Liquor Stores N.A. Ltd.

Consolidated Financial Statements

December 31, 2015 and 2014

Management's Responsibility for Financial Reporting

The preparation and presentation of the accompanying consolidated financial statements of Liquor Stores N.A. Ltd., which have been prepared in accordance with International Financial Reporting Standards, are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements include certain amounts that are based on the best estimates and judgments of management and in their opinion present fairly, in all material respects, Liquor Stores N.A. Ltd.'s financial position, financial performance and cash flows. The Company's accounting procedures and related systems of internal controls are designed to provide reasonable assurance that its assets are safeguarded and its financial information is reliable.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, the Company's external auditor. The external auditor is responsible for examining the consolidated financial statements and expressing its opinion on the fairness of the financial statements in accordance with International Financial Reporting Standards. The auditor's report outlines the scope of its audit examination and states its opinion.

The Board of Directors, through the Audit Committee, is responsible for overseeing management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Audit Committee meets regularly with management and the external auditors to satisfy itself that each group is discharging its responsibilities with respect to internal controls and financial reporting. The Audit Committee reports its findings to the Board of Directors for their consideration when approving the consolidated financial statements for issuance to the shareholders. The external auditors have full and open access to the Audit Committee, with and without the presence of management. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

Signed "Stephen Bebis"
Stephen Bebis
President & Chief Executive Officer

Signed "David Gordey"
David Gordey
Senior Vice President & Chief Financial Officer

March 9, 2016

Independent Auditor's Report

To the Shareholders of
Liquor Stores N.A. Ltd.

We have audited the accompanying consolidated financial statements of Liquor Stores N.A. Ltd., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of earnings (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated 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.

PricewaterhouseCoopers LLP
TD Tower, 10088 102 Avenue NW, Suite 1501, Edmonton, Alberta, Canada T5J 3N5
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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Liquor Stores N.A. Ltd. as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Liquor Stores N.A. Ltd.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Note	December 31, 2015 $	December 31, 2014 $
Assets			
Current assets:			
Cash		3,790	3,003
Accounts receivable	20	6,020	2,099
Inventory	6	157,102	135,363
Prepaid expenses and deposits		11,088	9,153
		178,000	149,618
Deferred tax assets	13	10,474	3,918
Property and equipment	7	64,781	51,008
Intangible assets	8	43,312	36,714
Goodwill	9	158,987	284,607
		455,554	525,865
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	20	61,628	48,629
Dividends payable	12	2,470	2,452
Derivative instrument	10	583	43
Current portion of long term debt	10	114	-
		64,795	51,124
Long-term debt	10	129,566	92,037
Deferred tax liabilities	13	5,457	17,946
		199,818	161,107
Shareholders' Equity			
Equity attributable to shareholders		255,659	364,652
Equity attributable to non-controlling interest		77	106
		255,736	364,758
		455,554	525,865

The accompanying notes are an integral part of the consolidated financial statements.

Approved on behalf of the Board of Directors:

Signed "Jim Dinning"
Jim Dinning
Director

Signed "Robert Green"
Robert Green
Director

Liquor Stores N.A. Ltd.

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

	Attributable to Shareholders of the Company							
	Share capital $	Equity component of convertible debentures $	Contributed surplus $	Accumulated other comprehensive income $	Deficit $	Total $	Non-controlling interest $	Total equity $
Opening balance – January 1, 2014	188,824	3,328	174,695	342	(55,361)	311,828	94	311,922
Net earnings (loss) for the year	-	-	-	-	12,713	12,713	236	12,949
Foreign currency translation adjustment	-	-	-	7,311	-	7,311	-	7,311
Comprehensive income (loss) for the year	-	-	-	7,311	12,713	20,024	236	20,260
Common shares issued (note 14)	55,603	-	-	-	-	55,603	-	55,603
Share-based payments (note 16)	-	-	232	-	-	232	-	232
Dividends declared (note 12)	-	-	-	-	(25,434)	(25,434)	-	(25,434)
Dividend reinvestment plan issuance (note 12)	2,399	-	-	-	-	2,399	-	2,399
Dividends declared by subsidiaries	-	-	-	-	-	-	(224)	(224)
Transactions with owners	58,002	-	232	-	(25,434)	32,800	(224)	32,576
Balance – December 31, 2014	246,826	3,328	174,927	7,653	(68,082)	364,652	106	364,758
Opening balance – January 1, 2015	246,826	3,328	174,927	7,653	(68,082)	364,652	106	364,758
Net earnings (loss) for the year	-	-	-	-	(99,587)	(99,587)	195	(99,392)
Foreign currency translation adjustment	-	-	-	16,807	-	16,807	-	16,807
Comprehensive income (loss) for the year	-	-	-	16,807	(99,587)	(82,780)	195	(82,585)
Share-based payments (note 16)	-	-	834	-	-	834	-	834
Adjustment to net proceeds on share Issuance (note 14)	(34)	-	-	-	-	(34)	-	(34)
Dividends declared (note 12)	-	-	-	-	(29,524)	(29,524)	-	(29,524)
Dividend reinvestment plan issuance (note 12)	2,511	-	-	-	-	2,511	-	2,511
Dividends declared by subsidiaries	-	-	-	-	-	-	(224)	(224)
Transactions with owners	2,477	-	834	-	(29,524)	(26,213)	(224)	(26,437)
Balance – December 31, 2015	249,303	3,328	175,761	24,460	(197,193)	255,659	77	255,736

The accompanying notes are an integral part of the consolidated financial statements.

Liquor Stores N.A. Ltd.

Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)

Years ended December 31, 2015 and 2014

(in thousands of Canadian dollars, except for per share amounts)

	Note	2015 $	2014 $
Sales		746,384	694,186
Cost of sales		554,995	517,835
Gross margin		191,389	176,351
Operating and administrative expenses	18	154,519	139,821
		36,870	36,530
Amortization			
Property and equipment	7	10,814	9,961
Intangible assets	8	254	315
		25,802	26,254
Finance costs	11	9,545	9,234
Provision for impairment of goodwill and intangible assets	8 & 9	130,313	-
Earnings (loss) before income taxes		(114,056)	17,020
Income tax expense (recovery)			
Current	13	3,386	6,866
Deferred	13	(18,050)	(2,795)
		(14,664)	4,071
Net earnings (loss)		(99,392)	12,949
Other comprehensive income			
Items that may be reclassified subsequently to net earnings:			
Currency translation difference on foreign subsidiaries		16,807	7,311
Comprehensive income (loss)		(82,585)	20,260
Net earnings (loss) attributable to:			
Owners of the parent		(99,587)	12,713
Non-controlling interest		195	236
		(99,392)	12,949
Comprehensive income (loss) attributable to:			
Owners of the parent		(82,780)	20,024
Non-controlling interest		195	236
		(82,585)	20,260
Earnings (loss) per share			
Basic	15	(3.64)	0.54
Diluted	15	(3.64)	0.54

The accompanying notes are an integral part of the consolidated financial statements.

Liquor Stores N.A. Ltd.

Consolidated Statements of Cash Flow

Years ended December 31, 2015 and 2014

(in thousands of Canadian dollars)

	Note	2015 $	2014 $
Cash provided by (used in)			
Operating activities:			
Net earnings (loss)		(99,392)	12,949
Adjustments to reconcile net earnings (loss) to net cash flows from operating activities:			
Amortization of property and equipment		10,814	9,961
Amortization of intangible assets		254	315
Amortization of financing charges	11	318	301
Non-cash interest on convertible debentures	11	1,269	1,166
Provision for impairment of goodwill and intangible assets	8 & 9	130,313	-
Fair value adjustment on derivative instrument	11	540	(52)
Deferred tax	13	(18,050)	(2,795)
Equity-settled share-based payments	16	834	232
Cash provided by operating activities before changes in non-cash working capital		26,900	22,077
Net change in non-cash working capital items	19	(10,527)	(1,243)
		16,373	20,834
Investing activities:			
Purchase of property and equipment		(25,930)	(10,866)
Purchase of intangible assets		(4,627)	(639)
		(30,557)	(11,505)
Financing activities:			
Net proceeds from (repayment of) long-term debt		36,580	(42,876)
Deferred financing fees paid on loans and borrowings	10	(524)	(373)
Proceeds from sale and leaseback of assets	4	5,664	-
Dividends paid	12	(26,994)	(22,663)
Dividends paid to non-controlling interest by subsidiaries		(224)	(224)
Issuance of common shares	14	-	57,534
Share issue costs	14	-	(2,576)
		14,502	(11,178)
Foreign exchange gain on cash held in foreign currency		469	323
Increase (decrease) in cash		787	(1,526)
Cash – Beginning of year		3,003	4,529
Cash - End of year		3,790	3,003

The accompanying notes are an integral part of the consolidated financial statements.

1 Nature of the business

Liquor Stores N.A. Ltd. (the "Company") was incorporated under the Canada Business Corporations Act. The address of the Company's registered office is 300, 10508 – 82 Avenue, Edmonton, Alberta. The Company's common shares and convertible unsecured subordinated debentures trade on the Toronto Stock Exchange (the "TSX") under the symbols "LIQ" and "LIQ.DB.A" respectively.

The Company's principal activity is the retailing of wines, beers and spirits. As at December 31, 2015, the Company operated 252 (2014 - 243) retail liquor stores, of which 180 (2014 - 172) were in Alberta, 35 (2014 - 35) were in British Columbia, 22 (2014 - 23) were in Alaska and 15 (2014 - 13) were in Kentucky. Of the stores operated, 196 (2014 - 199) were acquired and 56 (2014 - 44) were developed by the Company.

These consolidated financial statements (the "financial statements") were approved and authorized for issuance by the Board of Directors on March 9, 2016.

2 Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of measurement

The financial statements have been prepared under the historical cost convention, except for derivative instruments, cash-settled share options, the Directors' deferred share plan, and cash-settled awards under the incentive award plan which are measured at fair value.

c) Basis of consolidation

These financial statements include the accounts of the Company and its subsidiaries. No significant judgements and assumptions were required in determining whether the Company has control over another entity. There are no material non-controlling interests.

All subsidiaries, with the exception of holding companies, are retailers of wine, beer, and spirits. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-company balances, income and expenses and unrealized gains and losses resulting from inter-company transactions are eliminated on consolidation.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties.

d) Critical accounting estimates and judgements

The preparation of these financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reported period. Actual results could differ from those estimates.

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below.

Estimates:

i) Impairment of non-financial assets

The Company reviews goodwill and intangible assets with indefinite lives at least annually, and other non-financial assets when there is any indication that the asset may be impaired. The recoverable amounts of cash-generating units ("CGU") have been determined using discounted cash flow models that require assumptions about future cash flows and discount rates.

Refer to notes 8 and 9 for further details regarding estimation of recoverable amounts.

ii) Deferred taxes

Determining deferred taxes involves a number of assumptions and variables that could reasonably change, including: the useful lives of recorded property and equipment and intangible assets that determine the amount of amortization recorded thereon, the amount of discretionary tax deductions the Company will claim from its existing tax depreciation pools, the rates of tax applicable to various jurisdictions in which the Company is taxable, the allocation of taxable income to those jurisdictions, and the acceptance of the Company's tax filing positions by taxation authorities. Changes in these assumptions and variables, which are re-evaluated at each balance sheet date, could result in changes in the recorded amount of deferred taxes and these changes could be material.

Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income. Details of tax losses expected to be utilized on the basis of future taxable income are provided in note 13.

iii) Fair value of equity-settled share-based payments

The Company uses a pricing model to determine the fair value of certain share-based payments. Inputs to the model are subject to various estimates relating to volatility, interest rates, dividend yields and expected life of the units issued. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of the grant.

Separate from the fair value calculation, the Company is required to estimate the expected forfeiture rate of equity-settled share based payments.

iv) Net realizable value of inventory

Inventories are carried at the lower of cost and net realizable value which requires the Company to utilize estimates related to fluctuations in future retail prices, seasonality and costs necessary to sell the inventory.

Critical Judgements:

Valuation of non-financial assets

Management is required to use judgment in determining the grouping of assets to identify their CGUs for the purposes of testing non-financial assets for impairment. The Company has determined that each retail location is a separate CGU for purposes of testing property and equipment for impairment. For the purpose of goodwill and indefinite life intangible impairment testing, CGUs are grouped at the lowest level at which goodwill and intangibles are monitored for internal management purposes. Judgment is further required to determine the appropriate grouping of CGUs, for the level at which goodwill and intangible assets are tested for impairment. As the grouping of CGUs determines the level at which goodwill and intangible assets are tested for impairment, the grouping of CGUs can impact the outcome of impairment testing.

3 Summary of significant accounting policies

a) Revenue recognition

Revenue is generated from sales to customers through retail stores and licensee sales to wholesale customers. Revenue from retail sales is recognized at the point of sale and from wholesale sales at the time of shipment.

b) Cash

Cash consists of cash on hand and demand deposits held with banks.

c) Inventory

Inventory consists primarily of liquor for resale and is valued at the lower of cost, determined using the weighted average method, and net realizable value. Net realizable value is the estimated selling price less applicable selling costs. Write downs to net realizable value may be reversed in a subsequent period if circumstances that previously caused a write down no longer exist.

d) Property and equipment

Property and equipment is recorded at cost less accumulated amortization and any impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives of assets. Land has an indefinite useful life and, as such, is not amortized. Depreciation methods and useful lives are reviewed at each financial year end and are adjusted for prospectively. Estimated useful lives are as follows:

Leasehold improvements	Lesser of lease term and useful life
Operating equipment	10 years
Office equipment and fixtures	10 years
Computer equipment	5 years
Vehicles	5 years
Signage	10 years
Shelving and racking	10 years
Building	25 years
Assets held under finance leases	Lesser of lease term and useful life

The Company tests its property and equipment for impairment when events and circumstances warrant such a review, as described in the "Impairment of non-financial assets" policy.

e) Intangible assets

Intangible assets, consisting of acquired customer relationships, retail liquor licenses and business permits, trade names, software and property leases acquired at less than market rates, are recorded at cost.

i) Amounts attributed to property leases acquired at less than market rates which have a finite useful life are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the term of the lease.

ii) Retail liquor licenses and business permits to operate a retail liquor store have an indefinite life and are therefore not amortized. These retail liquor licenses and business permits do not expire or require renewal.

iii) Trade names have an indefinite life and are not amortized as there is no foreseeable limit on the period of time over which they are expected to contribute to the net cash flows of the Company.

iv) Software is comprised of acquired licenses which have finite lives and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the life of the license.

v) Intangible assets under development are not amortized when under development, but once ready for use will be amortized according to the relevant category discussed above.

The Company assesses the carrying value of finite life intangible assets for impairment when events or circumstances warrant such a review as described in the "Impairment of non-financial assets" policy. Useful lives, residual values and amortization methods for intangible assets with finite useful lives are reviewed at least annually.

The Company assesses the carrying value of indefinite life intangible assets for impairment annually, or more frequently, if events or changes in circumstances indicate that their carrying value may not be recoverable as described in the "Impairment of non-financial assets" policy.

f) Business combinations and goodwill

i) Acquisitions

Acquisitions of businesses and subsidiaries that meet the definition of a business are accounted for using the acquisition method. The consideration of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition in exchange for control of the acquired business. Acquisition-related costs are recognized into net earnings as incurred. Goodwill represents the excess of the cost of an acquired business over the fair value of the identifiable net assets acquired.

ii) Goodwill

Goodwill is not amortized, but is assessed for impairment at least annually or when events and circumstances indicate that the carrying value may not be recoverable as described in the "Impairment of non-financial assets" policy.

g) Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying value of its non-financial assets, other than inventories and deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, the asset is then tested for impairment by comparing its estimated recoverable amount to its carrying value. Goodwill and indefinite life intangible assets are tested for impairment at least annually.

For the purposes of impairment testing, assets are grouped together in the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets. This grouping is referred to as a cash generating unit ("CGU"). The Company has determined that each separate store location is a separate CGU for purposes of impairment testing.

Corporate assets, which include head office facilities and warehouses, do not generate separate cash inflows. Corporate assets are tested for impairment at the minimum grouping of CGUs to which the corporate assets can be reasonably and consistently allocated. Goodwill arising from a business combination is tested for impairment at the minimum grouping of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of a CGU or CGU grouping is the higher of its estimated value in use and its estimated fair value less costs of disposal. Value in use is based on the estimated future cash flows from the CGU or CGU grouping, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or CGU group. The fair value less costs of disposal is based on the best information available to reflect the amount that could be obtained from the disposal of the CGU in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

An impairment loss is recognized if the carrying value of a CGU or CGU group exceeds its estimated recoverable amount. For asset impairments other than goodwill, the impairment loss reduces the carrying value of the non-financial assets in the CGU on a pro-rata basis. Any loss identified from goodwill impairment testing is first applied to reduce the carrying value of goodwill allocated to the CGU grouping, and then to reduce the carrying value of the other non-financial assets in the CGU or CGU group on a pro-rata basis. Impairment losses are recognized in net earnings.

Goodwill is carried at cost less accumulated impairment losses adjusted for foreign exchange where applicable. An impairment loss with respect to goodwill is not reversed. For assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of amortization, if no impairment loss had been recognized.

h) Income tax

Current income tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

i) Share-based payment plans

The Company's share-based payments consist of a share option plan for the benefit of certain of its employees, a deferred share plan for the benefit of the Company's Directors, an incentive award plan comprised of restricted awards and performance awards for employees of the Company, and a one-time grant of performance awards for the executives of the Company. These plans are further described in note 16.

i) Equity-settled share-based payment plans

The Company's equity-settled share-based payment arrangements include employee share options, restricted awards, and performance awards.

The fair value of the Company's equity-settled employee share options and restricted awards as determined at the grant date are expensed on a graded-vesting basis with a corresponding increase in equity. The fair value of the Company's performance awards as determined at the grant date is expensed on a cliff-vesting basis with a corresponding increase in equity. The number of awards expected to vest is reviewed at least annually with any adjustments being recognized in the period they are determined. Refer to note 16 for further details of the plans.

Upon exercise or settlement of awards issued under equity share-based payment plans, consideration received, if any, together with amounts previously recorded in equity reserves, are recorded as an increase in share capital.

ii) Cash-settled share-based payment plans

The Company's cash-settled share-based payment arrangements include stock options, a deferred share plan, and restricted awards.

The fair value of awards granted under these plans is recognized as an expense with a corresponding increase in the liability as employees become entitled to the payments. The liability is recorded in accounts payable and accrued liabilities. The fair value of the liability is re-measured at the end of each reporting period and at the date of the settlement. Changes in fair value are recognized in net earnings.

j) Financial instruments

The Company has designated its cash and accounts receivable as loans and receivables, which are measured initially at fair value, and subsequently at amortized cost. Accounts payable and accrued liabilities, dividends payable, and long-term debt are classified as other financial liabilities and measured initially at fair value, and subsequently at amortized cost. Derivative instruments are recorded at fair value through profit and loss, whereby they are marked to market at each reporting period with changes in fair value reported in net earnings.

Transaction costs related to the issuance of financial liabilities are included in the initial measurement of the financial liability and are recognized in net earnings using the effective interest method.

k) Convertible debentures

The Company's convertible debentures have been classified as a financial liability with a portion of the proceeds representing the value of the conversion option bifurcated to equity. Transaction costs related to the convertible debenture issuance have been capitalized and are recognized in net earnings using the effective interest method. Upon conversion, portions of debt and the conversion option are transferred into common shares.

l) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

The results and financial position of the Company's foreign subsidiaries in the United States of America ("US"), that have a functional currency of US dollars, are translated into Canadian dollars as follows:

i) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii) income and expenses are translated at average exchange rates for the respective quarter on a quarterly basis; and

iii) all resulting exchange differences are recognized in other comprehensive income as currency translation differences.

Transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at balance sheet date exchange rates are recognized in the Statement of Earnings.

m) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Chief Executive Officer of the Company. A corporate segment has been included in the current year due to an enhancement in the reporting provided to the CODM to analyze financial performance of the Company.

n) Dividends

Dividends on common shares are recognized in the Company's financial statements in the period in which they are approved by the Board of Directors.

o) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing net earnings for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding for the period.

Diluted EPS is calculated by adjusting basic EPS for the effect of dilutive instruments, which may include equity-settled share based payment plans and convertible debentures.

p) Accounting standards and amendments issued but not yet effective

i) IFRS 9, *Financial Instruments*, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit and loss. IFRS 9 relaxes the requirements for hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the on management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 19.

The effective date for IFRS 9 is January 1, 2018 and earlier application is permitted. The Company has not yet assessed the impact of these standards and amendments or, where applicable, determined whether it will early adopt it.

ii) IFRS 15, *Revenue from Contracts with Customers*, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The new standard does not apply to financial instruments or lease contracts, which fall in the scope of other IFRS's. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

The effective date for IFRS 15 has been deferred one year and as such is January 1, 2018 and earlier application is permitted. The Company has not yet assessed the impact of this standard or, where applicable, determined whether it will early adopt it.

iii) IFRS 16, *Leases*, requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model.

The effective date for IFRS 16 is on or after January 1, 2019, with early adoption permitted if IFRS 15 "Revenue from Contracts with Customers" has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. The Company has not yet determined the impact of this new standard, however the new standard will have a significant effect on the consolidated Statement of Financial Position with a significant increase in property and equipment and long term debt. Further, the Statement of Earnings will reflect a decrease in operating expenses and an increase in finance costs and depreciation. The Company does not currently intend to early adopt this standard.

4 Sale and leaseback of assets

On March 31, 2015, the Company completed a transaction with a third party whereby the Company sold and leased-back property and building in Fairbanks, Alaska for gross proceeds of $5,957 less transaction costs of $293. The Company has classified the lease as an operating lease and, as the transaction occurred at fair market value, the gain on sale of $134 was netted against amortization of property and equipment in the Statement of Earnings.

(in thousands of Canadian dollars except share data or unless otherwise specified)

5 Acquisition

On June 11, 2015, the Company acquired a retail liquor store in Alberta for cash consideration of $2,142. The assets acquired do not meet the definition of a business and therefore the transaction was accounted for as an asset acquisition and not as a business combination. The purchase price has been allocated between the individual identifiable assets acquired based on their relative fair values at the acquisition date, as follows:

	$
Inventory	862
Property and equipment	831
Intangible assets (lease at below market rates)	449
Purchase price	2,142

Refer to note 23 for the disclosure of a business combination that occurred subsequent to December 31, 2015.

6 Inventory

The cost of inventory recognized as an expense and included in cost of sales for the year ended December 31, 2015 was $554,532 (2014 - $517,450). Included in cost of sales are $463 (2014 – $385) in write downs of inventory to estimated net realizable value. No inventory write downs recognized in previous years were reversed in the current year. The Company's inventory is pledged as collateral by a general security agreement under the terms of the Company's credit facility (note 10).

(in thousands of Canadian dollars except share data or unless otherwise specified)

7 Property and equipment

					Year ended December 31, 2015
	Opening net book value $	**Exchange differences $**	**Net Additions $**	**Amortization charge $**	**Closing net book value $**
Leasehold improvements	24,702	1,502	12,266	(5,775)	32,695
Operating equipment	6,122	494	5,858	(1,224)	11,250
Office equipment and fixtures	5,604	311	3,107	(1,339)	7,683
Computer equipment	2,184	141	2,380	(1,165)	3,540
Vehicles	431	20	52	(142)	361
Finance Leases – Vehicles	-	1	459	(7)	453
Signage	1,857	119	1,322	(450)	2,848
Shelving and racking	3,379	302	2,405	(653)	5,433
Buildings	5,485	364	(5,409)	(59)	381
Land	1,244	101	(1,208)	-	137
	51,008	3,355	21,232	(10,814)	64,781

			As at December 31, 2015
	Cost $	**Accumulated amortization $**	**Net $**
Leasehold improvements	65,313	(32,618)	32,695
Operating equipment	17,426	(6,176)	11,250
Office equipment and fixtures	12,395	(4,712)	7,683
Computer equipment	6,436	(2,896)	3,540
Vehicles	809	(448)	361
Finance Leases – Vehicles	460	(7)	453
Signage	5,728	(2,880)	2,848
Shelving and racking	8,881	(3,448)	5,433
Buildings	526	(145)	381
Land	137	-	137
	118,111	(53,330)	64,781

Included in net additions is a disposal of assets with a net book value of $5,530 related to the sale and leaseback of the property and building in Fairbanks, Alaska (note 4). Included in property and equipment are fully amortized assets with a cost of $5,509 (2014 – $8,439) that are still in use. During the year, the Company accelerated amortization on the assets of stores where there was a change in estimated useful life because the store either underwent or was confirmed for renovation or closure. Amortization expense related to the accelerated amortization of such assets was $1,255 (2014– $1,436).

(in thousands of Canadian dollars except share data or unless otherwise specified)

7 Property and equipment (continued)

	Year ended December 31, 2014				
	Opening net book value $	**Exchange differences $**	**Net Additions $**	**Amortization charge $**	**Closing net book value $**
Leasehold improvements	24,420	418	5,220	(5,356)	24,702
Operating equipment	5,183	143	1,733	(937)	6,122
Office equipment and fixtures	4,415	113	2,064	(988)	5,604
Computer equipment	1,278	54	2,046	(1,194)	2,184
Vehicles	269	5	275	(118)	431
Signage	1,762	33	562	(500)	1,857
Shelving and racking	3,214	91	720	(646)	3,379
Buildings	5,206	429	72	(222)	5,485
Land	1,035	99	110	-	1,244
	46,782	1,385	12,802	(9,961)	51,008

	As at December 31, 2014		
	Cost $	**Accumulated amortization $**	**Net $**
Leasehold improvements	52,525	(27,823)	24,702
Operating equipment	11,065	(4,943)	6,122
Office equipment and fixtures	8,991	(3,387)	5,604
Computer equipment	8,870	(6,686)	2,184
Vehicles	769	(338)	431
Signage	4,272	(2,415)	1,857
Shelving and racking	6,151	(2,772)	3,379
Buildings	5,858	(373)	5,485
Land	1,244	-	1,244
	99,745	(48,737)	51,008

No impairments were recognized on the property and equipment during the years ended December 31, 2015 and 2014. The Company's property and equipment are pledged as collateral by a general security agreement under the terms of the Company's credit facility (note 10).

(in thousands of Canadian dollars except share data or unless otherwise specified)

8 Intangible assets

						Year ended December 31, 2015
	Opening net book value $	**Exchange differences $**	**Net Additions $**	**Impairments & reversals $**	**Amortization charge $**	**Closing net book value $**
Finite life						
Leases	582	59	445	-	(114)	972
Software	263	2	39	-	(114)	190
Other	222	1	-	-	(26)	197
Indefinite life						
Retail liquor licenses	34,122	2,606	2,001	(887)	-	37,842
Trade names	1,525	-	-	-	-	1,525
Under development						
Software	-	-	2,586	-	-	2,586
	36,714	2,668	5,071	(887)	(254)	43,312

				As at December 31, 2015
	Cost $	**Accumulated amortization $**	**Accumulated impairment losses $**	**Net $**
Finite life				
Leases	5,197	(4,225)	-	972
Software	726	(536)	-	190
Other	260	(63)	-	197
Indefinite life				
Retail liquor licenses	51,052	-	(13,210)	37,842
Trade names	1,525	-	-	1,525
Under development				
Software	2,586	-	-	2,586
	61,346	(4,824)	(13,210)	43,312

(in thousands of Canadian dollars except share data or unless otherwise specified)

8 Intangible assets (continued)

					Year ended December 31, 2014	
	Opening net book value $	**Exchange differences $**	**Net Additions $**	**Impairments & reversals $**	**Amortization charge $**	**Closing net book value $**
Finite life						
Leases	707	34	-	-	(159)	582
Software	389	4	-	-	(130)	263
Other	240	2	6	-	(26)	222
Indefinite life						
Retail liquor licenses	32,421	1,068	633	-	-	34,122
Trade names	1,525	-	-	-	-	1,525
	35,282	1,108	639	-	(315)	36,714

			As at December 31, 2014	
	Cost $	**Accumulated amortization $**	**Accumulated impairment losses $**	**Net $**
Finite life				
Leases	3,992	(3,410)	-	582
Software	679	(416)	-	263
Other	261	(39)	-	222
Indefinite life				
Retail liquor licenses	46,445	-	(12,323)	34,122
Trade names	1,525	-	-	1,525
	52,902	(3,865)	(12,323)	36,714

(in thousands of Canadian dollars except share data or unless otherwise specified)

8 Intangible assets (continued)

Impairments

For the purpose of impairment testing, intangible assets with indefinite useful lives are allocated to a cash-generating unit as described in note 3. The Company performs its annual impairment tests as of October 1 each year.

The recoverable amount of a CGU is determined based on fair value less cost of disposal using level 3 inputs (refer to note 20 for further discussion of each level) using a discounted cash flow (DCF) methodology. The significant assumptions applied in determination of the recoverable amount are described below:

- Cash Flows: Estimated cash flows are determined using a relief-from-royalty method by reference to the royalty rate a market participant would have to pay in order to license the use of the asset from a third party. In determining an estimate of the expected royalty rate, consideration was given to comparable market rates where available. The royalty rate is then applied to forecasted revenues to determine the total after-tax cash flows saved through ownership of the asset. Forecasted revenues are extended to a total of five years based on an analysis historical and forecast volume changes, growth rates, and inflation rates.

- Discount rate: The weighted average cost of capital (WACC) was selected from a range of 11.0% to 13.8%, which was based on market capital structure of debt, risk-free rate, equity risk premium, beta adjustment to the equity risk premium based on a review of betas of comparable publicly traded companies, an unsystematic risk premium, and after-tax cost of debt based on corporate bond yields.

- Terminal value growth rate: Five years of cash flows have been included in the DCF models. Maintainable debt-free net cash flow beyond the forecast period is estimated to approximate the 2020 cash flows increased by a terminal growth rate of 2.0% to 2.3% and is based on the industry's expected growth rates, forecast inflation rates, and management's experience.

Key assumptions used in calculating the recoverable amount, which reflect past experience and current market expectations, were as follows compared to the prior year:

	October 1, 2015	**October 1, 2014**
Weighted average sales growth rates	1.5% - 2.0%	2.3% - 2.6%
After-tax royalty rates	0.7% - 4.1%	0.7% - 4.1%
Terminal growth rate	2.0% - 2.3%	2.3%
Discount rate	11.5% - 13.3%	12.0% - 13.0%

(in thousands of Canadian dollars except share data or unless otherwise specified)

The Company completed its annual impairment tests during the fourth quarter and identified that an impairment charge of $1,562 (2014 - $nil) was required for certain of its retail liquor licenses related to two stores (2014 – no stores) in British Columbia (Canadian operating segment). The impairment primarily related to a change in Management's forecasted sales and profitability as a result of increased competition in the areas that these stores operate. A reversal of previously recorded impairment charges were recorded during the year in the amount of $675 (2014- $nil) related to one store where Management's forecasted sales and profitability increased due to a sustained improvement in operating results.

No impairments were recognized on the intangible assets with finite lives or the trade names during the years ended December 31, 2015 and 2014. The Company's intangible assets are pledged as collateral by a general security agreement under the terms of the Company's credit facility (note 10).

9 Goodwill

	December 31, 2015 $	December 31, 2014 $
Opening balance	284,607	282,768
Foreign currency translation	3,806	1,839
Impairment	(129,426)	-
Closing balance	158,987	284,607

a) Impairment test for goodwill

Goodwill arising from a business combination is tested for impairment at the minimum grouping of CGUs that are expected to benefit from the synergies of the combination. For the purposes of goodwill impairment testing, the Company has grouped its CGUs by operating segment before aggregation to reporting units, with the three CGU groupings being Canada, Alaska, and Kentucky.

The recoverable amount of a CGU is determined based on fair value less costs of disposal calculations using level 3 inputs. These calculations use projections over a five year period based on financial budgets approved by management and the Company's Board of Directors. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. These growth rates do not exceed the long-term average growth rate for the retail liquor industry in which the CGU operates. The Company performs its annual impairment tests as of October 1 each year, or more frequently if there is any indication that goodwill may be impaired at the end of the reporting period.

Management noted an indication that goodwill may have been impaired as at December 31, 2015 in the Canada and Alaska CGU groupings. The indication was based on a rapid decline in the economies of key markets in these CGUs driven by a significant decline in oil prices. As such, the Company performed an additional impairment test in the Canada and Alaska CGU groupings as at December 31, 2015. For clarity of disclosure, the assumptions and results of testing discussed below related to the Canada and Alaska CGU groupings are as at December 31, 2015, and for the Kentucky CGU grouping as at October 1, 2015.

(in thousands of Canadian dollars except share data or unless otherwise specified)

9 Goodwill (continued)

Goodwill has been allocated to the CGU groupings as follows with the only change from the prior year pertaining to foreign currency translation:

	December 31, 2015 $	December 31, 2014 $
Canada	145,725	262,501
Kentucky[(i)]	13,263	11,117
Alaska	-	10,989
Total	158,987	284,607

i) The carrying amount of the goodwill allocated to the Kentucky CGU grouping was $12,702 as at October 1, 2015 (2014 - $10,706)

b) Key assumptions used for fair value calculations

	2015			2014		
	Canada $	Kentucky $	Alaska $	Canada $	Kentucky $	Alaska $
Weighted average sales growth rate	2.2%	2.6%	2.0%	2.6%	3.7%	2.6%
Terminal growth rate	2.3%	2.3%	2.0%	2.3%	2.3%	2.3%
Discount rate	10.0%	10.5%	11.1%	10.0%	10.9%	11.1%

Management determined forecasted gross margins based on past performance and its expectations for market trends. The weighted average growth rates applied to gross margin are consistent with the forecasts included in industry reports. Growth rates applied to expenditures in the forecast ranged from 1.5% to 2.0%. The discount rates used reflect specific risks relating to the relevant CGU grouping.

During the year ended December 31, 2015, the Company recorded an aggregate $116,777 impairment charge to the Canadian CGU grouping (included in Canadian operating segment) as well as a $12,649 impairment charge to the Alaska CGU grouping (included in US operating segment). The impairment charge was allocated entirely to reduce goodwill of each CGU grouping. The impairment loss was recognized due to a reduction in forecasted sales and profitability in response to a significant decline in the economy of several key markets within each CGU grouping. This economic decline was driven primarily by a significant and rapid decline in the price of oil.

9 Goodwill (continued)

The recoverable amount of the Kentucky CGU grouping exceeded its carrying value by approximately $1,400. An increase in the discount rate to approximately 11.0% or a reduction to the weighted average sales growth rate to approximately 2.4% in the fair value calculation would reduce the recoverable amount of the Kentucky CGU grouping to its carrying value.

The recoverable amounts were based on FVLCS using discounted cash flow (DCF) methodology. The significant assumptions applied in the goodwill impairment test are described below:

- Cash Flows: Estimated cash flows are based on budgeted earnings before interest, taxes, depreciation and amortization (EBITDA). The forecast is extended to a total of five years based on an analysis of the industry's expected growth rates, historical and forecast volume changes, growth rates, and inflation rates.

- Discount rate: The weighted average cost of capital (WACC) was determined to be in the range of 9.9% to 11.6% and is based on market capital structure of debt, risk-free rate, equity risk premium, beta adjustment to the equity risk premium based on a review of betas of comparable publicly traded companies, an unsystematic risk premium, and after-tax cost of debt based on corporate bond yields.

- Terminal value growth rate: Five years of cash flows have been included in the DCF models. Maintainable debt-free net cash flow beyond the forecast period is estimated to approximate the 2020 cash flows increased by a terminal growth rate of 2.0% to 2.3% and is based on the industry's expected growth rates, forecast inflation rates, and management's experience.

(in thousands of Canadian dollars except share data or unless otherwise specified)

10 Long-term debt

Long-term debt comprises the following:

	Maturity date	2015 effective rate %	December 31, 2015 $	2014 effective rate %	December 31, 2014 $
Credit facility advance[(a)]	September 30, 2017	3.86	65,412	3.71	29,294
5.85% debenture[(b)]	April 30, 2018	8.41	65,351	8.41	64,605
Finance lease liability (note 21)	November 27, 2019 to December 23, 2019	6.92 to 7.33	462	-	-
			131,225		93,899
Unamortized deferred financing costs[(c)]:					
Credit facility			(315)		(109)
Debentures			(1,230)		(1,753)
			129,680		92,037
Less: Current portion of finance lease liability			(114)		-
			129,566		92,037

a) Credit facility advance

On June 30 2015, the Company and a syndicate of Canadian banks agreed to amend and restate the credit facility, whereby the Company has access to a $175 million extendible revolving credit facility and a $5 million USD operating facility maturing in September 2017 (collectively the “credit facility”). Pursuant to the terms of the credit facility, the Company has the ability to request an additional $50 million (to be provided by the lenders on a best-effort basis). The Company has the option to utilize its credit facility by requesting prime loan advances, US base rate advances, LIBOR advances, and banker’s acceptance or letter of credit advances. Included in the credit facility advance is $3.6 million USD in U.S. denominated draws.

Fees and interest under the credit facility are subject to a pricing grid whereby the pricing level is determined by the funded debt to EBITDA ratio.

- Funded debt is defined in the agreement as all the Company’s obligations, liabilities and indebtedness which would, in accordance with IFRS, be classified on a consolidated Statement of Financial Position of the Company as indebtedness for borrowed money of the Company, but excludes subordinated debt, deferred taxes and accounts payable incurred in the ordinary course of the Company’s business; EBITDA is defined under the amended and restated credit facility as the net earnings of the Company plus the following: interest expense, provision for income taxes, any portion of expense in respect of non-cash items including any long-term incentive plan amounts not to be settled in cash, depreciation, amortization, deferred taxes, and non-recurring losses to a maximum of $4.5 million in any fiscal year, write down of goodwill and intangible assets and other restructuring charges for store closures, amortization of inventory fair value adjustments and deductions for the non-controlling interest. EBITDA is also less any non-recurring extraordinary or one-time gains from any capital asset sales or certain foreign currency transactions.

10 Long-term debt (continued)

- The Company was in the second of four tiers of the pricing grid during the year-ended December 31, 2015, with the second tier providing the second lowest rate of interest under the credit facility (2014 – second of four tiers).

- In the second tier of the pricing grid, interest on bank indebtedness related to the credit facility is payable at the lender's prime rate plus 0.50% or the banker's acceptance discount rate plus a stamping fee of 1.75%. Standby fees for the credit facility are charged at an annual rate of 0.35% payable monthly on undrawn portions of the facilities. Financing fees relating to the credit facility have been included in the initial measurement of the financial liability and are recognized in net earnings using the effective interest method.

The credit facility is collateralized by a general security agreement covering all present and after-acquired property of the Company and its affiliates and material subsidiaries, a floating charge over all of the present and after acquired real property of the Company and its direct and indirect subsidiaries and an assignment of the Company's insurance. Further, the Company's material subsidiaries have provided the syndicate with unlimited guarantees of the credit facilities.

The Company's credit facility agreements contain both objectively determinable and subjective covenants which, if the Company fails to comply, could accelerate repayment requirements or restrict operations and growth.

On August 31, 2015, the Company, to replace an existing swap which expired on December 14, 2015, entered into a forward-starting interest rate swap effective on December 14, 2015 and expiring December 14, 2019, to fix the effective interest rate on a notional $60 million of principal debt with a rate equivalent to 1.23% plus the applicable credit spread determined with reference to the credit facility. At December 31, 2015, the carrying value of the interest rate swap was a $583 liability (2014 - $43 liability).

Fair value adjustments to the interest rate swap are included in finance costs in the statements of earnings. A $540 loss was recognized in 2015 (2014 – $52 gain). This financial instrument has not been designated as a hedge for accounting purposes.

b) 5.85% unsecured subordinated convertible debentures (the "Debentures")

The Debentures have an aggregate principal amount of $67,500 and are subordinated, unsecured obligations of the Company. The Debentures are convertible at any time at the option of the holders into common shares of the Company at a conversion price (the "Conversion Price") of $24.90 per share.

(in thousands of Canadian dollars except share data or unless otherwise specified)

10 Long-term debt (continued)

Prior to April 30, 2017, the Debentures are redeemable by the Company, in whole or in part from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption, provided that the volume-weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending five trading days prior to the date on which notice of redemption is provided is at least 125% of the Conversion Price. On or after April 30, 2017 and prior to the maturity date, the Company may, at its option, redeem the Debentures by way of cash payment or through the issuance of common shares, in whole or in part, from time to time at par plus accrued and unpaid interest.

The value of the conversion feature at the date of issuance, which was determined to be $4,437, net of $207 in transaction costs, has been recorded as equity with the remaining $59,912 (net of $3,151 in transaction costs) recorded as long-term debt. A deferred tax liability of $1,109 related to the conversion feature was recorded directly to the carrying value of the equity component at the date of issuance. The Debentures are being accreted such that the liability at maturity will be equal to the face value of $67,500. The following summarizes the face and carrying values of the Debentures:

	Liability Component		**Equity Component**
	Face Value	**Carrying Value**	**Carrying Value**
Balance at January 1, 2014	$67,500	$61,686	$3,328
Interest accretion and amortization of transaction costs	-	1,166	-
Balance at December 31, 2014	67,500	62,852	3,328
Interest accretion and amortization of transaction costs	-	1,269	-
Balance at December 31, 2015	67,500	64,121	3,328

c) Deferred financing costs

During the year ended December 31, 2015, financing fees of $524 (2014 - $373) were incurred to amend and restate the credit facility described in note 10(a). These fees have been recorded as deferred financing costs and are being amortized using the effective interest method over the term of the credit facility. No financing fees were incurred in connection with the Debentures in 2015 or 2014.

Amortization of deferred financing costs and accretion of discount included in interest expense for the year ended December 31, 2015 was $1,587 (2014 - $1,467).

d) Letter of Credit

At December 31, 2015, no letters of credit were issued. At December 31, 2014, the Company had issued $5,000 in letters of credit.

(in thousands of Canadian dollars except share data or unless otherwise specified)

11 Finance costs

Finance costs comprise the following:

	2015 $	2014 $
Interest expense		
Bank indebtedness	-	315
Long-term debt[(i)]	2,852	3,685
Convertible debenture[(ii)]	5,218	5,115
Interest expense	8,070	9,115
Net foreign exchange loss	935	171
Loss (gain) on change in fair value of interest rate swap	540	(52)
	9,545	9,234

i) Included in interest expense on long-term debt was amortization of deferred financing costs of $318 (2014 - $301).

ii) Interest expense on the convertible debentures of $5,218 (2014 - $5,115) represents coupon interest of $3,949 (2014 – $3,949) and $1,269 (2014 – $1,166) pertaining to the impact of capitalized transaction costs and the accretion of the debt using the effective interest rate method.

12 Dividends

	2015 $	2014 $
Dividends declared	29,524	25,434
Dividends paid		
Dividends paid in cash	26,994	22,663
Dividends paid in shares	2,511	2,399

Dividends were declared on January 15, 2016 and February 12, 2016 in the amount of $0.09 per common share and will be paid to the holders of common shares as at the close of the record dates of January 29, 2016 and February 29, 2016, respectively.

(in thousands of Canadian dollars except share data or unless otherwise specified)

13 Income tax

Deferred tax assets and liabilities have been offset where they relate to the same taxation authority and taxable entity, resulting in the following presentation on the consolidated statements of financial position:

	December 31, 2015 $	December 31, 2014 $
Deferred tax assets	10,474	3,918
Deferred tax liabilities	(5,457)	(17,946)
Net deferred tax asset (liability)	5,017	(14,028)

The following are the deferred tax balances recognized and movements thereon during the current and comparative year:

	Balance – January 1, 2015 $	Charged to net earnings $	Charged to equity attributable to shareholders $	Exchange differences $	Balance – December 31, 2015 $
Deferred tax assets					
Goodwill	-	761	-	(425)	336
Issue and financing costs	727	863	46	26	1,662
Deferred lease inducements	1,062	432	-	-	1,494
Inventory	93	105	-	22	220
Long-term incentive plans	599	119	-	30	748
Non-capital losses	10,217	2,660	-	2,021	14,898
	12,698	4,940	46	1,674	19,358
Deferred tax liabilities					
Intangible assets	4,480	(2,177)	-	201	2,504
Property and equipment	3,377	1,992	-	524	5,893
Goodwill	12,975	(12,975)	-	-	-
Partnership income	5,166	201	-	-	5,367
Convertible debenture	728	(151)	-	-	577
	26,726	(13,110)	-	725	14,341
	(14,028)	18,050	46	949	5,017

(in thousands of Canadian dollars except share data or unless otherwise specified)

13 Income tax (continued)

	Balance – January 1, 2014 $	Charged to net earnings $	Charged to equity attributable to shareholders $	Exchange differences $	Balance – December 31, 2014 $
Deferred tax assets					
Issue and financing costs	-	82	645	-	727
Deferred lease inducements	1,030	32	-	-	1,062
Inventory	96	(12)	-	9	93
Long-term incentive plans	458	124	-	17	599
Non-capital losses	7,405	2,099	-	713	10,217
	8,989	2,325	645	739	12,698
Deferred tax liabilities					
Intangible assets	4,018	346	-	116	4,480
Property and equipment	3,201	(16)	-	192	3,377
Goodwill	10,690	2,091	-	194	12,975
Partnership income	7,987	(2,821)	-	-	5,166
Convertible debenture	668	60	-	-	728
Issue and financing costs	130	(130)	-	-	-
	26,694	(470)	-	502	26,726
	(17,705)	2,795	645	237	(14,028)

The above includes a net deferred tax asset recorded by a wholly-owned US subsidiary of $10,185 (2014 – $3,351).

The Company has recognized deferred tax assets related to non-capital losses of $39,146 (2014 – $26,646) available in subsidiaries to offset income taxes of future years. If not utilized, the non-capital loss carryforwards will expire as follows:

	$
2028	87
2029	2,461
2030	3,919
2031	6,132
2032	5,297
2033	5,917
2034	3,250
2035	12,083
	39,146

Deferred taxes are not recorded on $57,593 of goodwill that is not deductible for tax purposes.

(in thousands of Canadian dollars except share data or unless otherwise specified)

13 Income tax (continued)

The tax on the Company's earnings before income taxes differs from the amount that would arise using the weighted average Canadian federal and provincial statutory tax rate applicable to the consolidated entities as follows:

	2015 $	2014 $
Earnings (loss) taxed at statutory rate of 26.01% (i) (2014 – 25.16%)	(29,666)	4,282
Tax effects of		
Impact of difference between US and Canada tax rates	(2,220)	(312)
Non-deductible and non-taxable items	(493)	(223)
Impairment provision not deductible for tax purposes	16,640	(223)
Impact of substantively enacted tax rates	726	-
Change in valuation allowance	61	-
Adjustment to prior years' deferred tax estimates	312	145
Other	(24)	179
Income tax expense (recovery)	(14,664)	4,071

i) On June 29, 2015, the Alberta government enacted a two percent increase in the corporate income tax rate. The rate increase was effective July 1, 2015.

14 Share capital

a) Authorized:

An unlimited number of voting common shares are authorized to be issued.

b) Issued and outstanding:

	#	$
Balance – January 1, 2014	23,113,172	188,824
Common shares issued(i)	3,927,250	55,603
Shares issued under dividend reinvestment plan	200,338	2,399
Balance – December 31, 2014	27,240,760	246,826
Balance – January 1, 2015	27,240,760	246,826
Adjustment to net proceeds on share issuance	-	(34)
Shares issued under dividend reinvestment plan	209,131	2,511
Balance – December 31, 2015	27,449,891	249,303

(i) The Company issued 3,927,250 common shares on December 19, 2014 for aggregate gross proceeds of $57,534. Directly attributable transaction costs amounting to $2,576 and a deferred tax recovery of $645 have been recorded in share capital resulting in net addition to share capital of $55,603.

(in thousands of Canadian dollars except share data or unless otherwise specified)

15 Earnings (loss) per share

	2015 $	2014 $
Net earnings (loss) attributable to owners of the parent	(99,587)	12,713

	2015 #	2014 #
Weighted average number of common shares outstanding – Basic	27,329,145	23,343,836
Effect of dilutive securities		
Equity-settled one time grant performance share units	16,232	-
Equity-settled restricted share units	30,893	-
Weighted average number of common shares outstanding – Diluted	27,376,270	23,343,836

	2015 $	2014 $
Basic earnings (loss) per share	(3.64)	0.54
Diluted earnings (loss) per share	(3.64)	0.54

For the years ended December 31, 2015 and 2014 potential shares issuable in exchange for equity-settled share options have been excluded in the diluted earnings per share calculation as their effect would have been anti-dilutive.

The potential shares issuable in exchange for convertible debentures have been excluded due to their anti-dilutive effect for the years ended December 31, 2015 and 2014.

(in thousands of Canadian dollars except share data or unless otherwise specified)

16 Share-based payments

The following summarizes the Company's share based payment plans:

	Cash settled			Equity settled			
Year ended December 31, 2015	Share options[a]	Deferred Share Units[b]	Restricted Share Units[c]	Share options[a]	Restricted Share Units[c]	Performance Share Units[c]	One-time Grant[d]
Outstanding, beginning of period	18,750	58,161	99,189	87,750	10,244	-	131,452
Granted and reinvested dividends	-	20,065	6,150	-	54,875	54,263	10,620
Settled / exercised	-	-	(37,869)	-	-	-	-
Forfeited	(12,000)	-	(2,247)	(39,000)	(3,680)	-	(14,215)
Outstanding, end of period	6,750	78,226	65,223	48,750	61,439	54,263	127,857

	Cash settled			Equity settled			
Year ended December 31, 2014	Share options[a]	Deferred Share Units[b]	Restricted Share Units[c]	Share options[a]	Restricted Share Units[c]	Performance Share Units[c]	One-time Grant[d]
Outstanding, beginning of period	21,000	49,471	44,636	186,750	-	-	-
Granted and reinvested dividends	-	17,028	71,224	-	10,244	-	131,452
Settled / exercised	-	(8,338)	(15,293)	-	-	-	-
Forfeited	(2,250)	-	(1,378)	(99,000)	-	-	-
Outstanding, end of period	18,750	58,161	99,189	87,750	10,244	-	131,452

For the year-ended December 31, 2015, compensation expense on equity settled plans of $834 (2014 - $232) and compensation recovery on cash settled plans of $80 (2014 - $875 expense) was recognized related to the Company's share-based award plans.

a) Employee share option plan

On March 24, 2011, 675,000 share options were granted to employees with an exercise price set at $15.52 per share, which was the five day average trading price preceding the grant date. Of these awards, 598,500 were classified as equity-settled share options and 76,500 were classified as cash-settled share options. Share options vest over three years (1/3 at each of the first, second and third anniversaries of the grant date) and expire five years after the grant date.

16 Share-based payments (continued)

i) Equity-settled share options

For equity-settled share options, each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the grant date using the Black-Scholes option pricing model. Compensation expense is recognized over each tranche vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually with any adjustments being recognized in the period they are determined.

The weighted average fair value of options granted in 2011 was $1.53 per option. The significant weighted average inputs into the model were a share price of $15.52, an exercise price of $15.52, an expected life of five years, volatility of 24.50%, a dividend yield of 6.96%, and an annual risk-free interest rate of 2.70%. No awards have been granted under this plan since 2011.

ii) Cash-settled share options

For cash-settled share options, compensation expense is recognized with a corresponding increase in liabilities as the employees become entitled to the payment over the vesting period. The fair value of the liability of vested options is determined based on the difference between the exercise price and the five day weighted average price preceding the balance sheet date and is re-measured at each balance sheet date and settlement date.

b) Directors' deferred share unit plan ("DSU")

The Company has a DSU plan for members of the Company's Board of Directors, granting an annual award as part of their compensation. Directors may also elect to receive a portion of their annual retainers and fees in the form of DSUs. Each DSU entitles a participant to receive cash equal to the market value of the equivalent number of shares of the Company. The number of DSUs granted is determined on the volume weighted average price of the Company's common shares on the five trading days immediately prior to the grant date. The fair value of the awards granted under the DSU plan is initially recognized as a compensation expense on the grant date. Fluctuations in the market value are recognized as a compensation expense in the period in which the fluctuations occur. Dividends paid earn fractional DSUs and are treated as additional awards.

The awards are settled at the time when the participant ceases to be a Director of the Company. The Company intends to settle all DSUs in cash; however, wholly at its own discretion, the Company may settle the units with shares either through the purchase of voting shares on the open market or the issuance of new shares from treasury.

16 Share-based payments (continued)

c) Incentive award plan

On March 28, 2013, the Company adopted an incentive award plan comprised of restricted awards ("RSUs") and performance awards ("PSUs") for employees of the Company. RSUs are subject to service conditions and PSUs are subject to both service and market conditions. Restricted awards and performance awards issued under the incentive award plan are granted at the discretion of the Company's Board of Directors. RSUs vest over three years, one third on each of the first, second and third anniversaries of the grant date. The PSUs cliff-vest on the third anniversary of the grant date. Dividends paid earn fractional units and are treated as additional awards.

Prior to the plan amendment on May 6, 2014, the Company had the option, wholly at its own discretion, to settle the units with cash or in shares through the purchase of voting shares on the open market. The Company intends to settle all awards issued prior to the plan amendment in cash. The incentive awards are accounted for as an employee benefit, the liability for which is revalued at each balance sheet date using the weighted average price of the Company's shares for the immediately preceding five days.

On May 6, 2014, the Company amended its award plan to allow settlement of awards in shares through the issue of new shares from treasury, in addition settling the awards in shares purchased on the open market or by settlement with cash. The Company intends to settle all awards granted subsequent to May 6, 2014 through the issuance of new shares from treasury.

Compensation expense for equity-settled awards is recognized over each tranche vesting period by increasing contributed surplus based on the number of awards expected to vest for the RSUs, and evenly over the cliff-vesting period by increasing contributed surplus based on the number of awards expected to vest for the PSUs. The number of awards expected to vest is reviewed at least annually with any adjustments being recognized in the period they are determined.

(in thousands of Canadian dollars except share data or unless otherwise specified)

16 Share-based payments (continued)

d) One-time grant

On November 14, 2014, a one-time special grant comprised of PSUs to senior executives of the Company was approved by the Board of Directors and approved by shareholders on May 8, 2015. The PSUs cliff vest on the third anniversary of the grant date. The number of common shares issuable to the executives pursuant to the PSUs is subject to the common shares meeting certain pre-determined 20 day volume weighted average trading price targets between the date of grant and the payout or settlement date of the PSUs (the "Performance Period"). No common shares are issuable under the PSUs if the 20 day volume weighted average trading price of the common shares does not reach $15.00 during the Performance Period. During the year, the Company achieved a $15.00 twenty day volume weighted average trading price indicating a 50% award multiplier, as a minimum, will be applied to these awards upon settlement.

After the three-year vesting period has been met, the date of settlement is at the employee's option but must occur prior to the end of the five year term. The Company will settle all awards through the issuance of new shares from the treasury. Other terms and the accounting treatment of the awards are consistent with other equity-settled awards under the incentive award plan.

17 Related party transactions

The following transactions were carried out with related parties:

a) Operating and administrative expenses

	2015 $	2014 $
Professional fees(i)		
Recognized in operating and administrative expenses	86	85
Included in the initial carrying value of long-term debt	50	-
Rent expense(ii)	-	194
	136	279

(i) A Director of the Company is a partner in a law firm to which the Company incurred professional fees for legal services.
(ii) Rent includes amounts paid to entities controlled by a former Director of the Company up until May 15, 2014, when the Director retired from the Company's Board and ceased to be a related party.

(in thousands of Canadian dollars except share data or unless otherwise specified)

17 Related party transactions (continued)

b) Compensation of key management

Key management includes the directors and executive officers of the Company.

	2015 $	2014 $
Salaries and short-term benefits	4,279	3,767
Share-based payments	754	978
Other	675	617
	5,708	5,362

Other compensation of key management, which is included in operating and administrative expenses for the year ended December 31, 2015, relates to payments of $675 related to the departure of the Company's former Executive Vice President, Business Development, General Counsel and Corporate Secretary. Also, included in operating and administrative expenses for the year ended December 31, 2014 are payments of $617 related to the departure of the Company's former Chief Financial Officer.

These expenses have been included in the Canadian operating segment (note 22).

18 Expenses by nature

	2015 $	2014 $
Wages and employee benefits	68,423	64,042
Lease and premises costs	40,476	35,595
Advertising and promotion	9,072	7,270
Other	36,548	32,914
Total operating and administrative expenses	154,519	139,821

(in thousands of Canadian dollars except share data or unless otherwise specified)

19 Supplementary disclosure of cash flow information

Changes in non-cash working capital items comprise the following:

	2015 $	2014 $
Accounts receivable	(3,848)	(739)
Inventory	(13,197)	(227)
Prepaid expenses and deposits	(1,655)	(1,497)
Accounts payable and accrued liabilities	8,173	4,797
Income tax payable	-	(3,577)
	(10,527)	(1,243)

Interest and income taxes paid are included in cash flows from operating activities in the Statement of Cash Flows.

	2015 $	2014 $
Interest paid	6,431	7,615
Income taxes paid	6,472	10,603

20 Financial instruments

a) Financial instruments measured at fair value

Financial instruments recognized at fair value include the interest rate swap, which is a level 2 measurement. There have been no transfers of instruments between levels in the hierarchy.

The fair values of interest rate swaps are calculated as the net present value of the future cash flows expected to arise on the variable and fixed legs, determined using applicable yield curves at each measurement date.

Fair value hierarchy

Financial instruments recognized on the balance sheet at fair value are classified in a hierarchy based on the significance of the estimates used in their measurement, as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

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

Level 3 – Inputs for the asset or liability that are not based on observable market data.

b) Financial instruments measured at other than fair value

Financial assets that are valued at other than fair value on the consolidated Statement of Financial Position include cash and accounts receivable. The carrying value less impairment provision of accounts receivable approximates fair value at December 31, 2015 and December 31, 2014 due to the short-term nature of the instruments.

Financial liabilities that are valued at other than fair value are comprised of accounts payable and accrued liabilities, dividends payable, and long-term debt. Long-term debt has been recorded initially at fair value and subsequently at amortized cost using the effective interest method.

The carrying value of accounts payable and other accrued liabilities and dividends payable approximates their fair value due to the short-term nature of the instruments. The carrying value of the credit facility advances approximate fair value, as the interest rate affecting this instrument is at a variable market rate. The fair value of the debentures was $67,500 (2014 - $70,875) and was determined based on market trading values at the balance sheet date.

Included in accrued liabilities is a $1,170 balance for an onerous contract. The provision for an onerous contract is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

(in thousands of Canadian dollars except share data or unless otherwise specified)

20 Financial instruments (continued)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument might fail to meet its obligations under the terms of the financial instrument. The Company's financial assets that are exposed to credit risk consist primarily of cash and accounts receivable.

The Company maintains its cash and cash equivalents with large financial institutions in Canada and the US. The Company, in its normal course of operations, is exposed to credit risk from its wholesale customers. Risk associated with respect to accounts receivable is mitigated by credit management policies.

The Company is not subject to significant concentration of credit risk with respect to its customers; however, all trade receivables are due from organizations in the hospitality industry in Alberta.

	2015 **$**	**2014** **$**
Trade receivables	909	712
Lease inducement receivables	1,410	429
Income tax recoverable	3,259	160
Other receivables	442	798
	6,020	2,099

Substantially all of the Company's trade receivables are aged less than 60 days. An expense of $17 (2014 - $2) was recorded for bad debts or significant past due accounts. Management does not consider credit risk to be material to current operations.

(in thousands of Canadian dollars except share data or unless otherwise specified)

20 Financial instruments (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as market prices change.

a) Interest rate risk

The Company is subject to cash flow interest rate risk as its credit facilities bear interest at variable rates.

The following table presents a sensitivity analysis to changes in market interest rates and their potential annual impact on the Company, assuming outstanding loan facility advances of $65,412, adjusted for the $60,000 interest rate swap discussed below.

	+1.00% **$**	**-1.00%** **$**
Increase (decrease) in interest expense	54	(54)
(Decrease) increase in earnings	(40)	40

The Company manages its interest rate risk through credit facility negotiations and by identifying upcoming credit requirements based on strategic plans. The Company was party to an interest rate swap with a Canadian Schedule I bank that matured December 14, 2015. On August 31, 2015, the Company entered into a forward-starting interest rate swap effective on December 14, 2015 and expiring December 14, 2019, to fix the effective interest rate on a notional $60 million of principal debt with a rate equivalent to 1.23% plus the applicable credit spread determined with reference to the credit facility.

b) Foreign exchange risk

The Company is subject to fluctuations in the value of the Canadian dollar relative to the US dollar in the normal course of business. A portion of cash flows are realized in US dollars and as such, fluctuations in the exchange rate between the Canadian dollar and US dollar may have an impact on financial results. The Company's foreign exchange cash flow exposure is limited to the payment of US intercompany management fees and interest charges which totalled US$4,363 (2014 – US$4,809). A 5% weakening or strengthening of the Canadian dollar against the US dollar with all other variables held constant would result in a foreign exchange gain or loss of $218 (2014 - $240).

The Company also has exposure to foreign exchange risk through its US dollar borrowings under the credit facility. A 5% weakening or strengthening of the Canadian dollar against the US dollar with all other variables held constant would result in a foreign exchange gain or loss of $204 (2014 - $251).

(in thousands of Canadian dollars except share data or unless otherwise specified)

20 Financial instruments (continued)

Liquidity risk

The Company's liabilities have maturities which are summarized below:

	Current $	Non-current $
Accounts payable and accrued liabilities	61,628	-
Dividends payable to shareholders	2,470	-
Finance lease liability (4th quarter of 2019 maturities)	114	348
Credit facility advance (September 30, 2017 maturity)	-	65,412
Convertible debenture (April 30, 2018 maturity)	-	65,351

A breakdown of the Company's accounts payable and accrued liabilities is summarized below:

	2015 $	2014 $
Trade payables	35,345	28,558
Accrued liabilities	10,685	7,320
Wages payable	6,042	6,670
Leasehold inducements	4,703	3,178
Indirect taxes payable	3,030	2,251
Provision for onerous contracts	1,170	-
Accrued interest	653	652
	61,628	48,629

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations as they come due. As well, the degree to which the Company is leveraged may reduce its ability to obtain additional financing for working capital and to finance growth acquisitions.

To manage liquidity risk, the Company has historically renewed credit terms prior to maturity dates and maintains financial ratios that are conservative compared to financial covenants applicable to the credit facilities. The Company uses a detailed consolidated cash flow forecast model to regularly monitor its near and long-term cash flow requirements, supplemented with frequent evaluation of the financial covenants contained in its credit facility agreements. This also assists the Company in optimizing its working capital and evaluating long-term funding strategies.

As at December 31, 2015, the Company had $75,579 of undrawn capacity available under its existing credit facility which matures on September 30, 2017.

20 Financial instruments (continued)

Capital management

The Company views capital as the combination of its credit facility, convertible debentures and shareholders' equity balances. In general, the overall capital of the Company is evaluated and determined in the context of its financial objectives when managing capital, which are to ensure the Company has capital and capacity to support its growth strategy, provide investors with stable returns and ensure the Company has the financial capacity to support its operations.

Management believes that the Company's capital structure reflects the requirements of a company focused on growth, both through the development of new stores and through acquisitions. Management continually monitors the adequacy of the Company's capital structure and adjusts the structure accordingly, either by accessing credit facilities, issuing debt instruments, or issuing new shares.

There were no changes to the Company's objectives, policies or processes for managing capital from the prior fiscal year.

The Company's credit facilities with a syndicate of Canadian banks are subject to a number of financial covenants. Management prepares financial forecasts to monitor its compliance with the financial covenants and to anticipate possible future issues. Under the terms of the Company's credit facility, the following ratios are monitored: funded debt to earnings before interest, taxes, depreciation, and amortization ("EBITDA"), adjusted debt to earnings before interest, taxes, depreciation, amortization, and rent ("EBITDAR"), and fixed charge coverage ratio. For the year ended December 31, 2015 and 2014, the Company is in compliance with all covenants. There are no financial covenants attributable to the Company's convertible unsecured subordinated debentures due April 30, 2018.

(in thousands of Canadian dollars except share data or unless otherwise specified)

21 Leases

a) Operating Leases

The future minimum lease payments under non-cancellable operating leases for head office and retail store premises are as follows:

	$
Not later than one year	32,920
Later than one year and not later than five years	108,936
Later than five years	58,361
	200,217

Total lease payments in the year were $28,343 (2014 – $25,378). Current lease terms vary from monthly to twenty years and expire between 2016 and 2035.

b) Finance Leases

The future minimum lease payments under finance leases for vehicles are as follows:

	Not later than one year	**Later than one year and not later than five years**	**Later than five years**
Finance lease payments	143	384	-
Less: future finance charges	(30)	(35)	-
Present value of minimum lease payments	113	349	-

22 Operating segments

The Company has three reportable segments: Canadian Operations, US Operations, and Corporate. Segmentation is based on differences in the regulatory environments of Canada and the US and reflects the basis on which management measures performance and makes decisions regarding the allocation of resources. The Canada and US segments operate retail liquor stores in their respective jurisdictions.

Financial information regarding the results of each reportable segment is included below. Performance is measured based on operating margin, which is defined as earnings before amortization, finance costs and income tax expense (recovery), as included in the internal management reports that are reviewed regularly by the Company's President and Chief Executive Officer (the Company's chief operating decision maker) and follow the organization, management and reporting structure of the Company. Operating margin is one of the primary benchmarks used by management to evaluate the performance of its operating segments. A reconciliation of operating margin to earnings before income taxes, an earnings measure used in the Company's consolidated Statement of Earnings, has been included in the table below.

Operating margin is not an earnings measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Therefore, operating margin may not be comparable to similar measures presented by other issuers. Users are cautioned that operating margin should not be construed as an alternative to earnings before income tax as determined in accordance with IFRS, as an indicator of performance or as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows.

(in thousands of Canadian dollars except share data or unless otherwise specified)

22 Operating segments (continued)

				December 31, 2015
	Canadian Operations $	US Operations $	Corporate $	Consolidated $
Sales to external customers	528,720	217,664	-	746,384
Operating margin (note 17 & 18)	54,327	13,269	(30,726)	36,870
Property and equipment amortization				10,814
Intangible asset amortization				254
Provision for impairment of goodwill and intangible assets (note 8 & 9)				130,313
Finance costs				9,545
Earnings before income taxes				(114,056)
Other information				
Expenditures for additions to				
Property and equipment[(i)]	16,858	10,197	-	27,055
Intangible assets[(i)]	3,069	2,006	-	5,075
Total assets at December 31, 2015[(i)]	332,495	123,059	-	455,554

				December 31, 2014
	Canadian Operations $	US Operations $	Corporate $	Consolidated $
Sales to external customers	513,957	180,229	-	694,186
Operating margin (note 17 & 18)	50,985	12,320	(26,775)	36,530
Property and equipment amortization				9,961
Intangible asset amortization				315
Finance costs				9,234
Earnings before income taxes				17,020
Other information				
Expenditures for additions to				
Property and equipment[(i)]	11,244	1,558	-	12,802
Intangible assets[(i)]	-	639	-	639
Total assets at December 31, 2014[(i)]	424,571	101,294	-	525,865

(i) Total corporate assets are not regularly reported to the CODM but rather, a split between US and Canadian assets is provided. The disclosure above reflects what is regularly provided to the CODM.

23 Subsequent events

Effective January 4, 2016, the Company acquired a 51% ownership interest in Birchfield Ventures LLC and the right to acquire the remaining 49% interest at pre-negotiated terms. Birchfield Ventures LLC operates two stores in New Jersey under the banner "Joe Canal's Discount Liquor Outlets". The aggregate consideration paid to the sellers in consideration of the transfer of the purchased units and other undertakings is an aggregate amount in cash equal to USD $15 million plus or minus a closing net working capital adjustment. The acquisition was funded by the Company's existing credit facilities, and will be accounted for using the acquisition method. The purchase of this business is consistent with the Company's U.S. growth strategy.

The purchase price of USD $15 million is estimated to be allocated to USD $538 thousand of working capital, USD $845 thousand of property and equipment, and the remainder will be allocated to intangible assets and goodwill based on the final determination of acquisition-date fair values and the completion of a closing working capital audit. These figures are estimates and subject to change.