Dollarama Inc.

Condensed Interim Consolidated Financial Statements

For the 13-week and 26-week periods ended July 31, 2016 and August 2, 2015

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

Dollarama Inc.

Consolidated Interim Statement of Financial Position as at
(Unaudited, expressed in thousands of Canadian dollars)

	Note	July 31, 2016 $	January 31, 2016 $
Assets			
Current assets			
Cash and cash equivalents		107,930	59,178
Accounts receivable		12,941	11,118
Deposits and prepaid expenses		7,170	8,900
Merchandise inventories		436,331	470,195
Derivative financial instruments	7	9,311	67,542
		573,683	616,933
Non-current assets			
Property and equipment	6	389,253	332,225
Intangible assets		137,926	136,934
Goodwill		727,782	727,782
Total assets		1,828,644	1,813,874
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		161,327	166,171
Dividend payable		11,902	11,087
Income taxes payable		6,349	45,638
Derivative financial instruments	7	13,664	-
Finance lease obligations		85	588
Current portion of long-term debt	8	278,411	3,542
		471,738	227,026
Non-current liabilities			
Long-term debt	8	919,338	920,772
Deferred rent and lease inducements		75,373	71,632
Deferred income taxes		110,770	127,592
Total liabilities		1,577,219	1,347,022
Commitments	12		
Shareholders' equity			
Share capital		432,143	439,296
Contributed surplus		21,920	20,136
Deficit		(207,592)	(62,375)
Accumulated other comprehensive income		4,954	69,795
Total shareholders' equity		251,425	466,852
Total liabilities and shareholders' equity		1,828,644	1,813,874

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

Dollarama Inc.

Consolidated Interim Statement of Changes in Shareholders' Equity

For the 26-week periods ended

(Unaudited, expressed in thousands of Canadian dollars except share amounts)

	Note	Number of common shares	Share capital $	Contributed surplus $	Retained earnings/ (deficit) $	Accumulated other comprehensive income (loss) $	Total $
Balance – February 1, 2015		129,790,354	462,734	15,338	196,112	66,296	740,480
Net earnings for the period		-	-	-	160,250	-	160,250
Other comprehensive income							
Unrealized gain on derivative financial instruments, net of reclassification adjustment and income tax of $(686)		-	-	-	-	1,841	1,841
Dividends declared		-	-	-	(23,191)	-	(23,191)
Repurchase and cancellation of shares	9	(2,068,376)	(7,347)	-	(139,656)	-	(147,003)
Share-based compensation	9	-	-	3,109	-	-	3,109
Issuance of common shares		110,762	1,761	-	-	-	1,761
Reclassification related to exercise of share options		-	791	(791)	-	-	-
Balance – August 2, 2015		127,832,740	457,939	17,656	193,515	68,137	737,247
Balance – January 31, 2016		122,225,104	439,296	20,136	(62,375)	69,795	466,852
Net earnings for the period		-	-	-	189,504	-	189,504
Other comprehensive loss							
Unrealized loss on derivative financial instruments, net of reclassification adjustment and income tax recovery of $23,643		-	-	-	-	(64,841)	(64,841)
Dividends declared		-	-	-	(24,037)	-	(24,037)
Repurchase and cancellation of shares	9	(3,569,146)	(12,828)	-	(310,684)	-	(323,512)
Share-based compensation	9	-	-	3,403	-	-	3,403
Issuance of common shares		162,091	4,056	-	-	-	4,056
Reclassification related to exercise of share options		-	1,619	(1,619)	-	-	-
Balance – July 31, 2016		118,818,049	432,143	21,920	(207,592)	4,954	251,425

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

Dollarama Inc.

Consolidated Interim Statement of Net Earnings and Comprehensive Income

For the 13-week and 26-week periods ended

(Unaudited, expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	13-week periods ended		26-week periods ended	
		July 31, 2016	August 2, 2015	July 31, 2016	August 2, 2015
		$	$	$	$
Sales		728,968	653,290	1,369,980	1,219,360
Cost of sales	14	449,391	402,708	853,540	764,988
Gross profit		279,577	250,582	516,440	454,372
General, administrative and store operating expenses		110,942	103,722	213,888	201,593
Depreciation and amortization	14	14,006	11,775	27,533	22,926
Operating income		154,629	135,085	275,019	229,853
Financing costs	14	7,289	4,429	13,923	9,991
Earnings before income taxes		147,340	130,656	261,096	219,862
Income taxes	10	40,988	35,186	71,592	59,612
Net earnings for the period		106,352	95,470	189,504	160,250
Other comprehensive income (loss)					
Items to be reclassified subsequently to net earnings					
Unrealized gain (loss) on derivative financial instruments, net of reclassification adjustment		16,453	37,023	(88,484)	2,527
Income taxes relating to components of other comprehensive income (loss)		(4,431)	(9,905)	23,643	(686)
Total other comprehensive income (loss), net of income taxes		12,022	27,118	(64,841)	1,841
Total comprehensive income for the period		118,374	122,588	124,663	162,091
Earnings per common share					
Basic net earnings per common share		$0.89	$0.74	$1.57	$1.24
Diluted net earnings per common share	11	$0.88	$0.74	$1.55	$1.23
Weighted average number of common shares outstanding during the period (*thousands*)		119,431	128,433	120,706	129,001
Weighted average number of diluted common shares outstanding during the period (*thousands*)	11	120,662	129,538	121,910	130,056

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

Dollarama Inc.

Consolidated Interim Statement of Cash Flows

For the 13-week and 26-week periods ended

(Unaudited, expressed in thousands of Canadian dollars)

	Note	13-week periods ended		26-week periods ended	
		July 31, 2016	August 2, 2015	July 31, 2016	August 2, 2015
		$	$	$	$
Operating activities					
Net earnings for the period		106,352	95,470	189,504	160,250
Adjustments for:					
Depreciation of property and equipment and amortization of intangible assets	14	14,006	11,775	27,533	22,926
Amortization of deferred tenant allowances		(1,222)	(1,504)	(2,400)	(2,602)
Amortization of deferred leasing costs		130	152	267	303
Amortization of debt issue costs		398	318	718	663
Recognition of realized gains on foreign exchange contracts	7	(14,562)	(16,504)	(36,345)	(25,414)
Cash settlement of gains on foreign exchange contracts		7,927	23,639	19,758	43,207
Deferred lease inducements		1,392	1,016	2,628	2,288
Deferred tenant allowances		2,183	2,250	3,513	5,236
Share-based compensation	9	1,793	1,544	3,403	3,109
Financing costs on long-term debt		(3,065)	(3,721)	35	(250)
Deferred income taxes		5,215	(2,611)	6,771	2,282
Loss on disposal of assets		193	183	184	357
		120,740	112,007	215,569	212,355
Changes in non-cash working capital components	15	45,356	12,794	(11,049)	(87,042)
Net cash generated from operating activities		166,096	124,801	204,520	125,313
Investing activities					
Additions to property and equipment		(33,211)	(18,857)	(80,261)	(37,182)
Additions to intangible assets		(3,693)	(2,858)	(5,795)	(4,557)
Proceeds on disposal of property and equipment		(77)	219	53	381
Net cash used in investing activities		(36,981)	(21,496)	(86,003)	(41,358)
Financing activities					
Proceeds from long-term debt (Floating Rate Notes)	8	-	-	-	124,834
Net proceeds (repayments) from (of) Credit Facility	8	(390,000)	10,000	(250,000)	-
Proceeds from long-term debt (2.337% Fixed Rate Notes)	8	525,000	-	525,000	-
Payment of debt issue costs		(2,319)	-	(2,319)	(443)
Repayment of finance lease		(253)	(243)	(503)	(483)
Issuance of common shares		322	192	4,056	1,761
Dividends paid		(12,135)	(11,649)	(23,222)	(22,129)
Repurchase and cancellation of shares	9	(200,338)	(111,494)	(322,777)	(173,577)
Net cash used in financing activities		(79,723)	(113,194)	(69,765)	(70,037)
Increase (decrease) in cash and cash equivalents		49,392	(9,889)	48,752	13,918
Cash and cash equivalents – beginning of period		58,538	64,010	59,178	40,203
Cash and cash equivalents – end of period		107,930	54,121	107,930	54,121

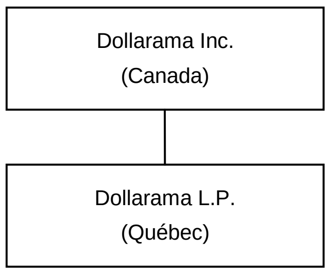
The accompanying notes are an integral part of the condensed interim consolidated financial statements.

1 General information

Dollarama Inc. (the "Corporation") was formed on October 20, 2004 under the Canada Business Corporations Act. The Corporation operates dollar stores in Canada that, as of August 1, 2016, sell all items for $4.00 or less. As at July 31, 2016, the Corporation maintains retail operations in every Canadian province. The Corporation's corporate headquarters, distribution centre and warehouses are located in the Montreal area. The Corporation is listed on the Toronto Stock Exchange ("TSX") under the symbol "DOL" and is incorporated and domiciled in Canada.

The Corporation's head and registered office is located at 5805 Royalmount Avenue, Montreal, Quebec, H4P 0A1.

As at July 31, 2016, the significant entities within the legal structure of the Corporation are as follows:



Dollarama L.P. operates the chain of stores and performs related logistical and administrative support activities.

2 Basis of preparation

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors for issue on September 1, 2016.

The Corporation prepares its condensed interim consolidated financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook – Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". In accordance with GAAP, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended January 31, 2016 ("Fiscal 2016"), which have been prepared in accordance with IFRS as issued by the IASB. In management's opinion, the unaudited condensed interim consolidated financial statements reflect all the adjustments that are necessary for a fair presentation of the results for the interim period presented.

3 Summary of significant accounting policies

These condensed interim consolidated financial statements have been prepared using the accounting policies as outlined in note 3 of the Fiscal 2016 audited consolidated financial statements.

4 Significant new accounting standards not yet adopted

- In January 2016, the IASB issued IFRS 16, "Leases", which will replace IAS 17, "Leases". The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Corporation has adopted IFRS 15, "Revenue from Contracts with Customers". The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. Given that the Corporation has significant contractual obligations in the form of operating leases (note 12) under IAS 17, there will be a material increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with lease arrangements. The Corporation is analyzing the new standard to determine its impact on the Corporation's consolidated statement of financial position and consolidated statement of net earnings and comprehensive income.

- In July 2014, the IASB issued the final version of IFRS 9, "Financial Instruments" concerning classification and measurement, impairment and hedge accounting, to supersede IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 will be effective for years beginning on or after January 1, 2018 with early adoption permitted. The Corporation is in the process of analyzing the impact of the adoption of IFRS 9 on the Corporation's consolidated statement of financial position and consolidated statements of net earnings and comprehensive income and cash flows.

- In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". IFRS 15 replaces all previous revenue recognition standards, including IAS 18, "Revenue". In September 2015, the IASB deferred the effective date of IFRS 15 from January 1, 2017 to annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is in the process of analyzing the impact of the adoption of IFRS 15 on the Corporation's consolidated statement of financial position and consolidated statement of net earnings and comprehensive income.

5 Critical accounting estimates and judgments

The preparation of condensed interim consolidated financial statements requires management to make estimates and assumptions using judgment that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses during the reporting period. Estimates and other judgments are continually evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

In preparing these condensed interim consolidated financial statements, the significant estimates and judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for Fiscal 2016 (refer to note 5 of the Fiscal 2016 audited consolidated financial statements).

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

6 Property and equipment

	Land	Building construction in progress (1)	Store and warehouse equipment	Computer equipment	Vehicles	Leasehold improvements	Total
	$	$	$	$	$	$	$
Cost							
Balance January 31, 2016	-	-	316,349	24,596	4,349	249,887	595,181
Additions	22,144	28,423	11,612	2,897	445	14,740	80,261
Dispositions	-	-	-	-	(388)	(285)	(673)
Balance July 31, 2016	22,144	28,423	327,961	27,493	4,406	264,342	674,769
Accumulated depreciation							
Balance January 31, 2016	-	-	168,517	7,648	1,316	85,475	262,956
Depreciation	-	-	11,699	2,657	439	8,202	22,997
Dispositions	-	-	-	-	(230)	(207)	(437)
Balance July 31, 2016	-	-	180,216	10,305	1,525	93,470	285,516
Net book value							
Balance July 31, 2016	22,144	28,423	147,745	17,188	2,881	170,872	389,253
Cost							
Balance February 1, 2015	-	-	286,011	18,968	3,706	211,267	519,952
Additions	-	-	31,367	9,794	1,934	40,136	83,231
Dispositions	-	-	(1,029)	(4,166)	(1,291)	(1,516)	(8,002)
Balance January 31, 2016	-	-	316,349	24,596	4,349	249,887	595,181
Accumulated depreciation							
Balance February 1, 2015	-	-	147,677	8,018	1,308	72,317	229,320
Depreciation	-	-	21,576	3,796	810	14,146	40,328
Dispositions	-	-	(736)	(4,166)	(802)	(988)	(6,692)
Balance January 31, 2016	-	-	168,517	7,648	1,316	85,475	262,956
Net book value							
Balance January 31, 2016	-	-	147,832	16,948	3,033	164,412	332,225

(1) Recognized costs for the building construction in progress are not being depreciated because the building is not yet available for use.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

7 Derivative financial instruments

Fair value of financial instruments

The three levels of fair value hierarchy under which the Corporation's financial instruments are valued are the following:

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

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

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

A summary of the aggregate contractual nominal value, average contract rate, statement of financial position location and estimated fair values of derivative financial instruments as at July 31, 2016 and January 31, 2016 is as follows:

	Contractual nominal value US$	Average contract rate	Statement of financial position	Fair value - Asset (Liability)	Nature of hedging relationship
			Location	Significant other observable inputs (Level 2)	Recurring
As at July 31, 2016					
Hedging instruments					
Foreign exchange forward contracts	277,500	1.27	Current assets	9,311	Cash flow hedge
Foreign exchange forward contracts	255,000	1.36	Current liabilities	(13,664)	Cash flow hedge
	532,500	1.31		(4,353)	
As at January 31, 2016					
Hedging instruments					
Foreign exchange forward contracts	550,000	1.28	Current assets	67,542	Cash flow hedge

The Corporation is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative financial instruments is currency risk. Foreign exchange forward contracts are entered into in order to manage the currency fluctuation risk associated with forecasted US dollar merchandise purchases sold in stores.

The Corporation formally documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedging transactions.

Foreign exchange forward contracts are designated as hedging instruments and recorded at fair value, determined using market prices and other observable inputs. The Corporation designates its foreign exchange forward contracts as hedges of the variability in highly probable future cash flows attributable to a recognized forecasted transaction (cash flow hedges). The fair value of the foreign exchange forward contracts is determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present values.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

8 Long-term debt

Long-term debt outstanding consists of the following as at:

	July 31, 2016 $	January 31, 2016 $
Senior unsecured notes bearing interest at a fixed annual rate of 2.337% payable in equal semi-annual instalments, maturing July 22, 2021 (the “2.337% Fixed Rate Notes”)	525,000	-
Senior unsecured notes bearing interest at a fixed annual rate of 3.095% payable in equal semi-annual instalments, maturing November 5, 2018 (the “3.095% Fixed Rate Notes”)	400,000	400,000
Senior unsecured notes bearing interest at a variable rate equal to 3-month bankers’ acceptance rate (CDOR) plus 54 basis points payable quarterly, maturing May 16, 2017 (the “Floating Rate Notes”)	274,834	274,834
Unsecured revolving credit facility maturing December 14, 2020 (the “Credit Facility”)	-	250,000
Less: Unamortized debt issue costs	(5,662)	(4,062)
Accrued interest on the Floating Rate Notes and Fixed Rate Notes	3,577	3,542
	1,197,749	924,314
Current portion (includes accrued interest of $3,577 as at July 31, 2016)	(278,411)	(3,542)
	919,338	920,772

Fixed Rate Notes

On July 22, 2016, the Corporation issued the 2.337% Fixed Rate Notes at par, for aggregate gross proceeds of $525,000, by way of private placement, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. Proceeds were used by the Corporation to repay indebtedness outstanding under the Credit Facility and for general corporate purposes. The 2.337% Fixed Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS. The 2.337% Fixed Rate Notes bear interest at a rate of 2.337% per annum, payable in equal semi-annual instalments, in arrears, on January 22 and July 22 of each year until maturity on July 22, 2021.

As at July 31, 2016, the carrying value of the 2.337% Fixed Rate Notes was $522,681 (January 31, 2016 - n/a). The fair value of the 2.337% Fixed Rate Notes as at July 31, 2016 was determined to be $528,722 valued as a level 2 in the fair value hierarchy (January 31, 2016 – n/a).

As at July 31, 2016, the carrying value of the 3.095% Fixed Rate Notes was $401,767 (January 31, 2016 – $401,546). The fair value of the 3.095% Fixed Rate Notes as at July 31, 2016 was determined to be $411,848 valued as a level 2 in the fair value hierarchy (January 31, 2016 – $411,444).

Floating Rate Notes

As at July 31, 2016, the carrying value of the Floating Rate Notes was $275,063 (January 31, 2016 - $274,786). The fair value of the Floating Rate Notes as at July 31, 2016 was determined to be $274,438 valued as a level 2 in the fair value hierarchy (January 31, 2016 – $273,642). The Floating Rate Notes are due on May 16, 2017 and therefore are presented as a current liability on the consolidated interim statement of financial position as at July 31, 2016.

8 Long-term debt (cont'd)

Credit Facility

Effective July 25, 2016, the Corporation cancelled $125,000 of the $625,000 aggregate amount available under the Credit Facility, which portion was not drawn by the Corporation on that date, in order to reduce standby fees payable on the unutilized portion.

As at July 31, 2016, no amounts were outstanding under the Credit Facility (January 31, 2016 – $250,000), other than letters of credit issued for the purchase of inventories, which amounted to $2,312 (January 31, 2016 – $1,000). As at July 31, 2016, the Corporation was in compliance with all of its financial covenants.

9 Share capital

Normal course issuer bid

On March 30, 2016, the Corporation received approval from the TSX to further amend the normal course issuer bid launched on June 17, 2015 (the "2015-2016 NCIB") in order to increase the maximum number of common shares that may be repurchased thereunder from 6,429,665 to 11,797,176 common shares (representing 10% of the Corporation's public float as at the close of markets on June 9, 2015). The other terms of the 2015-2016 NCIB remained unchanged until its expiry on June 16, 2016.

On June 8, 2016, the Corporation renewed its normal course issuer bid to repurchase for cancellation up to 5,975,854 common shares, representing 5% of the 119,517,081 common shares issued and outstanding as at the close of markets on June 7, 2016 during the 12-month period from June 17, 2016 to June 16, 2017 (the "2016-2017 NCIB").

The total number of common shares repurchased for cancellation under the 2015-2016 NCIB and the 2016-2017 NCIB during the 13-week period ended July 31, 2016 amounted to 2,027,080 common shares (August 2, 2015 – 1,531,154 common shares under the normal course issuer bids then in effect) for a total cash consideration of $184,222 (August 2, 2015 – $111,494). For the 13-week period ended July 31, 2016, the Corporation's share capital was reduced by $7,285 (August 2, 2015 – $5,439) and the remaining $176,937 (August 2, 2015 – $106,055) was accounted for as a reduction of retained earnings, resulting in an increase of the deficit in shareholders' equity.

The total number of common shares repurchased for cancellation under the 2015-2016 NCIB and the 2016-2017 NCIB during the 26-week period ended July 31, 2016 amounted to 3,569,146 common shares (August 2, 2015 – 2,068,376 common shares under the normal course issuer bids then in effect) for a total cash consideration of $323,512 (August 2, 2015 – $147,003). For the 26-week period ended July 31, 2016, the Corporation's share capital was reduced by $12,828 (August 2, 2015 - $7,347) and the remaining $310,684 (August 2, 2015 - $139,656) was accounted for as a reduction of retained earnings.

Share-based compensation

During the 13-week and 26-week periods ended July 31, 2016, the Corporation recognized a share-based compensation expense of $1,793 and $3,403, respectively (13-week and 26-week periods ended August 2, 2015 - $1,544 and $3,109, respectively).

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

9 Share capital (cont'd)

The weighted average fair value of the share options granted during the 26-week periods ended on the dates provided below was estimated at the grant date based on the Black-Scholes option pricing model using the following assumptions:

	26-week periods ended	
	July 31, 2016	August 2, 2015
Dividend yield	0.4%	0.5%
Risk-free interest rate	0.8%	0.9%
Expected life	6.2 years	6.3 years
Expected volatility	20.7%	19.3%
Weighted average fair value of share options estimated at the grant date	$18.91	$13.96

The expected life is estimated using the average of the vesting period and the contractual life of the share options. Expected volatility is estimated based on the Corporation's publicly traded share price.

Outstanding and exercisable share options for the 26-week periods ended on the dates provided below are as follows:

	July 31, 2016		August 2, 2015	
	Number of share options	Weighted average exercise price ($)	Number of share options	Weighted average exercise price ($)
Outstanding – beginning of period	2,478,200	42.29	2,263,348	35.71
Granted	420,000	90.59	410,000	71.14
Exercised	(200,500)	37.57	(125,048)	22.40
Outstanding – end of period	2,697,700	50.16	2,548,300	42.06
Exercisable – end of period	948,100	36.59	673,100	32.84

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

9 Share capital (cont'd)

Information relating to share options outstanding and exercisable as at July 31, 2016 is as follows:

	Share options outstanding			Share options exercisable		
Range of exercise prices	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price ($)	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price ($)
$6.00-$8.75	30	17,000	7.29	30	17,000	7.29
$8.76-$13.25	41	4,000	11.21	41	4,000	11.21
$13.26-$18.89	56	31,200	15.40	56	29,600	15.21
$18.90-$27.01	66	246,300	21.87	66	171,500	21.77
$27.02-$40.97	81	944,200	36.56	81	453,800	36.52
$40.98-$56.17	93	644,000	44.88	93	209,200	44.39
$56.18-$71.03	104	381,000	71.03	104	61,000	71.03
$71.04-$90.59	116	430,000	90.24	107	2,000	75.49
	90	2,697,700	50.16	80	948,100	36.59

10 Income taxes

The income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. The statutory income tax rate for the 13-week and 26-week periods ended July 31, 2016 was 26.9% (August 2, 2015 - 26.7%). The Corporation's effective income tax rate for the 13-week and 26-week period ended July 31, 2016 was 27.8% and 27.4%, respectively (13-week and 26-week periods ended August 2, 2015 – 26.9% and 27.1%, respectively).

11 Earnings per common share

Diluted net earnings per common share for the 13-week and 26-week periods ended on the dates provided below were calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares as follows:

	13-week periods ended		26-week periods ended	
	July 31, 2016	August 2, 2015	July 31, 2016	August 2, 2015
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	$106,352	$95,470	$189,504	$160,250
Weighted average number of common shares outstanding during the period (*thousands*)	119,431	128,433	120,706	129,001
Assumed share options exercised (*thousands*)	1,231	1,105	1,204	1,055
Weighted average number of common shares for diluted net earnings per common share *(thousands)*	120,662	129,538	121,910	130,056
Diluted net earnings per common share	$0.88	$0.74	$1.55	$1.23

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

12 Commitments

Contractual obligations

As at July 31, 2016, contractual obligations for operating leases amounted to approximately $1,011,849 (August 2, 2015 – $955,078). The leases extend, depending on the renewal options, over various periods up to the year 2039.

As at July 31, 2016, remaining contractual obligations for the construction of the new warehouse amounted to approximately $4,126 (August 2, 2015 – n/a).

Basic and contingent rent expense

The basic rent and contingent rent expense of operating leases for stores, warehouses, distribution centre and corporate headquarters included in the interim consolidated statement of net earnings and comprehensive income for the 13-week and 26-week periods ended on the dates provided below are as follows:

	13-week periods ended		26-week periods ended	
	July 31, 2016 $	August 2, 2015 $	July 31, 2016 $	August 2, 2015 $
Basic rent	40,163	36,065	80,416	73,961
Contingent rent	1,100	992	2,158	2,050
	41,263	37,057	82,574	76,011

13 Related party transactions

Rent

Rental expenses charged by entities controlled by a director totalled $5,273 and $10,952, respectively, for the 13-week and 26-week periods ended July 31, 2016 (13-week and 26-week periods ended August 2, 2015 - $5,235 and $10,871, respectively).

These transactions were measured at cost, which equals fair value, being the amount of consideration established at market terms.

Land

Land in Montreal, Quebec was acquired on February 5, 2016 from a party related to Dollarama at a cost of $22,144, the same price paid by such party in a recent arm's length transaction, for the purpose of building a 500,000 square-foot warehouse. Construction began in March 2016, with completion expected towards the end of 2016. The building is expected to be available for use late in the current fiscal year.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

14 Expenses by nature included in the interim consolidated statement of net earnings

	13-week periods ended		26-week periods ended	
	July 31, 2016	August 2, 2015	July 31, 2016	August 2, 2015
	$	$	$	$
Cost of sales:				
Merchandise, labour, transport and other costs	382,004	341,428	717,113	640,378
Occupancy costs	67,387	61,280	136,427	124,610
Total cost of sales	449,391	402,708	853,540	764,988
Depreciation and amortization:				
Depreciation of property and equipment	11,688	9,851	22,997	19,281
Amortization of intangible assets	2,318	1,924	4,536	3,645
Total depreciation and amortization	14,006	11,775	27,533	22,926
Employee benefits	82,797	76,076	159,300	149,968
Financing costs	7,289	4,429	13,923	9,991

15 Changes in non-cash working capital

The changes in non-cash working capital components for the 13-week and 26-week periods ended on the dates provided below are as follows:

	13-week periods ended		26-week periods ended	
	July 31, 2016	August 2, 2015	July 31, 2016	August 2, 2015
	$	$	$	$
Accounts receivable	(3,728)	350	(1,824)	2,342
Deposits and prepaid expenses	305	19,371	1,732	(2,060)
Merchandise inventories	16,369	(10,382)	33,863	(51,177)
Accounts payable and accrued liabilities	29,933	(6,405)	(5,531)	(23,923)
Income taxes payable	2,477	9,860	(39,289)	(12,224)
	45,356	12,794	(11,049)	(87,042)
Cash paid for taxes	32,571	27,943	105,591	70,570
Cash paid for interest	9,691	8,042	12,543	8,570

Cash paid for taxes and interests are cash flows used in operating activities.

16 Event after the reporting period

Quarterly cash dividend

On September 1, 2016, the Corporation's Board of Directors announced that it had approved a quarterly cash dividend for holders of its common shares of $0.10 per common share. The Corporation's quarterly cash dividend will be paid on November 2, 2016 to shareholders of record at the close of business on September 30, 2016 and is designated as an "eligible dividend" for Canadian tax purposes.