Empire Company Limited
Consolidated Financial Statements
May 2, 2015

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Grant Thornton

Independent auditor's report

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To the shareholders of
Empire Company Limited

We have audited the accompanying consolidated financial statements of Empire Company Limited, which comprise the consolidated balance sheets as at May 2, 2015 and May 3, 2014 and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity, and cash flows for the 52 week fiscal years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Empire Company Limited as at May 2, 2015 and May 3, 2014, and its consolidated financial performance and its consolidated cash flows for the 52 week fiscal years then ended, in accordance with International Financial Reporting Standards.

Halifax, Canada
June 24, 2015

Chartered Accountants

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

	May 2 2015	May 3 2014
ASSETS		
Current		
Cash and cash equivalents	**$ 295.9**	$ 429.3
Receivables	**507.4**	459.3
Inventories (Note 4)	**1,260.6**	1,310.2
Prepaid expenses	**120.5**	113.7
Loans and other receivables (Note 5)	**24.8**	35.7
Income taxes receivable	**18.9**	39.7
Assets held for sale (Note 6)	**47.8**	204.8
	2,275.9	2,592.7
Loans and other receivables (Note 5)	**88.5**	63.2
Investments	**25.1**	24.8
Investments, at equity (Note 7)	**577.8**	554.2
Other assets (Note 8)	**48.4**	29.2
Property and equipment (Note 9)	**3,500.4**	3,685.6
Investment property (Note 10)	**104.2**	104.5
Intangibles (Note 11)	**943.0**	993.6
Goodwill (Note 12)	**3,799.2**	4,069.7
Deferred tax assets (Note 13)	**110.9**	126.2
	$ 11,473.4	$ 12,243.7
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 2,265.8**	$ 2,244.9
Income taxes payable	**40.9**	21.0
Provisions (Note 14)	**122.1**	82.4
Long-term debt due within one year (Note 15)	**53.9**	218.0
	2,482.7	2,566.3
Provisions (Note 14)	**142.9**	140.7
Long-term debt (Note 15)	**2,242.0**	3,282.1
Other long-term liabilities (Note 16)	**458.0**	389.3
Deferred tax liabilities (Note 13)	**110.9**	123.8
	5,436.5	6,502.2
SHAREHOLDERS' EQUITY		
Capital stock (Note 18)	**2,109.4**	2,108.6
Contributed surplus	**8.2**	5.0
Retained earnings	**3,859.9**	3,585.9
Accumulated other comprehensive income	**6.3**	1.0
	5,983.8	5,700.5
Non-controlling interest	**53.1**	41.0
	6,036.9	5,741.5
	$ 11,473.4	$ 12,243.7

See accompanying notes to the consolidated financial statements.

On Behalf of the Board

(signed) *"Rob Dexter"*
Director

(signed) *"Marc Poulin"*
Director

Empire Company Limited
Consolidated Statements of Earnings

52 Weeks Ended **(in millions of Canadian dollars, except per share amounts)**	**May 2 2015**	May 3 2014
Sales	**$ 23,928.8**	$ 20,957.8
Other income (Note 19)	**99.6**	49.3
Share of earnings from investments, at equity (Note 7)	**85.7**	50.2
Operating expenses		
Cost of sales	**17,966.7**	15,941.3
Selling and administrative expenses	**5,403.8**	4,787.5
Operating income	**743.6**	328.5
Finance costs, net (Note 21)	**156.3**	133.2
Earnings before income taxes	**587.3**	195.3
Income taxes (Note 13)	**150.4**	36.3
Net earnings from continuing operations	**436.9**	159.0
Net earnings from discontinued operations (Note 22)	**-**	84.4
Net earnings	**$ 436.9**	$ 243.4
Earnings for the year attributable to:		
Non-controlling interest	**$ 17.9**	$ 8.0
Owners of the parent		
From continuing operations	**419.0**	151.0
From discontinued operations	**-**	84.4
	$ 436.9	$ 243.4
Earnings per share from continuing and discontinued operations (Note 23)		
Basic		
From continuing operations	**$ 4.54**	$ 1.89
From discontinued operations	**-**	1.05
Total	**$ 4.54**	$ 2.94
Diluted		
From continuing operations	**$ 4.54**	$ 1.88
From discontinued operations	**-**	1.05
Total	**$ 4.54**	$ 2.93
Weighted average number of common shares outstanding, in millions (Note 23)		
Basic	**92.3**	80.0
Diluted	**92.4**	80.2

See accompanying notes to the consolidated financial statements.

Empire Company Limited
Consolidated Statements of Comprehensive Income
52 Weeks Ended
(in millions of Canadian dollars)

	May 2 2015	May 3 2014
Net earnings	**$ 436.9**	$ 243.4
Other comprehensive income		
Items that will be reclassified subsequently to net earnings		
Unrealized (losses) gains on derivatives designated as cash flow hedges (net of taxes of $1.8 (2014 - $(0.3)))	**(4.6)**	0.6
Reclassification of losses on derivatives designated as cash flow hedges to earnings (net of taxes of $(0.2) (2014 - $ nil))	**0.4**	-
Unrealized gains (losses) on available for sale financial assets (net of taxes of $ nil (2014 - $ nil))	**0.4**	(0.2)
Share of other comprehensive income of investments, at equity (net of taxes of $(0.3) (2014 - $ nil))	**1.3**	2.7
Exchange differences on translation of foreign operations	**7.8**	6.0
Items that will not be reclassified subsequently to net earnings		
Actuarial (losses) gains on defined benefit plans (net of taxes of $15.8 (2014 - $(11.4))) (Note 17)	**(45.3)**	29.9
Total comprehensive income	**$ 396.9**	$ 282.4
Total comprehensive income for the year attributable to:		
Non-controlling interest	**$ 17.9**	$ 8.0
Owners of the parent	**379.0**	274.4
	$ 396.9	$ 282.4
Total comprehensive income attributable to owners of the parent arises from:		
Continuing operations	**$ 379.0**	$ 190.0
Discontinued operations (Note 22)	**-**	84.4
	$ 379.0	$ 274.4

See accompanying notes to the consolidated financial statements.

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

	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Attributable to Parent	Non-controlling Interest	Total Equity
Balance at May 4, 2013	$ 319.3	$ 6.7	$ (8.1)	$ 3,406.9	$ 3,724.8	$ 31.3	$ 3,756.1
Dividends declared on common shares	-	-	-	(83.3)	(83.3)	-	(83.3)
Employee share options	2.2	(1.7)	-	(3.0)	(2.5)	-	(2.5)
Capital transactions with structured entities	-	-	-	-	-	1.7	1.7
Issuance of common shares (Note 18)	1,787.1	-	-	-	1,787.1	-	1,787.1
Transactions with owners	1,789.3	(1.7)	-	(86.3)	1,701.3	1.7	1,703.0
Net earnings	-	-	-	235.4	235.4	8.0	243.4
Other comprehensive income							
Unrealized gains on derivatives designated as cash flow hedges	-	-	0.6	-	0.6	-	0.6
Unrealized losses on available for sale financial assets	-	-	(0.2)	-	(0.2)	-	(0.2)
Actuarial gains on defined benefit plans	-	-	-	29.9	29.9	-	29.9
Share of other comprehensive income of investments, at equity	-	-	2.7	-	2.7	-	2.7
Exchange differences on translation of foreign operations	-	-	6.0	-	6.0	-	6.0
Total comprehensive income for the year	-	-	9.1	265.3	274.4	8.0	282.4
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	**-**	**-**	**-**	**(99.7)**	**(99.7)**	**-**	**(99.7)**
Employee share options	**0.8**	**3.2**	**-**	**-**	**4.0**	**-**	**4.0**
Capital transactions with structured entities	**-**	**-**	**-**	**-**	**-**	**(5.8)**	**(5.8)**
Transactions with owners	**0.8**	**3.2**	**-**	**(99.7)**	**(95.7)**	**(5.8)**	**(101.5)**
Net earnings	**-**	**-**	**-**	**419.0**	**419.0**	**17.9**	**436.9**
Other comprehensive income							
Unrealized losses on derivatives designated as cash flow hedges	**-**	**-**	**(4.6)**	**-**	**(4.6)**	**-**	**(4.6)**
Reclassification of losses on derivatives designated as cash flow hedges to earnings	**-**	**-**	**0.4**	**-**	**0.4**	**-**	**0.4**
Unrealized gains on available for sale financial assets	**-**	**-**	**0.4**	**-**	**0.4**	**-**	**0.4**
Actuarial losses on defined benefit plans	**-**	**-**	**-**	**(45.3)**	**(45.3)**	**-**	**(45.3)**
Share of other comprehensive income of investments, at equity	**-**	**-**	**1.3**	**-**	**1.3**	**-**	**1.3**
Exchange differences on translation of foreign operations	**-**	**-**	**7.8**	**-**	**7.8**	**-**	**7.8**
Total comprehensive income for the year	**-**	**-**	**5.3**	**373.7**	**379.0**	**17.9**	**396.9**
Balance at May 2, 2015	**$ 2,109.4**	**$ 8.2**	**$ 6.3**	**$ 3,859.9**	**$ 5,983.8**	**$ 53.1**	**$ 6,036.9**

See accompanying notes to the consolidated financial statements.

Empire Company Limited
Consolidated Statements of Cash Flows

52 Weeks Ended (in millions of Canadian dollars)	May 2 2015	May 3 2014
Operations		
Net earnings	**$ 436.9**	$ 243.4
Adjustments for:		
Depreciation	**397.8**	362.5
Income taxes	**150.4**	49.6
Finance costs, net (Note 21 and 22)	**156.3**	134.0
Amortization of intangibles	**84.7**	68.1
Gain on disposal of assets	**(67.0)**	(137.5)
Impairment of non-financial assets, net	**1.5**	(7.0)
Amortization of deferred items	**12.7**	7.1
Equity in earnings of other entities, net of distributions received	**33.3**	27.5
Employee future benefits obligation	**(0.5)**	2.9
Increase in long-term lease obligation	**5.8**	1.2
Decrease in long-term provisions	**(52.5)**	(0.6)
Stock option plan	**4.0**	4.8
Restructuring	**103.0**	169.8
Losses recognized on remeasurement of assets and restructuring costs of discontinued operations (Note 22)	**-**	34.8
Net change in non-cash working capital	**(15.7)**	36.3
Income taxes paid, net	**(90.2)**	(211.6)
Cash flows from operating activities	**1,160.5**	785.3
Investment		
Net increase in investments	**(40.7)**	(151.6)
Property, equipment and investment property purchases	**(497.2)**	(563.1)
Proceeds on disposal of property, equipment and investment property	**781.2**	1,644.4
Additions to intangibles	**(44.8)**	(18.5)
Loans and other receivables	**(14.4)**	21.2
Other assets and other long-term liabilities	**(21.4)**	(5.1)
Proceeds on sale of asset backed commercial paper	**-**	26.0
Business acquisitions (Note 24)	**(11.7)**	(5,825.0)
Interest received	**1.4**	4.4
Non-controlling interest	**(5.8)**	1.7
Cash flows from (used in) investing activities	**146.6**	(4,865.6)
Financing		
Decrease in bank indebtedness	**-**	(6.0)
Issue of long-term debt	**414.4**	3,337.6
Deferred debt financing costs	**(0.9)**	(50.6)
Repayment of long-term debt	**(1,635.5)**	(798.6)
Stock option purchases	**-**	(9.1)
Interest paid	**(118.8)**	(102.3)
Issue of Non-Voting Class A shares, net (Note 18)	**-**	1,842.6
Share issue costs (Note 18)	**-**	(75.9)
Dividends paid, common shares	**(99.7)**	(83.3)
Cash flows (used in) from financing activities	**(1,440.5)**	4,054.4
Decrease in cash and cash equivalents	**(133.4)**	(25.9)
Cash and cash equivalents, beginning of year	**429.3**	455.2
Cash and cash equivalents, end of year	**$ 295.9**	$ 429.3

See accompanying notes to the 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 consolidated financial statements for the year ended May 2, 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 food retailing business is conducted in 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. The Company's reportable segments include Food retailing and Investments and other operations. 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on June 24, 2015.

Basis of measurement

The 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 classified as fair value through profit and loss ("FVTPL"), financial instruments classified as available for sale, and cash settled stock-based compensation plans. Assets held for sale are valued at the lower of their carrying amount and fair value less costs to sell.

Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the 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.

The Company has applied judgment in its assessment of the appropriateness of consolidation of SEs, the appropriateness of equity accounting for its investments in associates and joint ventures, the classification of leases and financial instruments, the level of componentization of property and equipment, the determination of cash generating units, the identification of indicators of impairment for property and equipment, investment property and intangible assets, the recognition and measurement of assets acquired and liabilities assumed, and the recognition of provisions.

Estimates, judgments and assumptions that could have a significant impact on the amounts recognized in the consolidated financial statements are summarized below. Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from these estimates.

(a) Inventories

Inventories are valued at the lower of cost and estimated net realizable value. Significant estimation or judgment is required in the determination of (i) inventories valued at retail and adjusted to cost; (ii) estimated inventory provisions due to spoilage and shrinkage occurring between the last physical inventory count and the balance sheet dates; and (iii) estimated inventory provisions associated with vendor allowances and internal charges.

(b) Impairment
Management assesses impairment of non-financial assets such as investments at equity, goodwill, intangible assets, property and equipment, and investment property. In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows. When measuring expected future cash flows, management makes assumptions about future growth of profits which relate to future events and circumstances. Actual results could vary from these estimated future cash flows. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate. Impairment losses and reversals are disclosed in the consolidated financial statements in Notes 7, 9, 10, 11, and 12.

(c) Employee future benefits
Accounting for the costs of defined benefit pension plans and other post-employment benefits requires the use of a number of assumptions. Pension obligations are based on current market conditions and actuarial determined data such as medical cost trends, mortality rates, and future salary increases. A sensitivity analysis and more detail of key assumptions used in measuring the pension and post-employment benefit obligations are disclosed in Note 17.

(d) Income taxes
Assumptions are applied when management assesses the timing and reversal of temporary differences and estimates the Company's future earnings to determine the recognition of current and deferred income taxes. Judgments are also made by management when interpreting the tax rules in jurisdictions where the Company operates. Note 13 details the current and deferred income tax expense and deferred tax assets and liabilities.

(e) Business acquisitions
For business acquisitions, the Company applies judgment on the recognition and measurement of assets acquired and liabilities assumed, and estimates are utilized to calculate and measure such adjustments. In measuring the fair value of an acquiree's assets and liabilities management uses estimates about future cash flows and discount rates. Any measurement changes after initial recognition would affect the measurement of goodwill.

(f) Provisions
Estimates and assumptions are used to calculate provisions when the Company estimates the expected future cash flows relating to the obligation and applies an appropriate discount rate.

3. Summary of significant accounting policies

(a) Basis of consolidation
The financial statements for the Company include the accounts of the Company and all of its subsidiary undertakings drawn up to the reporting date. Subsidiaries, including SEs, are all entities which the Company controls. All subsidiaries have a reporting date within five weeks of the Company's reporting date. Where necessary, adjustments have been made to reflect transactions between the reporting dates of the Company and its subsidiaries.

Control exists when the Company has existing rights that give it the current ability to direct the activities that significantly affect the entity's returns. The Company reassesses control on an ongoing basis.

SEs are entities controlled by the Company which were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. SEs are consolidated if, based on an evaluation of the substance of its relationship with the Company, the Company concludes that it controls the SE. SEs controlled by the Company were established under terms that impose strict limitations on the decision making powers of the SEs management and that results in the Company receiving the majority of the benefits related to the SEs operations and net assets, being exposed to the majority of risks incident to the SEs activities, and retaining the majority of the residual or ownership risks related to the SEs or their assets.

All intercompany transactions, balances, income, and expenses are eliminated in preparing the consolidated financial statements.

Earnings or losses and other comprehensive income of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interest represents the portion of a subsidiary's earnings and losses and net assets that is not held by the Company. If losses in a subsidiary applicable to a non-controlling interest exceed the non-controlling interest in the subsidiary's equity, the excess is allocated to the non-controlling interest except to the extent that the majority has a binding obligation and is able to cover the losses.

(b) Business acquisitions

Business acquisitions are accounted for by applying the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. The acquiree's identifiable assets, liabilities, and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations", are recognized at their fair value at the acquisition date, except for: (i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements which are recognized and measured in accordance with International Accounting Standard ("IAS") 12, "Income Taxes", and IAS 19, "Employee Benefits", respectively; and (ii) assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", which are measured and recognized at fair value less costs to sell. Goodwill arising on acquisition is recognized as an asset and represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of the acquisition. Any excess of identifiable net assets over the acquisition cost is recognized in net earnings or loss immediately after acquisition. Transaction costs related to the acquisition are expensed as they are incurred.

(c) Foreign currency translation

Assets and liabilities of foreign operations with a different functional currency than the Company are translated at exchange rates in effect at each reporting period end date. The revenues and expenses are translated at average exchange rates for the period. Cumulative gains and losses on translation are shown in accumulated other comprehensive income or loss.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign currency exchange rate in effect at each reporting period end date. Non-monetary items are translated at the historical exchange rate at the date of transaction. Exchange gains or losses arising from the translation of these balances denominated in foreign currencies are recognized in operating income. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average foreign currency exchange rate for the period.

(d) Cash and cash equivalents

Cash and cash equivalents are defined as cash and guaranteed investments with a maturity less than 90 days at date of acquisition.

(e) Inventories

Warehouse inventories are valued at the lower of cost and net realizable value with cost being determined on a weighted average cost basis. Retail inventories are valued at the lower of cost and net realizable value. Cost is determined using a weighted average cost using either the standard cost method or retail method. The retail method uses the anticipated selling price less normal profit margins, on a weighted average cost basis. The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present location and condition, such as freight. The cost is reduced by the value of rebates and allowances received from vendors. The Company estimates net realizable value as the amount that inventories are expected to be sold taking into consideration fluctuations of retail price due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or permanent declines in selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in retail selling price, the amount of the write-down previously recorded is reversed. Costs that do not contribute to bringing inventories to their present location and condition, such as storage and administrative overheads, are specifically excluded from the cost of inventories and are expensed in the period incurred.

(f) Income taxes

Tax expense recognized in net earnings or loss comprises the sum of deferred income tax and current income tax not recognized in other comprehensive income.

Current income tax assets and liabilities are comprised of claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable earnings, which differs from net earnings or loss in the consolidated financial statements. The calculation of current income tax is based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred income taxes are calculated using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities and their related tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business acquisition or affects tax or accounting profit. The deferred tax assets and liabilities have been measured using substantively enacted tax rates that will be in effect when the amounts are expected to settle. Deferred tax assets are only recognized to the extent that it is probable that they will be able to be utilized against future taxable income. The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be used without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of income or expense in net earnings or loss, except where they relate to items that are recognized in other comprehensive income (such as the unrealized gains and losses on cash flow hedges) or directly in equity.

(g) Assets held for sale

Certain property and equipment, inventory, and intangible assets have been listed for sale and reclassified as assets held for sale on the consolidated balance sheets. These assets are expected to be sold within a twelve month period. Assets held for sale are valued at the lower of carrying value and fair value less cost of disposal.

(h) Investments in associates

Associates are those entities over which the Company is able to exert significant influence but which it does not control and which are not interests in a joint venture. Control is reassessed on an ongoing basis. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to the acquisition method as explained above. However, any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investments in associates.

All subsequent changes to the Company's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the earnings or losses generated by the associate are reported within share of earnings from investments, at equity on the Company's consolidated statements of earnings. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities.

Changes resulting from earnings of the associate or items recognized directly in the associate's equity are recognized in earnings or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports earnings, the Company resumes recognizing its share of those earnings only after its share of the earnings exceeds the accumulated share of losses that had previously not been recognized.

Unrealized gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment losses from a Company perspective.

At each reporting period end date, the Company assesses whether there are any indicators of impairment in its investment in associates. For investments in publicly traded entities, carrying value of the investment is compared to the current market value of the investment based on its quoted price at the balance sheet date. For entities which are not publicly traded, value-in-use of the investment is determined by estimating the Company's share of the present value of the estimated cash flows expected to be generated by the investee. If impaired, the carrying value of the Company's investment is written down to its estimated recoverable amount, being the higher of fair value less cost to sell and value-in-use.

In the process of measuring future cash flows, management makes assumptions about future growth of profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's investments in associates in the subsequent financial years.

Each of the associates identified by the Company has a reporting year end of December 31. For purposes of the Company's consolidated year end financial statements, each of the associates' results are included based on financial statements prepared as at March 31, with any changes occurring between March 31 and the Company's year end that would materially affect the results being taken into account.

(i) Financial instruments

Financial instruments are recognized on the consolidated balance sheets when the Company becomes a party to the contractual provisions of a financial instrument. The Company is required to initially recognize all of its financial assets and liabilities, including derivatives and embedded derivatives in certain contracts, at fair value. Loans and receivables, held to maturity financial assets and other financial liabilities are subsequently measured at amortized cost. Derivatives and non-financial derivatives must be recorded at fair value on the consolidated balance sheets unless they are exempt from derivative treatment based upon expected purchase, sale or usage requirements.

The Company classifies financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purpose of ongoing measurements. Classification choices for financial assets include: a) FVTPL - measured at fair value with changes in fair value recorded in net earnings; b) held to maturity - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is derecognized or impaired; c) available for sale - measured at fair value with changes in fair value recognized in other comprehensive income for the current period until realized through disposal or impairment; and d) loans and receivables - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired. Classification choices for financial liabilities include: a) FVTPL - measured at fair value with changes in fair value recorded in net earnings and b) other liabilities - measured at amortized cost with gains and losses recognized in net earnings in the period that the liability is derecognized.

The Company's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Loans and other receivables	Loans and receivables	Amortized cost
Investments	Available for sale	Fair value
Derivative financial assets and liabilities	FVTPL	Fair value
Non-derivative other assets	FVTPL	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

All financial assets are reviewed for impairment at each reporting date, except those classified as FVTPL. Loans and receivables are reviewed for past due balances from independent accounts and based on an evaluation of recoverability net of security assigned for franchisee or affiliate locations.

Transaction costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are added to or deducted from the fair value of the financial asset or financial liability, as appropriate, on initial recognition and amortized using the effective interest method.

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; or Level 3 - unobservable inputs for the asset or liability. Inputs into the determination of the fair value require management judgment or estimation.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Changes to valuation methods may result in transfers into or out of an investment's assigned level.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or if the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

(j) Hedges

The Company has cash flow hedges which are used to manage exposure to fluctuations in foreign currency exchange and variable interest rates. For cash flow hedges, the effective portion of the change in fair value of the hedging item is recorded in other comprehensive income. To the extent the change in fair value of the derivative is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded immediately in net earnings. Amounts accumulated in other comprehensive income are reclassified to net earnings when the hedged item is recognized in net earnings. When a hedging instrument in a cash flow hedge expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in accumulated other comprehensive income relating to the hedge is carried forward until the hedged item is recognized in net earnings. When the hedged item ceases to exist as a result of its expiry or sale, or if an anticipated transaction is no longer expected to occur, the cumulative gain or loss in accumulated other comprehensive income is immediately reclassified to net earnings.

Financial derivatives assigned as part of a cash flow hedging relationship are classified as either an other asset or other long-term liability as required based on their fair value determination.

Significant derivatives include the following:

(1) Foreign currency forward contracts and foreign currency swaps for the primary purpose of limiting exposure to exchange rate fluctuations relating to the purchase of goods or expenditures denominated in foreign currencies. Certain of these contracts are designated as hedging instruments for accounting purposes. Accordingly, the effective portion of the change in the fair value of the contracts is accumulated in other comprehensive income until the variability in cash flows being hedged is recognized in earnings in future accounting periods.

(2) Interest rate swaps designated as cash flow hedges to manage variable interest rates associated with some of the Company's debt portfolio. Hedge accounting treatment results in interest expense on the related debt being reflected at hedged rates rather than variable interest rates. Accordingly, the effective portion of the change in the fair value of the contracts is accumulated in other comprehensive income until the variability in cash flows being hedged is recognized in earnings in future accounting periods.

(k) Property and equipment

Owner-occupied land, buildings, equipment, leasehold improvements, and assets under construction are carried at acquisition cost less accumulated depreciation and impairment losses.

Buildings that are leasehold property are also included in property and equipment if they are held under a finance lease. Such assets are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, if shorter.

When significant parts of property and equipment have different useful lives, they are accounted for as separate components. Depreciation is recorded on a straight-line basis from the time the asset is available or when assets under construction become available for use over the estimated useful lives of the assets as follows:

Buildings	10 - 40 years
Equipment	3 - 20 years
Leasehold improvements	Lesser of lease term and 7 - 20 years

Depreciation has been included within selling and administrative expenses in the consolidated statements of earnings. Material residual value estimates and estimates of useful life are reviewed and updated as required, or annually at a minimum.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in net earnings or loss within other income. If the sale is to a Company's investment, at equity, a portion of the gain is deferred and would reduce the carrying value of the investment.

(l) Investment property
Investment properties are properties which are held either to earn rental income or for capital appreciation or for both, rather than for the principal purpose of the Company's operating activities. Investment properties are accounted for using the cost model. The depreciation policies for investment property are consistent with those described for property and equipment.

Any gain or loss arising from the sale of an investment property is immediately recognized in net earnings or loss, unless the sale is to an investment, at equity, in which case a portion of the gain is deferred and would reduce the carrying value of the Company's investment. Rental income and operating expenses from investment property are reported within other income and selling and administrative expenses, respectively, in the consolidated statements of earnings.

(m) Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Company as lessor
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

(ii) The Company as lessee
Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation in long-term debt.

Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in net earnings or loss immediately. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Lease allowances and incentives are recognized as other long-term liabilities. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis over the term of the lease.

Real estate lease expense is amortized on a straight-line basis over the entire term of the lease.

(iii) Sale and leaseback transactions
A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. If a sale and leaseback transaction results in a finance lease for the Company, any excess of sales proceeds over the carrying amount is recognized as deferred revenue and amortized over the term of the new lease. Any profit or loss in a sale and leaseback transaction resulting in an operating lease that is transacted at fair value is recognized immediately. If the sale price is above fair value, the excess over fair value is deferred and amortized over the term of the new lease.

(n) Intangibles
Intangibles arise on the purchase of a new business, existing franchises, software, and the acquisition of pharmacy prescription files. They are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, as these assets are considered finite. Useful lives are reviewed annually and intangibles are subject to impairment testing. The following useful lives are applied:

Deferred purchase agreements	5 - 10 years
Franchise rights/agreements	10 years
Lease rights	5 - 10 years
Off market leases	Lesser of lease term and 40 years
Prescription files	15 years
Software	3 - 7 years
Other	5 - 10 years

Amortization has been included within selling and administrative expenses in the consolidated statements of earnings. Included in intangibles are brand names, loyalty programs, and private labels, the majority of which have indefinite useful lives. Subsequent expenditures made by the Company relating to intangible assets that do not meet the capitalization criteria are expensed in the period incurred.

(o) 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.

(p) Impairment of non-financial assets
Goodwill and intangibles with indefinite useful lives are reviewed for impairment at least annually by assessing the recoverable amount of each cash generating unit or groups of cash generating units to which the goodwill or the indefinite life intangible relates. The recoverable amount is the higher of fair value less costs of disposal and value in use. When the recoverable amount of the cash generating units is less than the carrying amount, an impairment loss is recognized immediately as selling and administrative expense. Impairment losses related to goodwill cannot be reversed.

Long-lived tangible and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs of disposal and value in use. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit(s) to which the asset belongs. The Company has primarily determined a cash generating unit to be an individual store. Corporate assets such as head offices and distribution centres do not individually generate separate cash inflows and are therefore aggregated for testing with the stores they service. When the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized as selling and administrative expense immediately in net earnings or loss.

Where an impairment loss subsequently reverses, other than related to goodwill, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate, but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior years. A reversal of impairment loss is recognized immediately in net earnings or loss.

In the process of measuring expected future cash flows, management makes assumptions about future growth of profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets in the subsequent financial years.

(q) Customer loyalty programs
The AIR MILES® loyalty program is used by the Company. AIR MILES® are earned by Sobeys customers based on purchases in stores. The Company pays a per point fee under the terms of the agreement with AIR MILES®.

Previously, the Company utilized a loyalty card program (the "Program") which allowed members to earn points on their purchases in certain Sobeys retail stores. Members could redeem these points, in accordance with the Program rewards schedule, for discounts on future grocery purchases, or purchase products or services. The fair value of loyalty points awarded was accounted for as a separate element of the sales transaction and recognition of revenue was deferred until the awards were redeemed after adjustment for the number of points expected never to be redeemed based on the expected future activity. Fair value was determined by reference to the value for which the points can be redeemed. The deferred revenue relating to the Program was included in accounts payable and accrued liabilities on the Company's consolidated balance sheets. During the fourth quarter of fiscal 2015, the Program ceased with all remaining stores transitioning into the AIR MILES® loyalty program. Customers had the ability to exchange outstanding points into AIR MILES® with redemptions permitted until June 1, 2015.

(r) Provisions
Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, for which it is probable that a transfer of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability, if material. Where discounting is used, the increase in the provision due to passage of time ("unwinding of the discount") is recognized within finance costs in the consolidated statements of earnings.

(s) Borrowing costs
Borrowing costs primarily comprise interest on the Company's debts. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a component of the cost of the asset to which it is related. All other borrowing costs are expensed in the period in which they are incurred and are reported within finance costs.

(t) Deferred revenue

Deferred revenue consists of long-term supplier purchase agreements and gains on sale and leaseback transactions relating to certain finance leases. Deferred revenue is included in other long-term liabilities and is taken into income on a straight-line basis over the term of the related agreements.

(u) Employee benefits

(i) Short-term employment benefits

Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses expected to be settled within 12 months from the end of the reporting period. Short-term employee benefits are measured on an undiscounted basis and are recorded as selling and administrative expenses as the related service is provided.

(ii) Post-employment benefits

The cost of the Company's pension benefits for defined contribution plans are expensed at the time active employees are compensated. The cost of defined benefit pension plans and other benefit plans is accrued based on actuarial valuations, which are determined using the projected unit credit method pro-rated on service and management's best estimate of salary escalation, and retirement ages.

The liability recognized on the consolidated balance sheets for defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair market value of plan assets. Current market values are used to value benefit plan assets. The obligation related to employee future benefits is measured using current market interest rates, assuming a portfolio of Corporate AA bonds with terms to maturity that, on average, match the terms of the obligation.

Re-measurements, comprising of actuarial gains and losses and the return on plan assets (excluding amounts in net interest), are recognized immediately on the consolidated balance sheets with a corresponding charge to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to net earnings or loss in subsequent periods.

Past service costs are recognized in net earnings or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Company recognizes restructuring-related costs.

Service cost on the net defined benefit liability, comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, is included in selling and administrative expenses. Net interest expense on the net defined benefit liability is included in finance costs, net.

(iii) Termination benefits

Termination benefits are recognized as an expense at the earlier of when the Company recognizes related restructuring costs and when the Company can no longer withdraw the offer of those benefits.

(v) Revenue recognition

Sales are recognized at the point-of-sale. Sales include revenues from customers through corporate stores operated by the Company and consolidated SEs, and revenue from sales to non-SE franchised stores, affiliated stores and independent accounts. Revenue received from non-SE franchised stores, affiliated stores and independent accounts is mainly derived from the sale of product. The Company also collects franchise fees under two types of arrangements. Franchise fees contractually due based on the dollar value of product shipped are recorded as revenue when the product is shipped. Franchise fees contractually due based on the franchisee's retail sales are recorded as revenue weekly upon invoicing based on the franchisee's retail sales.

(w) Vendor allowances

The Company receives allowances from certain vendors whose products are purchased for resale. Included in these vendor programs are allowances for volume purchases, exclusivity allowances, listing fees, and other allowances. The Company recognizes these allowances as a reduction of cost of sales and related inventories. Certain allowances are contingent on the Company achieving minimum purchase levels and these allowances are recognized when it is probable that the minimum purchase level will be met, and the amount of allowance can be estimated.

(x) Interest and dividend income

Interest income and expenses are reported on an accrual basis using the effective interest method. Dividend income is recognized when the right to receive payment has been established.

(y) Earnings per share

Basic earnings per share is calculated by dividing the earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding for the dilutive effect of employee stock options.

(z) Stock-based compensation

The Company operates both equity and cash settled stock-based compensation plans for certain employees.

All goods and services received in exchange for the grant of any stock-based payments are measured at their fair values. Where employees are rewarded using stock-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted (Note 28).

(aa) Accounting standards and policies adopted during fiscal 2015

(i) Financial instruments: asset and liability offsetting

In December 2011, the IASB amended IAS 32, "Financial Instruments: Presentation", to clarify the requirements which permit offsetting a financial asset and liability in the financial statements. The amendments became effective in the first quarter of 2015 and had no significant impact on the Company's financial results and disclosures.

(ii) Levies

In May 2013, the IASB issued IFRIC 21, "Levies", which is an interpretation of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of IAS 12, "Income Taxes" and fines or other penalties imposed for breaches of legislation. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This interpretation became effective in the first quarter of 2015 and it had no significant impact on the Company's financial results.

(iii) Impairment of assets

In May 2013, the IASB amended IAS 36, "Impairment of Assets", to clarify the disclosure requirements for recoverable amounts for the assets or cash generating units for which an impairment loss has been recognized or reversed during the period. The amendments became effective in the first quarter of 2015 and had no significant impact on the Company's financial results and disclosures.

(bb) Future accounting policies

(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 guidance on the application of judgment in the preparation of financial statements and disclosures. 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 (including those from discontinued operations) recognized as an expense during the year was $17,966.7 (2014 - $15,956.4). The Company has recorded $4.4 (2014 - $10.1) as an expense for the write-down of inventories below cost to net realizable value for inventories on hand as at May 2, 2015. There were no reversals of inventories written down previously (2014 - $ nil).

5. Loans and other receivables

	May 2, 2015	May 3, 2014
Loans receivable	**$ 72.7**	$ 61.8
Notes receivable and other	**40.6**	37.1
	113.3	98.9
Less amount due within one year	**24.8**	35.7
	$ 88.5	$ 63.2

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 10 years. The carrying amount of the loans receivable approximates fair value based on the variable interest rates charged on the loans.

Included in notes receivable and other as at May 2, 2015, is $15.8 due from a third party related to equipment sales made during the year.

Loans receivable from officers and employees of $0.6 (2014 - $1.4) under the Company's share purchase plan are classified as notes receivable and other. Loan repayments will result in a corresponding decrease in notes receivable and other. The loans are non-interest bearing and non-recourse, secured by 24,554 (2014 - 53,002) Non-Voting Class A shares. The market value of the shares at May 2, 2015 was $2.1 (2014 - $3.6).

6. Assets held for sale

As a condition of the regulatory clearance from the Competition Bureau for Sobeys' acquisition in November 2013 of substantially all of the assets and select liabilities of Canada Safeway ULC (the "Canada Safeway acquisition"), the Company was required to divest 23 retail stores. In addition to the required divestitures, the Company agreed to sell an additional seven stores in British Columbia comprised of both Safeway and Sobeys locations.

During fiscal 2014, the Company divested 19 of the retail stores for cash proceeds of $337.7. The remaining 11 retail stores were divested during the first quarter of fiscal 2015 for cash proceeds of $111.3. All proceeds were used to repay bank borrowings.

On July 8, 2014, Sobeys announced that it entered into an agreement with Agropur Cooperative to sell four Safeway dairy manufacturing facilities. In addition, long-term milk, yogurt and ice cream supply agreements came into effect upon transfer of the facilities to Agropur Cooperative. During the year ended May 2, 2015, all of the facilities were sold and aggregate proceeds of $344.2 were attributed to the sales resulting in a gain of $27.0. All proceeds were used to repay bank borrowings.

On December 2, 2014, Sobeys entered into an agreement with Canada Bread Company, Limited to sell two bread manufacturing facilities. During the fourth quarter of fiscal 2015, the two bread manufacturing facilities were sold for proceeds of $27.8, resulting in a gain of $4.4.

On February 13, 2015, Sobeys sold and leased back 22 properties from Econo-Malls Holdings #19 Inc. Total proceeds from the transaction were $61.6 resulting in a gain of $24.9. All proceeds were used to repay bank borrowings.

7. Investments, at equity

The carrying values of the investments, at equity are as follows:

	May 2, 2015	May 3, 2014
Investment in associates		
Crombie Real Estate Investment Trust ("Crombie REIT")	**$ 365.6**	$ 333.5
Canadian real estate partnerships	**143.4**	143.7
U.S. real estate partnerships	**59.3**	67.3
Investment in joint ventures		
Canadian Digital Cinema Partnership ("CDCP")	**9.5**	9.7
Total	**$ 577.8**	$ 554.2

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

	May 2, 2015	May 3, 2014
Crombie REIT	**$ 724.3**	$ 682.9

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.

The Company's carrying value of its investment in Crombie REIT is as follows:

	May 2, 2015	May 3, 2014
Balance, beginning of year	**$ 333.5**	$ 195.2
Equity earnings	**30.6**	19.2
Share of comprehensive income	**1.0**	2.5
Distributions	**(46.9)**	(38.5)
Deferral of gains on sale of property	**(1.0)**	(0.3)
Reversal of deferred gain on sale of property to unrelated party	**8.3**	1.1
Interest acquired in Crombie REIT	**40.0**	150.0
Dilution gain (Note 19)	**0.1**	4.3
Balance, end of year	**$ 365.6**	$ 333.5

The Company's carrying value of its investment in Canadian real estate partnerships is as follows:

	May 2, 2015	May 3, 2014
Balance, beginning of year	**$ 143.7**	$ 136.0
Equity earnings	**43.8**	22.0
Distributions	**(44.1)**	(22.4)
Investment	**-**	13.7
Remeasurement of deferred tax attributes	**-**	(5.6)
Balance, end of year	**$ 143.4**	$ 143.7

The Company's carrying value of its investment in U.S. real estate partnerships is as follows:

	May 2, 2015	May 3, 2014
Balance, beginning of year	**$ 67.3**	$ 67.2
Equity earnings	**10.9**	8.4
Distributions	**(27.4)**	(16.5)
Foreign currency translation adjustment	**7.8**	6.0
Investment	**0.7**	2.2
Balance, end of year	**$ 59.3**	$ 67.3

The Company's carrying value of its investment in CDCP is as follows:

	May 2, 2015	May 3, 2014
Balance, beginning of year	**$ 9.7**	$ 9.2
Equity earnings	**0.4**	0.6
Distributions	**(0.6)**	(0.3)
Investment	**-**	0.2
Balance, end of year	**$ 9.5**	$ 9.7

The Company owns 53,348,699 Class B LP units and attached special voting units of Crombie REIT, along with 909,090 REIT units, representing a 41.5% economic and voting interest in Crombie.

During the Company's fiscal 2015, Crombie REIT instituted a distribution reinvestment plan ("DRIP") whereby Canadian resident REIT unitholders may elect to automatically have their distributions reinvested in additional REIT units. The Company has enrolled in the DRIP to maintain its economic and voting interest in Crombie REIT.

The following amounts represent the revenues, expenses, assets, and liabilities of Crombie REIT as at and for the 12 months ended March 31, 2015, as well as a reconciliation of the carrying amount of the Company's investment in Crombie REIT to Unitholders' equity of Crombie REIT:

	March 31, 2015	March 31, 2014
Revenues	**$ 359.9**	$ 317.3
Expenses	**289.7**	277.9
Earnings before income taxes	**$ 70.2**	$ 39.4
Loss from continuing operations	**$ (43.5)**	$ (52.1)
Other comprehensive income	**2.0**	3.8
Total comprehensive loss	**$ (41.5)**	$ (48.3)

	March 31, 2015	March 31, 2014
Assets		
Current	**$ 35.4**	$ 73.8
Non-current	**3,383.4**	3,271.1
	$ 3,418.8	$ 3,344.9
Liabilities		
Current	**$ 170.5**	$ 211.4
Non-current	**2,075.1**	2,019.3
	$ 2,245.6	$ 2,230.7
Unitholders' equity		
REIT Units	**$ 710.1**	$ 675.1
Class B LP Units	**463.1**	439.1
	1,173.2	1,114.2
Less REIT Units	**(710.1)**	(675.1)
Cumulative changes since acquisition of Crombie REIT		
Variance in timing of distributions	**3.8**	3.6
Issue costs related to Class B LP Units	**12.6**	12.3
Deferred gains (net of depreciation addback)	**(166.1)**	(174.0)
Dilution gains	**38.6**	38.5
Write off of portion of AOCI on dilution of interest in Crombie REIT	**0.7**	0.7
Carrying amount attributable to investment in Class B LP Units	**352.7**	320.2
REIT Units owned by Empire Company	**13.8**	13.8
Cumulative equity earnings on REIT Units	**1.1**	0.6
Cumulative distributions on REIT Units	**(2.0)**	(1.1)
Carrying amount of investment in Crombie REIT	**$ 365.6**	$ 333.5

The Company has interests in various Canadian real estate partnerships ranging from 40.7% to 49.0% which are involved in residential property developments in Ontario and Western Canada.

The following amounts represent the revenues, expenses, assets, and liabilities of the Canadian real estate partnerships as at and for the 12 months ended March 31, 2015:

	March 31, 2015	March 31, 2014
Revenues	**$ 152.2**	$ 111.0
Expenses	**47.8**	52.8
Net earnings from continuing operations	**$ 104.4**	$ 58.2
Net earnings (loss) from discontinued operations	**3.9**	(0.7)
Net earnings	**$ 108.3**	$ 57.5

	March 31, 2015	March 31, 2014
Current assets	**$ 324.2**	$ 325.5
Current liabilities	**27.3**	24.8
Non-current liabilities	**5.0**	10.0
Net assets	**$ 291.9**	$ 290.7
Carrying amount of investment	**$ 143.4**	$ 143.7

The Company has interests in various U.S. real estate partnerships ranging from 42.1% to 45.8% which are involved in residential property developments in the United States.

The following amounts represent the revenues, expenses, assets, and liabilities of the U.S. real estate partnerships as at and for the 12 months ended March 31, 2015:

	March 31, 2015	March 31, 2014
Revenues	**$ 74.5**	$ 78.1
Expenses	**49.5**	58.6
Net earnings	**$ 25.0**	$ 19.5

	March 31, 2015	March 31, 2014
Current assets	**$ 153.1**	$ 178.4
Current liabilities	**$ 17.2**	$ 14.6
Net assets	**$ 135.9**	$ 163.8
Carrying amount of investment	**$ 59.3**	$ 67.3

8. Other assets

	May 2, 2015	May 3, 2014
Restricted cash	**$ 4.4**	$ 6.3
Deferred lease assets	**23.1**	15.0
Property deposits	**6.8**	-
Other	**14.1**	7.9
Total	**$ 48.4**	$ 29.2

9. Property and equipment

May 2, 2015	Land	Buildings	Equipment	Leasehold Improvements	Assets Under Construction	Total
Cost						
Opening balance	**$ 699.6**	**$ 1,576.6**	**$ 2,577.9**	**$ 669.9**	**$ 236.7**	**$ 5,760.7**
Additions	**51.4**	**33.7**	**139.3**	**57.4**	**205.2**	**487.0**
Additions from business acquisitions	**1.5**	**-**	**4.1**	**0.2**	**0.2**	**6.0**
Transfers	**(6.7)**	**(30.1)**	**(19.5)**	**2.6**	**(228.3)**	**(282.0)**
Disposals and write downs	**(32.9)**	**(67.3)**	**(250.2)**	**(38.5)**	**(2.0)**	**(390.9)**
Closing balance	**$ 712.9**	**$ 1,512.9**	**$ 2,451.6**	**$ 691.6**	**$ 211.8**	**$ 5,580.8**
Accumulated depreciation and impairment losses						
Opening balance	**$ -**	**$ 361.0**	**$ 1,411.0**	**$ 303.1**	**$ -**	**$ 2,075.1**
Disposals and write downs	**-**	**(34.0)**	**(241.3)**	**(27.8)**	**-**	**(303.1)**
Transfers	**-**	**(25.9)**	**(48.4)**	**(17.9)**	**-**	**(92.2)**
Depreciation	**-**	**73.2**	**257.6**	**66.2**	**-**	**397.0**
Impairment losses	**-**	**-**	**3.5**	**1.1**	**-**	**4.6**
Impairment reversals	**-**	**-**	**(0.9)**	**(0.1)**	**-**	**(1.0)**
Closing balance	**$ -**	**$ 374.3**	**$ 1,381.5**	**$ 324.6**	**$ -**	**$ 2,080.4**
Net carrying value as at May 2, 2015	**$ 712.9**	**$ 1,138.6**	**$ 1,070.1**	**$ 367.0**	**$ 211.8**	**$ 3,500.4**

May 3, 2014	Land	Buildings	Equipment	Leasehold Improvements	Assets Under Construction	Total
Cost						
Opening balance	$ 423.4	$ 1,075.7	$ 2,293.8	$ 611.5	$ 195.8	$ 4,600.2
Additions	31.1	34.1	157.2	45.9	324.3	592.6
Additions from business acquisitions	285.2	486.6	226.6	137.6	11.5	1,147.5
Transfers	(24.8)	37.2	51.3	12.6	(293.7)	(217.4)
Disposals and write downs	(15.3)	(57.0)	(151.0)	(137.7)	(1.2)	(362.2)
Closing balance	$ 699.6	$ 1,576.6	$ 2,577.9	$ 669.9	$ 236.7	$ 5,760.7
Accumulated depreciation and impairment losses						
Opening balance	$ -	$ 325.4	$ 1,272.9	$ 298.9	$ -	$ 1,897.2
Disposals and write downs	-	(19.7)	(87.7)	(54.8)	-	(162.2)
Transfers	-	(4.2)	(17.1)	(6.7)	-	(28.0)
Depreciation	-	59.1	241.7	60.9	-	361.7
Impairment losses	-	0.5	9.0	16.7	-	26.2
Impairment reversals	-	(0.1)	(7.8)	(11.9)	-	(19.8)
Closing balance	$ -	$ 361.0	$ 1,411.0	$ 303.1	$ -	$ 2,075.1
Net carrying value as at May 3, 2014	$ 699.6	$ 1,215.6	$ 1,166.9	$ 366.8	$ 236.7	$ 3,685.6

Finance leases

The Company has various property leases for store locations that are held under finance leases with a net carrying value of $28.7 as at May 2, 2015 (2014 - $30.2). These leases are included in buildings.

The Company has equipment leases under finance leases with a net carrying value of $10.4 as at May 2, 2015 (2014 - $13.9). These leases are included in equipment.

Assets under construction

During the year, the Company capitalized borrowing costs of $0.5 (2014 - $1.7) on indebtedness related to property and equipment under construction. The Company used a capitalization rate of 4.4% (2014 - 4.3%).

Security
As at May 2, 2015, the net carrying value of property pledged as security for borrowings is $75.2 (2014 - $98.0).

Impairment of property and equipment
Property and equipment is reviewed each reporting period for events or changes in circumstances which indicate that the carrying value of the assets may not be recoverable. The review is performed by assessing the recoverable amount of each cash generating unit or groups of cash generating units to which the property and equipment relates. The recoverable amount is the higher of fair value less costs of disposal and value in use. When the recoverable amount of the cash generating units is less than the carrying amount an impairment loss is recognized.

Recoverable amounts based on value in use calculations are determined using cash flow projections from the Company's latest internal forecasts as presented to the Board of Directors. Key assumptions used in determining value in use include those regarding 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 cash generating units.

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.

Impairment losses arise when the carrying amount of the assets is higher than the greater of the present value of cash flows of a cash generating unit and its fair value less costs of disposal. Impairment losses of $4.6 were recorded in the year ended May 2, 2015 (2014 - $26.2).

Impairment reversals of $1.0 were recorded in the year ended May 2, 2015 (2014 - $19.8).

10. Investment property

Investment property is primarily comprised of commercial properties owned by the Company held for income generating purposes, rather than for the principal purpose of the Company's operating activities.

	May 2, 2015	May 3, 2014
Cost		
Opening balance	**$ 121.0**	$ 112.1
Additions	**6.5**	6.8
Additions from business acquisitions	**-**	5.0
Transfers	**(4.6)**	6.5
Disposals and write downs	**(7.8)**	(9.4)
Closing balance	**$ 115.1**	$ 121.0
Accumulated depreciation and impairment losses		
Opening balance	**$ 16.5**	$ 15.2
Depreciation	**0.8**	0.8
Transfers	**-**	1.5
Disposals and write downs	**(6.4)**	(1.0)
Closing balance	**$ 10.9**	$ 16.5
Net carrying value	**$ 104.2**	$ 104.5
Fair value	**$ 152.8**	$ 151.5

The fair value of investment property is classified as Level 3 on the fair value hierarchy. The fair value represents the price that would be received to sell the assets in an orderly transaction between market participants at the measurement date.

An external, independent valuation company, having appropriate recognized professional qualifications and experience assisted in determining the fair value of investment property at May 2, 2015 and at May 3, 2014. Additions to investment property through acquisition are transacted at fair value and therefore carrying value equals fair value at the time of acquisition. Properties reclassified from property and equipment are valued for disclosure purposes using comparable market information, internal valuation methodologies, or the use of an external independent valuation company.

Rental income from investment property included in the consolidated statements of earnings amounted to $4.9 for the year ended May 2, 2015 (2014 - $4.0).

Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from investment property that generated rental income amounted to $1.7 for the year ended May 2, 2015 (2014 - $2.1). Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from non-income producing investment property amounted to $2.9 for the year ended May 2, 2015 (2014 - $1.0). All direct operating expenses for investment properties are included in selling and administrative expenses on the consolidated statements of earnings.

Impairment of investment property follows the same methodology as property and equipment (Note 9). There were no impairment losses or reversals for the year ended May 2, 2015 (2014 - $ nil).

11. Intangibles

May 2, 2015	Brand Names	Deferred Purchase Agreements	Franchise Rights/ Agreements	Prescription Files	Software	Lease Rights	Loyalty Programs	Private Labels	Off Market Leases	Other	Total
Cost											
Opening balance	$ 215.0	$ 109.8	$ 49.7	$ 306.8	$ 250.7	$ 48.2	$ 11.4	$ 59.5	$ 191.3	$ 35.3	$1,277.7
Additions, separately acquired	-	17.8	-	-	-	2.8	-	-	-	0.3	20.9
Additions from business acquisitions	-	-	0.1	0.3	-	-	-	-	-	-	0.4
Transfers	(14.0)	(1.1)	(0.6)	(0.2)	27.1	1.5	-	-	-	(0.8)	11.9
Disposals and write downs	-	(6.3)	-	-	(1.6)	(0.8)	-	-	(10.8)	(6.3)	(25.8)
Closing balance	$ 201.0	$ 120.2	$ 49.2	$ 306.9	$ 276.2	$ 51.7	$ 11.4	$ 59.5	$ 180.5	$ 28.5	$1,285.1
Accumulated amortization and impairment losses											
Opening balance	$ 20.9	$ 40.5	$ 31.8	$ 30.9	$ 108.9	$ 24.5	$ -	$ -	$ 10.1	$ 16.5	$ 284.1
Amortization	3.0	13.0	3.5	20.3	30.3	3.7	-	-	7.9	3.0	84.7
Impairment reversals	-	-	-	(2.1)	-	-	-	-	-	-	(2.1)
Transfers	(0.8)	(0.8)	(0.6)	(0.1)	-	0.8	-	-	-	(2.4)	(3.9)
Disposals and write downs	-	(5.8)	-	-	(1.4)	(0.8)	-	-	(6.6)	(6.1)	(20.7)
Closing balance	$ 23.1	$ 46.9	$ 34.7	$ 49.0	$ 137.8	$ 28.2	$ -	$ -	$ 11.4	$ 11.0	$ 342.1
Net carrying value as at May 2, 2015	$ 177.9	$ 73.3	$ 14.5	$ 257.9	$ 138.4	$ 23.5	$ 11.4	$ 59.5	$ 169.1	$ 17.5	$ 943.0

May 3, 2014	Brand Names	Deferred Purchase Agreements	Franchise Rights/ Agreements	Prescription Files	Software	Lease Rights	Loyalty Programs	Private Labels	Off Market Leases	Other	Total
Cost											
Opening balance	$ 201.0	$ 97.6	$ 54.3	$ 33.0	$ 180.8	$ 48.7	$ 11.4	$ 59.5	$ 1.6	$ 24.4	$ 712.3
Additions, separately acquired	-	16.4	0.6	0.2	0.3	2.5	-	-	-	1.7	21.7
Additions from business acquisitions	14.0	-	-	275.2	-	-	-	-	189.7	9.2	488.1
Transfers	-	-	-	-	71.3	-	-	-	-	-	71.3
Disposals and write downs	-	(4.2)	(5.2)	(1.6)	(1.7)	(3.0)	-	-	-	-	(15.7)
Closing balance	$ 215.0	$ 109.8	$ 49.7	$ 306.8	$ 250.7	$ 48.2	$ 11.4	$ 59.5	$ 191.3	$ 35.3	$1,277.7
Accumulated amortization and impairment losses											
Opening balance	$ 17.2	$ 30.9	$ 31.9	$ 20.0	$ 83.3	$ 24.5	$ -	$ -	$ 0.2	$ 13.8	$ 221.8
Amortization	3.7	13.1	4.0	11.4	26.5	3.0	-	-	3.7	2.7	68.1
Impairment losses	-	-	-	-	0.5	-	-	-	-	-	0.5
Impairment reversals	-	-	-	(0.4)	(0.1)	-	-	-	-	-	(0.5)
Disposals and write downs	-	(3.5)	(4.1)	(0.1)	(1.3)	(3.0)	-	-	6.2	-	(5.8)
Closing balance	$ 20.9	$ 40.5	$ 31.8	$ 30.9	$ 108.9	$ 24.5	$ -	$ -	$ 10.1	$ 16.5	$ 284.1
Net carrying value as at May 3, 2014	$ 194.1	$ 69.3	$ 17.9	$ 275.9	$ 141.8	$ 23.7	$ 11.4	$ 59.5	$ 181.2	$ 18.8	$ 993.6

In addition to development costs capitalized related to software, the Company included in selling and administrative expenses $14.4 of research and development costs (2014 - $6.5).

Impairment of intangibles follows the same methodology as property and equipment (Note 9). For the year ended May 2, 2015, impairment losses of $ nil (2014 - $0.5) and reversals of $2.1 (2014 - $0.5) were recorded.

Included in intangibles as at May 2, 2015 and May 3, 2014 are the following amounts with indefinite useful lives: Brand names - $172.8; Loyalty programs - $11.4; and Private labels - $59.5 all of which relate to the food retailing segment. Impairment of these intangibles is assessed annually on the same basis as goodwill as noted in Note 12 below.

12. Goodwill

	May 2, 2015	May 3, 2014
Opening balance	**$ 4,069.7**	$ 1,310.4
Additions from business acquisitions	**4.5**	2,820.1
Transfer to assets held for sale	**(276.0)**	(19.4)
Impairments	**-**	(9.1)
Disposals	**-**	(32.6)
Other adjustments	**1.0**	0.3
Closing balance	**$ 3,799.2**	$ 4,069.7

Goodwill arising from business acquisitions is allocated at the lowest level within the organization at which it is monitored by management to make business decisions and should not be larger than an operating segment before aggregation. Therefore, goodwill has been allocated to the following five food retailing operating segments:

	May 2, 2015	May 3, 2014
Atlantic	**$ 163.8**	$ 121.0
Lawtons	**15.4**	15.4
Ontario	**150.3**	98.8
Quebec	**608.9**	526.0
West	**2,860.8**	493.8
Canada Safeway acquisition	**-**	2,814.7
Total	**$ 3,799.2**	$ 4,069.7

Goodwill related to the Canada Safeway acquisition has been allocated across the Company's five food retailing operating segments during fiscal 2015. The allocations were based on synergies expected to be realized in each segment, with the majority allocated to the West.

Impairment of goodwill
Goodwill is subject to impairment testing on an annual basis. However, if indicators of impairment are present, the Company will review goodwill for impairment when such indicators arise. The Company performs an annual review during its first quarter, and no impairment was recorded (2014 - $ nil). In performing the review, the Company determined the recoverable amount of goodwill based on fair value less costs of disposal. The key assumption used by management to determine the fair value of the cash generating unit includes industry earnings multiples in a range from 7.0 to 12.5. This key assumption is classified as Level 2 on the fair value hierarchy.

In fiscal 2014, as part of the sale of Empire Theatres (Note 22), goodwill relating to Empire Theatres, which was previously assessed as one operating segment, was assessed for each of the two sales transactions separately. As a result of this assessment, an impairment loss of $9.1 was recorded and is reported as part of discontinued operations.

13. 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:

	May 2, 2015	May 3, 2014
Earnings before income taxes	**$ 587.3**	$ 195.3
Effective combined statutory income tax rate	**26.4%**	26.7%
Income tax expense according to combined statutory income tax rate	**155.0**	52.1
Income taxes resulting from:		
Non-deductible items	**2.4**	6.7
Capital items	**(4.5)**	(1.5)
Non-taxable items	**(1.4)**	(4.5)
Change in tax rates	**0.1**	3.2
Remeasurement of deferred tax attributes	**-**	(20.7)
Other	**(1.2)**	1.0
Total income taxes, combined effective tax rate of 25.6% (2014 - 18.6%)	**$ 150.4**	$ 36.3

Current year income tax expense attributable to net earnings consists of:

	May 2, 2015	May 3, 2014
Current tax expense	**$ 130.9**	$ 135.9
Deferred tax expense:		
Origination and reversal of temporary differences	**19.4**	(82.1)
Change in tax rates	**0.1**	3.2
Remeasurement of deferred tax attributes	**-**	(20.7)
Total	**$ 150.4**	$ 36.3

In fiscal 2014, the Company completed a remeasurement of its deferred income tax provision in the year ended May 3, 2014 resulting in an adjustment of certain tax attributes recognized in earnings in the amount of $20.7.

Deferred taxes arising from temporary differences and unused tax losses can be summarized as follows:

		Recognized in:			
May 2, 2015	**Opening Balance**	**Other Comprehensive Income and Equity**	**Business Acquisitions**	**Net Earnings**	**Closing Balance**
Accounts payable and accrued liabilities	**$ 6.5**	**$ -**	**$ -**	**$ (2.7)**	**$ 3.8**
Equity	**16.0**	**-**	**-**	**(4.7)**	**11.3**
Goodwill and intangibles	**(159.7)**	**-**	**-**	**(6.4)**	**(166.1)**
Inventory	**4.3**	**-**	**-**	**0.9**	**5.2**
Investments	**(13.9)**	**(0.3)**	**-**	**(5.6)**	**(19.8)**
Long-term debt	**17.6**	**-**	**-**	**(2.0)**	**15.6**
Other assets	**(0.9)**	**-**	**-**	**0.4**	**(0.5)**
Other long-term liabilities	**98.6**	**17.4**	**-**	**(2.3)**	**113.7**
Property, equipment and investment property	**(70.4)**	**-**	**-**	**(23.2)**	**(93.6)**
Provisions	**63.6**	**-**	**-**	**12.0**	**75.6**
Partnership deferral reserve	**(5.0)**	**-**	**-**	**7.9**	**2.9**
Losses	**39.9**	**-**	**-**	**12.4**	**52.3**
Other	**5.8**	**-**	**-**	**(6.2)**	**(0.4)**
	$ 2.4	**$ 17.1**	**$ -**	**$ (19.5)**	**$ -**
Recognized as:					
Deferred tax assets	**$ 126.2**	**$ 17.4**	**$ -**	**$ (32.7)**	**$ 110.9**
Deferred tax liabilities	**$ (123.8)**	**$ (0.3)**	**$ -**	**$ 13.2**	**$ (110.9)**

		Recognized in:			
May 3, 2014	**Opening Balance**	**Other Comprehensive Income and Equity**	**Business Acquisitions**	**Net Earnings**	**Closing Balance**
Accounts payable and accrued liabilities	$ 3.2	$ -	$ 2.0	$ 1.3	$ 6.5
Equity	-	20.1	-	(4.1)	16.0
Goodwill and intangibles	(102.0)	-	(20.7)	(37.0)	(159.7)
Inventory	2.2	-	-	2.1	4.3
Investments	(29.6)	-	-	15.7	(13.9)
Long-term debt	7.3	-	10.2	0.1	17.6
Other assets	-	-	-	(0.9)	(0.9)
Other long-term liabilities	78.3	(11.7)	32.9	(0.9)	98.6
Property, equipment and investment property	(79.0)	-	(6.4)	15.0	(70.4)
Provisions	22.5	-	2.9	38.2	63.6
Partnership deferral reserve	(43.7)	-	-	38.7	(5.0)
Losses	3.8	2.1	-	34.0	39.9
Other	(1.3)	-	1.4	5.7	5.8
	$ (138.3)	$ 10.5	$ 22.3	$ 107.9	$ 2.4
Less: Recognized in discontinued operations				(8.3)	
Recognized in continuing operations				99.6	
Recognized as:					
Deferred tax assets	$ 42.3	$ 25.5	$ 35.5	$ 22.9	$ 126.2
Deferred tax liabilities	$ (180.6)	$ (15.0)	$ (13.2)	$ 85.0	$ (123.8)

All deferred tax assets (including tax losses and other tax credits) have been recognized in the consolidated balance sheets. The amount of deferred tax assets and deferred tax liabilities that are expected to be recovered or settled beyond the next 12 months is $(120.5).

14. Provisions

The provisions carrying amounts are comprised of the following:

May 2, 2015	Lease Contracts	Legal	Environmental	Restructuring	Other	Total
Opening balance	$ 28.0	$ 11.2	$ 41.9	$ 138.7	$ 3.3	$ 223.1
Assumed in business acquisitions	-	-	0.1	-	-	0.1
Provisions made	3.2	5.8	1.7	102.0	0.5	113.2
Provisions used	(6.2)	(5.8)	(2.4)	(41.2)	(0.9)	(56.5)
Provisions reversed	(4.7)	(1.6)	(2.2)	(15.3)	-	(23.8)
Change due to discounting	1.4	-	1.3	6.1	0.1	8.9
Closing balance	$ 21.7	$ 9.6	$ 40.4	$ 190.3	$ 3.0	$ 265.0
Current	$ 10.9	$ 9.6	$ 3.3	$ 95.5	$ 2.8	$ 122.1
Non-current	10.8	-	37.1	94.8	0.2	142.9
Total	$ 21.7	$ 9.6	$ 40.4	$ 190.3	$ 3.0	$ 265.0

Lease contracts
Lease contract provisions are recorded when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the obligations under the contract. The Company records onerous contract provisions for closed store locations where it has entered into a lease contract. The provision is measured at the lower of the expected cost to terminate the lease and the expected net cost of continuing the contract. The net cost is derived by considering both the lease payment and sublease income received. Once the store is closed, a liability is recorded to reflect the present value of the expected liability associated with any lease contract and other contractually obligated costs. Onerous contract provisions for planned store or distribution centre closures as part of the Company's rationalization activities are classified as restructuring provisions and are measured and recorded using the same methodology. Discounting of provisions resulting from lease contracts has been calculated using pre-tax discount rates ranging between 7.0 and 9.0 percent.

Legal costs
Legal provisions relate to claims of $9.6 that are outstanding as at May 2, 2015 that arose in the ordinary course of business.

Environmental costs
In accordance with legal and environmental policy requirements, the Company has recorded provisions for locations requiring environmental restoration. These provisions primarily relate to decommissioning liabilities recorded for gas station locations owned by the Company at the net present value of the estimated future remediation costs. Discounting of environmental related provisions has been calculated using pre-tax discount rates ranging between 4.0 and 6.0 percent.

Restructuring
Restructuring provisions relate to the Company's initiatives to lower operating costs and improve financial performance. During the fiscal year, the Company continued to review and integrate Canada Safeway into its business and the Company performed a critical review of its business support network and excess distribution centre capacity. These realignments will strengthen and maximize efficiencies across the network. As a result of these initiatives, a $94.6 restructuring provision has been recorded during the fourth quarter of fiscal 2015. This provision includes $77.3 of severance costs, onerous leases of $15.7, and other restructuring costs of $1.6. The value of the provision is management's best estimate of the amount of expenditures expected to occur.

Total restructuring costs of $103.0 were recognized in selling and administrative expenses for the year ended May 2, 2015. This expense includes write downs of $9.7 to property and equipment and intangible assets, a $2.2 reversal of straight-line lease provisions, $0.9 in other restructuring expenses and $94.6 for severance, onerous leases, and other restructuring costs as noted above.

Other
The Company has obligations to provide various forms of support to Crombie REIT pursuant to various agreements between the parties. These amounts are included in other provisions.

15. Long-term debt

	May 2, 2015	May 3, 2014
First mortgage loans, weighted average interest rate 4.90%, due 2015 - 2033	**$ 49.4**	$ 37.4
Medium term notes, Series C, interest rate 7.16%, due February 26, 2018	**100.0**	100.0
Medium term notes, Series D, interest rate 6.06%, due October 29, 2035	**175.0**	175.0
Medium term notes, Series E, interest rate 5.79%, due October 6, 2036	**125.0**	125.0
Medium term notes, Series F, interest rate 6.64%, due June 7, 2040	**150.0**	150.0
Sinking fund debentures, weighted average interest rate 11.63%, due 2016	**6.2**	14.0
Series 2013-1 Notes, interest rate 3.52%, due August 8, 2018	**500.0**	500.0
Series 2013-2 Notes, interest rate 4.70%, due August 8, 2023	**500.0**	500.0
Senior unsecured notes, floating interest rate tied to bankers' acceptance rate, due July 14, 2016	**300.0**	-
Notes payable and other debt primarily at interest rates fluctuating with the prime rate	**137.4**	141.2
Credit facilities, due November 4, 2017, floating interest rate tied to bankers' acceptance rates	**221.8**	1,735.0
	2,264.8	3,477.6
Unamortized transaction costs	**(34.7)**	(45.1)
Finance lease obligations, weighted average interest rate 5.81%, due 2015 - 2040	**65.8**	67.6
	2,295.9	3,500.1
Less amount due within one year	**53.9**	218.0
	$ 2,242.0	$ 3,282.1

First mortgage loans are secured by land, buildings and specific charges on certain assets. Finance lease obligations are secured by the related finance lease asset. Medium term notes and Series 2013-1 and 2013-2 Notes are unsecured.

Sinking fund debenture payments are required on an annual basis. The proportionate share of related debt is retired with these repayments.

On November 4, 2013, the Company extended the term of its credit facilities to a maturity date of November 4, 2017. On June 6, 2014, an amendment was made to the credit facility to reduce the amount available from $450.0 to $250.0.

On August 8, 2013, in connection with the Canada Safeway acquisition, Sobeys completed a private placement of $500.0 aggregate principal amount of 3.52 percent Notes, Series 2013-1 due August 8, 2018 (the "Series 2013-1 Notes") and $500.0 aggregate principal amount of 4.70 percent Notes, Series 2013-2 due August 8, 2023 (the "Series 2013-2 Notes" and together with the Series 2013-1 Notes, the "Notes"). The aggregate net proceeds were approximately $987.1 after deducting underwriting fees and the purchase discount on the 2013-1 Notes. Upon closing of the Canada Safeway acquisition, the net proceeds of $987.1 were released from escrow and used to partially finance the acquisition.

Pursuant to an agreement dated October 30, 2013, Sobeys established new credit facilities in connection with the Canada Safeway acquisition. The agreement provided for a non-revolving, amortizing term credit facility (the "Acquisition Facility") in the amount of $1,825.0; a non-revolving, non-amortizing term bridge facility (the "Bridge Facility") in the amount of $1,327.9; and a revolving term credit facility (the "RT Facility") in the amount of $450.0.

On November 4, 2013, the RT Facility replaced Sobeys' previous unsecured revolving term credit facility of $450.0, the Acquisition Facility was fully drawn for $1,825.0 and the Bridge Facility was drawn for $200.0 in order to partially finance the Canada Safeway acquisition. As of May 2, 2015, the outstanding amount of the Acquisition Facility was $200.0, the Bridge Facility was fully repaid and matured, and the Company had issued $57.3 in letters of credit against the RT Facility (2014 - $79.0). Interest payable on the Acquisition and RT Facilities fluctuates with changes in the bankers' acceptance rate or Canadian prime rate, and both facilities mature on November 4, 2017.

On July 14, 2014, Sobeys completed a private placement of $300.0 aggregate principal amount of floating rate senior unsecured notes, due July 14, 2016. The senior unsecured notes bear an interest rate equal to the three-month bankers' acceptance rate plus 63 basis points, to be set quarterly. The net proceeds were used to repay outstanding debt on the Acquisition Facility. Deferred financing fees in the amount of $0.9 were incurred on the draw down of the senior unsecured notes and have been offset against long term debt amounts for presentation purposes.

Principal debt retirement in each of the next five fiscal years is as follows:

2016	$ 42.7
2017	324.1
2018	207.3
2019	607.9
2020	15.9
Thereafter	1,066.9

Finance lease liabilities
Finance lease liabilities are payable in each of the next five fiscal years as follows:

	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
2016	$ 14.7	$ 3.5	$ 11.2
2017	13.9	2.9	11.0
2018	11.2	2.3	8.9
2019	9.0	1.8	7.2
2020	7.3	1.4	5.9
Thereafter	29.1	7.5	21.6
Total	$ 85.2	$ 19.4	$ 65.8

During fiscal 2015, the Company increased its finance lease obligation by $5.8 (2014 - $2.4) with a similar increase in assets under finance leases. These additions are non-cash in nature, therefore have been excluded from the statements of cash flows.

16. Other long-term liabilities

	May 2, 2015	**May 3, 2014**
Deferred lease obligation	**$ 89.9**	$ 84.3
Accrued benefit liability (Note 17)	**170.4**	119.1
Employee future benefits (Note 17)	**180.7**	174.5
Deferred revenue	**5.6**	5.0
Other	**11.4**	6.4
Total	**$ 458.0**	$ 389.3

17. Employee future benefits

The Company has a number of defined contribution, defined benefit, and multi-employer plans providing pension and other post-retirement benefits to most of its employees.

Defined contribution pension plans
The contributions required by the employee and the employer are specified. The employee's pension depends on what level of retirement income (for example, annuity purchase) that can be achieved with the combined total of employee and employer contributions and investment income over the period of plan membership, and the annuity purchase rates at the time of the employee's retirement.

Defined benefit pension plans
The ultimate retirement benefit is defined by a formula that provides a unit of benefit for each year of service. Employee contributions, if required, pay for part of the cost of the benefit, but the employer contributions fund the balance. The employer contributions are not specified or defined within the plan text, they are based on the result of actuarial valuations which determine the level of funding required to meet the total obligation as estimated at the time of the valuation.

The defined benefit plan typically exposes the Company to actuarial risks such as interest rate risk, mortality risk and salary risk.

Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate that reflects the average yield, as at the measurement date, on high quality corporate bonds of similar duration to the plans' liabilities. A decrease in the market yield on high quality corporate bonds will increase the Company's defined benefit liability.

Mortality risk

The present value of the defined benefit plan is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salary of the plan participants. As such, an increase in the salary of plan participants will increase the plan's liability.

The Company uses either April 30 or December 31 as an actuarial valuation date and May 1 as a measurement date for accounting purposes, for its defined benefit pension plans.

	Most Recent Valuation Date	Next Required Valuation Date
Retirement Pension Plans	December 31, 2013	December 31, 2016
Senior Management Pension Plans	December 31, 2013	December 31, 2016
Other Benefit Plans	May 1, 2015	May 1, 2018

Multi-employer plans

The Company participates in various multi-employer pension plans which are administered by independent boards of trustees generally consisting of an equal number of union and employer representatives. Approximately 17 percent of employees in the Company and of its franchisees and affiliates participate in these plans. Defined benefit multi-employer pension plans are accounted for as defined contribution plans as adequate information to account for the Company's participation in the plans is not available due to the size and number of contributing employers in the plans. The Company's responsibility to make contributions to these plans is limited by amounts established pursuant to its collective agreements. The contributions made by the Company to multi-employer plans are expensed as contributions are due.

During the year ended May 2, 2015, the Company recognized an expense of $47.7 (2014 - $24.4) in operating income, which represents the contributions made in connection with multi-employer pension plans. During fiscal 2016, the Company expects to continue to make contributions into these multi-employer pension plans.

Other benefit plans

The Company also offers certain employee post-retirement and post-employment benefit plans which are not funded and include health care, life insurance, and dental benefits.

Defined contribution plans

The total expense, and cash contributions, for the Company's defined contribution plans was $29.4 for the year ended May 2, 2015 (2014 - $30.4).

Defined benefit plans

Information about the Company's defined benefit plans, in aggregate, is as follows:

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2015	**May 3, 2014**	**May 2, 2015**	**May 3, 2014**
Defined benefit obligation				
Balance, beginning of year	**$ 841.5**	$ 310.6	**$ 174.5**	$ 133.9
Additions from business acquisitions	**-**	531.0	**-**	43.9
Current service cost, net of employee contributions	**3.8**	3.2	**3.6**	2.7
Interest cost	**34.4**	22.9	**7.3**	6.1
Employee contributions	**0.1**	0.1	**-**	-
Benefits paid	**(56.4)**	(45.9)	**(6.8)**	(5.6)
Past service costs	**0.5**	0.6	**-**	-
Past service costs - curtailments	**(6.6)**	-	**(4.4)**	(0.3)
Settlements	**(7.3)**	-	**-**	-
Remeasurement - actuarial losses (gains) included in other comprehensive income	**94.8**	19.0	**6.5**	(6.2)
Balance, end of year	**$ 904.8**	$ 841.5	**$ 180.7**	$ 174.5
Plan assets				
Fair value, beginning of year	**$ 722.4**	$ 247.6	**$ -**	$ -
Additions from business acquisitions	**-**	437.4	**-**	-
Interest income on plan assets	**29.7**	18.5	**-**	-
Remeasurement return on plan assets (excluding amount in net interest)	**40.4**	53.9	**-**	-
Employer contributions	**8.9**	11.9	**6.8**	5.6
Employee contributions	**0.1**	0.1	**-**	-
Benefits paid	**(56.4)**	(45.9)	**(6.8)**	(5.6)
Settlements	**(8.2)**	-	**-**	-
Administrative costs	**(2.5)**	(1.1)	**-**	-
Fair value, end of year	**$ 734.4**	$ 722.4	**$ -**	$ -

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2015	**May 3, 2014**	**May 2, 2015**	**May 3, 2014**
Funded status				
Total fair value of plan assets	**$ 734.4**	$ 722.4	**$ -**	$ -
Present value of unfunded obligations	**(91.2)**	(83.2)	**(180.7)**	(174.5)
Present value of partially funded obligations	**(813.6)**	(758.3)	**-**	-
Accrued benefit liabilities	**$ (170.4)**	$ (119.1)	**$ (180.7)**	$ (174.5)

Accrued benefit liabilities have been recognized within other long-term liabilities on the consolidated balance sheets.

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2015	**May 3, 2014**	**May 2, 2015**	**May 3, 2014**
Expenses				
Current service cost, net of employee contributions	**$ 3.8**	$ 3.2	**$ 3.6**	$ 2.7
Net interest on net defined benefit liability	**4.7**	4.4	**7.3**	6.1
Administrative costs	**2.5**	1.1	**-**	-
Actuarial (gain) loss recognized	**-**	-	**(0.2)**	0.1
Past service costs	**0.5**	0.6	**-**	-
Past service costs - curtailments	**(6.6)**	-	**(4.4)**	(0.3)
Settlement loss	**0.9**	-	**-**	-
Costs	**$ 5.8**	$ 9.3	**$ 6.3**	$ 8.6

Current and past service costs have been recognized within selling and administrative expenses, whereas interest costs and return on plan assets (excluding amounts in net interest costs) have been recognized within finance costs, net in the consolidated statements of earnings.

Actuarial gains and losses recognized directly in other comprehensive income:

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2015	**May 3, 2014**	**May 2, 2015**	**May 3, 2014**
Remeasurement effects recognized in other comprehensive income				
Return on plan assets (excluding amounts in net interest)	**$ (40.4)**	$ (53.9)	**$ -**	$ -
Actuarial gain - experience changes	**(0.5)**	(6.2)	**(9.5)**	(7.0)
Actuarial loss - demographic assumptions	**-**	12.5	**-**	9.3
Actuarial loss (gain) - financial assumptions	**95.3**	12.5	**16.2**	(8.5)
Remeasurement effects recognized in other comprehensive income	**$ 54.4**	$ (35.1)	**$ 6.7**	$ (6.2)

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions as of May 2, 2015):

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2015	**May 3, 2014**	**May 2, 2015**	**May 3, 2014**
Discount rate	**3.50%**	4.25%	**3.25%**	4.00%
Rate of compensation increase	**3.50%**	3.50%		

For measurement purposes, a 7.00 percent fiscal 2015 annual rate of increase in the per capita cost of covered health care benefits was assumed (2014 - 7.50 percent). The cumulative rate expectation to 2019 and thereafter is 5.00 percent.

These assumptions were developed by management under consideration of expert advice provided by independent actuarial appraisers. These assumptions have led to the amounts determined as the Company's defined benefit obligations and should be regarded as management's best estimate. However, the actual outcome may vary. Estimation uncertainties exist especially in regards to medical cost trends, which may vary significantly in future appraisals of the Company's defined benefit and other benefit obligations.

The table below outlines the sensitivity of the fiscal 2015 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 Benefit Plans		Other Benefit Plans	
	Benefit Obligations	**Benefit Cost**[(1)]	**Benefit Obligations**	**Benefit Cost**[(1)]
Discount rate[(2)]	3.50%	3.50%	3.25%	3.25%
Impact of: 1% increase	$ (116.4)	$ (5.3)	$ (22.7)	$ 0.1
Impact of: 1% decrease	$ 147.1	$ 4.3	$ 28.2	$ (0.3)
Growth rate of health care costs[(3)]			7.00%	7.00%
Impact of: 1% increase			$ 21.1	$ 1.2
Impact of: 1% decrease			$ (17.4)	$ (1.0)

[(1)] *Reflects the impact on the current service cost, interest cost, and net interest on defined benefit liability (asset).*
[(2)] *Based on a weighted average of discount rates related to all plans.*
[(3)] *Gradually decreasing to 5.00 percent in 2019 and remaining at that level thereafter.*

The asset mix of the defined benefit pension plans as at year end is as follows:

	May 2, 2015	May 3, 2014
Canadian equity funds	**18.2%**	37.8%
Foreign equity funds	**20.4%**	33.7%
Fixed income funds	**60.5%**	28.1%
Cash	**0.9%**	0.4%
Total investments	**100.0%**	100.0%

Within these securities are investments in Empire Non-Voting Class A shares. The pro-rata market value of these shares at year end is as follows:

	May 2, 2015	% of Plan Assets	May 3, 2014	% of Plan Assets
Empire Company Limited Non-Voting Class A shares	**$ 22.3**	**3.0%**	$ 22.1	3.1%

All of the securities are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities or based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The actual return on plan assets was $67.6 for the year ended May 2, 2015 (2014 - $71.3).

Management's best estimate of contributions expected to be paid to the defined benefit plans during the annual period beginning on May 3, 2015 and ending on May 7, 2016 is $9.0.

18. Capital stock

Authorized	Number of Shares May 2, 2015	Number of Shares May 3, 2014
2002 Preferred shares, par value of $25 each, issuable in series	**991,980,000**	991,980,000
Non-Voting Class A shares, without par value	**257,044,056**	257,044,056
Class B common share, without par value, voting	**40,800,000**	40,800,000

Issued and outstanding	Number of Shares	May 2, 2015	May 3, 2014
Non-Voting Class A	**59,620,737**	**$ 2,102.1**	$ 2,101.0
Class B common	**32,712,693**	**7.3**	7.6
Total		**$ 2,109.4**	$ 2,108.6

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 ended May 2, 2015, 1,548,070 Class B common shares were converted into 1,548,070 Non-Voting Class A shares.

In connection with the Canada Safeway acquisition in November 2013, the Company issued 24,265,000 Non-Voting Class A shares, resulting in additions to capital stock of $1,842.6 before transaction costs. Transaction costs of $55.8, net of deferred taxes of $20.1, were offset against the proceeds as they directly related to the issuance of the common shares.

During fiscal 2015, the Company paid common dividends of $99.7 (2014 - $83.3) to its equity holders. This represents a payment of $1.08 per share (2014 - $1.04 per share) for common share holders.

On March 12, 2015, the Company filed a notice of intent with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 1,788,584 Non-Voting Class A shares, representing approximately three percent of those outstanding, subject to obtaining regulatory approval. The purchases will be made through the facilities of the TSX. The price the Company will pay for any such shares will be the market price at the time of acquisition. Purchases may commence on March 17, 2015, and shall terminate not later than March 16, 2016. Empire has not repurchased any Non-Voting Class A shares since the date of notice.

19. Other income

	May 2, 2015	May 3, 2014
Gain on disposal of assets	**$ 66.9**	$ 8.0
Lease revenue from owned property	**31.4**	35.2
Investment income	**1.2**	1.8
Dilution gains	**0.1**	4.3
Total	**$ 99.6**	$ 49.3

20. Employee benefits expense

	May 2, 2015	May 3, 2014
Wages, salaries and other short-term employment benefits	**$ 3,044.4**	$ 2,468.7
Post-employment benefits	**29.5**	37.8
Termination benefits	**5.8**	24.2
Total	**$ 3,079.7**	$ 2,530.7

21. Finance costs, net

Finance income and finance costs are reported on a net basis in the consolidated statements of earnings.

	May 2, 2015	May 3, 2014
Finance income		
Interest income from cash and cash equivalents	**$ 1.4**	$ 9.1
Gain on disposal of financial assets	**-**	1.2
Total finance income	**1.4**	10.3
Finance costs		
Interest expense on financial liabilities measured at amortized cost	**136.7**	129.5
Fair value (gains) losses on forward contracts	**(0.5)**	0.6
Losses on cash flow hedges reclassified from other comprehensive income	**0.6**	-
Net pension finance costs	**12.0**	10.4
Accretion expense on provisions	**8.9**	3.0
Total finance costs	**157.7**	143.5
Finance costs, net	**$ 156.3**	$ 133.2

22. Discontinued operations

During fiscal 2014, Empire Theatres completed its asset sales transactions with two unrelated parties. Details of the sale are as follows:

Net proceeds on disposal	$	259.2
Book value of property and equipment sold		114.4
Book value of goodwill sold		32.6
Book value of intangible assets sold		0.5
Write off of property and equipment		0.4
Write off of deferred tenant inducements and market lease adjustments		(14.2)
Write off of straight line rent		(4.2)
Estimated transaction costs		3.0
Other costs		1.5
		134.0
Gain before income taxes		125.2
Income taxes		21.0
Gain on disposal of assets, net of tax	$	104.2

An analysis of the operating results of the discontinued operations, and results recognized as a result of remeasurement of the disposal groups, sale of the disposal groups and recognition of restructuring costs is as follows:

	May 2, 2015	May 3, 2014
Sales	**$ -**	$ 127.5
Expenses, including finance costs of $ nil (2014 - $0.8)	-	120.2
Earnings before income taxes of discontinued operations	-	7.3
Income taxes	-	2.1
Net earnings of discontinued operations	-	5.2
Loss recognized on remeasurement of assets of disposal groups to fair value less cost to sell, net of tax of $ nil (2014 - $6.2)	-	(15.7)
Gain on disposal of assets, net of tax of $ nil (2014 - $(21.0))	-	104.2
Loss from recognition of restructuring costs, net of tax of $ nil (2014 - $3.6)	-	(9.3)
Net gain from remeasurement of assets, disposal of assets and from restructuring costs	-	79.2
Net earnings from discontinued operations	**$ -**	$ 84.4

Cash flows from discontinued operations:

	May 2, 2015	May 3, 2014
Operating cash flows	**$ -**	$ (24.9)
Investing cash flows	**$ -**	$ 239.3
Financing cash flows	**$ -**	$ (21.0)

23. Earnings per share

Earnings applicable to common shares are comprised of the following:

	May 2, 2015	May 3, 2014
Earnings from continuing operations	**$ 419.0**	$ 151.0
Earnings from discontinued operations	-	84.4
Earnings applicable to common shares	**$ 419.0**	$ 235.4

Earnings per share is comprised of the following:

	May 2, 2015	May 3, 2014
Basic earnings per share		
From continuing operations	**$ 4.54**	$ 1.89
From discontinued operations	**-**	1.05
	$ 4.54	$ 2.94
Diluted earnings per share		
From continuing operations	**$ 4.54**	$ 1.88
From discontinued operations	**-**	1.05
	$ 4.54	$ 2.93

The weighted average number of outstanding shares as at May 2, 2015 used for basic earnings per share amounted to 92,329,239 (2014 - 80,049,235) shares.

The weighted average number of shares for the purpose of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	May 2, 2015	May 3, 2014
Weighted average number of shares used in basic earnings per share	**92,329,239**	80,049,235
Shares deemed to be issued for no consideration in respect of stock-based payments	**55,795**	159,691
Weighted average number of shares used in diluted earnings per share	**92,385,034**	80,208,926

24. Business acquisitions

The Company acquired 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 respective periods:

	May 2, 2015	May 3, 2014
Stores and retail gas locations		
Inventories	**$ 5.2**	$ 457.9
Property, equipment and investment property	**6.0**	1,152.5
Intangibles	**0.1**	181.6
Deferred tax assets	**-**	35.5
Assets held for sale	**-**	391.4
Assets acquired for sale-leaseback	**-**	991.3
Goodwill	**4.5**	2,820.1
Accounts payable and accrued liabilities	**-**	(398.7)
Pension obligations	**-**	(137.5)
Deferred tax liabilities	**-**	(13.2)
Provisions	**(0.1)**	-
Other assets and liabilities	**(4.3)**	37.6
	11.4	5,518.5
Prescription files		
Intangibles	**0.3**	306.5
Cash consideration	**$ 11.7**	$ 5,825.0

From the date of acquisition, the businesses acquired contributed sales of $38.3 and earnings of $0.4 for the year ended May 2, 2015.

Canada Safeway Acquisition

On June 12, 2013, the Company entered into an Asset Purchase Agreement with Safeway Inc. and its subsidiaries to purchase substantially all of the assets and select liabilities of Canada Safeway ULC for a cash purchase price of $5,800.0, subject to a working capital adjustment.

During fiscal 2015, management finalized the purchase price allocation related to the Canada Safeway acquisition. As a result, the consolidated balance sheet as at May 3, 2014 was adjusted and includes the following fair value of the identifiable assets acquired and liabilities assumed:

Inventories	$ 451.0
Property, equipment and investment property	1,139.8
Assets held for sale	391.4
Assets acquired for sale-leaseback	991.3
Intangibles	487.6
Deferred tax assets	35.5
Accounts payable and accrued liabilities	(398.7)
Pension obligations	(137.5)
Deferred tax liabilities	(13.2)
Other assets and liabilities	38.1
Total identifiable net assets	$ 2,985.3
Excess consideration paid over identifiable net assets acquired allocated to goodwill	$ 2,814.7

25. Guarantees, commitments and contingent liabilities

Guarantees

Franchisees and affiliates

Sobeys is party to a number of franchise and operating agreements as part of its business model. These agreements contain clauses which require the Company to provide support to franchisee and affiliate operators to offset or mitigate retail store losses, reduce store rental payments, minimize the impact of promotional pricing, and assist in covering other store related operating expenses. Not all of the financial support noted above will apply in each instance as the provisions of the agreements vary. The Company will continue to provide financial support pursuant to the franchise and operating agreements in future years.

Sobeys has a guarantee contract under the terms of which, should certain franchisees and affiliates be unable to fulfill their lease obligations, Sobeys would be required to fund the greater of $7.0 or 9.9 percent (2014 - $7.0 or 9.9 percent) of the authorized and outstanding obligation. The terms of the guarantee contract are reviewed annually each August. As at May 2, 2015, the amount of the guarantee was $7.0 (2014 - $7.0).

Sobeys has guaranteed certain equipment leases of its franchisees and affiliates. Under the terms of the guarantee should franchisees and affiliates be unable to fulfill their equipment lease obligations, Sobeys would be required to fund the difference of the lease commitments up to a maximum of $145.0 on a cumulative basis. Sobeys approves each of the contracts.

During fiscal 2009, Sobeys entered into an additional credit enhancement contract in the form of a standby letter of credit for certain franchisees and affiliates for the purchase and installation of equipment. Under the terms of the contract, should franchisees and affiliates be unable to fulfill their lease obligations or provide an acceptable remedy, Sobeys would be required to fund the greater of $6.0 or 10.0 percent (2014 - $6.0 or 10.0 percent) of the authorized and outstanding obligation annually. Under the terms of the contract, Sobeys is required to obtain a letter of credit in the amount of the outstanding guarantee, to be revisited each calendar year. This credit enhancement allows Sobeys to provide favourable financing terms to certain franchisees and affiliates. The contract terms have been reviewed and Sobeys determined that there were no material implications with respect to the consolidation of SEs. As at May 2, 2015, the amount of the guarantee was $6.0 (2014 - $6.0).

The minimum rent payments under the guaranteed operating equipment leases over the next five fiscal years are:

	Third Parties
2016	$ 13.4
2017	-
2018	-
2019	-
2020	-
Thereafter	-

Other
At May 2, 2015, the Company was contingently liable for letters of credit issued in the aggregate amount of $69.8 (2014 - $94.6).

Upon entering into the lease of its new Mississauga distribution centre, in March 2000, Sobeys guaranteed to the landlord the performance, by SERCA Foodservice Inc., of all of its obligations under the lease. The remaining term of the lease is five years with an aggregate obligation of $16.5 (2014 - $19.5). 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 the purchaser, and Sysco Corp. agreed to indemnify and hold Sobeys harmless from any liability it may incur pursuant to its guarantee.

Commitments

Operating leases, as lessee
The Company leases various retail stores, distribution centres, offices, and equipment under non-cancellable operating leases. These leases have varying terms, escalation clauses, renewal options, and bases on which contingent rent is payable.

The total net, future minimum rent payable under the Company's operating leases as of May 2, 2015 is approximately $4,020.5. This reflects a gross lease obligation of $4,939.8 reduced by expected sub-lease income of $919.3. The net commitments over the next five fiscal years are:

	Third Parties		Related Parties	
	Net Lease Obligation	Gross Lease Obligation	Net Lease Obligation	Gross Lease Obligation
2016	$ 226.2	$ 338.0	$ 128.1	$ 128.1
2017	209.8	311.6	126.7	126.7
2018	192.6	283.2	126.4	126.4
2019	178.2	256.7	127.6	127.6
2020	164.7	236.3	127.3	127.3
Thereafter	920.7	1,385.7	1,492.2	1,492.2

The Company recorded $517.4 (2014 - $500.0) as an expense for minimum lease payments for the year ended May 2, 2015 in the consolidated statements of earnings. The expense was offset by sub-lease income of $161.8 (2014 - $155.9), and a further $11.5 (2014 - $11.9) of expense was recognized for contingent rent.

Operating leases, as lessor
The Company also leases most investment properties under operating leases. These leases have varying terms, escalation clauses, renewal options and bases on which contingent rent is receivable.

Rental income for the year ended May 2, 2015 was $29.7 (2014 - $34.3) and was recognized as other income in the consolidated statements of earnings. In addition, the Company recognized $1.7 of contingent rent for the year ended May 2, 2015 (2014 - $0.9).

The lease payments expected to be received over the next five fiscal years are:

	Third Parties
2016	$ 19.5
2017	17.3
2018	15.6
2019	13.7
2020	11.1
Thereafter	67.1

Contingent liabilities
On June 21, 2005, Sobeys received a notice of reassessment from Canada Revenue Agency ("CRA") for fiscal years 1999 and 2000 related to Lumsden Brothers Limited, a wholesale subsidiary of Sobeys, and the Goods and Service Tax ("GST"). The reassessment related to GST on sales of tobacco products to status Indians. CRA asserts that Sobeys was obliged to collect GST on sales of tobacco products to status Indians. The total tax, interest and penalties in the reassessment was $13.6. Sobeys has reviewed this matter, has received legal advice, and believes it was not required to collect GST. During the second quarter of fiscal 2006, Sobeys filed a Notice of Objection with CRA. The matter is still under dispute and Sobeys has filed a Notice of Appeal with the Tax Court of Canada. Accordingly, Sobeys has not recorded in its statements of earnings any of the tax, interest or penalties in the notice of reassessment. Sobeys has deposited with CRA funds to cover the total tax, interest and penalties in the reassessment and has recorded this amount as an other long-term receivable from CRA pending resolution of the matter.

There are various claims and litigation, with which the Company is involved, 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.

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

26. Financial instruments

Credit risk
Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, receivables, loans and other receivables, derivative contracts and guarantees.

The Company's maximum exposure to credit risk corresponds to the carrying amount for all cash and cash equivalents, loans and receivables, and guarantee contracts for franchisees and affiliates (Note 25).

The Company mitigates credit risk associated with its trade receivables and loans receivables through established credit approvals, limits and a regular monitoring process. The Company generally considers the credit quality of its financial assets that are neither past due or impaired to be solid. The Company regularly monitors collection performance and pledged security for all of its receivables and loans and other receivables to ensure adequate payments are being received and adequate security is available. Pledged security can vary by agreement, but generally includes inventory, fixed assets including land and/or building, as well as personal guarantees. Credit risk is further mitigated due to the large number of customers and their dispersion across geographic areas. The Company only enters into derivative contracts with counterparties that are dual rated and have a credit rating of "A" or better to minimize credit risk.

Receivables are substantially comprised of balances due from independent accounts, franchisee or affiliate locations as well as rebates and allowances from vendors. The due date of these amounts can vary by agreement but in general balances over 30 days are considered past due. The aging of the receivables is as follows:

	May 2, 2015	May 3, 2014
0 - 30 days	**$ 380.6**	$ 363.9
31 - 90 days	**54.4**	40.6
Greater than 90 days	**94.2**	75.1
Total receivables before allowance for credit losses	**529.2**	479.6
Less: allowance for credit losses	**(21.8)**	(20.3)
Receivables	**$ 507.4**	$ 459.3

Interest earned on past due accounts is recorded as a reduction to selling and administrative expenses in the consolidated statements of earnings. Receivables are classified as current on the consolidated balance sheets as of May 2, 2015.

Allowance for credit losses is reviewed at each balance sheet date. An allowance is taken on receivables from independent accounts, as well as receivables, loans and other receivables from franchisee or affiliate locations and is recorded as a reduction to its respective receivable account on the consolidated balance sheets. The Company updates its estimate for credit losses based on past due balances from independent accounts and based on an evaluation of recoverability net of security assigned for franchisee or affiliate locations. Current and long-term receivables, loans and other receivables are reviewed on a regular basis and are written-off when collection is considered unlikely. The change in allowance for credit losses is recorded as selling and administrative expenses in the consolidated statements of earnings and is presented as follows:

	May 2, 2015	May 3, 2014
Allowance, beginning of year	**$ 20.3**	$ 19.2
Provision for losses	**12.5**	7.1
Recoveries	**(4.0)**	(5.0)
Write-offs	**(7.0)**	(1.0)
Allowance, end of year	**$ 21.8**	$ 20.3

Liquidity risk
Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they come due. The Company actively maintains a committed credit facility to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

The Company monitors capital markets and the related conditions, and monitors its cash flows in order to assist in optimizing its cash position and evaluate longer term cash and funding requirements. Market conditions allowing, the Company will access debt capital markets for various long-term debt maturities and as other liabilities come due or as assessed to be appropriate in order to minimize risk and optimize pricing.

The following table summarizes the amount and the contractual maturities of both the interest and principal portion of significant financial liabilities on an undiscounted basis as at May 2, 2015:

	2016	2017	2018	2019	2020	Thereafter	Total
Derivative financial liabilities							
Foreign currency swaps	$ 2.3	$ 2.4	$ 2.4	$ 2.5	$ 13.0	$ -	$ 22.6
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	2,265.8	-	-	-	-	-	2,265.8
Long-term debt	142.6	420.3	298.5	677.4	78.6	1,646.7	3,264.1
Total	$ 2,410.7	$ 422.7	$ 300.9	$ 679.9	$ 91.6	$ 1,646.7	$ 5,552.5

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.

The book value of cash and cash equivalents, receivables, 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 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 year ended May 2, 2015.

The following table provides a comparison of the carrying values and fair values for each classification of financial instruments:

	May 2, 2015		May 3, 2014	
	Total Carrying Amount	Total Fair Value	Total Carrying Amount	Total Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**$ 295.9**	**$ 295.9**	$ 429.3	$ 429.3
Receivables	**507.4**	**507.4**	459.3	459.3
Loans and other receivables	**113.3**	**113.3**	98.9	98.9
Financial assets designated as fair value through profit or loss:				
Other assets[1]	**4.5**	**4.5**	6.8	6.8
Available for sale:				
Investments	**25.1**	**25.1**	24.8	24.8
Total financial assets	**$ 946.2**	**$ 946.2**	$ 1,019.1	$ 1,019.1
Financial Liabilities				
Other financial liabilities:				
Accounts payable and accrued liabilities	**$ 2,265.8**	**$ 2,265.8**	$ 2,244.9	$ 2,244.9
Long-term debt	**2,295.9**	**2,490.7**	3,500.1	3,639.9
Financial liabilities designated as fair value through profit or loss:				
Other long-term liabilities[2]	**5.5**	**5.5**	-	-
Total financial liabilities	**$ 4,567.2**	**$ 4,762.0**	$ 5,745.0	$ 5,884.8

[1] Represents the total carrying values of financial assets included in other assets on the consolidated balance sheets.
[2] Represents the total carrying values of financial liabilities included in other long-term liabilities on the consolidated balance sheets.

As at May 2, 2015, the fair value hierarchy includes financial assets designated as fair value through profit or loss of $4.4, $0.1, and $ nil for Levels 1, 2 and 3 respectively (2014 - $6.3, $0.5, and $ nil).

As at May 2, 2015, the fair value hierarchy includes financial assets designated as available for sale of $25.1 for Level 1 (2014 - $24.8).

As at May 2, 2015, the fair value hierarchy includes financial liabilities designated as fair value through profit or loss of $ nil, $5.5, and $ nil for Levels 1, 2 and 3 respectively. There were no financial liabilities designated as fair value through profit or loss as at May 3, 2014.

Derivative financial instruments

Derivative financial instruments are recorded on the 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 year.

As of May 2, 2015, the fair values of the outstanding derivatives designated as cash flow hedges of forecast transactions were assets of $0.1 (2014 - $0.5) and liabilities of $5.5 (2014 - $ nil).

Cash flows from cash flow hedges are expected to flow over the next five years until fiscal 2020, and are expected to be recognized in net earnings over this period, and, in the case of foreign currency swaps, over the life of the related assets in which a portion of the initial cost is being hedged.

The gains and losses on ineffective portions of such derivatives are recognized immediately in net earnings for the year. During the year, the Company recognized $0.4 (2014 - $ nil) directly into net earnings as a result of ineffective hedging contracts.

Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Financial instruments that potentially subject the Company to interest rate risk include financial liabilities with floating interest rates.

The Company manages interest rate risk by monitoring market conditions and the impact of interest rate fluctuations on its debt. The Company utilized interest rate swaps designated as cash flow hedges to manage variable interest rates associated with some of the Company's long-term debt. Hedge accounting treatment resulted in interest expense on the related borrowings being reflected at hedged rates rather than at variable interest rates.

The majority of the Company's long-term debt is at fixed interest rates or hedged with interest rate swaps. Approximately 27.5 percent (2014 - 54.2 percent) of the Company's long-term debt is exposed to interest rate risk due to floating rates.

Net earnings is sensitive to the impact of a change in interest rates on the average balance of interest bearing financial liabilities during the year. For the year ending May 2, 2015, the Company's average outstanding unhedged floating rate debt was $1,270.3 (2014 - $1,060.5). An increase (decrease) of 25 basis points would have impacted net earnings by $2.2 ($2.2) (2014 - $1.9 ($1.9)) and other comprehensive income by $ nil ($ nil) (2014 - $ nil ($ nil)) as a result of the Company's exposure to interest rate fluctuations on its hedged and unhedged floating rate debt.

During the first quarter of fiscal 2015, Sobeys entered into an amortizing interest rate swap for an original notional amount of $598.7 at a fixed interest rate of 1.4 percent effective May 12, 2014 to hedge the interest rate on a portion of Sobeys' Acquisition Facility (Note 15). The notional amount outstanding at the end of fiscal 2015 is $174.7. The interest rate swap matures on December 31, 2015.

Foreign currency exchange risk

The Company conducts the vast majority of its business in Canadian dollars. The Company's foreign currency exchange risk principally relates to purchases made in U.S. dollars. In addition, the Company also uses forward contracts to fix the exchange rate on some of its expected requirements for Euros, British Pounds and U.S. dollars. Amounts received or paid related to instruments used to hedge foreign exchange, including any gains and losses, are recognized in the cost of purchases. The Company does not consider its exposure to foreign currency exchange risk to be material.

The Company has entered into foreign currency forward contracts and foreign currency swaps for the primary purpose of limiting exposure to exchange rate fluctuations relating to expenditures denominated in foreign currencies. These contracts are designated as hedging instruments for accounting purposes. Accordingly, the effective portion of the change in the fair value of the forward contracts are accumulated in other comprehensive income until the variability in cash flows being hedged is recognized in net earnings in future accounting periods.

The Company estimates that a 10 percent increase (decrease) in applicable foreign currency exchange rates would impact net earnings by $ nil ($ nil) (2014 - $ nil ($ nil)) and other comprehensive income by $4.2 ($4.2) (2014 - $0.8 ($0.8)) for foreign currency derivatives in place at year end.

Sobeys entered into seven Euro/Canadian dollar forward contracts during the first quarter of fiscal 2015 at an approximate Canadian dollar value at inception of $58.0. The forward contracts were entered into to hedge and limit exposure to exchange rate fluctuations relating to future expenditures in Euros. The forward contracts have maturities ranging from May 29, 2014 to September 1, 2016.

On January 30, 2015, Sobeys unwound a floating-for-floating currency swap that originated in July 2008 at a gain of $0.7 and entered into a new floating-for-floating currency swap with a fixed rate of 1.2775 Canadian dollar/ U.S. dollar to mitigate the currency risk associated with a U.S. dollar denominated variable rate loan. The terms of the swap match the terms of the variable rate loan.

Market risk
Market risk is the risk that the fair value of investments will fluctuate as a result of changes in the price of the investment. The Company estimates that a 10 percent change in the market value of its investments that trade on a recognized stock exchange would impact net earnings by $ nil (2014 - $ nil) and other comprehensive income by $2.1 (2014 - $2.1).

27. Segmented information

The Board of Directors has determined that the primary segmental reporting format is by business segment, based on the Company's management and internal reporting structure. The Company operates principally in two business segments: food retailing and investments and other operations. The food segment consists of distribution of food products in Canada.

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.

The sales and operating income generated by each of the group's business segments are summarized as follows:

	May 2, 2015	May 3, 2014
Segmented sales		
Food retailing	**$ 23,928.8**	$ 20,961.5
Investments and other operations	**-**	3.4
	23,928.8	20,964.9
Sales to discontinued operations	**-**	7.1
Total	**$ 23,928.8**	$ 20,957.8

	May 2, 2015	May 3, 2014
Segmented operating income		
Food retailing	**$ 639.9**	$ 291.6
Investments and other operations		
Crombie REIT	**30.6**	19.2
Real estate partnerships	**54.7**	30.4
Other operations, net of corporate expenses	**18.4**	(12.7)
	103.7	36.9
Total	**$ 743.6**	$ 328.5

	May 2, 2015	May 3, 2014
Total assets by segment		
Food retailing	**$ 10,787.4**	$ 11,560.7
Investments and other operations (including discontinued operations)	**686.0**	683.0
Total	**$ 11,473.4**	$ 12,243.7

Segment operating income can be reconciled to group profit before income taxes and discontinued operations as follows:

	May 2, 2015	May 3, 2014
Total operating income	**$ 743.6**	$ 328.5
Finance costs, net	**156.3**	133.2
Total	**$ 587.3**	$ 195.3

The investments and other operations consists of the investments, at equity in Crombie REIT, real estate partnerships, and various other corporate operations.

28. Stock-based compensation

Deferred stock units

Members of the Board of Directors and certain employees may elect to receive all or any portion of their fees or a portion of their compensation in deferred stock units ("DSUs") in lieu of cash. The number of DSUs received is determined by the market value of the Company's Non-Voting Class A shares on each directors' or employees' fee payment date. Additional DSUs are received as dividend equivalents. DSUs cannot be redeemed for cash until the holder is no longer a director of the Company or the employee has retired. The redemption value of a DSU equals the market value of an Empire Non-Voting Class A share at the time of redemption. On an ongoing basis, the Company values the DSU obligation at the current market value of a corresponding number of Non-Voting Class A shares and records any increase or decrease in the DSU obligation as selling and administrative expenses on the consolidated statements of earnings. At May 2, 2015, there were 120,870 (2014 - 146,365) DSUs outstanding. During the 52 weeks ended May 2, 2015, the compensation expense was $4.0 (2014 - $1.1).

Performance share unit plan

Commencing in fiscal 2012, the Company awarded certain employees a target number of performance share units ("PSUs") that track the Company's Non-Voting Class A share prices over a three-year period. The number of PSUs that vest under an award is dependent on time and the achievement of specific performance measures. On the vesting date, each employee is entitled to receive a cash payout amount equal to the number of their vested PSUs multiplied by the market value of the Non-Voting Class A shares. At May 2, 2015, there were 270,542 (2014 - 39,600) PSUs outstanding. During the 52 weeks ended May 2, 2015, the compensation expense was $9.2 (2014 - $2.7).

The total carrying amount of liability for DSU's and PSU's at May 2, 2015 was $24.2 (2014 - $12.1).

Phantom performance option plan

Prior to fiscal 2014, Sobeys' executives participated in the Sobeys phantom performance option plan ("PPOP") which provided for the issuance of phantom performance options ("PPOs"). The PPOs are subject to a performance period or term of five years. Sobeys PPOs were granted to officers and senior management of Sobeys as approved by the Human Resource ("HR") Committee. Grants vest over a four-year period at a rate of 25 percent per year. The PPOP contains a liquidity provision which allows for partial payouts of the 'in-the-money' position during the performance period. During fiscal 2014, the plan was converted to a cash settled share based payment with the growth calculation based on the five day average Empire Non-Voting Class A share value following the announcement of the Company's fiscal financial performance compared to the five day average following the announcement of the Company's fiscal financial performance of the preceding year. At May 2, 2015, there were 895,223 options (2014 - 1,244,057) outstanding and the carrying amount of the liability associated with these options was $24.6 (2014 - $11.0).

Empire restricted share unit plan

Empire created a Restricted Share Unit Plan for certain executives and other employees joining the Company as a result of the acquisition of Canada Safeway to replace lost value of unvested Safeway stock options and stock appreciation rights that existed at the closing of the Canada Safeway acquisition in November 2013. The Restricted Share Unit Plan is a cash settled share based payment that provides a cash payout value of a restricted share unit ("RSU") equal to the market value of a Non-Voting Class A share at the time of vesting assuming reinvestment of any dividends paid since the date of grant. Following closing of the Canada Safeway acquisition in fiscal 2014, the HR Committee issued RSUs based on a Non-Voting Class A share value of $76.00. The granted RSUs vest in stages over three years. The Restricted Share Unit Plan also provides that the HR Committee may allow RSUs to be converted to deferred stock units if the participant elects prior to vesting. At May 2, 2015, there were 110,800 (2014 - 119,899) units outstanding and the carrying amount of the liability associated with these units was $7.0 (2014 - $4.2).

Stock option plan

During fiscal 2015, the Company granted an additional 325,989 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 $7.88 per option was determined using the Black Scholes model with the following weighted average assumptions:

Share price	$67.28
Expected life	8.00 years
Risk-free interest rate	1.70%
Expected volatility	14.45%
Dividend yield	1.52%

The compensation cost for the year ended May 2, 2015 was $4.0 (2014 - $3.4) 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 $4.0 (2014 - $3.4).

The outstanding options at May 2, 2015 were granted at prices between $51.99 and $92.60 and expire between July 2018 and March 2023. Stock option transactions during fiscal 2015 and 2014 were as follows:

	2015		**2014**	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Balance, beginning of year	**934,366**	**$ 74.56**	684,128	$ 47.06
Granted	**325,989**	**67.28**	826,799	78.89
Purchased	**-**	**-**	(291,980)	46.89
Exercised	**(87,574)**	**51.11**	(240,940)	44.16
Forfeited	**(51,116)**	**67.76**	(43,641)	78.46
Balance, end of year	**1,121,665**	**$ 74.58**	934,366	$ 74.56
Stock options exercisable, end of year	**231,577**		101,289	

The following table summarizes information about stock options outstanding at May 2, 2015:

	Options Outstanding			Options Exercisable	
Year Granted	**Number of Outstanding Options**	**Weighted Average Remaining Contractual Life[1]**	**Weighted Average Exercise Price**	**Number Exercisable at May 2, 2015**	**Weighted Average Exercise Price**
2011	**19,954**	**3.17**	**51.99**	**19,954**	**51.99**
2012	**17,941**	**4.17**	**54.40**	**13,456**	**54.40**
2013	**4,754**	**5.17**	**53.93**	**2,377**	**53.93**
2014	**755,259**	**6.42**	**78.92**	**195,790**	**78.92**
2015	**323,757**	**7.17**	**67.28**	**-**	**-**
Total	**1,121,665**	**6.54**	**$ 74.58**	**231,577**	**$ 74.92**

[1] *Weighted average remaining contractual life is expressed in years.*

Share Purchase Plan
The Company has a share purchase plan for employees of the Company whereby loans are granted to purchase Non-Voting Class A shares.

The Company's current practice is to use only the performance share unit plan and the stock option plan to provide medium-term and long-term incentive for employees. As a result, outstanding loans under the share purchase plan will be repaid at the employees' option, but no later than the expiry date of the loans which were originally set for 10 years.

29. Related party transactions

The Company has related party transactions with Crombie REIT and key management personnel. The Company holds a 41.5 percent ownership interest in Crombie REIT and accounts for its investment using the equity method.

On May 30, 2014, Crombie REIT closed a bought-deal public offering of units at a price of $13.25 per unit. Concurrent with the public offering, a wholly-owned subsidiary of the Company purchased approximately $40.0 of Class B LP units (which are convertible on a one-for-one basis into units of Crombie REIT). Following the conversion of Crombie REIT debentures during the current fiscal year, and accounting for the subscription of Class B LP units, the Company's interest in Crombie REIT decreased from 41.6 to 41.5 percent.

During the second quarter of fiscal 2015, the Company exited a sub-lease agreement with Crombie REIT and incurred a charge of $2.7. This charge is included in selling and administrative expenses on the consolidated statements of earnings.

During the year ended May 2, 2015, Sobeys through its wholly owned subsidiaries sold ten properties and leased back eight properties from Crombie REIT. Cash consideration received for the properties sold was $105.8, resulting in a pre-tax gain of $1.2, which has been recognized in the consolidated statements of earnings. The majority of proceeds received were used to repay bank borrowings.

The Company rents premises from Crombie REIT, at amounts in management's opinion which approximate fair market value. Management has determined these amounts to be fair value due to the significant number of leases negotiated with third parties in each market it operates. During fiscal year 2015, the aggregate net payments under these leases, which are measured at exchange amounts, were $149.0 (2014 - $110.5).

In addition, Crombie REIT provides administrative and management services to the Company. The charges incurred for administrative and management services are on a cost recovery basis.

At May 2, 2015, investments included $25.1 (2014 - $24.6) of Crombie REIT convertible unsecured subordinated debentures. The Company received interest from Crombie REIT of $1.2 for the year ended May 2, 2015 (2014 - $1.2). These amounts are included in other income in the consolidated statements of earnings.

On July 24, 2013, Sobeys entered into a sale-leaseback agreement with Crombie REIT, pursuant to which Crombie REIT agreed to indirectly acquire 70 properties included in the Canada Safeway acquisition for $991.3. The sale-leaseback transaction closed effective November 3, 2013, immediately following the close of the Canada Safeway acquisition.

On closing of the acquisition of the 70 properties, the Company subscribed for $150.0 of Class B units (which are convertible on a one-for-one basis into units of Crombie REIT).

During the third quarter of fiscal 2014, Crombie REIT purchased from the Company their interest in certain retention leases for cash consideration of $1.5 resulting in a pre-tax gain of $0.4 which was recognized in the consolidated statements of earnings.

During fiscal 2014, Sobeys entered into a loan agreement with Crombie REIT to partially finance Sobeys' acquisition of a property in British Columbia. The $11.9 loan bears interest at a rate of 6.0 percent and has no principal repayments until maturity on October 1, 2016. The Company also sold and leased back a property from Crombie REIT for cash consideration of $10.2 which was equal to its carrying value. In addition, the Company exchanged properties with Crombie REIT during fiscal 2014. The properties exchanged were both located in Canmore, Alberta.

Key management personnel compensation

Key management personnel include the Board of Directors and members of the Company's executive team that have authority and responsibility for planning, directing and controlling the activities of the Company.

Key management personnel compensation is comprised of:

	May 2, 2015	May 3, 2014
Salary, bonus and other short-term employee benefits	**$ 17.9**	$ 12.0
Post-employment benefits	**1.3**	3.8
Termination benefits	**-**	7.2
Share-based payments	**14.3**	10.7
	$ 33.5	$ 33.7

Indemnities

The Company has agreed to indemnify its directors, officers and particular employees in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

30. Capital management

The Company's objectives when managing capital are: i) ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans, ii) to minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions, iii) to maintain an optimal capital structure that provides necessary financial flexibility while also ensuring compliance with any financial covenants, and; iv) to maintain an investment grade credit rating with each rating agency that assesses the credit worthiness of the Company.

The Company monitors and makes adjustments to its capital structure, when necessary, in light of changes in economic conditions, the objectives of its shareholders, the cash requirements of the business and the condition of capital markets.

The Company considers its total capitalization to include all interest bearing debt, including bank loans, long-term debt (including the current portion thereof) and shareholders' equity, net of cash and cash equivalents. The calculation is set out in the following table:

	May 2, 2015	May 3, 2014
Long-term debt due within one year	**$ 53.9**	$ 218.0
Long-term debt	**2,242.0**	3,282.1
Funded debt	**2,295.9**	3,500.1
Less cash and cash equivalents	**(295.9)**	(429.3)
Net funded debt	**2,000.0**	3,070.8
Shareholders' equity, net of non-controlling interest	**5,983.8**	5,700.5
Capital under management	**$ 7,983.8**	$ 8,771.3

Although the Company does not include operating leases in its definition of capital, the Company does give consideration to its obligations under operating leases when assessing its total capitalization.

The primary investments undertaken by the Company include additions to the selling square footage of its store network via the construction of new, relocated and expanded stores, including related leasehold improvements and the purchase of land bank sites for future store construction. The Company makes capital investments in information technology and its distribution capabilities to support an expanding store network. In addition, the Company makes capital expenditures in support of its investments and other operations. The Company largely relies on its cash flow from operations to fund its capital investment program and dividend distributions to its shareholders. The cash flow is supplemented, when necessary, through the borrowing of additional debt or the issuance of additional capital stock. No changes were made to these objectives in the current year.

Management monitors certain key ratios to effectively manage capital:

	May 2, 2015	May 3, 2014
Funded debt to total capital(1)	**27.7%**	38.0%
Funded debt to EBITDA(2)	**1.9x**	4.6x
EBITDA to interest expense(2)	**8.9x**	5.8x

(1) Total capital is funded debt plus shareholders' equity, net of non-controlling interest.
(2) EBITDA and interest expense are comprised of EBITDA and interest expense for each of the 52 week periods then ended. EBITDA (operating income plus depreciation and amortization of intangibles) and interest expense (interest expense on financial liabilities measured at amortized cost plus losses on cash flow hedges reclassified from other comprehensive income) are non-GAAP financial measures. Non-GAAP financial measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other reporting issuers.

As part of existing debt agreements, three financial covenants are monitored and communicated, as required by the terms of credit agreements, on a quarterly basis by management to ensure compliance with the agreements. The covenants are: i) adjusted total debt/EBITDA – calculated as net funded debt plus letters of credit, guarantees and commitments divided by EBITDA (as defined by the credit agreements and for the previous 52 weeks); ii) lease adjusted debt/EBITDAR – calculated as adjusted total debt plus eight times rent divided by EBITDAR (as defined by the credit agreements and for the previous 52 weeks); and iii) debt service coverage ratio – calculated as EBITDA divided by interest expense plus repayments of long-term debt (as defined by the credit agreements and for the previous 52 weeks). The Company was in compliance with these covenants during the year.

31. Subsequent events

Subsequent to the close of the fourth quarter, on May 12, 2015, an agreement for Sobeys to purchase certain assets and 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.

Subsequent to May 2, 2015, Sobeys made a successful bid to purchase a former Target Canada Co. warehouse in Rocky View, Alberta for $50.0. The facility will be retro-fitted for automation and when renovations are complete, it will have the capacity to efficiently distribute dry grocery to stores in Alberta, Saskatchewan and part of Manitoba.