-year compounded basis. Total portfolio return has been strong first quartile for 2004 and also on a two-year, three-year and four-year annualized basis.

TOTAL INVESTMENT RETURN⁽¹⁾

(Annual Returns for Periods Ended March 31st)

	2001	2002	2003	2004
Empire Investment Portfolio	20.8%	11.9%	-27.8%	50.0%
S&P/TSX Composite Index	-18.6%	4.9%	-17.6%	37.7%
S&P 500 Index (in Cdn.\$)	-14.8%	1.4%	-30.7%	20.5%

TOTAL INVESTMENT RETURN⁽¹⁾

(Annualized Compound Returns for Periods Ended March 31, 2004)

	2-year	3-year	4-year
Empire Investment Portfolio	5.2%	6.6%	10.0%
1st Quartile Manager Return	2.8%	3.9%	3.1%
Median Manager Return	0.9%	1.5%	-0.5%
S&P/TSX Composite Index	6.5%	6.0%	-0.8%
S&P 500 Index (in Cdn.\$)	-8.6%	-5.4%	-7.9%

(1) Excludes the total return on Wajax Limited which is an equity accounted investment. With the total return on Wajax Limited included, total return for the twelve-month period ended March 31, 2004 was 75.3 percent.

Despite the volatility in equity markets, management continues to believe that equity market returns will be superior to either fixed income or money market investment returns over the long term. Empire remains committed to prudently managing a high quality, liquid portfolio of common equities.

PERFORMANCE ATTRIBUTION The increase in investment value over the last twelve months is primarily attributed to three factors: first, a turnaround in the valuation of the Delhaize Le Lion common equity investment which was crystallized; second, a significant increase in Wajax share price; and third, solid return performance from financial services stocks and the equity market generally.

HEDGING INVESTMENT CURRENCY RISK At April 30, 2004, Empire had hedged 60.5 percent of the market value of its U.S. based common equity investments by way of \$52.0 million in U.S. dollar short-term borrowings. The average foreign exchange rate associated with these U.S. dollar bank loans is \$1.3716 (72.9 cents). The fair value of the hedge was close to zero dollars at the end of fiscal 2004 as a result of the foreign exchange rate equaling \$1.3710 (72.9 cents) at the end of the fourth quarter. Management has documented and accounted for the U.S. bank loans as a fair value hedge.

CAPITAL ALLOCATION FROM INVESTMENTS During fiscal 2004, Empire purchased a total of 1,968,800 common shares of Sobeys for a total cost of \$67.7 million. This outlay was funded through capital reallocation from the investment division and bank indebtedness. This resulted in an increase in Empire's ownership of Sobeys Inc. of three percentage points, with total interest at fiscal year-end of 65.0 percent versus 62.0 percent a year earlier.

INVESTMENT INCOME For the full fiscal year, investment income increased by \$0.9 million to reach \$15.8 million. The increase is the result of equity accounted earnings from Wajax Limited ("Wajax") being higher than last year by \$4.5 million combined with a decrease in dividend income of \$3.6 million. The decline in dividend income was expected as a result of the change in the investment portfolio mix and the sale of portfolio investments to purchase additional common shares of Sobeys.

OPERATING EARNINGS The \$2.7 million or 24.5 percent improvement in investments and other operations operating earnings over the prior year is attributed to the \$0.9 million increase in investment income, a \$0.8 million increase in theatre operating earnings and reduced interest expense.

CAPITAL GAIN (LOSS) The net capital gain realized in fiscal 2004 of \$9.4 million (2003 – \$6.4 million net capital loss) were largely the result of the sale of common equity investments.

NET EARNINGS Investments (net of corporate expenses) and other operations contributed \$23.1 million to Empire's consolidated net earnings (13.3 percent of Empire consolidated net earnings). This compares to a \$4.6 million net earnings contribution last year (3.0 percent of Empire consolidated net earnings). The improvement is the result of the increased operating earnings and the realized capital gains as discussed.

INVESTMENT PORTFOLIO AND OTHER OPERATIONS OUTLOOK

Growth in the portfolio will be dependent on a number of factors including investor sentiment in the U.S. and Canada. Equity markets may continue to remain volatile.

With respect to Empire Theatres' outlook, management recognizes that future growth will remain highly dependent on a steady supply of quality product. Based on the quality of film releases expected in fiscal 2005, an experienced operations team, and planned screen development and acquisitions, management looks forward to continued revenue growth in this business.

Explanation of Fiscal 2004 Fourth Quarter Results

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

(\$ in millions, except per share information)	Fiscal 2004				Fiscal 2003			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$2,876.4	\$2,798.5	\$2,794.4	\$2,814.7	\$2,624.7	\$2,643.6	\$2,664.9	\$2,687.3
Operating income	100.3	110.4	104.9	108.0	110.4	107.6	111.7	115.2
Operating earnings	41.1	44.2	39.0	39.6	41.8	39.3	39.0	39.8
Net capital gain (loss) and other items	(0.1)	8.8	(2.2)	2.7	(5.8)	–	(0.2)	–
Net earnings	\$ 41.0	\$ 53.0	\$ 36.8	\$ 42.3	\$ 36.0	\$ 39.3	\$ 38.8	\$ 39.8
PER SHARE INFORMATION, BASIC AND FULLY DILUTED								
Operating earnings ⁽¹⁾	\$ 0.63	\$ 0.67	\$ 0.59	\$ 0.60	\$ 0.64	\$ 0.60	\$ 0.59	\$ 0.60
Net capital gain (loss) and other items	–	0.13	(0.03)	0.04	(0.09)	–	–	–
Net earnings	\$ 0.63	\$ 0.80	\$ 0.56	\$ 0.64	\$ 0.55	\$ 0.60	\$ 0.59	\$ 0.60
Weighted average number of shares outstanding	65.8	65.8	65.9	65.8	65.8	65.9	65.9	65.8

(1) Earnings before net capital gain (loss) and other items.

Revenue for the fourth quarter was \$2.87 billion compared to \$2.62 billion last year, a 9.6 percent increase. The food division reported revenue of \$2.80 billion, an increase of \$234.6 million or 9.1 percent over the fourth quarter last year. Food division revenue growth was positively influenced by the acquisition of Commisso's at the beginning of the fourth quarter, increased retail selling square footage of 1.2 million additional square feet, inclusive of Commisso's (1.0 million net of store closures), its aggressive pricing posture, the continued implementation of sales and merchandising initiatives across the country and Sobeys' ongoing financial commitment to upgrade and renovate existing store assets. Same store sales grew 1.0 percent during the quarter with little or no inflation.

Real estate operations reported fourth quarter revenues (net of inter-segment) of \$43.4 million, a decrease of \$0.2 million over the fourth quarter last year. Commercial property revenue grew by \$2.0 million or 6.3 percent while revenue from Genstar declined by \$2.2 million or 18.5 percent. The growth in commercial property revenues was the result of higher occupancy levels, generally higher rental renewal rates and the positive impact of the acquisition of the six Commisso's

properties. The decline in residential revenue from Genstar was not unexpected given the exceptionally strong lot sales recorded in the fourth quarter last year.

The 9.1 percent decline in consolidated operating income in the fourth quarter is due to a \$10.0 million or 13.3 percent decline in food division operating income contribution to Empire compared to the fourth quarter last year. Food division operating income or EBIT continued to be impacted by competitive retail conditions across the country and by higher depreciation expense.

During the fourth quarter, Sobeys sold redundant real estate for a pre-tax gain of \$14.6 million. Expenses were impacted by an increase in the estimate of store closing costs of \$5.3 million and pension and benefit costs for employees on long-term disability of \$4.8 million, both before tax. Included in fourth quarter operating income or EBIT for fiscal 2003 was the \$11.3 million pre-tax impact of the Whitby, Ontario distribution centre labour disruption.

Fourth quarter EBITDA for Sobeys totaled \$109.2 million, an increase of \$1.4 million or 1.3 percent over the fourth quarter of 2003. As a percentage of sales, EBITDA equaled 3.90 percent, a decrease of 30 basis points from

the 4.20 percent recorded in the fourth quarter last year. EBITDA declines were more significant in the Ontario region, as discussed earlier.

Real Estate division operating income generated from commercial properties increased by \$1.0 million or 4.5 percent over the fourth quarter last year. Operating income from the residential real estate operations declined \$2.2 million, consistent with the decline in revenue previously discussed.

Investments and other operations' fourth quarter operating income increased by \$1.1 million, primarily due to increased operating income from theatre operations.

A net capital loss of \$0.1 million and \$5.8 million was recorded in the fourth quarter of fiscal 2004 and fiscal 2003, respectively, primarily resulting from the sale of investments.

Net earnings in the fourth quarter, including net capital loss and other items, totaled \$41.0 million or \$0.63 per share versus \$36.0 million or \$0.55 per share in the fourth quarter last year.

Consolidated Financial Position

ASSETS AND NET ASSET VALUES At April 30, 2004, management calculates Empire's consolidated net asset value (management's estimate of the market value of the Company's assets less indebtedness) at \$2,045 million (\$31.08 per Empire common share), a decrease of \$186 million or 8.3 percent from the calculated net asset value at April 30, 2003 of \$2,231 million (\$33.91 per Empire common share). The table below presents the composition of net asset value by segment.

(\$ in millions)	April 30, 2004		April 30, 2003	
	Net Asset Value	% of Total	Net Asset Value	% of Total
Food Distribution ⁽¹⁾	\$ 1,226	58%	\$ 1,515	66%
Real Estate ⁽²⁾	452	21%	414	18%
Investments and Other ⁽³⁾	453	21%	374	16%
	\$ 2,131	100%	\$ 2,303	100%
Less: corporate debt and preferred shares	86		72	
Net asset value	\$ 2,045		\$ 2,231	
Per share	\$ 31.08		\$ 33.91	

(1) Food distribution net asset value at April 30, 2004 equals the 42.81 million common shares of Sobeys owned at fiscal year-end times the market price of a Sobeys' common share at fiscal year-end. Food distribution net asset value at April 30, 2003 equaled the 40.84 million common shares of Sobeys owned at fiscal year-end times the market price of a Sobeys' common share at fiscal year-end.

(2) Real estate net asset value for April 30, 2004 has been calculated at 9 times trailing funds from commercial operations plus 5 times trailing funds from operations from residential operations. April 30, 2003 net asset value for real estate has been adjusted to reflect multiples consistent with fiscal 2004.

(3) Investment net asset value is derived from stated public market values of securities in the portfolio.

At April 30, 2004, approximately 80 percent of Empire's net asset value was derived from assets that are valued by publicly available market prices and trade on recognized public stock exchanges. This includes Sobeys' common shares and securities held in Empire's investment portfolio. For each dollar increase in Sobeys' share price, Empire's net asset value increases by \$0.65 per share.

Book value per common share was \$23.81 at April 30, 2004, compared to \$21.54 at April 30, 2003.

CAPITAL STRUCTURE AND KEY FINANCIAL CONDITION MEASURES

April 30th (\$ in millions, except ratio calculations)	2004	2003
Shareholders' equity	\$ 1,576.8	\$ 1,427.1
Short-term debt	\$ 140.8	\$ 99.3
Long-term debt, including current portion	\$ 985.4	\$ 1,112.0
Debt to total capital	41.7%	45.9%
Net debt to total capital	36.9%	38.5%
Interest coverage	4.62x	4.79x

SHAREHOLDERS EQUITY Total common shares outstanding at April 30, 2004 equaled 65,754,810, relatively unchanged from a year ago. There were 30,869,585 Non-Voting Class A shares outstanding and 34,885,225 Class B common shares outstanding at April 30, 2004. During fiscal 2004, 30,000 options were exercised compared to 27,800 in fiscal 2003. At April 30, 2004, Empire had 37,074 options outstanding with expiry dates ranging from June 2004 to October 2006.

Empire has a policy of repurchasing enough Class A Non-Voting shares to offset the dilutive effect of shares issued to fulfill the Company's obligation under its stock option and share purchase plans. During fiscal 2004 Empire purchased 68,477 Non-Voting Class A shares for cancellation versus 60,124 in fiscal 2003.

At June 24, 2004, Empire had 30,878,985 Non-Voting Class A shares and 34,885,225 Class B common shares outstanding. Empire had 27,674 options outstanding on June 24, 2004.

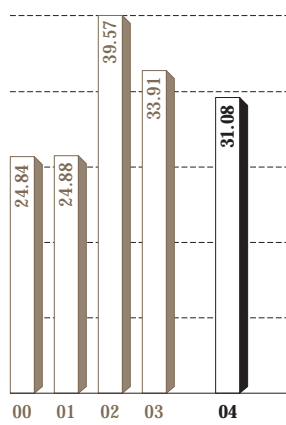
Dividends paid to common shareholders amounted to \$26.3 million (\$0.40 per share) versus \$21.7 million (\$0.33 per share) for the same period last year.

LIABILITIES Empire finances a significant portion of its assets through the use of debt (bank indebtedness, long-term debt and long-term debt due within one year), the majority of which is fixed-rate and long-term in nature. Total fixed-rate, long-term debt (including the current portion of long-term debt) at year-end of \$985.4 million represents 87 percent of Empire's total funded debt. Long-term debt by operating company is detailed in the table below.

<i>April 30th (\$ in millions)</i>	2004	2003
Food Distribution	\$ 442.8	\$ 585.4
Real Estate	538.2	521.5
Other Operations	4.4	5.1
Total	\$ 985.4	\$ 1,112.0

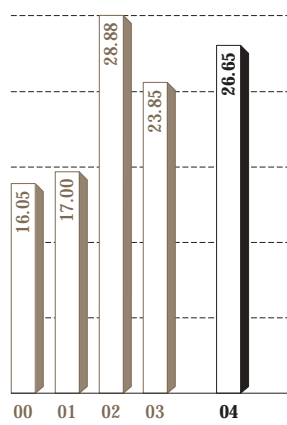
Of the total fixed-rate, long-term debt, 44.9 percent was directly related to the food distribution segment, 54.6 percent was directly related to the real estate segment, and 0.5 percent was related to other operations. There is no long-term debt carried by the investment segment. The investment segment's assets are short-term and liquid in nature, therefore associated financing is also short-term. Empire finances its long-term assets with fixed-rate, long-term debt, thereby reducing both interest rate and refinancing risk.

NET ASSET VALUE PER SHARE
(*\$ per share*)



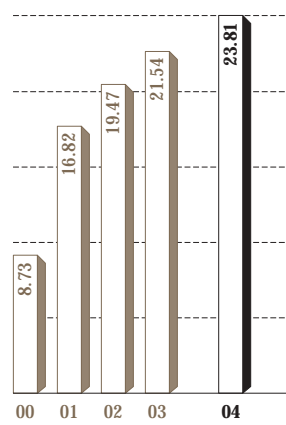
YEAR ENDED APRIL 30TH

SHARE PRICE
(*\$ per share*)



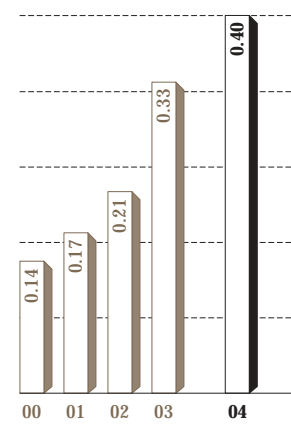
YEAR ENDED APRIL 30TH

BOOK VALUE PER SHARE
(*\$ per share*)



YEAR ENDED APRIL 30TH

COMMON DIVIDENDS PER SHARE
(*\$ per share*)



YEAR ENDED APRIL 30TH

At April 30, 2004, interest coverage (operating income divided by interest expense) was 4.62 times, which was slightly down from the 4.79 times reported as of April 30, 2003. Reduced interest expense in fiscal 2004 was more than offset by the year-over-year decline in operating income of 4.8 percent. Interest coverage improved for the real estate, investments, and other operation segments, but coverage for the food segment declined to 6.95 times from 7.79 times a year earlier. The lower interest coverage recorded by the food segment was a direct result of the lower operating income reported in fiscal 2004 versus 2003.

The debt to total capital ratio declined 4.2 percentage points as a result of lower debt levels and higher retained earnings. The net debt (debt less cash and cash equivalents) to total capital ratio declined 1.6 percentage points. In addition to the Company's cash and cash equivalents, Empire's investment portfolio consisting of liquid publicly traded securities strengthened its financial position. At April 30, 2004, the portfolio carried a market value of \$390.9 million.

Empire has a corporate unsecured debt rating of BBB- (stable trend) from Standard & Poor's and a debt rating of BBB (negative trend) from Dominion Bond Rating Service. Sobeys has a corporate unsecured debt rating of BBB- (stable trend) from Standard and Poor's and a debt rating of BBB high (negative trend) from Dominion Bond Rating Service. On April 26, 2004, Dominion Bond Rating Service put the Company and Sobeys on a negative trend as a result of increased competitive pressures which have impacted margins.

Empire and its subsidiaries have provided covenants to its lenders in support of various financing facilities. All covenants were complied with in fiscal 2004 and fiscal 2003.

Empire anticipates ready availability of any required longer-term financing due to its investment grade credit rating, previous experience in the capital markets, and Sobeys established Medium Term Note program pursuant to its amended shelf prospectus expiring February 19, 2005, which provides for the issuance of up to \$500.0 million of unsecured Medium Term Notes.

HEDGING INSTRUMENTS Empire utilizes hedging instruments from time to time to prudently manage exposure to interest rate volatility. At April 30, 2004, the gross notional amount of all interest exchange agreements totaled \$29.8 million at rates ranging from 4.0 percent to 6.4 percent. The food division had in place a gross notional value of \$11.8 million and effectively exchanged floating-rate interest payments to 6.4 percent fixed-rate interest payments. The real estate division had in place a gross notional value of \$18.0 million and effectively exchanged floating-rate interest payments to 4.0 percent fixed rate interest payments.

To mitigate the currency risk associated with the Company's U.S. dollar investments, Empire has designated U.S. bank loans as hedges. This debt is short-term in nature and provides flexibility to hedge the U.S. dollar exposure.

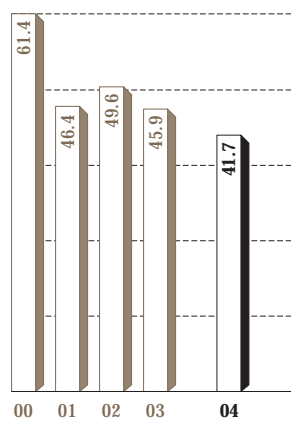
Empire and its subsidiaries use hedging instruments to mitigate risk exposure, not for speculative purposes.

CAPITAL RESOURCES AND SOURCES OF LIQUIDITY Empire's liquidity remains strong as a result of:

- internally generated cash flow from operating activities;
- net cash on hand;
- an improved working capital position;
- unutilized bank credit facilities;
- ready availability of long-term debt financing; and
- Empire's investment portfolio of liquid short-term investments which carried a market value at fiscal year-end of \$390.9 million.

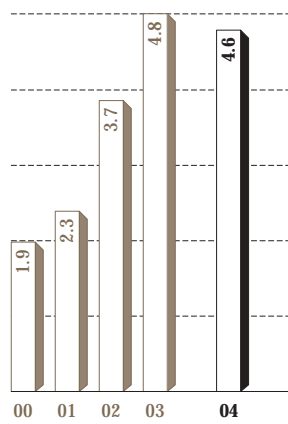
The Company anticipates that these sources of liquidity will be sufficient to meet expected cash outflows over the next year. The Company normally refinances existing long-term debt as it matures, and maintains financial flexibility through its investment portfolio and access to the capital markets for additional long-term

DEBT TO TOTAL CAPITAL
(percentage)



YEAR ENDED APRIL 30TH

INTEREST COVERAGE
(times)



YEAR ENDED APRIL 30TH

debt or equity financing. Longer-term financing is obtained by Sobeys through Canadian public debt markets via Sobeys established Medium Term Note program pursuant to its amended shelf prospectus filed on February 17, 2003. Sobeys also utilizes capital leases for the financing of selected properties and assets. The Company, along with Sobeys, anticipates continued ready access to financing sources as a result of in-place investment grade credit ratings and previous experience in the capital markets.

BANK CREDIT FACILITIES On a non-consolidated basis, Empire maintains authorized bank lines for operating, general and corporate purposes of \$325.0 million, of which 23 percent was utilized at year-end. Financial instruments are used from time to time to manage the risk of short-term interest rate fluctuations on underlying short-term bank indebtedness. On a consolidated basis, Empire's authorized bank credit facilities exceeded borrowings by \$621.6 million at April 30, 2004.

WORKING CAPITAL During 2004, Empire decreased its working capital requirements by \$63.3 million. The decrease is primarily the result of stronger inventory and payables management by the food division, providing higher payables as a percent of inventory at the end of the year. The table below details the primary working capital components and respective values compared to last year.

<i>(\$ in millions)</i>	At April 30 2004	At April 30 2003	Increase (Decrease) in Working Capital
Receivables	\$ 329.5	\$ 348.8	\$ (19.3)
Inventories	492.9	478.2	14.7
Prepaid expenses	49.3	37.1	12.2
Accounts payables	(1,141.2)	(1,037.4)	(103.8)
Income taxes payable	(10.6)	(43.5)	32.9
Net working capital change			\$ (63.3)

CASH AND CASH EQUIVALENTS At April 30, 2004 cash and cash equivalents were \$202.2 million versus \$316.8 million at April 30, 2003. In October 2003, the food division used \$100.0 million to repay an outstanding Medium Term Note issue. Cash is currently invested in guaranteed investment certificates.

CAPITAL REQUIREMENTS Capital requirements during fiscal 2004 included:

- capital expenditures;
- working capital needs;
- dividend payments;
- debt repayments; and
- share repurchases under the Company's normal course issuer's bid.

During fiscal 2004, food division company-wide capital spending, which includes expenditures by Sobeys, franchisees, and third parties, totaled \$552.9 million, with 87 percent of the food division's total capital spending directed towards the expansion and modernization of its retail store network. Sobeys used its regional market overview process to identify and prioritize investment opportunities in each of its four regions.

CAPITAL EXPENDITURES Consolidated on balance sheet purchases of property equipment and other assets totaled \$431.0 million compared to \$442.0 million last year. The table below presents balance sheet capital expenditures over the last two years by business segment.

This capital spending represents an increase of \$6.9 million from the \$546.0 million total company-wide spending made by the food distribution segment in fiscal 2003. Also included was the purchase of 15 Commisso's stores and six cash and carry outlets in Ontario. In addition, the food division added 2.4 million square feet, as compared to 1.5 million square feet added in fiscal 2003. Total square footage, net of store closures, increased by 1.5 million square feet, an increase of 6.6 percent over the prior year.

<i>(\$ in millions)</i>	2004	2003
Food Distribution	\$ 384.9	\$ 411.2
Real Estate	34.2	25.1
Investments and Other	11.9	5.7
Total capital expenditures	\$ 431.0	\$ 442.0

The table below details the new and replacement stores opened in fiscal 2004.

	2004	2003
Sobeys Banner	19	7
IGA (Garden Market IGA and IGA extra)	18	22
Price Chopper	11	8
Other	13	8
Total	61	45

In addition to the new stores opened or replaced during the year, 28 stores were renovated and/or expanded in fiscal 2004 versus 29 in the previous fiscal year. At fiscal year-end 2004, the food division operated 1,311 stores (433 corporate stores and 878 franchised stores).

The majority of Sobeys' total company-wide spending in fiscal 2005, which will approximate the average capital expenditures of the past number of years, will be allocated to the retail store network. During fiscal 2005, Sobeys plans to open, expand, or renovate approximately 100 corporate and franchise stores across Canada, increasing square footage by approximately 4 percent.

Real estate capital spending in fiscal 2004 includes investment in the existing property portfolio and the purchase of six Commisso's properties in Ontario.

DIVIDEND PAYMENTS Dividends of \$26.3 million (\$0.40 per share) were paid in fiscal 2004 on Empire's common shares, up from the \$21.7 million (\$0.33 per share) paid in fiscal 2003. The dividend rate increased from \$0.33 to \$0.40 per share. There was no material change in the number of common shares outstanding year-over-year.

DEBT REPAYMENTS Empire's funded debt was reduced year-over-year primarily as a result of the food division repaying long-term debt of \$162.7 million largely as a result of a \$100.0 million repayment of Medium Term Notes which matured October 2, 2003, and other scheduled long-term debt repayments. The \$100.0 million repayment was made with the proceeds of a Sobeys Medium Term Note issued in February 2003.

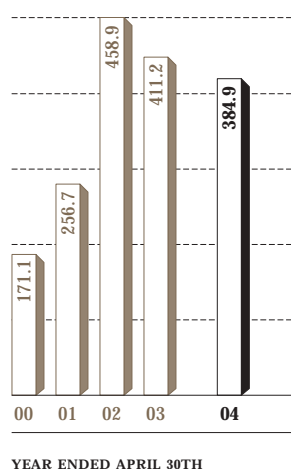
SHARE REPURCHASES During fiscal 2004, Empire repurchased 68,477 Non-Voting Class A shares (\$1.8 million) under a Normal Course Issuer Bid announced June 26, 2003. The Company issued 64,429 Non-Voting Class A shares (\$1.1 million) to fulfill its obligations under its stock option and share purchase plans.

The Company anticipates that its capital resources and liquidity position will meet its capital and liquid requirements over the next year, which is expected to include capital expenditures, dividend payments and debt reduction.

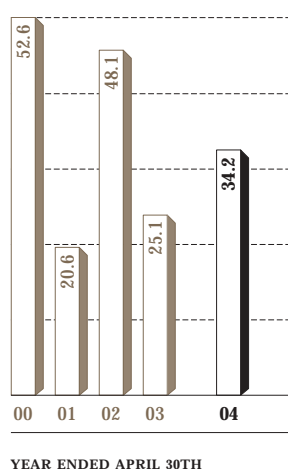
On March 8, 2004, Sobeys announced its intention to file a Normal Course Issuer Bid with the Toronto Stock Exchange to purchase for cancellation up to 2,000,000 common shares representing approximately 3.0 percent of the shares outstanding. The Board of Directors and management of Sobeys believe that the repurchase of its shares at recent prevailing market prices is a worthwhile investment and in the best interests of Sobeys. Shareholders may obtain a copy of the notice of intention by contacting Sobeys Investor Relations department, 115 King Street, Stellarton, N.S., B0K 1S0.

On July 8, 2004, Empire announced its intention to file a Normal Course Issuer Bid with the Toronto Stock Exchange to purchase for cancellation of up to 617,391 Class A Non-Voting shares representing approximately 2.0 percent of the Class A Non-Voting shares currently outstanding. The Board of Directors and Management of Empire believe that the repurchase of its shares at recent prevailing market prices is a worthwhile investment and in the best interests of the Company. Shareholders may obtain a copy of the notice of intention by contacting Empire's Investor Relations department, 115 King Street, Stellarton, N.S., B0K 1S0.

FOOD DISTRIBUTION CAPITAL EXPENDITURES
(\$ in millions)



REAL ESTATE CAPITAL EXPENDITURES
(\$ in millions)



Accounting Policy Changes

ACCOUNTING STANDARDS IMPLEMENTED IN FISCAL 2004

Effective May 1, 2003, the Company adopted two new Canadian Institute of Chartered Accounts (“CICA”) Handbook Sections. Section 3063, “Impairment of long-lived assets”, provides guidance on the recognition, measurement and disclosure of the impairment of long-lived assets. There was no impact of the application of Section 3063 on the consolidated financial statements. Section 3475, “Disposal of long-lived assets and discontinued operations”, provides guidance on the recognition, measurement, presentation, and disclosure of any long-lived assets not held for use and any discontinued operations. During the current fiscal year, land and buildings have been listed for sale and reclassified as “Assets for realization”. These assets are expected to be sold within a twelve-month period, are no longer productive assets and there is no longer intent to develop the land for future use. Assets for realization are valued at the lower of cost and fair value less costs to sell.

Effective May 1, 2003, the Company adopted CICA Handbook Section 3870, “Stock-based Compensation and Other Stock-based Payments”, which had no impact on the Company’s earnings. In fiscal 2004 the Emerging Issues Committee issued Abstract 132, “Share Purchase Financing”. This Abstract required share purchase loans that are not treated as assets on the balance sheet to be accounted for as stock-based compensation. The Company has determined there is no impact on the consolidated financial statements.

ACCOUNTING STANDARDS TO BE IMPLEMENTED IN FISCAL 2005

The CICA has issued Accounting Guideline Number 15 draft, “Consolidation of Variable Interest Entities”, which, if adopted as proposed, is applicable to the Company’s third quarter of fiscal 2005 in relation to disclosure of and accounting for Variable Interest Entities. The purpose of this guideline is to provide guidance for determining when an enterprise includes the assets, liabilities and results of activities of certain entities that are subject to control on a basis other than ownership of voting interest. A Variable Interest Entity (“VIE”) is any type of legal structure not controlled by voting equity, but rather by contractual and/or other financial arrangements. The Company has identified potential VIE’s and is currently

reviewing Accounting Guideline 15 to determine what extent, if any at all, consolidation and note disclosure will be required. The consolidation of potential VIE’s is not expected to result in any material change in the reported earnings or underlying tax, legal or credit risks facing the Company.

In January 2004, the CICA issued a new accounting standard EIC-144 titled “Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor”. EIC-144 provides that cash consideration received from a vendor is presumed to be a reduction in the prices of the vendor’s products or services and should, therefore, be characterized as a reduction in cost of sales and related inventory when recognized in the customer’s income statement and balance sheets. If the consideration is a payment for assets or services delivered to the vendor, the cash consideration should be characterized as revenue or other income. If it is a reimbursement of costs incurred to sell the vendor’s products, the cash consideration should be characterized as a reduction of that cost, provided certain conditions are met. EIC-144 requires retroactive application to all financial statements for annual and interim periods ending after August 15, 2004. The Company is currently assessing the impact of these recommendations and will implement them in the first quarter of fiscal 2005.

The CICA has also introduced handbook section 1100 which discusses primary sources of GAAP, what to do when a matter is not dealt explicitly in the sources of GAAP and identifies some other sources to be consulted when a matter is not dealt with in the sources of GAAP. The new standard is effective for the Company’s fiscal year-end 2005. The Company is currently assessing the impact of these recommendations.

To date, the real estate division has identified that real estate industry practice with respect to depreciation and lease accounting will not be acceptable. Therefore, the real estate division will change their method of depreciation from the sinking fund method to the straight-line method. In addition, the real estate segment will recognize income from tenant leases on a straight-line basis. Both of these policies will be adopted prospectively without restatement.

Critical Accounting Estimates

PENSION, POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS

Certain estimates and assumptions are used in actuarially determining the Company's defined pension and employee future benefit obligations.

Significant assumptions used to calculate the pension and employee future benefit obligations are the discount rate, the expected long-term rate of return on plan assets and expected growth rate of health care costs. These assumptions depend on various underlying factors such as economic conditions, investment performance, employee demographics and mortality rates. These assumptions may change in the future and may result in material changes in the pension and employee benefit plans expense. The magnitude of any immediate impact however is mitigated by the fact that net actuarial gains and losses in excess of 10.0 percent of the greater of the accrued benefit plan obligation and the market value of the benefit plan assets are amortized on a straight-line

basis over the average remaining service period of the active employees. Changes in financial market returns and interest rates could also result in changes in funding requirements for Sobeys' defined benefit pension plans.

The discount rate is based on current market interest rates, assuming a portfolio of Corporate AA bonds with terms to maturity that, on average, match the terms of the obligation. The appropriate discount rate is determined on April 30 every year. For 2004, the discount rate used for calculation of pension benefit plans and other benefit plans expense was 6.0 percent compared to 6.5 percent in 2003. The expected long-term rate of return on plan assets for pension benefit plans for each of 2004 and 2003 was 7.0 percent. The expected growth rate in health care costs is 10.0 percent for fiscal 2004. The cumulative growth rate to 2010 is expected to be 6.0 percent. The expected future growth rate is evaluated on an annual basis.

The table below outlines the sensitivity of the 2004 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of the Company's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce impact on the accrued benefit obligations or benefit plan expenses.

	PENSION PLANS		OTHER BENEFIT PLANS	
	Accrued Benefit Obligations	Pension Expense	Accrued Benefit Obligations	Pension Expense
<i>(\$ in 000's)</i>				
Expected long-term rate of return on plans assets		7.0%		
Impact of: 1% increase		\$ (2,190)		
1% decrease		\$ 2,190		
Discount rate	6.0%	6.0%	6.0%	6.0%
Impact of: 1% increase	\$ (27,307)	\$ (1,920)	\$ (15,618)	\$ (2,056)
1% decrease	\$ 30,661	\$ 2,037	\$ 18,890	\$ 2,224
Growth rate of health care costs			9.0%	9.0%
Impact of: 1% increase			\$ 17,495	\$ 1,524
1% decrease			\$ (14,870)	\$ (1,410)

VALUATION OF ASSETS AND ASSET IMPAIRMENT Goodwill is not amortized and is assessed for impairment at the reporting unit level at least annually. Any potential goodwill impairment is identified by comparing the fair value of a reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value of the reporting unit exceeds its fair value, potential goodwill impairment has been identified and must be quantified by comparing the estimated fair value of the reporting unit's goodwill to its carrying value. Any goodwill impairment will result in a reduction in the carrying value of goodwill on the consolidated balance sheet and in the recognition of a non-cash impairment charge in operating income.

The Company periodically assesses the recoverability of long-lived assets when there are indications of potential impairment. In performing these analyses, the Company considers such factors as current results, trends and future prospects, current market value and other economic factors.

A substantial change in estimated undiscounted future cash flows for these assets could materially change their estimated fair values, possibly resulting in additional impairment. Changes which may impact future cash flows include, but are not limited to, competition and general economic conditions and unrecoverable increases in operating costs.

INCOME TAXES Future income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. Future income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and future income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment. The financial statement carrying values of assets and liabilities are

subject to accounting estimates inherent in those balances. The income tax bases of assets and liabilities are based upon the interpretation of income tax legislation across various jurisdictions. The current and future income tax assets and liabilities are also impacted by expectations about future operating results and the timing of reversal of temporary differences as well as possible audits of tax filings by the regulatory authorities. Management believes it has adequately provided for income taxes based on current available information.

Changes or differences in these estimates or assumptions may result in changes to the current or future income tax balances on the consolidated balance sheet, a charge or credit to income tax expense and may result in cash payments or receipts.

Related Party Transactions

Sobeys continues to lease certain real property from Crombie and its affiliates at formula determined rates. The rates are determined based primarily on the financing of the actual costs incurred at the time of construction of the leased properties. The aggregate net payments under these leases amounted to approximately \$52.2 million (2003 – \$49.8 million). Sobeys was charged administrative expenses of \$0.4 million (2003 – \$0.5 million). At May 1, 2004, mortgage receivables of \$2.2 million were owing to Sobeys from related parties.

Empire Theatres leased certain real property from Crombie and its affiliates, at fair market value, during the year. The aggregate payments under the leases amounted to approximately \$3.2 million (2003 – \$3.0 million).

Change in Fiscal Year-end

Effective for fiscal 2005, Empire's fiscal year-end is changing from April 30th to the first Saturday in May. As such, the quarter-end dates and fiscal year-end will be consistent with Sobeys Inc.

Contractual Obligations

The table below details operating lease commitments, capital lease obligations and long-term debt payments.

(\$ in millions)	2005	2006	2007	2008	2009	Onwards	Total
Long-term debt	\$ 77.7	\$ 222.9	\$ 34.1	\$ 62.7	\$ 71.3	\$ 502.6	\$ 971.3
Capital leases	3.8	3.4	2.1	1.0	0.7	1.6	12.6
Operating leases	197.8	184.3	165.4	142.0	125.1	1,072.1	1,886.7
Total contractual obligations	\$ 279.3	\$ 410.6	\$ 201.6	\$ 205.7	\$ 197.1	\$ 1,576.3	\$ 2,870.6

Operating leases, net of lease income received by the Company, are as follows:

	2005	2006	2007	2008	2009	Onwards	Total
	\$ 71.7	\$ 65.6	\$ 55.2	\$ 46.7	\$ 47.5	\$ 491.7	\$ 778.4

Other contractual obligations not reflected in the table above are discussed below.

At April 30, 2004, Sobeys was contingently liable for letters of credit issued in the aggregate amount of \$22.0 million (2003 – \$27.4 million). Sobeys has also guaranteed certain bank loans contracted by franchisees. As at April 30, 2004, these loans amounted to approximately \$5.0 million (2003 – \$7.3 million).

Upon entering into the lease of its new Mississauga distribution centre, in March 2000, Sobeys Capital Incorporated (a subsidiary of Sobeys Inc.) guaranteed to the landlord the performance, by SERCA Foodservice Inc., of all its obligation under the lease. The remaining term of the lease is 16 years with an aggregate obligation of \$48.8 million. At the time of the sale of assets of SERCA Foodservice Inc. to Sysco Corp., the lease of the Mississauga distribution centre was assigned to and assumed by a subsidiary of the purchaser and Sysco Corp. agreed to indemnify and hold Sobeys Capital Incorporated harmless from any liability it may incur pursuant to its guarantee.

Sobeys leases space for certain company-owned and franchised stores. The terms of these leases vary by location with typical renewal options.

At April 30, 2004 Crombie was contingently liable for letters of credit issued in the aggregate amount of \$20.0 million (2003 – \$20.1 million).

Risk and Risk Management

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

COMPETITIVE RISK Empire's food distribution business, through Sobeys, operates in a dynamic and competitive market. Other national and regional food distribution companies along with non-traditional competitors, such as mass merchandisers and warehouse clubs, represent a competitive risk to Sobeys' ability to attract customers and operate profitably in its markets.

Sobeys maintains a strong national presence in the Canadian retail food and food distribution industry. The most significant risk to Sobeys is the potential for reduced revenues and profit margins as a result of increased competition. To mitigate this risk, Sobeys' strategy is to be geographically diversified with the benefits of national scale, to be customer and market-driven, to be focused on superior execution, and to have efficient cost effective operations. Sobeys reduces its exposure to competitive or economic pressures in any one region of the country by operating in each region of Canada through a network of corporate, franchised, and affiliated stores, and through servicing the needs of thousands of independent, wholesale accounts. Sobeys approaches the market with a variety of store formats, sizes, and banners, in order to enhance profitability by region and by target market.

Empire's real estate operations compete with numerous other developers, managers, and owners of real estate properties in seeking tenants and new properties for

future development. The existence of competing developers, managers, and owners could affect our real estate group's ability to lease space in its properties and on rents charged or concessions granted. Commercial property revenue is also dependent on the renewal of lease arrangements by key tenants. These factors could adversely affect revenues and cash flows. Other than space leased to affiliated companies, no one tenant accounts for more than 5.0 percent of real estate division total base rental income.

Continued growth of rental income is dependent on renewing expiring leases and finding new tenants to fill vacancies at market rental rates, thereby ensuring an attractive return on our investment. The success of the real estate portfolio is also 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 2004, our real estate operations encountered generally positive economic conditions in our key markets and a relative lack of new rental space resulted in relatively stable rental rates.

ENVIRONMENTAL RISK Empire has an effective environmental program in place including policies targeted at ensuring compliance with all applicable environmental legislative requirements. Each operating business conducts an ongoing, comprehensive environmental monitoring process and the Company is unaware of any material environmental liabilities in any of its operating companies. Empire's Board of Directors receives quarterly reports that review any outstanding issues including plans to resolve them.

FINANCIAL RISK Empire and its operating companies have adopted a number of financial policies to manage interest rate risk and foreign exchange risk.

The majority of Empire's consolidated debt is at fixed rates and accordingly there is limited exposure to interest rate fluctuations. Fixed rate debt issues have staggered maturity dates which minimize the Company's exposure to refinancing risk.

In the ordinary course of managing floating rate debt, the Company utilizes financial instruments to manage the volatility of borrowing costs. Financial instruments are not used for speculative purposes.

At April 30, 2004, Empire had equities totaling \$117.8 million denominated in U.S. dollar currency. To mitigate exposure to currency fluctuation, the Company has hedged its U.S. investments through the

use of U.S. dollar denominated debt against the assets. At April 30, 2004 the ratio of U.S. dollar debt to the market value of U.S. equities was 60.5 percent.

OPERATIONAL RISK Empire and its subsidiaries are self-insured in respect of certain operational risks. In addition, comprehensive loss prevention programs are maintained to mitigate the financial impact to the Company or its affiliates. Sobeys, as part of its quality control program, recognizes food safety, particularly in perishable products, is of utmost importance. The Company maintains strict policies in its facilities to ensure food quality and safety are not compromised.

Sobeys' operational risk also includes the risk of labour disruption. In the first quarter of fiscal 2004, employees at the Whitby, Ontario distribution centre (CAW, local 1090) ratified a new three-year contract. Labour disruptions pose a moderate operational risk, as the Company has good relations with its employees and unions, and does not anticipate any material labour disruptions in fiscal 2005.

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

Outlook

Management has projected stronger financial performance for fiscal 2005, assuming continued intense competition and conservative cost of capital assumptions. Management remains committed to executing operational and capital allocation decisions that will grow the cash flow and net asset value in each of our businesses over the long term.

Additional financial information relating to Empire, including the Company's Annual Information Form, can be found on the Company's web site or on the SEDAR web site for Canadian regulatory filings at www.sedar.com.

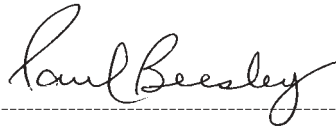
Dated: June 24, 2004

Preparation of the consolidated financial statements accompanying this annual report and the presentation of all other information in the report is the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgments. All other financial information in the report is consistent with that contained in the consolidated financial statements.

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, meet regularly with financial management and external auditors to satisfy itself as to reliability and integrity of financial information and the safeguarding of assets. The Audit Committee reports its findings to the Board of Directors for consideration in approving the annual consolidated financial statements to be issued to shareholders. The external auditors have full and free access to the Audit Committee.



PAUL D. SOBEY
PRESIDENT AND
CHIEF EXECUTIVE OFFICER
JUNE 24, 2004



PAUL V. BEESLEY
SENIOR VICE PRESIDENT,
CHIEF FINANCIAL OFFICER AND SECRETARY
JUNE 24, 2004

AUDITORS' REPORT

To the Shareholders of Empire Company Limited

We have audited the consolidated balance sheets of Empire Company Limited as at April 30, 2004 and 2003, and the consolidated statements of earnings, retained earnings, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS
NEW GLASGOW
NOVA SCOTIA, CANADA
JUNE 10, 2004

CONSOLIDATED BALANCE SHEETS

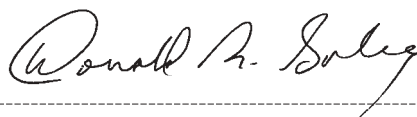
<i>April 30th (in millions)</i>	2004	2003
ASSETS		
Current		
Cash and cash equivalents (Note 2)	\$ 202.2	\$ 316.8
Receivables	329.5	348.8
Inventories	492.9	478.2
Prepaid expenses	49.3	37.1
Discontinued operations	-	1.9
	1,073.9	1,182.8
Investments, at cost (quoted market value \$312.6; 2003 - \$288.9)	278.0	345.7
Investments, at equity (realizable value \$92.4; 2003 - \$29.8)	60.8	41.7
Current assets and marketable investments	1,412.7	1,570.2
Property and equipment (Note 4)	2,288.1	2,105.2
Other assets (Note 5)	324.0	271.4
Goodwill	656.9	569.3
	\$ 4,681.7	\$ 4,516.1
LIABILITIES		
Current		
Bank indebtedness (Note 6)	\$ 140.8	\$ 99.3
Accounts payable and accrued liabilities	1,141.2	1,037.4
Income taxes payable	10.6	43.5
Future income taxes (Note 11)	46.3	18.4
Long-term debt due within one year	81.5	188.9
	1,420.4	1,387.5
Long-term debt (Note 7)	903.9	923.1
Deferred revenue	6.6	6.7
Employee future benefit obligation (Note 17)	90.4	77.1
Minority interest	546.0	539.2
Future income taxes (Note 11)	137.6	155.4
	3,104.9	3,089.0
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	196.7	196.0
Retained earnings	1,380.7	1,230.6
Cumulative translation adjustment (Note 1)	(0.6)	0.5
	1,576.8	1,427.1
	\$ 4,681.7	\$ 4,516.1

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board,



PAUL D. SOBEY
DIRECTOR



DONALD R. SOBEY
DIRECTOR

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

<i>Years Ended April 30th</i> <i>(in millions)</i>	2004	2003
Balance, beginning of year	\$ 1,230.6	\$ 1,094.5
Net earnings	173.1	153.9
	1,403.7	1,248.4
Refundable taxes recovered	5.1	4.9
Dividends declared		
Preferred shares	0.4	0.3
Common shares	26.3	21.7
	26.7	22.0
Premium on common shares purchased for cancellation (Note 8)	1.4	0.7
Balance, end of year	\$ 1,380.7	\$ 1,230.6

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

<i>Years Ended April 30th</i> <i>(in millions except per share amounts)</i>	2004	2003
Revenue (Note 14)	\$11,284.0	\$ 10,624.2
Cost of sales, selling and administrative expenses	10,704.3	10,050.6
	579.7	573.6
Depreciation	171.4	143.6
Intangible amortization	0.5	-
	407.8	430.0
Investment income (Note 9)	15.8	14.9
Operating income	423.6	444.9
Interest expense		
Long-term debt	86.1	89.9
Short-term debt	5.5	3.0
	91.6	92.9
	332.0	352.0
Capital gain (loss) and other items (Note 10)	11.6	(9.9)
	343.6	342.1
Income taxes (Note 11)		
Current	93.4	77.0
Future	18.2	43.4
	111.6	120.4
	232.0	221.7
Minority interest	58.9	67.8
Net earnings	\$ 173.1	\$ 153.9
Earnings per share, basic and diluted (Note 3)	\$ 2.63	\$ 2.34

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended April 30th
(in millions)

	2004	2003
Operating		
Net earnings	\$ 173.1	\$ 153.9
Items not affecting cash (Note 12)	271.5	267.5
Preferred dividends	(0.4)	(0.3)
	444.2	421.1
Net change in non-cash working capital	22.8	(65.3)
Cash flows from operating activities	467.0	355.8
Investing		
Net decrease in investments	53.4	134.1
Purchase of shares in subsidiary, Sobeys Inc.	(74.2)	(5.8)
Purchase of property, equipment and other assets	(431.0)	(442.0)
Proceeds from sale of property	81.4	37.4
Business acquisitions, net of cash acquired	(64.1)	-
Cumulative translation adjustment	(1.1)	-
Cash flows used in investing activities	(435.6)	(276.3)
Financing		
Bank indebtedness	41.5	(107.9)
Construction loans	(0.9)	2.1
Issue of long-term debt	14.9	131.5
Repayment of long-term debt	(187.8)	(82.2)
Minority interest	6.9	4.1
Issue of Non-Voting Class A shares	1.1	1.6
Repurchase of Non-Voting Class A shares	(1.8)	(1.6)
Common dividends	(26.3)	(21.7)
Refundable taxes	5.1	4.9
Cash flows used in financing activities	(147.3)	(69.2)
(Decrease) increase in cash from continuing operations	(115.9)	10.3
Discontinued operations	1.3	3.9
(Decrease) increase in cash and cash equivalents	(114.6)	14.2
Cash and cash equivalents, beginning of year	316.8	302.6
Cash and cash equivalents, end of year	\$ 202.2	\$ 316.8

See accompanying notes to the consolidated financial statements.

1. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

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 significant joint ventures are consolidated on a proportionate basis.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES Effective May 1, 2003, the Company adopted two new Canadian Institute of Chartered Accountants (CICA) Handbook Sections. Section 3063, "Impairment of long-lived assets", provides guidance on the recognition, measurement and disclosure of the impairment of long-lived assets. There was no impact of the application of Section 3063 on the consolidated financial statements. Section 3475, "Disposal of long-lived assets and discontinued operations", provides guidance on the recognition, measurement, presentation and disclosure of long-lived assets not held for use and discontinued operations. See "Assets for realization" as described in Note 5.

Effective May 1, 2003, the Company adopted the CICA Handbook Section 3870, "Stock-based compensation and other stock-based payments". In fiscal 2004, the Emerging Issues Committee issued Abstract 132, "Share purchase financing". This Abstract requires share purchase loans that are not treated as assets on the balance sheet to be accounted for as stock-based compensation. The Company has determined there is no impact on the consolidated financial statements.

CASH AND CASH EQUIVALENTS Cash and cash equivalents are defined as cash, treasury bills, guaranteed investments and temporary investments.

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. Real estate inventory of residential properties is carried at the lower of cost and net realizable value.

DEPRECIATION AND AMORTIZATION The sinking fund method was used to record depreciation of the real estate buildings, calculated as an amount which, compounded annually at the rate of 5 percent, would fully amortize the cost of the buildings over their estimated useful lives ranging from 20 to 40 years. Deferred leasing costs are amortized over the terms of the related leases and are 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 – 20 years
Buildings	10 – 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 in progress in the current year was \$0.6 (2003 – \$1.3).

B) COMMERCIAL 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. No amounts were capitalized in fiscal 2003 or 2004.

C) DEVELOPMENT PROPERTIES AND 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 development properties are expensed as incurred. The amount of real estate taxes capitalized in the current year was \$0.1 (2003 – \$0.2).

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.

GOODWILL Goodwill represents the excess of the purchase price of the business acquired over the fair value of the underlying net tangible and intangible assets acquired at the date of acquisition.

Goodwill and intangible assets with indefinite useful lives are subject to an annual impairment review. Any permanent impairment in the book value of goodwill or intangible assets will be written off against earnings. The Company has completed its review and has determined the book value of existing goodwill is not impaired.

INTANGIBLES Intangibles represent the purchase of existing franchises and the acquisition of prescription files. No transactions occurred until fiscal 2004, with the method of amortization being on a straight-line basis over 10-15 years.

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

STORE OPENING EXPENSES Opening expenses of new stores and store conversion are written off during the first year of operation.

STOCK-BASED COMPENSATION PLANS The Directors of the Company and its subsidiary, Sobeys Inc., can choose to defer the receipt of their compensation and have the ultimate amount to be received tied to the market value of their respective Company's stock. The deferred amounts are to be repaid when they cease to be a Director. The Company records a liability based on the current market value of the Companies' stock. At April 30, 2004 the liability recorded under the plans is \$2.1 (2003 – \$1.6).

The Company's stock option plan and share purchase plan are described in Note 8.

FUTURE INCOME TAXES The Company accounts for income taxes under the liability method. The difference between the tax basis of assets and liabilities and their carrying value on the balance sheet is 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.

DEFERRED REVENUE Deferred revenue consists of long-term supplier purchase agreements 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 TRANSLATION Assets and liabilities of self-sustaining foreign investments are translated at exchange rates in effect at the balance sheet date. The revenues and

expenses are translated at average exchange rates for the year. Cumulative gains and losses on translation are shown as a separate component of shareholders' equity.

Other assets and liabilities are translated at the currency exchange rate in effect at the balance sheet date. These exchange gains or losses are recognized in operating income. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average currency exchange rate for the period.

REVENUE RECOGNITION Food distribution 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 sales to franchised stores, associated stores and independent accounts. Real estate revenue is recognized in accordance with the lease agreements with tenants.

FINANCIAL INSTRUMENTS The Company uses interest rate instruments to manage exposure to fluctuations in interest rates. The realized gain or loss arising from these instruments is included in interest expense.

The Company also uses derivative financial instruments to partially hedge its exposure to foreign exchange in its U.S. dollar denominated investment portfolio. These instruments are accounted for as hedges of anticipated transactions and accordingly, gains and losses on these instruments are included in measurement of the related hedged risk when realized.

USE OF ESTIMATES The preparation of consolidated financial statements in conformity with Canadian 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.

EARNINGS PER SHARE Earnings per share is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method. Earnings per share reflect the two-for-one stock split of the Non-Voting Class A shares and Class B common shares as described in Note 8.

2. Cash and Cash Equivalents

Included in cash and cash equivalents is restricted cash of \$30.4 relating to the sale of assets.

3. Earnings per Share

Earnings per share amounts are calculated on the weighted average number of shares outstanding (2004 – 65,772,518 shares; 2003 – 65,781,807 shares) after providing for preferred 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 and share purchase loans were repaid at the beginning of the year. There is no effect as a result of this calculation.

Earnings applicable to common shares is comprised of the following:

	2004	2003
Operating earnings	\$ 163.9	\$ 159.9
Capital gain (loss) and other items, net of tax of \$2.4 (2003 – tax recovery of \$3.9)	9.2	(6.0)
Net earnings	173.1	153.9
Preferred share dividends	0.4	0.3
Earnings applicable to common shares	\$ 172.7	\$ 153.6

Earnings per share is comprised of the following:

Operating earnings	\$ 2.49	\$ 2.43
Capital gain (loss) and other items	0.14	(0.09)
Basic earnings per share	\$ 2.63	\$ 2.34
Diluted earnings per share	\$ 2.63	\$ 2.34

4. Property and Equipment

	Cost	Accumulated Depreciation	2004 Net Book Value
Real estate segment			
Land	\$ 144.4	\$ –	\$ 144.4
Land held for future development	11.7	–	11.7
Buildings	887.7	161.7	726.0
	1,043.8	161.7	882.1
Food distribution and other			
Land	72.8	–	72.8
Land held for future development	82.0	–	82.0
Buildings	573.0	107.4	465.6
Equipment	1,613.6	957.0	656.6
Leasehold improvements	293.0	173.9	119.1
Assets under capital leases	15.7	5.8	9.9
	2,650.1	1,244.1	1,406.0
Total	\$ 3,693.9	\$ 1,405.8	\$ 2,288.1

	2003		
	Cost	Accumulated Depreciation	Net Book Value
Real estate segment			
Land	\$ 118.7	\$ –	\$ 118.7
Land held for future development	16.8	–	16.8
Buildings	828.2	151.5	676.7
	963.7	151.5	812.2
Food distribution and other			
Land	84.0	–	84.0
Land held for future development	81.4	–	81.4
Buildings	523.4	102.7	420.7
Equipment	1,363.3	791.5	571.8
Leasehold improvements	275.6	150.9	124.7
Assets under capital leases	15.4	5.0	10.4
	2,343.1	1,050.1	1,293.0
Total	\$ 3,306.8	\$ 1,201.6	\$ 2,105.2

5. Other Assets

	2004	2003
Loans and mortgages receivable	\$ 147.8	\$ 132.3
Deferred costs	146.8	139.1
Assets for realization	16.3	–
Intangibles (less accumulated amortization of \$0.5)	13.1	–
	\$ 324.0	\$ 271.4

LOANS RECEIVABLE Loans receivable represent long-term financing to certain retail associates. These loans are primarily secured by inventory, fixtures and equipment, bear various interest rates and have repayment terms up to 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 \$15.4 (2003 – \$15.4).

DEFERRED COSTS Deferred costs are amortized as follows:

Deferred store marketing – 7 years
 Deferred financing – over the term of the debt
 Deferred purchase agreements – over the term of the franchise agreement
 Transitional pension asset – over the average remaining service period of the active employees

ASSETS FOR REALIZATION Land and buildings have been listed for sale and reclassified as “Assets for realization” in accordance with CICA Handbook Section 3475.

These assets are expected to be sold within a twelve-month period, are no longer productive assets and there is no longer an intent to develop for future use. Assets for realization are valued at the lower of cost and fair value less costs to sell.

6. Bank Indebtedness

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 24, 2004, 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, 2004 the Company had no such instruments in place.

7. Long-term Debt

			2004	2003
	Real Estate Segment	Food Distribution Segment	Total	Total
First mortgage loans, average interest rate 9.1%, due 2004 – 2026	\$ 420.3	\$ 23.3	\$ 443.6	\$ 421.8
Bank loans, average interest rate 6.4%, due September 30, 2004	–	20.0	20.0	60.0
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
Medium term note, interest rate 7.2%, due February 26, 2018	–	100.0	100.0	100.0
Debentures, average interest rate 10.6%, due 2004 – 2016	74.3	73.3	147.6	156.9
Notes payable and other debt at interest rates fluctuating with the prime rate	46.5	38.6	85.1	86.4
	541.1	430.2	971.3	1,100.1
Construction loans at interest rates fluctuating with the prime rate	1.5	–	1.5	2.5
Capital lease obligations, due 2005 – 2011, net of imputed interest	–	12.6	12.6	9.4
	542.6	442.8	985.4	1,112.0
Less amount due within one year	49.6	31.9	81.5	188.9
	\$ 493.0	\$ 410.9	\$ 903.9	\$ 923.1

The Company has fixed the interest rate on \$29.8 of its long-term debt at rates from 4.0 percent to 6.4 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 6.

During fiscal 2001 the Company 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, 2004 \$230.0 of the non-revolving debt had been retired. On December 20, 2002 (amended on February 17, 2003) Sobeys filed a final short form prospectus providing for the issuance of up to \$500.0 of unsecured medium-term notes over the next two years.

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

	Long-term Debt	Capital Leases
2005	\$ 77.7	\$ 3.8
2006	\$ 222.9	\$ 3.4
2007	\$ 34.1	\$ 2.1
2008	\$ 62.7	\$ 1.0
2009	\$ 71.3	\$ 0.7

OPERATING LEASES The net aggregate, annual, minimum rent payable under operating leases for fiscal 2005 is approximately \$71.7 (\$197.8 gross less expected sub-lease income of \$126.1). The net commitments over the next five fiscal years are:

	Net Lease Obligation
2005	\$ 71.7
2006	\$ 65.6
2007	\$ 55.2
2008	\$ 46.7
2009	\$ 47.5

8. Capital Stock

			Number of Shares	
AUTHORIZED:				
Preferred shares, par value of \$25 each, issuable in series as a class				
Series 2 cumulative, redeemable, rate of 75% of prime			1,034,261,305	
Non-Voting Class A shares, without par value			259,235,875	
Class B common shares, without par value, voting			40,800,000	
			2004	2003
	Number of Shares		Number of Shares	
ISSUED AND OUTSTANDING:				
Preferred shares, Series 2	431,900	\$ 10.8	431,900	\$ 10.8
Non-Voting Class A shares	30,869,585	182.5	30,861,402	181.8
Class B common shares	34,885,225	7.7	34,897,456	7.7
			201.0	200.3
Loans receivable from officers and employees under share purchase plan			(4.3)	(4.3)
		\$ 196.7		\$ 196.0

Effective October 7, 2002, both the Non-Voting Class A shares and Class B common shares were split on the basis of two-for-one. All number of shares and per share amounts have been restated to reflect the stock split.

During the year, the Company purchased for cancellation 68,477 (2003 – 60,124) Non-Voting Class A shares. The purchase price was \$1.8 of which \$1.4 of the purchase price (representing the premium on common shares purchased for cancellation) was charged to retained earnings.

During the year, 30,000 (2003 – 27,800) options were exercised resulting in 30,000 (2003 – 27,800) Non-Voting Class A shares being issued for \$0.2 (2003 – \$0.2). Options allow holders to purchase Non-Voting Class A shares at \$6.555 per share. Options expire at dates from June 2004 to October 2006. There were 37,074 options outstanding at April 30, 2004.

During the year, 34,429 (2003 – 47,506) Non-Voting Class A shares were issued under the Company's share purchase plan to certain officers and employees for \$0.9 (2003 – \$1.4), 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 \$4.3 (2003 – \$4.3) 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 255,597 (2003 – 276,219) Non-Voting Class A shares. Market value of the shares at April 30, 2004 was \$6.8 (2003 – \$6.6).

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.

During the year, 12,231 Class B common shares were exchanged for 12,231 Non-Voting Class A shares.

9. Investment Income

	2004	2003
Dividend and interest income	\$ 10.7	\$ 14.3
Share of income of companies accounted for by the equity method	5.1	0.6
	\$ 15.8	\$ 14.9

10. Capital Gain (Loss) and Other Items

	2004	2003
Gain (loss) on sale of investments	\$ 11.7	\$ (9.7)
Other items	(0.1)	(0.2)
	\$ 11.6	\$ (9.9)

11. 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:

	2004	2003
Income tax expense according to combined statutory rate of 34.6% (2003 – 36.7%)	\$ 115.2	\$ 129.0
Increase (decrease) in income taxes resulting from		
Adjustment to future tax assets and liabilities for substantially enacted changes in tax laws	(3.8)	(3.6)
Non-taxable gains	(1.4)	(0.4)
Non-taxable dividends and equity earnings	(4.1)	(3.0)
Other	–	(1.4)
Large corporation tax	3.3	3.7
	109.2	124.3
Capital gain (loss) and other items	2.4	(3.9)
	\$ 111.6	\$ 120.4

April 30, 2004 income tax expense attributable to net income consists of:

	Current	Future	Total
Operations	\$ 85.0	\$ 24.2	\$ 109.2
Capital gain (loss) and other items	8.4	(6.0)	2.4
	\$ 93.4	\$ 18.2	\$ 111.6

April 30, 2003 income tax expense attributable to net income consists of:

	Current	Future	Total
Operations	\$ 81.0	\$ 43.3	\$ 124.3
Capital gain (loss) and other items	(4.0)	0.1	(3.9)
	\$ 77.0	\$ 43.4	\$ 120.4

The tax effect of temporary differences that give rise to significant portions of future income taxes are presented below:

	2004	2003
Property and equipment	\$ 91.9	\$ 83.5
Investments	35.4	48.5
Future employee benefit obligation	(31.0)	(24.3)
Restructuring provisions	(1.5)	(2.7)
Pension contributions	16.2	12.3
Deferred cost	18.8	14.9
Deferred credits	47.8	34.9
Goodwill	6.3	4.4
Other	–	2.3
	\$ 183.9	\$ 173.8
Future income taxes – current	\$ 46.3	\$ 18.4
Future income taxes – non-current	137.6	155.4
	\$ 183.9	\$ 173.8

12. Supplementary Cash Flow Information

	2004	2003
a) Items not affecting cash		
Depreciation	\$ 171.4	\$ 143.6
Intangible amortization	0.5	–
Future income taxes	18.2	43.4
Amortization of deferred costs	25.5	17.0
Equity in earnings of other companies, net of dividends received	(4.8)	(0.6)
Minority interest	48.7	58.7
Employee future benefit obligation	12.0	5.4
	\$ 271.5	\$ 267.5
b) Other information		
Net interest paid	\$ 93.2	\$ 95.2
Net income taxes paid	\$ 145.6	\$ 100.4

13. Joint Ventures

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

	2004		2003	
Assets	\$	81.4	\$	76.8
Liabilities	\$	55.1	\$	54.0
Equity and advances		26.3		22.8
	\$	81.4	\$	76.8
Revenues	\$	34.4	\$	30.6
Expenses		7.0		5.1
Income before income taxes	\$	27.4	\$	25.5
Cash provided (used)				
Operating activities	\$	23.6	\$	30.7
Investing activities		(18.0)		0.3
Financing activities		(3.6)		4.0
	\$	2.0	\$	35.0

14. Segmented Information

	2004		2003	
Revenue				
Food distribution				
Sales	\$	11,046.8	\$	10,414.5
Gain on sale of assets		14.6		-
		11,061.4		10,414.5
Real estate				
Outside		158.2		149.2
Inter-segment		52.3		49.4
		210.5		198.6
Other operations		64.4		60.5
		11,336.3		10,673.6
Elimination		(52.3)		(49.4)
	\$	11,284.0	\$	10,624.2

Sobeys Inc. sold several redundant real estate assets. These assets were not considered strategic for the long-term plans of the Company. The gain realized on the sale of these assets was \$14.6.

	2004		2003	
Operating income				
Food distribution	\$	294.5	\$	324.7
Real estate		111.1		103.8
Other operations		9.8		9.0
Investment income		15.8		14.9
Corporate expenses		(7.6)		(7.5)
	\$	423.6	\$	444.9
Identifiable assets				
Food				
Food distribution	\$	2,619.4	\$	2,601.5
Goodwill		656.9		569.3
Discontinued operations		-		1.9
		3,276.3		3,172.7
Real estate		989.8		902.0
Investments		324.6		387.3
Other		91.0		54.1
	\$	4,681.7	\$	4,516.1
Depreciation				
Food distribution	\$	150.4	\$	124.0
Real estate		16.3		15.2
Corporate and other		4.7		4.4
	\$	171.4	\$	143.6
Capital expenditure				
Food distribution	\$	384.9	\$	411.2
Real estate		34.2		25.1
Corporate and other		11.9		5.7
	\$	431.0	\$	442.0

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 Central and Eastern Canada. Inter-segment transactions are at market values.

15. 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 and cash equivalents, receivables, loans and mortgages, bank indebtedness, accounts payables and accrued liabilities and income taxes payable approximate fair values at April 30, 2004. The fair value of investments is \$405.0.

The total fair value of long-term debt is estimated to be \$1,119.8. 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.

FOREIGN CURRENCY RISK Investments include \$136.9 Canadian that is denominated in U.S. funds. Bank indebtedness includes \$77.9 Canadian that is denominated in U.S. funds and it acts as a partial hedge to the foreign exchange fluctuations inherent in the market value of the U.S. investments.

16. Contingent Liabilities

At April 30, 2004 the Company was contingently liable for letters of credit issued in the aggregate amount of \$42.0 (2003 – \$47.5).

The Company has guaranteed certain bank loans contracted by franchisees. As at April 30, 2004 these loans amounted to approximately \$5.0 (2003 – \$7.3).

Upon entering into the lease of its new Mississauga distribution centre in March 2000, Sobeys Capital Incorporated (a subsidiary of Sobeys Inc.) guaranteed to the landlord the performance, by SERCA Foodservice,

of all its obligations under the lease. The remaining term of the lease is 16 years with an aggregate obligation of \$48.8. At the time of the sale of assets of SERCA Foodservice to Sysco Corp. the lease of the Mississauga distribution centre was assigned to and assumed by the purchaser and Sysco Corp. agreed to indemnify and hold Sobeys Capital Incorporated harmless from any liability it may incur pursuant to its guarantee.

On March 26, 2003 the Shareholders of IGA Canada Limited approved a resolution terminating the operations of the IGA Canada Buying Group effective December 31, 2003. On April 14, 2003 the members of the Buying Group were notified of the shareholders' intention to terminate the operations of the Buying Group. The Buying Group operations ceased effective December 31, 2003. The cross guarantees for members of the Buying Group have been eliminated with the wind-up of the Buying Group as of December 31, 2003.

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.

17. 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:

2004	\$	11.2
2003	\$	11.0

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

	Pension Benefit Plans	Pension Benefit Plans	Other Benefit Plans	Other Benefit Plans
	2004	2003	2004	2003
ACCRUED BENEFIT OBLIGATION				
Balance, beginning of year	\$ 235.0	\$ 206.8	\$ 90.4	\$ 90.9
New incidence (post-employment benefits)	-	-	7.7	-
Current service cost	2.5	2.9	2.4	3.2
Interest cost	14.9	15.0	6.2	6.3
Employee contributions	0.5	0.5	-	-
Special termination benefits	1.3	-	-	-
Plan amendments	-	-	1.3	-
Benefits paid	(16.6)	(17.2)	(4.4)	(4.7)
Plan merger	-	11.8	-	-
Actuarial loss	14.4	15.2	8.4	(5.3)
Balance, end of year	\$ 252.0	\$ 235.0	\$ 112.0	\$ 90.4
PLAN ASSETS				
Market value, beginning of year	\$ 199.8	\$ 203.5	\$ -	\$ -
Actual return on plan assets	36.8	(13.3)	-	-
Employer contributions	3.0	15.1	4.5	4.7
Employee contributions	0.5	0.5	-	-
Plan merger	-	11.2	-	-
Benefits paid	(16.6)	(17.2)	(4.5)	(4.7)
Market value, end of year	\$ 223.5	\$ 199.8	\$ -	\$ -
FUNDED STATUS				
Deficit	\$ (28.5)	\$ (35.2)	\$ (112.0)	\$ (90.4)
Unamortized past service cost	0.4	0.4	-	-
Unamortized actuarial loss	53.1	65.5	21.6	13.3
Accrued benefit asset (liability)	\$ 25.0	\$ 30.7	\$ (90.4)	\$ (77.1)
EXPENSE				
Current service cost	\$ 2.5	\$ 2.9	\$ 2.3	\$ 3.2
Interest cost	14.9	15.0	6.2	6.4
Amortization	3.5	0.2	1.5	0.6
Special termination benefits	1.3	-	-	-
New incidence (post-employment benefits)	-	-	7.7	-
Expected return on plan assets	(13.5)	(15.1)	-	-
	\$ 8.7	\$ 3.0	\$ 17.7	\$ 10.2

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

	Pension Benefit Plans	Pension Benefit Plans	Other Benefit Plans	Other Benefit Plans
	2004	2003	2004	2003
Accrued benefit obligation	\$ 18.5	\$ 17.5	\$ 90.4	\$ 77.1

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions as of April 30, 2004):

	Pension Benefit Plans	Pension Benefit Plans	Other Benefit Plans	Other Benefit Plans
	2004	2003	2004	2003
Discount rate	6.00%	6.50%	6.00%	6.50%
Expected long-term rate of return on plan assets	7.00%	7.00%		
Rate of compensation increase	4.00%	4.00%		

For measurement purposes, a 10 percent fiscal 2004 annual rate of increase in the per capita cost of covered health care benefits was assumed. The cumulative rate expectation to 2010 is 6 percent. The average remaining service period of the active employees covered by the pension benefit plans and other benefit plans is 12 and 18 years respectively.

18. Business Acquisitions

SOBEYS INC. During the year the Company increased its ownership interest in Sobeys Inc. from 62% to 65% by way of purchase of shares on the open market. The acquisition was accounted for using the purchase method with operating results being included in the consolidated financial statements from the date of each share acquisition. The cash consideration paid was \$74.2, goodwill increased by \$26.2 and minority interest decreased by \$48.0.

COMMISSO'S ACQUISITIONS During the fiscal year the Company acquired substantially all of the assets and trade liabilities of Comisso's Food Markets Limited, Comisso's Grocery Distributors Limited and Comisso's Properties Inc. which are located in Southern Ontario. Acquired were six grocery stores (and the shopping centres where they are located), nine additional grocery stores, six cash-and-carry outlets and a wholesale business and distribution centre. The acquisition was completed February 1, 2004 and was accounted for using the purchase method, with operating results being included in the consolidated financial statements at this date. Due to the size and complexity of the acquisition, the determination of fair value of certain net assets is still being finalized. To the extent that the estimates need to be adjusted, they will be adjusted accordingly.

Inventory	\$	16.2
Property and equipment		56.1
Goodwill		62.5
Intangibles		5.4
Other assets		3.1
Accounts payable		(32.1)
Long-term liabilities		(38.5)
Other liabilities		(21.2)
		51.5
Expenses		(0.8)
Cash consideration	\$	50.7

OTHER ACQUISITIONS Sobeys Inc. acquires franchisee stores and prescription files as part of its normal operations. The purchase method was used to account for these acquisitions and the results are included in the consolidated financial statements.

FRANCHISEES		
Inventory	\$	2.4
Property and equipment		3.0
Intangibles		8.0
Other assets		0.1
Cash consideration	\$	13.5

PRESCRIPTION FILES		
Intangibles	\$	0.2
Cash consideration	\$	0.2

19. Comparative Figures

Comparative figures have been reclassified, where necessary, to reflect the current year's presentation.

ELEVEN-YEAR FINANCIAL REVIEW

<i>(Years ended April 30th)</i>	2004	2003	2002	2001
FINANCIAL RESULTS <i>(\$ in millions; except ROE)</i>				
Revenue	\$ 11,284.0	\$ 10,624.2	\$ 9,926.5	\$ 9,331.1
Operating income	423.6	444.9	416.2	341.1
Interest expense	91.6	92.9	111.6	145.8
Income taxes	111.6	120.4	104.8	131.9
Minority interest	58.9	67.8	50.0	34.3
Earnings from continuing operations				
before net capital gains and other items	163.9	159.9	123.5	78.5
Earnings from discontinued operations ⁽¹⁾	–	–	8.7	10.0
Operating earnings ⁽²⁾	163.9	159.9	132.2	88.5
Capital gain (loss) and other items, net of tax	9.2	(6.0)	63.7	491.5
Net earnings	173.1	153.9	195.9	580.0
Return on equity	11.6%	11.4%	16.4%	69.1%
FINANCIAL POSITION <i>(\$ in millions)</i>				
Total assets	4,681.7	4,516.1	4,318.0	4,254.3
Long-term debt (excluding current portion)	903.9	923.1	975.0	1,107.2
Shareholders' equity	1,576.8	1,427.1	1,290.6	1,115.0
PER SHARE DATA <i>(\$ per share)</i>				
Operating earnings	2.49	2.43	2.00	1.33
Capital gain (loss) and other items, net of tax	0.14	(0.09)	0.97	7.49
Net earnings	2.63	2.34	2.97	8.82
Dividends				
Non-Voting Class A common shares	0.4000	0.3300	0.2138	0.1700
Class B common shares	0.4000	0.3300	0.2138	0.1700
Book value	23.81	21.54	19.47	16.82
SHARE PRICE, NON-VOTING CLASS A SHARES <i>(\$ per share)</i>				
High	29.50	33.25	33.30	18.25
Low	23.10	23.70	15.75	13.88
Close	26.65	23.85	28.88	17.00
WEIGHTED AVERAGE NUMBER OF COMMON				
SHARES OUTSTANDING <i>(in millions)</i>	65.8	65.8	65.7	65.6

(1) Discontinued operations reflect the financial contribution of SERCA Foodservice operations, which was sold at the end of 2002.

(2) Operating earnings equals net earnings before capital gain (loss) and other items.

2000	1999	1998	1997	1996	1995	1994
\$ 9,100.1	\$ 5,362.7	\$ 2,912.2	\$ 3,149.7	\$ 2,915.2	\$ 2,699.5	\$ 2,577.4
309.7	184.4	108.6	114.2	110.1	122.5	117.6
159.6	112.6	76.8	79.2	87.7	89.3	81.4
68.1	49.1	17.9	16.9	13.7	16.8	19.4
32.9	9.2	–	0.4	0.5	0.5	0.5
78.8	59.0	56.1	51.5	41.1	42.7	42.9
5.9	1.1	8.1	–	–	–	–
84.7	60.1	64.2	51.5	41.1	42.7	42.9
2.1	74.9	23.6	1.4	(19.4)	(1.5)	5.0
86.8	135.0	87.8	52.9	21.7	41.2	47.9
13.3%	21.7%	17.9%	11.9%	3.9%	9.4%	12.2%
4,171.0	4,023.5	1,907.2	1,797.4	1,731.4	1,761.1	1,696.9
1,332.0	1,391.8	616.5	606.8	656.1	648.0	633.6
602.8	737.5	558.3	479.6	474.9	469.5	447.9
1.10	0.78	0.85	0.65	0.47	0.49	0.48
0.03	1.00	0.32	0.02	(0.26)	(0.02)	0.07
1.13	1.78	1.17	0.67	0.21	0.47	0.55
0.1400	0.1363	0.1213	0.1100	0.1075	0.1000	0.1000
0.1400	0.1363	0.1163	0.0900	0.0825	0.0600	0.0600
8.73	9.03	7.06	5.93	5.24	5.12	4.80
16.98	16.27	14.25	7.85	7.88	8.25	8.88
12.33	12.50	7.80	6.13	5.75	6.50	6.13
16.05	13.00	13.63	7.85	6.15	6.69	8.07
75.6	75.0	73.9	74.0	74.6	74.5	70.0

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 AND INQUIRIES

Shareholders, analysts, and investors should direct their financial inquiries or requests to:
Stewart H. Mahoney, cfa,
Vice President, Treasury and Investor Relations
E-mail: investor.relations@empireco.ca

Communications regarding investor records including changes of address or ownership, should be directed to the Company's transfer agent, CIBC Mellon Trust Company.

AFFILIATED COMPANY WEB ADDRESSES

www.sobeys.com
www.empiretheatres.com
www.crombieproperties.com

SHAREHOLDERS' ANNUAL GENERAL MEETING

September 9, 2004 at 11:00 a.m.
Aberdeen Cinemas
610 East River Road
New Glasgow, Nova Scotia

STOCK SYMBOLS

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

AVERAGE DAILY TRADING VOLUME (TSE)

30,097

COMMON DIVIDEND RECORD AND PAYMENT DATES FOR FISCAL 2005*

Record Date	Payment Date
July 15, 2004	July 30, 2004
October 15, 2004	October 29, 2004
January 14, 2005	January 31, 2005
April 15, 2005	April 29, 2005

* subject to approval by Board of Directors

STOCK EXCHANGE LISTING

The Toronto Stock Exchange

OUTSTANDING SHARES

As of July 7, 2004

Non-Voting Class A common	30,878,985
Options exercisable with Class A common shares	27,674
Class B common, voting	34,885,225

TRANSFER AGENT

CIBC Mellon Trust Company
Telephone: (800) 387-0825
Email: enquiries@cibcmellon.com

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 McKelvey 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 CIBC Mellon Trust Company at (800) 387-0825 to eliminate the multiple mailings.

EXEMPLAIRE FRANÇAIS

Vous pouvez obtenir un exemplaire français de ce rapport annuel en écrivant à :

Empire Company Limited
Investor Relations
115 King Street
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 three key factors in the creation of value are first, strong management, second, financial structures which facilitate growth and third, 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.



ABOVE: Near Langford, British Columbia, 1939

EMILY CARR (1871 – 1945)

From the collection of the Sobeys Art Foundation, on display at Crombie House in Pictou County, Nova Scotia.

Emily Carr (1871 – 1945) of Victoria, British Columbia, studied at the San Francisco School of Art (1889 – 1894) and at the Westminster School of Art, London, which included other locations in England (1899 – 1904). She returned to British Columbia after each period to teach and to paint the Indian villages on the Pacific Coast. Carr then traveled to Europe to study briefly at the Academie Colarossi in Paris (1910 – 1911) where she aimed to discover the “new art” which today we call post-Impressionism. She painted and traveled with several artists in Sweden and in Brittany. The New Zealand artist Frances Hodgkins provided considerable encouragement to Carr, urging her to seek her own artistic independence. In October 1911, Carr was represented by two paintings in the famous Salon d’Automne in Paris. However, upon her return to Canada, she considered her new work to be unappreciated.

Emily Carr held her first exhibition in Vancouver and painted the Indian villages in Fauve style. In 1913 she returned to Victoria, where she built an apartment house (the “House of All Sorts”). In the 1920’s to supplement

her rental income she made pottery and carpets with west coast native designs. Carr continued to paint and exhibit sporadically until 1927, when at her first exhibition in Eastern Canada, she met the members of the Group of Seven. Lawren Harris in particular inspired her to develop her characteristic, monumental style. She was also influenced by the American artist Mark Tobey, who first visited her in 1928. In 1933, Carr joined Group of Seven artists in forming the Canadian Group of Painters.

According to Emily Carr’s biographer Maria Tippett, Carr’s failing health in the late 1930’s curtailed her painting activities. However, in the summer of 1939, Carr went camping near Langford, British Columbia, and it is likely that this painting was completed at that time, or shortly thereafter, along with several other canvasses. Her painting reflects Carr’s preoccupation with regeneration of logged-over areas and the spiritual energy that emanates from the forest. Carr’s later work is known for its expansiveness of feeling, and Near Langford is a very fine example of this.

WE VALUE CANADIAN CULTURE

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