Empire Company Limited
Interim Condensed Consolidated Financial Statements
August 1, 2015

CONTENTS

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

	August 1 2015	May 2 2015	August 2 2014
ASSETS			
Current			
Cash and cash equivalents	**$ 384.0**	$ 295.9	$ 390.2
Receivables	**489.6**	507.4	483.8
Inventories (Note 4)	**1,331.2**	1,260.6	1,295.4
Prepaid expenses	**141.7**	120.5	127.2
Loans and other receivables	**24.1**	24.8	27.4
Income taxes receivable	**14.7**	18.9	27.4
Assets held for sale (Note 5)	**23.7**	47.8	125.8
	2,409.0	2,275.9	2,477.2
Loans and other receivables	**95.0**	88.5	67.8
Investments	**25.2**	25.1	25.0
Investments, at equity (Note 6)	**567.6**	577.8	580.1
Other assets	**45.3**	48.4	30.5
Property and equipment	**3,540.9**	3,500.4	3,657.2
Investment property	**108.6**	104.2	106.9
Intangibles	**937.1**	938.0	966.0
Goodwill	**3,812.9**	3,799.2	4,066.4
Deferred tax assets	**90.7**	110.9	122.1
	$ 11,632.3	$ 11,468.4	$ 12,099.2
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 2,365.1**	$ 2,265.8	$ 2,323.4
Income taxes payable	**34.2**	40.9	21.1
Provisions (Note 7)	**109.6**	122.1	74.6
Long-term debt due within one year	**333.2**	53.9	76.8
	2,842.1	2,482.7	2,495.9
Provisions (Note 7)	**153.2**	142.9	143.1
Long-term debt	**1,938.8**	2,237.0	3,093.2
Other long-term liabilities	**448.0**	458.0	420.7
Deferred tax liabilities	**113.5**	110.9	125.1
	5,495.6	5,431.5	6,278.0
SHAREHOLDERS' EQUITY			
Capital stock	**2,109.8**	2,109.4	2,109.3
Contributed surplus	**9.3**	8.2	5.0
Retained earnings	**3,949.4**	3,859.9	3,663.3
Accumulated other comprehensive income (loss)	**9.6**	6.3	(2.3)
	6,078.1	5,983.8	5,775.3
Non-controlling interest	**58.6**	53.1	45.9
	6,136.7	6,036.9	5,821.2
	$ 11,632.3	$ 11,468.4	$ 12,099.2

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

On Behalf of the Board

(signed) *"Rob Dexter"*
Director

(signed) *"Marc Poulin"*
Director

Empire Company Limited
Condensed Consolidated Statements of Earnings
13 Weeks Ended
Unaudited (in millions of Canadian dollars, except per share amounts)

	August 1 2015	August 2 2014
Sales	**$ 6,249.2**	$ 6,222.7
Other income, net (Note 8)	**15.5**	5.1
Share of earnings from investments, at equity	**12.4**	15.5
Operating expenses		
Cost of sales	**4,733.2**	4,676.9
Selling and administrative expenses	**1,348.4**	1,347.0
Operating income	**195.5**	219.4
Finance costs, net (Note 9)	**32.9**	43.6
Earnings before income taxes	**162.6**	175.8
Income taxes	**43.5**	44.4
Net earnings	**$ 119.1**	$ 131.4
Earnings for the period attributable to:		
Non-controlling interest	**$ 10.3**	$ 8.3
Owners of the parent	**108.8**	123.1
	$ 119.1	$ 131.4
Earnings per share (Note 10)		
Basic	**$ 1.18**	$ 1.33
Diluted	**$ 1.18**	$ 1.33
Weighted average number of common shares outstanding, in millions (Note 10)		
Basic	**92.3**	92.3
Diluted	**92.5**	92.3

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

Empire Company Limited
Condensed Consolidated Statements of Comprehensive Income

13 Weeks Ended Unaudited (in millions of Canadian dollars)	August 1 2015	August 2 2014
Net earnings	**$ 119.1**	$ 131.4
Other comprehensive income (loss)		
Items that will be reclassified subsequently to net earnings		
Unrealized gains (losses) on derivatives designated as cash flow hedges (net of taxes of $(1.4) (2014 - $0.5))	**3.7**	(1.3)
Reclassification of losses on derivatives designated as cash flow hedges to earnings (net of taxes of $ nil (2014 - $ nil))	**0.1**	0.1
Unrealized gains on available for sale financial assets (net of taxes of $ nil (2014 - $ nil))	**0.1**	0.1
Share of other comprehensive income of investments, at equity (net of taxes of $(0.1) (2014 - $ nil))	**0.2**	0.2
Exchange differences on translation of foreign operations	**(0.8)**	(2.4)
	3.3	(3.3)
Items that will not be reclassified subsequently to net earnings		
Actuarial gains (losses) on defined benefit plans (net of taxes of $(2.5) (2014 - $7.4))	**8.4**	(20.8)
Total comprehensive income	**$ 130.8**	$ 107.3
Total comprehensive income for the period attributable to:		
Non-controlling interest	**$ 10.3**	$ 8.3
Owners of the parent	**120.5**	99.0
	$ 130.8	$ 107.3

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

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

	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Attributable to Parent	Non-controlling Interest	Total Equity
Balance at May 3, 2014	$ 2,108.6	$ 5.0	$ 1.0	$ 3,585.9	$ 5,700.5	$ 41.0	$ 5,741.5
Dividends declared on common shares	-	-	-	(24.9)	(24.9)	-	(24.9)
Employee share options	0.7	-	-	-	0.7	-	0.7
Capital transactions with structured entities	-	-	-	-	-	(3.4)	(3.4)
Transactions with owners	0.7	-	-	(24.9)	(24.2)	(3.4)	(27.6)
Net earnings	-	-	-	123.1	123.1	8.3	131.4
Other comprehensive loss	-	-	(3.3)	(20.8)	(24.1)	-	(24.1)
Total comprehensive income for the period	-	-	(3.3)	102.3	99.0	8.3	107.3
Balance at August 2, 2014	$ 2,109.3	$ 5.0	$ (2.3)	$ 3,663.3	$ 5,775.3	$ 45.9	$ 5,821.2
Balance at May 2, 2015	**$ 2,109.4**	**$ 8.2**	**$ 6.3**	**$ 3,859.9**	**$ 5,983.8**	**$ 53.1**	**$ 6,036.9**
Dividends declared on common shares	**-**	**-**	**-**	**(27.7)**	**(27.7)**	**-**	**(27.7)**
Employee share options	**0.4**	**1.1**	**-**	**-**	**1.5**	**-**	**1.5**
Capital transactions with structured entities	**-**	**-**	**-**	**-**	**-**	**(4.8)**	**(4.8)**
Transactions with owners	**0.4**	**1.1**	**-**	**(27.7)**	**(26.2)**	**(4.8)**	**(31.0)**
Net earnings	**-**	**-**	**-**	**108.8**	**108.8**	**10.3**	**119.1**
Other comprehensive income	**-**	**-**	**3.3**	**8.4**	**11.7**	**-**	**11.7**
Total comprehensive income for the period	**-**	**-**	**3.3**	**117.2**	**120.5**	**10.3**	**130.8**
Balance at August 1, 2015	**$ 2,109.8**	**$ 9.3**	**$ 9.6**	**$ 3,949.4**	**$ 6,078.1**	**$ 58.6**	**$ 6,136.7**

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

Empire Company Limited
Condensed Consolidated Statements of Cash Flows

13 Weeks Ended **Unaudited (in millions of Canadian dollars)**	**August 1 2015**	August 2 2014
Operations		
Net earnings	**$ 119.1**	$ 131.4
Adjustments for:		
Depreciation	**96.7**	100.9
Income taxes	**43.5**	44.4
Finance costs, net (Note 9)	**32.9**	43.6
Amortization of intangibles	**21.9**	22.2
(Gain) loss on disposal of assets	**(8.0)**	2.3
Impairment of non-financial assets, net	**4.4**	0.1
Amortization of deferred items	**3.1**	3.1
Equity in earnings of other entities, net of distributions received	**12.7**	12.0
Employee future benefits obligation	**1.1**	1.4
Increase in long-term lease obligation	**1.9**	1.6
Increase in long-term provisions	**6.6**	-
Stock option plan	**1.1**	0.7
Net change in non-cash working capital	**6.0**	32.1
Income taxes paid, net	**(27.2)**	(18.5)
Cash flows from operating activities	**315.8**	377.3
Investment		
Increase in investments	**(3.0)**	(40.0)
Property, equipment and investment property purchases	**(142.9)**	(105.8)
Proceeds on disposal of property, equipment and investment property	**43.9**	119.8
Additions to intangibles	**(19.9)**	(7.6)
Loans and other receivables	**(5.8)**	3.6
Other assets and other long-term liabilities	**10.4**	(3.0)
Business acquisitions (Note 12)	**(45.5)**	(1.3)
Interest received	**0.5**	0.5
Cash flows used in investing activities	**(162.3)**	(33.8)
Financing		
Issue of long-term debt	**28.6**	348.0
Debt financing costs	**-**	(0.9)
Repayment of long-term debt	**(51.8)**	(684.4)
Interest paid	**(9.7)**	(17.7)
Issue of Non-Voting Class A shares, net	**-**	0.7
Dividends paid, common shares	**(27.7)**	(24.9)
Non-controlling interest	**(4.8)**	(3.4)
Cash flows used in financing activities	**(65.4)**	(382.6)
Increase (decrease) in cash and cash equivalents	**88.1**	(39.1)
Cash and cash equivalents, beginning of period	**295.9**	429.3
Cash and cash equivalents, end of period	**$ 384.0**	$ 390.2

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

1. Reporting entity

Empire Company Limited ("Empire" or the "Company") is a Canadian company whose key businesses are food retailing and related real estate. The Company is incorporated in Canada and the address of its registered office of business is 115 King Street, Stellarton, Nova Scotia, B0K 1S0, Canada. The unaudited interim condensed consolidated financial statements for the period ended August 1, 2015 include the accounts of Empire, all subsidiary companies, including 100 percent owned Sobeys Inc. ("Sobeys"), and certain enterprises considered structured entities ("SEs"), where control is achieved on a basis other than through ownership of a majority of voting rights. Investments in which the Company has significant influence are accounted for using the equity method. The Company's business operations are conducted through its two reportable segments: Food retailing and Investments and other operations, as further described in Note 11, *Segmented Information*. The Company's food retailing business is affected by seasonality and the timing of holidays. Retail sales are traditionally higher in the Company's first quarter. The Company's fiscal year ends on the first Saturday in May. As a result, the fiscal year is usually 52 weeks but results in a duration of 53 weeks every five to six years.

2. Basis of preparation

Statement of compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and note disclosures normally included in annual consolidated financial statements have been omitted or condensed. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended May 2, 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on September 9, 2015.

Basis of measurement

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

Use of estimates and judgments

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

Estimates, judgments and assumptions that could have a significant impact on the amounts recognized in the unaudited interim condensed consolidated financial statements are summarized in the Company's annual consolidated financial statements for the year ended May 2, 2015 and remain unchanged for the period ended August 1, 2015.

3. Summary of significant accounting policies

These unaudited interim condensed consolidated financial statements were prepared using the same accounting policies as disclosed in the Company's annual consolidated financial statements for the year ended May 2, 2015.

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

Future standards and amendments

(i) Financial instruments
In July 2014, the IASB issued IFRS 9, "Financial Instruments", which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities, establishes an expected credit losses impairment model and a new hedge accounting model with corresponding risk management activity disclosures. The standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively, with the exception of the hedging component which is applied prospectively. IFRS 9 allows for early adoption, but the Company does not intend to do so at this time.

(ii) Revenue
In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". IFRS 15 replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", and some revenue related Interpretations. IFRS 15 establishes a new control-based revenue recognition model and provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. The new standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 allows for early adoption, but the Company does not intend to do so at this time.

(iii) Presentation of financial statements
In December 2014, the IASB amended IAS 1, "Presentation of Financial Statements", providing clarifying guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted, but the Company does not intend to do so at this time.

The Company is currently evaluating the impact of the new standards and amendment on its consolidated financial statements.

4. Inventories

The cost of inventories recognized as an expense during the 13 weeks ended August 1, 2015 was $4,733.2 (August 2, 2014 - $4,676.9). The Company has recorded $1.9 (August 2, 2014 - $7.7) as an expense for the write-down of inventories below cost to net realizable value for inventories on hand as at August 1, 2015. There were no reversals of inventories written down previously (August 2, 2014 - $ nil).

5. Assets held for sale

On May 22, 2015, the Company sold a property to a third party for proceeds of $8.7, which equaled the carrying value.

On June 30, 2015, the Company sold and leased back one property from a third party. Total proceeds from the transaction were $26.0, resulting in a gain of $8.9. All proceeds will be used to repay bank borrowings.

6. Investments, at equity

	August 1 2015	August 2 2014
Investment in associates		
Crombie Real Estate Investment Trust ("Crombie REIT")	**$ 362.1**	$ 369.4
Canadian real estate partnerships	**141.8**	141.3
U.S. real estate partnerships	**54.3**	59.7
Investment in joint ventures		
Canadian Digital Cinema Partnership ("CDCP")	**9.4**	9.7
Total	**$ 567.6**	$ 580.1

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

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

	August 1 2015	August 2 2014
Crombie REIT	$ 687.8	$ 717.2

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

7. Provisions

August 1, 2015	Lease Contracts	Legal	Environmental	Restructuring	Other	Total
Opening balance	$ 21.7	$ 9.6	$ 40.4	$ 190.3	$ 3.0	$ 265.0
Assumed in a business acquisition	-	-	0.5	-	-	0.5
Provisions made	2.8	1.4	0.7	10.9	-	15.8
Provisions used	(1.3)	(1.7)	(0.5)	(17.6)	(0.1)	(21.2)
Provisions reversed	(0.2)	(0.1)	(0.1)	(0.1)	-	(0.5)
Change due to discounting	0.8	-	0.3	2.1	-	3.2
Closing balance	$ 23.8	$ 9.2	$ 41.3	$ 185.6	$ 2.9	$ 262.8
Current	$ 11.0	$ 9.2	$ 3.2	$ 83.5	$ 2.7	$ 109.6
Non-current	12.8	-	38.1	102.1	0.2	153.2
Total	$ 23.8	$ 9.2	$ 41.3	$ 185.6	$ 2.9	$ 262.8

8. Other income, net

	13 Weeks Ended	
	August 1 2015	August 2 2014
Gain (loss) on disposal of assets	$ 8.0	$ (2.3)
Lease revenue from owned property	7.5	7.4
Total	$ 15.5	$ 5.1

9. Finance costs, net

	13 Weeks Ended	
	August 1 2015	August 2 2014
Finance income		
Interest income from cash and cash equivalents	$ 0.5	$ 0.5
Investment income	0.3	0.2
Total finance income	0.8	0.7
Finance costs		
Interest expense on financial liabilities measured at amortized cost	27.7	38.7
Fair value gains on forward contracts	(0.3)	-
Losses on cash flow hedges reclassified from other comprehensive income	0.1	0.1
Net pension finance costs	3.0	3.1
Accretion expense on provisions	3.2	2.4
Total finance costs	33.7	44.3
Finance costs, net	$ 32.9	$ 43.6

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

10. Earnings per share

	13 Weeks Ended	
	August 1 2015	**August 2 2014**
Weighted average number of shares used in basic earnings per share	**92,337,842**	92,321,655
Shares deemed to be issued for no consideration in respect of stock-based payments	**146,967**	-
Weighted average number of shares used in diluted earnings per share	**92,484,809**	92,321,655

11. Segmented information

The Board of Directors has determined that its reportable segments are Food retailing and Investments and other operations, which is based on the Company's management and internal reporting structure. The Food retailing segment is comprised of five operating segments: Sobeys West, Sobeys Ontario, Sobeys Quebec, Sobeys Atlantic, and Lawtons. These operating segments have been aggregated into one reportable segment, "Food retailing", as they all share similar economic characteristics such as: product offerings, customer base and distribution methods. The Investments and other operations segment principally consists of investments, at equity in Crombie REIT, real estate partnerships, and various other corporate operations.

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

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

No asymmetrical allocations have been applied between segments.

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

	13 Weeks Ended	
	August 1 2015	**August 2 2014**
Segmented operating income		
Food retailing	**$ 184.6**	$ 206.2
Investments and other operations		
Crombie REIT	**7.4**	7.3
Real estate partnerships	**4.9**	8.0
Other operations, net of corporate expenses	**(1.4)**	(2.1)
	10.9	13.2
Total	**$ 195.5**	$ 219.4

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

	13 Weeks Ended	
	August 1 2015	**August 2 2014**
Total operating income	**$ 195.5**	$ 219.4
Finance costs, net	**32.9**	43.6
Total	**$ 162.6**	$ 175.8

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

	August 1 2015	August 2 2014
Total assets by segment		
Food retailing	**$ 10,956.9**	$ 11,401.5
Investments and other operations	**675.4**	697.7
Total	**$ 11,632.3**	$ 12,099.2

12. Business acquisitions

The Company acquires franchise and non-franchise stores, retail gas locations and prescription files. The results of these acquisitions have been included in the consolidated financial results of the Company since their acquisition dates, and were accounted for through the use of the acquisition method. Goodwill recorded on the acquisitions of franchise and non-franchise stores and retail gas locations relate to the acquired work force and customer base of the existing store location, along with the synergies expected from combining the efforts of the acquired stores with existing stores.

The following table represents the amounts of identifiable assets and liabilities from resulting acquisitions for the 13 weeks ended August 1, 2015:

	13 Weeks Ended August 1, 2015
Stores and retail gas locations	
Receivables	**$ 11.4**
Inventories	**10.9**
Other assets	**4.5**
Property and equipment	**8.1**
Intangibles	**0.9**
Goodwill	**13.7**
Provisions	**(0.5)**
Other liabilities	**(3.7)**
	45.3
Prescription files	
Intangibles	**0.2**
Cash consideration	**$ 45.5**

From the date of acquisition, the businesses acquired contributed sales of $23.9 and a net loss of $(2.0) for the 13 weeks ended August 1, 2015.

Co-op Atlantic acquisition
On May 12, 2015 an agreement to purchase certain assets and assume select liabilities of Co-op Atlantic’s food and fuel business for $24.5 plus standard working capital adjustments and holdbacks was approved by Co-op Atlantic’s member-owners. The agreement provides for the purchase of five full service grocery stores, five fuel stations (two co-located with grocery stores), other real estate assets, and other assets and select liabilities. On June 12, 2015, regulatory clearance was obtained from the Competition Bureau and the transaction closed effective June 21, 2015.

The fair value of the identifiable assets acquired and liabilities assumed as at the acquisition date are as follows:

Receivables	$ 11.3
Inventories	9.4
Other assets	4.7
Property and equipment	6.6
Intangibles	0.9
Provisions	(0.5)
Other liabilities	(3.7)
Total identifiable net assets	$ 28.7
Excess consideration paid over identifiable net assets acquired allocated to goodwill	$ 12.7

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

The estimated fair value of the identifiable net assets and goodwill acquired have been determined provisionally and are subject to adjustment pending the finalization of the valuations and related accounting.

The goodwill recognized is attributable mainly to the expected synergies from integration and the expected future growth potential in wholesale operations. Approximately $9.4 of goodwill is expected to be deductible for income tax purposes.

If the acquisition had occurred on May 3, 2015, management estimates that pro forma consolidated sales would have been $6,267.6 and pro forma consolidated net earnings would have been $120.2 for the 13 weeks ended August 1, 2015. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisitions had occurred on May 3, 2015.

Acquisition costs of $0.4 relating to external legal and other costs were incurred during the 13 weeks ended August 1, 2015 and have been included in selling and administrative expenses in the condensed consolidated statements of earnings.

13. Financial instruments

Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that the Company would receive to sell financial assets or pay to transfer financial liabilities in an orderly transaction between market participants at the measurement date.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

The book value of cash and cash equivalents, receivables, current portion of loans and other receivables, and accounts payable and accrued liabilities approximate fair values at the balance sheet dates due to the short term maturity of these instruments.

The book value of the long-term portion of loans and other receivables, and investments approximate fair values at the balance sheet dates due to the current market rates associated with these instruments.

The fair value of the variable rate long-term debt is assumed to approximate its carrying amount based on current market rates and consistency of credit spread. The fair value of long-term debt has been estimated by discounting future cash flows at a rate offered for borrowings of similar maturities and credit quality.

The fair value of investments, classified as Level 1, is estimated using unadjusted quoted prices in active markets. The fair value of derivative financial assets and liabilities, classified as Level 2, is estimated using valuation models that utilize market based observable inputs. Management believes that its valuation technique is appropriate.

There were no transfers between classes of the fair value hierarchy during the 13 weeks ended August 1, 2015.

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

Long-term debt	**August 1, 2015**	**May 2, 2015**	**August 2, 2014**
Total carrying amount	**$ 2,272.0**	$ 2,290.9	$ 3,170.0
Total fair value	**$ 2,453.1**	$ 2,484.1	$ 3,333.8

As at August 1, 2015, the fair value hierarchy includes financial assets designated as fair value through profit or loss of $ nil, $1.8, and $ nil for Levels 1, 2 and 3 respectively (May 2, 2015 - $4.4, $0.1, and $ nil, August 2, 2014 - $6.3, $0.3, and $ nil).

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

As at August 1, 2015, the fair value hierarchy includes financial assets designated as available for sale of $25.2 for Level 1 (May 2, 2015 - $25.1, August 2, 2014 - $25.0).

As at August 1, 2015, the fair value hierarchy includes financial liabilities at fair value through profit or loss of $ nil, $1.5, and $ nil for Levels 1, 2 and 3 respectively (May 2, 2015 - $ nil, $5.5, and $ nil, August 2, 2014 - $ nil, $1.6, and $ nil).

Derivative financial instruments
Derivative financial instruments are recorded on the condensed consolidated balance sheets at fair value unless the derivative instrument is a contract to buy or sell a non-financial item in accordance with the Company's expected purchase, sale or usage requirements, referred to as a "normal purchase" or "normal sale". Changes in the fair values of derivative financial instruments are recognized in net earnings or loss unless it qualifies and is designated as an effective cash flow hedge or a normal purchase or normal sale. Normal purchases and normal sales are exempt from the application of the standard and are accounted for as executory contracts. Changes in fair value of a derivative financial instrument designated as a cash flow hedge are recorded in other assets and other long-term liabilities with the effective portion recorded in other comprehensive income.

Cash flow hedges
The Company's cash flow hedges consist principally of foreign currency swaps and interest rate swaps. Foreign exchange contracts are used to hedge future purchases or expenditures of foreign currency denominated goods or services. Interest rate swaps are used to protect against exposure to variability in future interest cash flows on non-trading assets and liabilities which bear interest at variable rates. Gains and losses are initially recognized directly in equity and are transferred to net earnings or loss when the forecast cash flows affect income or expense for the period.

14. Stock-based compensation

Stock option plan
During the first quarter of fiscal 2016, the Company granted an additional 241,471 options under the stock option plan for employees of the Company whereby options are granted to purchase Non-Voting Class A shares. The weighted average fair value of $13.07 per option was determined using the Black-Scholes model with the following weighted average assumptions:

Share price	$90.75
Expected life	8.00 years
Risk-free interest rate	1.02%
Expected volatility	15.32%
Dividend yield	1.46%

The compensation cost relating to the 13 weeks ended August 1, 2015 was $1.1 (August 2, 2014 - $0.7) with amortization of the cost over the vesting period of four years. The total increase in contributed surplus in relation to the stock option compensation cost was $1.1 (August 2, 2014 - $0.7).

15. Employee future benefits

During the first quarter of fiscal 2016, the net employee future benefits expense reported in net earnings was $13.7 (August 2, 2014 - $13.6). Actuarial gains (losses) before taxes on defined benefit pension plans for the 13 weeks ended August 1, 2015 were $10.9 (August 2, 2014 - $(28.2)). These gains (losses) have been recognized in other comprehensive income.