

A summary of the Company's equity share transactions is as follows:

	Fifty-two weeks ended January 2, 2016		Fifty-three weeks ended January 3, 2015	
	Shares	(\$000s)	Shares	(\$000s)
<b>Common shares</b>				
Balance, beginning of period	30,706,290	\$ 82,658	30,571,420	\$ 80,260
Options exercised for shares	101,678	664	62,017	291
Options exercised via cashless for shares	109,496	—	91,753	—
Equity-settled reclass from contributed surplus or liability	—	2,049	—	2,147
Cancelled shares reclassified to retained earnings	(43,300)	(89)	(18,900)	(40)
<b>Balance, end of period</b>	<b>30,874,164</b>	<b>\$ 85,282</b>	<b>30,706,290</b>	<b>\$ 82,658</b>

During the fifty-two weeks ended January 2, 2016, the Company distributed dividends per share of CAD\$0.465 (fifty-three weeks ended January 3, 2015: CAD\$0.410).

On February 17, 2016, the Company's Board of Directors declared a quarterly dividend of CAD\$0.12 per share payable on March 15, 2016 to shareholders of record as of March 1, 2016.

## Note 16. Earnings per share

Following is a reconciliation of the numerators and denominators used in the basic and diluted earnings per share computations:

	January 2, 2016			January 3, 2015		
	Net income (\$000s)	Weighted average shares (000s)	Per share (\$)	Net income (\$000s)	Weighted average shares (000s)	Per share (\$)
<b>Basic earnings</b>	\$ 29,581	30,819	\$ 0.96	\$ 30,300	30,665	\$ 0.99
Dilutive options and PSUs	—	446	—	—	652	—
<b>Diluted earnings</b>	\$ 29,581	31,265	\$ 0.95	\$ 30,300	31,317	\$ 0.97

All options and PSUs outstanding were dilutive for the fifty-two weeks ended January 2, 2016 and the fifty-three weeks ended January 3, 2015.

## Note 17. Share-based compensation

The Company has a Share Option Plan for designated directors, officers and certain managers of the Company and of subsidiary companies, a Performance Share Unit ("PSU") Plan for eligible employees and a Deferred Share Unit ("DSU") Plan for directors of the Company.

During 2014, the Company moved from a trinomial option pricing model to a Black-Scholes option pricing model. As no options were granted in 2014 after the Company moved to the Black-Scholes option pricing model, the impact to the Company began in 2015 when options were granted. The effect of the change in the methodology was not material.

The carrying amount of the share-based compensation arrangements including options, PSUs and DSUs, recognized as total liabilities on the consolidated balance sheets was \$1.0 million as at January 2, 2016 (January 3, 2015: \$2.9 million).

Share-based compensation expense is recognized in the consolidated statement of income as follows:

(Amounts in \$000s)	January 2, 2016	January 3, 2015
<b>Cost of sales resulting from:</b>		
Cash-settled awards	\$ (171)	\$ (148)
Equity-settled awards	133	188
<b>Selling, general and administrative expenses resulting from:</b>		
Cash-settled awards	(703)	1,288
Equity-settled awards	1,860	2,001
<b>Share-based compensation expense<sup>1</sup></b>	<b>\$ 1,119</b>	<b>\$ 3,329</b>

1 Cash-settled awards include options with SARs, PSUs and DSUs. Equity-settled awards include non-SAR options and PSUs.

### Share option plan

Under the Option Plan, when the holder is awarded options with SARs, the Company accounts for those options as cash-settled transactions. Options issued may also be awarded a cashless exercise option, at the discretion of the Board, where the holder may elect to receive, without payment of any additional consideration, optioned shares equal to the value of the option as computed by the Option Plan. When the holder is not awarded options with SARs, or if the holder elects to receive the cashless exercise option, the Company accounts for these options as equity-settled transactions.

Effective March 29, 2013, amendments were made to eliminate the SARs on certain options granted in early 2012 and prior for certain directors and officers of the Company. On a voluntary basis, these directors and officers relinquished the entitlement under the SARs, resulting in 409,649 options with SARs being extinguished, then reinvested as options that do not have SARs. On the amendment date, the liability of \$7.6 million for these individuals on the SARs was fixed, resulting in no future impact on profit or loss for the options that were vested at that time, and was reclassified to contributed surplus.

Under the terms of the Option Plan, the Company may grant options to eligible participants, including, directors, members of the Company's Leadership Team, and senior managers of the Company. Shares to be optioned were not to exceed the aggregate number of 3,800,000 as of May 7, 2013 (adjusted for the two-for-one stock split that was effective May 30, 2014), representing 12.4% of the then issued and outstanding authorized shares. The option price for the shares cannot be less than the fair market value (as defined further in the Option Plan) of the optioned shares as of the date of grant. The term during which any option granted may be exercised may not exceed 10 years from the date of grant. The purchase price is payable in full at the time the option is exercised. Options are not transferable or assignable.

The following table illustrates the number ("No.") and weighted average exercise prices ("WAEP") of, and movements in, options during the period:

	January 2, 2016		January 3, 2015	
	No.	WAEP (CAD\$)	No.	WAEP (CAD\$)
Outstanding, beginning of period	1,252,172	\$ 14.90	1,123,984	\$ 10.47
Granted	445,642	23.21	380,726	22.97
Exercised for shares <sup>1</sup>	(296,298)	9.74	(196,847)	6.80
Exercised for cash	(42,170)	6.42	(52,691)	8.13
Cancelled or forfeited	(36,054)	20.71	(3,000)	23.01
Outstanding, end of period	1,323,292	\$ 18.98	1,252,172	\$ 14.90
Exercisable, end of period	868,892	\$ 17.03	608,128	\$ 10.55

1 The fifty-two weeks ended January 2, 2016 includes 194,620 options exercised for 109,496 shares via the cashless exercise method and 101,678 options exercised for 101,678 shares, totalling 211,174 shares received for exercise of options. The fifty-two weeks ended January 3, 2015, includes 134,822 options exercised for 91,753 shares via the cashless method and 62,025 options exercised for 62,025 shares, totalling 153,778 shares received for exercise of options.

The weighted average fair value of options granted during the year ended January 2, 2016, was CAD\$5.23 (January 3, 2015: CAD\$5.36).

The range of exercise prices for options outstanding at January 2, 2016 was CAD\$5.17 – CAD\$24.80 (January 3, 2015: CAD\$3.45 – CAD\$23.01).

The fair value of options granted during the years ended January 2, 2016 and January 3, 2015, was estimated on the date of grant using the Black-Scholes pricing model with the following weighted-average inputs and assumptions:

	<b>January 2, 2016</b>	January 3, 2015
Dividend yield (%)	<b>1.84</b>	1.68
Expected volatility (%)	<b>30.69</b>	30.05
Risk-free interest rate (%)	<b>0.98</b>	1.62
Expected life (years)	<b>4.78</b>	4.82
Weighted average share price (CAD\$)	<b>23.21</b>	22.97

### PSU Plan

The Company is permitted to issue up to 400,000 shares from treasury in settling bonus entitlements under the PSU Plan.

PSUs may be issued under the PSU Plan to any eligible employee of the Company, or its subsidiaries, who have rendered meritorious services that contributed to the success of the Company. Directors who are not full-time employees of the Company may not participate in the PSU Plan. The PSU Plan is intended to reward the members of the Company's Leadership Team for performance, which is expected to drive long-term shareholder value.

The amount payable to each participant under the PSU Plan in respect of a particular grant of PSUs shall be determined by multiplying the number of PSUs (which will be adjusted in connection with the payment of dividends by the Company as if such PSUs were common shares held under a dividend reinvestment plan) by a performance multiplier to be determined by the Company's Board of Directors and by the fair market value of a common share at the vesting date.

The PSU Plan shall be paid by one or both of the following forms: (i) cash; or (ii) common shares. Issuances of PSUs may not result in the following limitations being exceeded: (a) the aggregate number of shares issuable to insiders pursuant to the PSU Plan, the Option Plan or any other share-based compensation arrangement of the Company exceeding 10% of the aggregate of the issued and outstanding shares at any time; and (b) the issuance from treasury to insiders, within a 12-month period, of an aggregate number of shares under the PSU Plan, the Option Plan and any other share-based compensation arrangement of the Company exceeding 10% of the aggregate of the issued and outstanding shares.

The following table illustrates the number ("No.") of, and movements in, PSUs during the period:

	<b>January 2, 2016</b>	January 3, 2015
	<b>No.</b>	No.
Outstanding, beginning of period	<b>102,991</b>	156,404
Granted	<b>77,823</b>	57,004
Re-invested dividends	<b>4,396</b>	3,760
Released and paid in cash	<b>(7,997)</b>	(68,365)
Expired	<b>(38,029)</b>	(45,812)
Outstanding, end of period	<b>139,184</b>	102,991

The expected performance multiplier used in determining the fair value of the liability and related share-based compensation expense for the PSUs granted during the fifty-two weeks ended January 2, 2016 and the fifty-three weeks ended January 3, 2015 was 19% and 60%, respectively, and the share price at the reporting date was CAD\$15.55 (2014: CAD\$22.70). The PSUs will vest at the end of a three-year period if agreed upon performance measures are met.

### DSU Plan

The DSU Plan allows a director to receive all or any portion of their annual retainer, additional fees and equity value ("Elected Amount") in DSUs in lieu of cash or options. DSUs cannot be redeemed for cash until the holder is no longer a Director of the Company. At January 2, 2016 there were 23,580 DSUs outstanding (January 3, 2015: 14,557 DSUs).