Empire Company Limited
Interim Condensed Consolidated Financial Statements
January 30, 2016

CONTENTS

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

	January 30 2016	May 2 2015	January 31 2015
ASSETS			
Current			
Cash and cash equivalents	**$ 294.0**	$ 295.9	$ 322.8
Receivables	**476.8**	507.4	482.0
Inventories (Note 4)	**1,356.8**	1,260.6	1,342.2
Prepaid expenses	**108.4**	120.5	83.5
Loans and other receivables	**26.3**	24.8	26.8
Income taxes receivable	**10.4**	18.9	22.2
Assets held for sale (Note 5)	**27.4**	47.8	383.8
	2,300.1	2,275.9	2,663.3
Loans and other receivables	**105.2**	88.5	72.3
Investments	**24.4**	25.1	24.5
Investments, at equity (Note 6)	**587.3**	577.8	568.6
Other assets	**46.5**	48.4	34.9
Property and equipment (Note 7)	**3,451.0**	3,500.4	3,548.4
Investment property	**97.8**	104.2	102.9
Intangibles	**917.4**	938.0	944.3
Goodwill (Note 7)	**2,243.3**	3,799.2	3,787.3
Deferred tax assets	**357.2**	110.9	162.5
	$ 10,130.2	$ 11,468.4	$ 11,909.0
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 2,242.4**	$ 2,265.8	$ 2,247.5
Income taxes payable	**29.5**	40.9	57.3
Provisions (Note 8)	**95.0**	122.1	69.8
Long-term debt due within one year (Note 9)	**346.7**	53.9	28.1
	2,713.6	2,482.7	2,402.7
Provisions (Note 8)	**178.7**	142.9	120.6
Long-term debt (Note 9)	**2,041.1**	2,237.0	2,768.9
Other long-term liabilities	**418.0**	458.0	495.8
Deferred tax liabilities	**107.8**	110.9	151.0
	5,459.2	5,431.5	5,939.0
SHAREHOLDERS' EQUITY			
Capital stock (Note 10)	**2,045.0**	2,109.4	2,109.4
Contributed surplus	**10.2**	8.2	7.2
Retained earnings	**2,540.2**	3,859.9	3,802.0
Accumulated other comprehensive income	**18.4**	6.3	2.2
	4,613.8	5,983.8	5,920.8
Non-controlling interest	**57.2**	53.1	49.2
	4,671.0	6,036.9	5,970.0
	$ 10,130.2	$ 11,468.4	$ 11,909.0

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

	13 Weeks Ended		*39 Weeks Ended*	
	January 30 2016	**January 31 2015**	**January 30 2016**	**January 31 2015**
Sales	**$ 6,027.2**	$ 5,940.5	**$ 18,335.6**	$ 18,158.3
Other income, net (Note 11)	**23.1**	24.5	**5.8**	46.6
Share of earnings from investments, at equity	**45.3**	31.6	**66.2**	67.6
Operating expenses				
Cost of sales	**4,605.4**	4,460.8	**13,924.2**	13,652.1
Selling and administrative expenses	**1,349.7**	1,332.4	**4,011.4**	3,993.9
Impairments of goodwill and long-lived assets (Note 7)	**1,730.3**	-	**1,730.3**	-
Operating (loss) income	**(1,589.8)**	203.4	**(1,258.3)**	626.5
Finance costs, net (Note 12)	**33.9**	36.7	**101.1**	120.8
(Loss) earnings before income taxes	**(1,623.7)**	166.7	**(1,359.4)**	505.7
Income tax (recovery) expense	**(258.2)**	41.9	**(184.6)**	127.5
Net (loss) earnings	**$ (1,365.5)**	$ 124.8	**$ (1,174.8)**	$ 378.2
(Loss) earnings for the period attributable to:				
Non-controlling interest	**$ 0.2**	$ 1.2	**$ 13.6**	$ 14.6
Owners of the Company	**(1,365.7)**	123.6	**(1,188.4)**	363.6
	$ (1,365.5)	$ 124.8	**$ (1,174.8)**	$ 378.2
(Loss) earnings per share (Note 13)				
Basic	**$ (5.03)**	$ 0.45	**$ (4.33)**	$ 1.31
Diluted	**$ (5.03)**	$ 0.45	**$ (4.33)**	$ 1.31
Weighted average number of common shares outstanding, in millions (Note 13)				
Basic	**271.7**	277.0	**274.6**	277.0
Diluted	**271.8**	277.2	**274.9**	277.0

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

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

	13 Weeks Ended		*39 Weeks Ended*	
	January 30 2016	**January 31 2015**	**January 30 2016**	**January 31 2015**
Net (loss) earnings	**$ (1,365.5)**	$ 124.8	**$ (1,174.8)**	$ 378.2
Other comprehensive income (loss)				
Items that will be reclassified subsequently to net (loss) earnings				
Unrealized gains (losses) on derivatives designated as cash flow hedges (net of taxes of $(0.9) and $(2.5) (2015 - $0.3 and $1.1))	**2.5**	(0.5)	**6.7**	(2.6)
Reclassification of losses on derivatives designated as cash flow hedges to earnings (net of taxes of $ nil and $(0.1) (2015 - $ nil and $(0.1)))	**-**	0.1	**0.1**	0.3
Unrealized losses on available for sale financial assets (net of taxes of $ nil and $0.1 (2015 - $ nil and $ nil))	**(0.3)**	(0.1)	**(0.6)**	(0.1)
Share of other comprehensive income of investments, at equity (net of taxes of $(0.1) and $(0.3) (2015 - $ nil and $(0.2)))	**0.3**	-	**0.8**	1.1
Exchange differences on translation of foreign operations	**2.2**	2.3	**5.1**	2.5
	4.7	1.8	**12.1**	1.2
Items that will not be reclassified subsequently to net (loss) earnings				
Actuarial gains (losses) on defined benefit plans (net of taxes of $(0.2) and $(12.0) (2015 - $19.1 and $26.3))	**0.8**	(52.8)	**34.2**	(72.7)
Total comprehensive (loss) income	**$ (1,360.0)**	$ 73.8	**$ (1,128.5)**	$ 306.7
Total comprehensive (loss) income for the period attributable to:				
Non-controlling interest	**$ 0.2**	$ 1.2	**$ 13.6**	$ 14.6
Owners of the Company	**(1,360.2)**	72.6	**(1,142.1)**	292.1
	$ (1,360.0)	$ 73.8	**$ (1,128.5)**	$ 306.7

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

Empire Company Limited **Condensed Consolidated Statements of Changes in Shareholders' Equity** **Unaudited (in millions of Canadian dollars)**	**Capital Stock**	**Contributed Surplus**	**Accumulated Other Comprehensive Income**	**Retained Earnings**	**Total Attributable to Owners of the Company**	**Non-controlling Interest**	**Total Equity**
Balance at May 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	-	-	-	(74.8)	(74.8)	-	(74.8)
Employee share options	0.8	2.2	-	-	3.0	-	3.0
Capital transactions with structured entities	-	-	-	-	-	(6.4)	(6.4)
Transactions with owners	0.8	2.2	-	(74.8)	(71.8)	(6.4)	(78.2)
Net earnings	-	-	-	363.6	363.6	14.6	378.2
Other comprehensive loss	-	-	1.2	(72.7)	(71.5)	-	(71.5)
Total comprehensive income for the period	-	-	1.2	290.9	292.1	14.6	306.7
Balance at January 31, 2015	$ 2,109.4	$ 7.2	$ 2.2	$ 3,802.0	$ 5,920.8	$ 49.2	$ 5,970.0
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	**-**	**-**	**-**	**(82.2)**	**(82.2)**	**-**	**(82.2)**
Employee share options	**0.4**	**2.0**	**-**	**-**	**2.4**	**-**	**2.4**
Redemption of capital stock (Note 10)	**(64.8)**	**-**	**-**	**(83.3)**	**(148.1)**	**-**	**(148.1)**
Capital transactions with structured entities	**-**	**-**	**-**	**-**	**-**	**(9.5)**	**(9.5)**
Transactions with owners	**(64.4)**	**2.0**	**-**	**(165.5)**	**(227.9)**	**(9.5)**	**(237.4)**
Net loss	**-**	**-**	**-**	**(1,188.4)**	**(1,188.4)**	**13.6**	**(1,174.8)**
Other comprehensive income	**-**	**-**	**12.1**	**34.2**	**46.3**	**-**	**46.3**
Total comprehensive loss for the period	**-**	**-**	**12.1**	**(1,154.2)**	**(1,142.1)**	**13.6**	**(1,128.5)**
Balance at January 30, 2016	**$ 2,045.0**	**$ 10.2**	**$ 18.4**	**$ 2,540.2**	**$ 4,613.8**	**$ 57.2**	**$ 4,671.0**

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

Empire Company Limited
Condensed Consolidated Statements of Cash Flows
Unaudited (in millions of Canadian dollars)

	13 Weeks Ended		*39 Weeks Ended*	
	January 30 2016	**January 31 2015**	**January 30 2016**	**January 31 2015**
Operations				
Net (loss) earnings	**$ (1,365.5)**	$ 124.8	**$ (1,174.8)**	$ 378.2
Adjustments for:				
Depreciation	**99.5**	98.2	**293.9**	298.4
Income tax (recovery) expense	**(258.2)**	41.9	**(184.6)**	127.5
Finance costs, net (Note 12)	**33.9**	36.7	**101.1**	120.8
Amortization of intangibles	**22.4**	20.7	**66.9**	63.7
(Gain) loss on disposal of assets	**(15.1)**	(16.4)	**17.7**	(23.6)
Impairment of non-financial assets, net	**8.5**	4.2	**11.4**	2.8
Impairments of goodwill and long-lived assets (Note 7)	**1,730.3**	-	**1,730.3**	-
Amortization of deferred items	**3.2**	3.0	**9.6**	9.6
Equity in earnings of other entities, net of distributions received	**(29.7)**	21.3	**(4.9)**	37.4
Employee future benefits obligation	**1.0**	(2.4)	**3.3**	0.3
Increase in long-term lease obligation	**2.9**	1.5	**3.5**	5.7
Decrease in long-term provisions	**(12.1)**	(13.6)	**(13.9)**	(27.3)
Stock option plan	**0.3**	1.0	**2.7**	3.0
Net change in non-cash working capital	**6.4**	30.4	**(127.7)**	(38.0)
Income taxes paid, net	**(27.4)**	(7.6)	**(82.5)**	(55.7)
Cash flows from operating activities	**200.4**	343.7	**652.0**	902.8
Investment				
Increase in investments	**-**	(0.7)	**(3.4)**	(40.7)
Property, equipment and investment property purchases	**(143.5)**	(171.3)	**(442.6)**	(363.4)
Proceeds on disposal of property, equipment and investment property	**82.5**	155.3	**130.9**	320.3
Additions to intangibles	**(11.9)**	(9.3)	**(43.4)**	(25.9)
Loans and other receivables	**(4.9)**	1.9	**(18.2)**	(0.2)
Other assets and other long-term liabilities	**0.6**	(5.0)	**7.7**	(8.1)
Business acquisitions (Note 15)	**(15.8)**	(2.1)	**(78.2)**	(8.4)
Interest received	**0.2**	0.2	**1.4**	0.9
Cash flows used in investing activities	**(92.8)**	(31.0)	**(445.8)**	(125.5)
Financing				
Issue of long-term debt	**86.9**	34.1	**357.8**	397.1
Debt financing costs	**-**	-	**-**	(0.9)
Repayment of long-term debt	**(164.9)**	(357.2)	**(271.0)**	(1,115.2)
Interest paid	**(9.2)**	(17.2)	**(55.1)**	(83.6)
Repurchase of Non-Voting Class A shares (Note 10)	**-**	-	**(148.1)**	-
Dividends paid, common shares	**(27.2)**	(24.9)	**(82.2)**	(74.8)
Non-controlling interest	**(3.2)**	(1.2)	**(9.5)**	(6.4)
Cash flows used in financing activities	**(117.6)**	(366.4)	**(208.1)**	(883.8)
Decrease in cash and cash equivalents	**(10.0)**	(53.7)	**(1.9)**	(106.5)
Cash and cash equivalents, beginning of period	**304.0**	376.5	**295.9**	429.3
Cash and cash equivalents, end of period	**$ 294.0**	$ 322.8	**$ 294.0**	$ 322.8

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 January 30, 2016 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 14, *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 March 9, 2016.

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 January 30, 2016 with the following exceptions:

Supply agreements

The Company has various long-term supply agreements for products, some of which contain minimum volume purchases. Significant estimation and judgment is required in the determination of (i) future operating results; and (ii) forecasted volumes purchased. When measuring whether a provision is required based on the expected future cash flows associated with fulfilling the contract, management makes assumptions which relate to future events and circumstances. Actual results could vary from these estimated future cash flows.

Impairment of goodwill and long-lived assets
Goodwill is subject to impairment testing on an annual basis. The Company performs its annual assessment of goodwill impairment during its first quarter. However, if indicators of impairment are present, the Company will review goodwill for impairment when such indicators arise. In addition, at each reporting period, the Company reviews whether there are indicators that the recoverable amount of long-lived assets may be less than their carrying amount. As a result of operational challenges faced in Western Canada, primarily under the Safeway banner, and the outcome of the long-lived asset impairment test in the third quarter, the Company reviewed goodwill for impairment as at January 30, 2016 (Note 7).

Goodwill and long-lived assets were reviewed for impairment by determining the recoverable amount of each cash generating unit ("CGU") or groups of CGUs to which the goodwill or long-lived assets relate. Management estimated the recoverable amount of the CGUs based on the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"). The VIU calculations are based on expected future cash flows. When measuring expected future cash flows, management makes key assumptions about future growth of profits which relate to future events and circumstances. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate. Actual results could vary from these estimates which may cause significant adjustments to the Company's goodwill or long-lived assets in subsequent reporting periods.

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.

Future accounting policy

Leases
In January 2016, the IASB issued IFRS 16, "Leases", which will supersede IAS 17, "Leases" and IFRIC 4, "Determining whether an Arrangement contains a Lease". IFRS 16 introduces a balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors will continue to classify leases as operating and finance leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 allows for early adoption for companies that apply IFRS 15 "Revenue from Contracts with Customers", but the Company does not intend to do so at this time.

The Company is currently evaluating the impact of the new standard on its consolidated financial statements.

4. Inventories

The cost of inventories recognized as an expense during the 13 and 39 weeks ended January 30, 2016 was $4,605.4 and $13,924.2 respectively (January 31, 2015 - $4,460.8 and $13,652.1). The Company has recorded $1.3 (January 31, 2015 - $10.8) as an expense for the write-down of inventories below cost to net realizable value for inventories on hand as at January 30, 2016. There were no reversals of inventories written down previously (January 31, 2015 - $ nil).

5. Assets held for sale

During the first quarter, the Company sold two properties and leased back one from third parties. Total proceeds from the transactions were $34.7, resulting in a gain of $8.9.

During the third quarter, the Company sold six properties with a carrying value of $50.2 to a related party (Note 18). Five of these properties with a carrying value of $47.6 were included in assets held for sale at the prior reporting period.

As at January 30, 2016, assets held for sale relates to manufacturing sites, land, and buildings expected to be sold in the next twelve months.

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

6. Investments, at equity

	January 30 2016	January 31 2015
Investment in associates		
Crombie Real Estate Investment Trust ("Crombie REIT")	**$ 351.4**	$ 369.7
Canadian real estate partnerships	**167.6**	134.6
U.S. real estate partnerships	**58.8**	54.7
Investment in joint ventures		
Canadian Digital Cinema Partnership ("CDCP")	**9.5**	9.6
Total	**$ 587.3**	$ 568.6

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

	January 30 2016	January 31 2015
Crombie REIT	**$ 727.6**	$ 729.9

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. Impairment of goodwill and long-lived assets

Long-lived assets

Long-lived assets are assessed for impairment at each reporting period at the CGU level, except for those assets which are considered to be corporate assets. Corporate assets that cannot be allocated on a reasonable and consistent basis to individual CGUs are allocated to an operating segment for impairment testing. A CGU has been identified as an individual store. The Company performed the impairment test for long-lived assets by estimating the recoverable amount of each CGU to which the long-lived assets relate. The recoverable amount was determined to be the higher of FVLCD and VIU. When the recoverable amount of the CGU is less than the carrying amount an impairment loss is recognized. Recoverable amounts based on VIU calculations are determined using cash flow projections from the Company's latest internal forecasts. Key assumptions used in determining VIU include discount rates, growth rates, and expected changes in cash flows. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the CGUs. Forecasts are projected beyond three years based on long-term growth rates ranging from 3.0 to 5.0 percent. Discount rates are calculated on a pre-tax basis and range from 7.0 to 10.0 percent.

An impairment loss of $137.7 was recorded as at January 30, 2016 for long-lived assets in the Sobeys West operating segment and was recognized within impairment of goodwill and long-lived assets in the condensed consolidated statements of (loss) earnings.

Goodwill

Goodwill arising on business acquisitions is not amortized but is reviewed for impairment on an annual basis, or more frequently, if indicators that goodwill may be impaired exist. Management considered the indicators of impairment to be the significant operational challenges in Western Canada, primarily under the Safeway banner, the outcome of the long-lived asset impairment test noted above, and the overall challenging economic climate mainly in the Alberta and Saskatchewan markets. During the third quarter, impairment reviews were performed by comparing the carrying value of goodwill with the recoverable amount of the CGUs to which goodwill has been allocated.

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

Recoverable amounts for CGUs or groups of CGUs are based on the higher of VIU and FVLCD. Management determined the recoverable amount of the CGUs to be VIU. Generally, VIU is calculated from cash flow projections for five years using data from the Company's latest internal forecasts and budgets, the results of which were reviewed and approved by management and the Board of Directors. Cash flows beyond the five-year period are extrapolated using the estimated growth rates for the retail grocery industry in the particular market and the long-term economic growth of the country. Management estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGUs. The pre-tax discount rate used was 16.5 percent which is derived from the Company's post-tax weighted average cost of capital. The after-tax discount rate used was 10.0 percent. Growth rates and operating margins used to estimate future performance are equally based on past performance and experience of growth rates and operating margins achievable in the relevant market and in line with market data, where possible. The Company has assumed a 3.0 percent annual growth rate. A terminal growth rate of 3.0 percent was used to project cash flow beyond five years, which is consistent with forecasts included in industry reports.

The Company recorded a goodwill impairment of $1,592.6 for the Sobeys West operating segment as at January 30, 2016 which was recognized within impairment of goodwill and long-lived assets in the condensed consolidated statements of (loss) earnings.

Management believes that the assumptions used in the recoverable amount calculation represent the best estimate of future outcomes for each group of CGUs. However, the following possible changes in key assumptions could result in the CGUs carrying amount to further exceed its recoverable amount. The allocation of the impairment between goodwill and long-lived assets may be adjusted during the fourth quarter if deemed necessary.

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 1.0 percent higher than management's estimates, the Company would have had to recognize a further goodwill impairment of $92.1.

If the budgeted annual sales growth had been 1.0 percent lower than management's estimate at January 30, 2016, the Company would have had to recognize a further goodwill impairment of $186.3. The possible change of percentage reduction in budgeted sales represents a possible reduction in the annual growth rate of 1.5 percent.

8. Provisions

January 30, 2016	**Lease Contracts**	**Legal**	**Environmental**	**Restructuring**	**Sales Price Adjustment**	**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	5.3	4.1	1.5	24.0	39.7	-	74.6
Provisions used	(8.1)	(5.0)	(2.5)	(54.8)	-	(0.1)	(70.5)
Provisions reversed	(1.0)	(0.7)	-	(3.6)	-	-	(5.3)
Change due to discounting	1.2	-	1.1	6.4	0.7	-	9.4
Closing balance	$ 19.1	$ 8.0	$ 41.0	$ 162.3	$ 40.4	$ 2.9	$ 273.7
Current	$ 10.0	$ 8.0	$ 2.6	$ 71.7	$ -	$ 2.7	$ 95.0
Non-current	9.1	-	38.4	90.6	40.4	0.2	178.7
Total	$ 19.1	$ 8.0	$ 41.0	$ 162.3	$ 40.4	$ 2.9	$ 273.7

Sales price adjustment

The Company disposed of certain manufacturing facilities in fiscal 2015 and as part of the asset purchase agreement, long-term supply agreements were entered into that contain minimum purchase volume requirements. Under the terms of this asset purchase agreement, should actual purchases for the calendar year ended 2016 differ from minimum volume requirements, the sales price is adjusted up or down based on a volume-driven formula. Given the operating results experienced in the first three quarters of fiscal 2016, management believes that purchases in calendar 2016 are unlikely to meet the minimum volume requirements and, accordingly, have recorded a provision to reflect the estimated adjustment to the sales price. This provision will continue to be monitored and updated for any changes to estimated calendar 2016 purchase volumes. The actual sales price adjustment could vary significantly from this estimate. Please see Note 11 for further information.

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

9. Long-term debt

During the 39 weeks ended January 30, 2016, $134.0 was drawn and $38.8 repaid on the Company's $250.0 credit facilities. Interest payable fluctuates with changes in the bankers' acceptance rate or Canadian prime rate, and the credit facility matures on November 4, 2017.

During the 39 weeks ended January 30, 2016, $160.0 was drawn and fully repaid on Sobeys' $450.0 revolving term credit facility ("RT Facility"). Interest payable on the RT Facility fluctuates with changes in the bankers' acceptance rate or Canadian prime rate, and the RT Facility matures on November 4, 2017.

10. Capital stock

Share split

On September 28, 2015, the Company effected a three-for-one share split by delivering two additional shares for each share held by Non-Voting Class A and Class B shareholders of record as of the close of business on September 21, 2015. Non-Voting Class A shares commenced trading on a split basis as of September 29, 2015. All number of share and per share amounts have been restated in these unaudited interim condensed consolidated financial statements to reflect the share split.

Normal course issuer bid

On March 12, 2015, the Company filed a notice of intent with the Toronto Stock Exchange to purchase for cancellation up to 1,788,584 Non-Voting Class A shares, or 5,365,752 Non-Voting Class A shares post-share split, representing approximately three percent of those outstanding. Purchases may commence on March 17, 2015, and shall terminate not later than March 16, 2016. During the second quarter of fiscal 2016, the Company purchased for cancellation 5,365,752 Non-Voting Class A shares which fulfilled the normal course issuer bid. The purchase price was $148.1 of which $64.8 of the purchase price was accounted for as a reduction to share capital and the remainder as a reduction to retained earnings.

11. Other income, net

	13 Weeks Ended		39 Weeks Ended	
	January 30 2016	**January 31 2015**	**January 30 2016**	**January 31 2015**
Gain (loss) on disposal of assets	**$ 15.1**	$ 16.4	**$ (16.6)**	$ 23.5
Lease revenue from owned property	**8.0**	8.1	**23.5**	23.0
Dilution (losses) gains	**-**	-	**(1.1)**	0.1
Total	**$ 23.1**	$ 24.5	**$ 5.8**	$ 46.6

As discussed in Note 8, management has recognized a loss on sale of $39.7 related to the disposed assets based on its current estimate of the sales price adjustment under the terms of the asset purchase agreement.

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

12. Finance costs, net

	13 Weeks Ended		39 Weeks Ended	
	January 30 2016	**January 31 2015**	**January 30 2016**	**January 31 2015**
Finance income				
Interest income from cash and cash equivalents	**$ 0.2**	$ 0.2	**$ 0.8**	$ 0.9
Investment income	**0.3**	0.2	**0.9**	0.9
Total finance income	**0.5**	0.4	**1.7**	1.8
Finance costs				
Interest expense on financial liabilities measured at amortized cost	**27.9**	32.2	**84.2**	106.5
Fair value gains on forward contracts	**(0.2)**	(0.4)	**(0.4)**	(0.6)
Losses on cash flow hedges reclassified from other comprehensive income (loss)	**-**	0.1	**0.2**	0.4
Net pension finance costs	**3.4**	3.1	**9.4**	9.3
Accretion expense on provisions	**3.3**	2.1	**9.4**	7.0
Total finance costs	**34.4**	37.1	**102.8**	122.6
Finance costs, net	**$ 33.9**	$ 36.7	**$ 101.1**	$ 120.8

13. Earnings per share

	13 Weeks Ended		39 Weeks Ended	
	January 30 2016	**January 31 2015**	**January 30 2016**	**January 31 2015**
Weighted average number of shares - basic	**271,674,339**	276,996,453	**274,632,357**	276,984,369
Shares deemed to be issued for no consideration in respect of stock-based payments	**111,042**	252,492	**290,270**	58,242
Weighted average number of shares - diluted	**271,785,381**	277,248,945	**274,922,627**	277,042,611

Due to the Company's reported net loss for the 13 and 39 weeks ended January 30, 2016, the weighted average number of shares used for the purpose of basic and diluted earnings per share is equal, as the impact of all potential common shares would be anti-dilutive.

14. 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.

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

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

	13 Weeks Ended		39 Weeks Ended	
	January 30 2016	**January 31 2015**	**January 30 2016**	**January 31 2015**
Segmented operating (loss) income				
Food retailing	**$ (1,638.2)**	$ 165.8	**$ (1,324.3)**	$ 553.6
Investments and other operations				
Crombie REIT	**7.2**	7.3	**20.8**	23.6
Real estate partnerships	**36.8**	24.2	**43.9**	43.6
Other operations, net of corporate expenses	**4.4**	6.1	**1.3**	5.7
	48.4	37.6	**66.0**	72.9
Total	**$ (1,589.8)**	$ 203.4	**$ (1,258.3)**	$ 626.5

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

	13 Weeks Ended		39 Weeks Ended	
	January 30 2016	**January 31 2015**	**January 30 2016**	**January 31 2015**
Total operating (loss) income	**$ (1,589.8)**	$ 203.4	**$ (1,258.3)**	$ 626.5
Finance costs, net	**33.9**	36.7	**101.1**	120.8
Total	**$ (1,623.7)**	$ 166.7	**$ (1,359.4)**	$ 505.7

	January 30 2016	**January 31 2015**
Total assets by segment		
Food retailing	**$ 9,446.8**	$ 11,195.7
Investments and other operations	**683.4**	713.3
Total	**$ 10,130.2**	$ 11,909.0

15. 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 39 weeks ended January 30, 2016:

Stores and retail gas locations	
Receivables	**$ 12.6**
Inventories	**15.3**
Property and equipment	**19.3**
Intangibles	**2.9**
Goodwill	**35.5**
Provisions	**(0.5)**
Other liabilities	**(6.9)**
Cash consideration	**$ 78.2**

From the date of acquisition, the businesses acquired contributed sales of $67.8 and $140.2 and net earnings (losses) of $2.5 and $(0.7) for the 13 and 39 weeks ended January 30, 2016 respectively.

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

16. 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 39 weeks ended January 30, 2016.

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

Long-term debt	**January 30, 2016**	**May 2, 2015**	**January 31, 2015**
Total carrying amount	**$ 2,387.8**	$ 2,290.9	$ 2,797.0
Total fair value	**$ 2,523.4**	$ 2,484.1	$ 3,033.8

As at January 30, 2016, the fair value hierarchy includes financial assets designated as fair value through profit or loss of $0.3, $5.7, and $ nil for Levels 1, 2 and 3 respectively (May 2, 2015 - $4.4, $0.1, and $ nil, January 31, 2015 - $5.0, $0.2, and $ nil).

As at January 30, 2016, the fair value hierarchy includes financial assets designated as available for sale of $24.4 for Level 1 (May 2, 2015 - $25.1, January 31, 2015 - $24.5).

As at January 30, 2016, the fair value hierarchy includes financial liabilities at fair value through profit or loss of $ nil, $1.0, and $ nil for Levels 1, 2 and 3 respectively (May 2, 2015 - $ nil, $5.5, and $ nil, January 31, 2015 - $ nil, $2.9, 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 or loss.

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

Cash flow hedges

The Company's cash flow hedges consist principally of foreign currency swaps, interest rate swaps, and electricity sales agreements. 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. Electricity sales agreements are used to mitigate the risk of changes in the market prices of electricity. 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.

17. Stock-based compensation

Stock option plan

During fiscal 2016, the Company granted an additional 738,959 options under the stock option plan for employees of the Company whereby options are granted to purchase Non-Voting Class A shares. The number of options, weighted average fair value of options, and share price have been restated to reflect the three-for-one share split (Note 10). The weighted average fair value of $4.35 per option was determined using the Black-Scholes model with the following weighted average assumptions:

Share price	$30.23
Expected life	7.85 years
Risk-free interest rate	1.02%
Expected volatility	15.31%
Dividend yield	1.32%

The compensation cost relating to the 13 and 39 weeks ended January 30, 2016 was $0.3 and $2.7 respectively (January 31, 2015 - $1.0 and $3.0) 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 $2.7 (January 31, 2015 - $3.0).

18. Related party transactions

The Company has related party transactions with Crombie REIT. At the end of the third quarter of fiscal 2016, the Company holds a 41.5 percent ownership interest and accounts for its investment using the equity method.

During the third quarter of fiscal 2016, Sobeys through its wholly owned subsidiaries, sold and leased back six properties from Crombie REIT. Cash consideration received for the properties sold was $60.7, resulting in a pre-tax gain of $6.5, which has been recognized in the condensed consolidated statements of (loss) earnings.

19. Employee future benefits

During the third quarter of fiscal 2016, the net employee future benefits expense reported in net (loss) earnings was $13.8 (January 31, 2015 - $10.4). For the 39 weeks ended January 30, 2016 it was $41.2 (January 31, 2015 - $37.8). Actuarial gains (losses) before taxes on defined benefit pension plans for the 13 and 39 weeks ended January 30, 2016 were $1.0 and $46.2 respectively (January 31, 2015 - $(71.9) and (99.0)). These gains (losses) have been recognized in other comprehensive income (loss).