

INDEX

<u>PART I</u>	<u>PAGE</u>
<u>FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	
<u>Consolidated Condensed Balance Sheets</u>	<u>3</u>
<u>Consolidated Condensed Statements of Operations</u>	<u>4</u>
<u>Consolidated Condensed Statements of Cash Flows</u>	<u>5</u>
<u>Notes to Consolidated Condensed Financial Statements</u>	<u>6-7</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>7-10</u>
<u>Item 3. Quantitative & Qualitative Disclosures about Market Risk</u>	<u>11</u>
<u>Item 4. Controls and Procedures</u>	<u>11</u>
<u>PART II</u>	
<u>OTHER INFORMATION</u>	
<u>Item 6. Exhibits</u>	<u>11</u>
<u>Signatures</u>	<u>12</u>

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED CONDENSED BALANCE SHEETS

(Dollars in Thousands)

(Unaudited)

	<i>January 29, 2005</i>	<i>July 31, 2004</i>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 61,721	\$ 36,972
Merchandise inventories	31,465	30,976
Patronage dividend receivable	2,424	5,366
Note receivable from related party	-	20,274
Other current assets	<u>7,478</u>	<u>6,195</u>
Total current assets	103,088	99,783
Property, equipment and fixtures, net	116,997	101,143
Investment in related party, at cost	15,879	15,875
Goodwill	10,605	10,605
Other assets	<u>3,073</u>	<u>4,019</u>
TOTAL ASSETS	<u>\$ 249,642</u>	<u>\$ 231,425</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	\$ 7,481	\$ 7,741
Accounts payable to related party	37,353	32,858
Accounts payable and accrued expenses	<u>27,655</u>	<u>27,298</u>
Total current liabilities	72,489	67,897
Long-term debt	34,958	29,238
Other liabilities	15,243	14,199
Shareholders' equity		
Class A common stock - no par value, issued 1,762,800 shares	19,246	19,037
Class B common stock - no par value, issued and outstanding 1,594,076 shares	1,035	1,035
Retained earnings	111,871	105,502
Accumulated other comprehensive loss	(2,660)	(2,660)
Less cost of Class A treasury shares - (183,600 shares at January 29, 2005 and 204,100 shares at July 31, 2004)	<u>(2,540)</u>	<u>(2,823)</u>
Total shareholders' equity	<u>126,952</u>	<u>120,091</u>
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u>\$ 249,642</u>	<u>\$ 231,425</u>

See accompanying Notes to Consolidated Condensed Financial Statements.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Dollars in Thousands Except Per Share Amounts)

(Unaudited)

	<i>13 Wks. Ended</i> <i>Jan. 29, 2005</i>	<i>13 Wks. Ended</i> <i>Jan. 24, 2004</i>	<i>26 Wks. Ended</i> <i>Jan. 29, 2005</i>	<i>26 Wks. Ended</i> <i>Jan. 24, 2004</i>
Sales	\$ 255,992	\$ 242,209	\$ 493,344	\$ 468,943
Cost of sales	<u>190,570</u>	<u>180,104</u>	<u>368,048</u>	<u>349,690</u>
Gross profit	65,422	62,105	125,296	119,253
Operating and administrative expense	56,122	52,865	108,679	102,907
Depreciation and amortization	<u>2,779</u>	<u>2,263</u>	<u>5,160</u>	<u>4,479</u>
Operating income	6,521	6,977	11,457	11,867
Interest expense, net	646	592	1,027	1,213
Income from partnership	<u>1,509</u>	<u>-</u>	<u>1,509</u>	<u>-</u>
Income before income taxes	7,384	6,385	11,939	10,654
Income taxes	<u>3,027</u>	<u>2,734</u>	<u>4,895</u>	<u>4,484</u>
Net income	<u>\$ 4,357</u>	<u>\$ 3,651</u>	<u>\$ 7,044</u>	<u>\$ 6,170</u>
Net income per share:				
Basic	\$ 1.38	\$ 1.18	\$ 2.23	\$ 2.00
Diluted	\$ 1.37	\$ 1.16	\$ 2.21	\$ 1.96

See accompanying Notes to Consolidated Condensed Financial Statements.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

(Unaudited)

	<i>26 Weeks Ended</i> <u>January 29, 2005</u>	<i>26 Weeks Ended</i> <u>January 24, 2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 7,044	\$ 6,170
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from partnership	(1,509)	-
Depreciation and amortization	5,160	4,479
Deferred taxes	619	660
Provision to value inventories at LIFO	650	675
Tax benefit from exercise of stock options	192	137
Non-cash stock compensation	17	46
Changes in assets and liabilities:		
(Increase) in merchandise inventories	(1,139)	(1,138)
Decrease in patronage dividend receivable	2,942	2,592
(Increase) in other current assets	(1,283)	(400)
(Increase) in other assets	(81)	(45)
Increase in accounts payable to related party	4,495	4,467
Increase in accounts payable and accrued expenses	357	5,340
Increase in other liabilities	425	269
Net cash provided by operating activities	<u>17,889</u>	<u>23,252</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturity of (investment in) note receivable from related party	20,274	(20,042)
Proceeds from partnership distribution	2,516	-
Capital expenditures	(9,612)	(4,938)
Net cash provided by (used in) investing activities	<u>13,178</u>	<u>(24,980)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	262	220
Principal payments of long-term debt	(5,926)	(5,999)
Dividends	(654)	(357)
Net cash used in financing activities	<u>(6,318)</u>	<u>(6,136)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,749	(7,864)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>36,972</u>	<u>48,500</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 61,721</u>	<u>\$ 40,636</u>
SUPPLEMENTAL DISCLOSURE OF CASH PAYMENTS FOR:		
Interest	\$ 1,593	\$ 1,508
Income taxes	\$ 4,856	\$ 1,029
NON-CASH SUPPLEMENTAL DISCLOSURE:		
Investment in related party	\$ 4	\$ -
Capital lease obligation incurred	\$ 11,382	\$ -

See accompanying Notes to Consolidated Condensed Financial Statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of normal and recurring accruals) necessary to present fairly the consolidated financial position as of January 29, 2005 and the consolidated results of operations and cash flows for the thirteen and twenty-six week periods ended January 29, 2005 and January 24, 2004.

The significant accounting policies followed by (the "Company") are set forth in Note 1 to the Company's consolidated financial statements included in the July 31, 2004 Annual Report on Form 10-K, which should be read in conjunction with these financial statements.

2. The results of operations for the period ended January 29, 2005 are not necessarily indicative of the results to be expected for the full fiscal year.

3. At both January 29, 2005 and July 31, 2004, approximately 70% of merchandise inventories are valued by the LIFO method while the balance is valued by FIFO. If the FIFO method had been used for the entire inventory, inventories would have been \$11,764,000 and \$11,114,000 higher than reported at January 29, 2005 and July 31, 2004, respectively.

4. The number of common shares outstanding for calculation of net income per share is as follows:

	<i>13 Weeks Ended</i>		<i>26 Weeks Ended</i>	
	<i>1/29/05</i>	<i>1/24/04</i>	<i>1/29/05</i>	<i>1/24/04</i>
Weighted average shares outstanding - Basic	3,162,584	3,094,518	3,157,779	3,092,029
Dilutive effect of employee stock options	<u>27,310</u>	<u>51,143</u>	<u>25,357</u>	<u>49,114</u>
Weighted average shares outstanding - Diluted	<u><u>3,189,894</u></u>	<u><u>3,145,661</u></u>	<u><u>3,183,136</u></u>	<u><u>3,141,143</u></u>

No potential common shares were excluded from the calculation of diluted earnings per share.

5. Comprehensive income was \$4,357,000 and \$7,044,000 for the quarter and six-month periods ended January 29, 2005, and \$3,651,000 and \$6,170,000 for the quarter and six-month periods ended January 24, 2004.

6. The Company sponsors four defined benefit pension plans. Net periodic pension costs for the four plans includes the following components:

	<i>13 Weeks Ended</i>		<i>26 Weeks Ended</i>	
	<i>1/29/05</i>	<i>1/24/04</i>	<i>1/29/05</i>	<i>1/24/04</i>
Service cost	\$ 396,000	\$ 195,000	\$ 792,000	\$ 390,000
Interest cost on projected benefit obligations	280,000	250,000	560,000	500,000
Expected return on plan assets	(186,000)	(174,000)	(372,000)	(348,000)
Net amortization and deferral	<u>110,000</u>	<u>61,000</u>	<u>220,000</u>	<u>122,000</u>
Net periodic pension cost	<u><u>\$ 600,000</u></u>	<u><u>\$ 332,000</u></u>	<u><u>\$ 1,200,000</u></u>	<u><u>\$ 664,000</u></u>

As of January 29, 2005, the Company has contributed \$1,730,000 to its pension plans in fiscal 2005. The Company expects to contribute an additional \$656,000 during the remainder of fiscal 2005 to fund its pension plans.

7. The Company closed a stand-alone drugstore on December 5, 2004. The Company remains obligated for future lease commitments for the closed store. In accordance with Statement of Financial Accounting Standards No. 146, Accounting for Costs Associated with Exit or Disposal Activities, the Company recorded a charge in the second quarter of fiscal 2005 for future lease obligations, net of estimated sublease rentals, in the amount of \$463,000. This charge is included in operating and administrative expense in the consolidated statement of operations. As of January 29, 2005, \$58,000 of these costs have been incurred, with a remaining liability of \$405,000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company operates a chain of 23 supermarkets in New Jersey and eastern Pennsylvania. The Company is the second largest member of Wakefern Food Corporation ("Wakefern"), the nation's largest retailer-owned food cooperative. As further described in the Company's Form 10-K, this ownership interest in Wakefern provides the Company many of the economies of scale in purchasing, distribution, advanced retail technology and advertising associated with larger chains.

The Company's stores, five of which are owned, average 55,000 total square feet. Larger store sizes enable the Company to offer the specialty departments that customers desire for one-stop shopping, including pharmacies, natural and organic departments, ethnic and international foods, and home meal replacement. On October 27, 2004, the Company opened an 80,000 square foot store in Somers Point, New Jersey to replace a smaller store.

We consider a variety of indicators to evaluate our performance, such as same store sales; sales per store; percentage of total sales by department; shrink; departmental gross profit percentage; sales per labor hour; and hourly labor rates. In recent years, the Company, as well as many of our competitors, has faced substantial increases in employee health and pension costs under union contracts and for non-union associates.

RESULTS OF OPERATIONS

Sales. Sales were \$255,992,000 in the second quarter of fiscal 2005, an increase of 5.7% from the second quarter of the prior year. Sales increased due to the opening of the Somers Point replacement store on October 27, 2004 and a 4.7% increase in same store sales, partially offset by the closing of a stand-alone drug store. Approximately 31% of the improvement in same store sales was due to higher sales in the recently remodeled Bernardsville store. In addition, same store sales increased due to continued improvement in stores opened and remodeled in recent fiscal years and increases in retail prices in certain categories resulting from inflation. New stores and replacement stores are included in same store sales in the quarter after the store has been in operation for four full quarters. Store renovations are included in same store sales immediately.