Dollarama Inc.

Condensed Interim Consolidated Financial Statements

For the 13-week and 39-week periods ended October 30, 2016 and November 1, 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	October 30, 2016 $	January 31, 2016 $
Assets			
Current assets			
Cash and cash equivalents		70,105	59,178
Accounts receivable		12,994	11,118
Deposits and prepaid expenses		5,257	8,900
Merchandise inventories		475,047	470,195
Derivative financial instruments	7	17,401	67,542
		580,804	616,933
Non-current assets			
Property, plant and equipment	6	416,933	332,225
Intangible assets		137,956	136,934
Goodwill		727,782	727,782
Total assets		1,863,475	1,813,874
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		171,588	166,171
Dividend payable		11,813	11,087
Income taxes payable		3,279	45,638
Derivative financial instruments	7	6,961	-
Finance lease obligations		-	588
Current portion of long-term debt	8	284,838	3,542
		478,479	227,026
Non-current liabilities			
Long-term debt	8	989,806	920,772
Deferred rent and lease inducements		77,818	71,632
Deferred income taxes		117,018	127,592
Total liabilities		1,663,121	1,347,022
Commitments	12		
Shareholders' equity			
Share capital		428,196	439,296
Contributed surplus		22,624	20,136
Deficit		(261,508)	(62,375)
Accumulated other comprehensive income		11,042	69,795
Total shareholders' equity		200,354	466,852
Total liabilities and shareholders' equity		1,863,475	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 39-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		-	-	-	260,326	-	260,326
Other comprehensive loss							
Unrealized loss on derivative financial instruments, net of reclassification adjustment and income tax recovery of $5,282		-	-	-	-	(14,513)	(14,513)
Dividends declared		-	-	-	(34,636)	-	(34,636)
Repurchase and cancellation of shares	9	(4,186,549)	(14,871)	-	(320,283)	-	(335,154)
Share-based compensation	9	-	-	4,629	-	-	4,629
Issuance of common shares		163,296	2,702	-	-	-	2,702
Reclassification related to exercise of share options		-	1,310	(1,310)	-	-	-
Balance – November 1, 2015		125,767,101	451,875	18,657	101,519	51,783	623,834
Balance – January 31, 2016		122,225,104	439,296	20,136	(62,375)	69,795	466,852
Net earnings for the period		-	-	-	299,562	-	299,562
Other comprehensive loss							
Unrealized loss on derivative financial instruments, net of reclassification adjustment and income tax recovery of $21,318		-	-	-	-	(58,753)	(58,753)
Dividends declared		-	-	-	(35,850)	-	(35,850)
Repurchase and cancellation of shares	9	(5,140,646)	(18,476)	-	(462,845)	-	(481,321)
Share-based compensation	9	-	-	5,175	-	-	5,175
Issuance of common shares		240,544	4,689	-	-	-	4,689
Reclassification related to exercise of share options		-	2,687	(2,687)	-	-	-
Balance – October 30, 2016		117,325,002	428,196	22,624	(261,508)	11,042	200,354

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 39-week periods ended

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

	Note	13-week periods ended		39-week periods ended	
		October 30, 2016	November 1, 2015	October 30, 2016	November 1, 2015
		$	$	$	$
Sales		738,708	664,491	2,108,688	1,883,851
Cost of sales	14	447,239	398,537	1,300,779	1,163,525
Gross profit		291,469	265,954	807,909	720,326
General, administrative and store operating expenses		116,972	111,148	330,860	312,741
Depreciation and amortization	14	14,666	12,214	42,199	35,140
Operating income		159,831	142,592	434,850	372,445
Financing costs	14	8,517	5,361	22,440	15,352
Earnings before income taxes		151,314	137,231	412,410	357,093
Income taxes	10	41,256	37,155	112,848	96,767
Net earnings for the period		110,058	100,076	299,562	260,326
Other comprehensive income (loss)					
Items to be reclassified subsequently to net earnings					
Unrealized gain (loss) on derivative financial instruments, net of reclassification adjustment		8,414	(22,322)	(80,071)	(19,795)
Income taxes relating to components of other comprehensive income (loss)		(2,325)	5,968	21,318	5,282
Total other comprehensive income (loss), net of income taxes		6,089	(16,354)	(58,753)	(14,513)
Total comprehensive income for the period		116,147	83,722	240,809	245,813
Earnings per common share					
Basic net earnings per common share		$0.93	$0.79	$2.50	$2.03
Diluted net earnings per common share	11	$0.92	$0.78	$2.47	$2.01
Weighted average number of common shares outstanding during the period (*thousands*)		118,181	127,205	119,864	128,403
Weighted average number of diluted common shares outstanding during the period (*thousands*)	11	119,496	128,469	121,101	129,530

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 39-week periods ended

(Unaudited, expressed in thousands of Canadian dollars)

		13-week periods ended		39-week periods ended	
	Note	October 30, 2016	November 1, 2015	October 30, 2016	November 1, 2015
		$	$	$	$
Operating activities					
Net earnings for the period		110,058	100,076	299,562	260,326
Adjustments for:					
Depreciation of property, plant and equipment and amortization of intangible assets	14	14,666	12,214	42,199	35,140
Amortization of deferred tenant allowances		(1,184)	(1,137)	(3,584)	(3,739)
Amortization of deferred leasing costs		126	140	393	443
Amortization of debt issue costs		468	307	1,186	970
Recognition of realized gains on foreign exchange contracts	7	(7,400)	(24,246)	(43,745)	(49,659)
Cash settlement of gains on foreign exchange contracts		1,443	32,126	21,201	75,332
Deferred lease inducements		1,708	1,089	4,336	3,377
Deferred tenant allowances and deferred leasing costs		1,922	2,749	5,435	7,985
Share-based compensation	9	1,772	1,520	5,175	4,629
Financing costs on long-term debt		6,002	3,030	6,037	2,780
Deferred income taxes		3,972	(2,131)	10,743	151
Loss on disposal of assets		206	107	390	464
		133,759	125,844	349,328	338,199
Changes in non-cash working capital components	15	(35,476)	(11,415)	(46,525)	(98,457)
Net cash generated from operating activities		98,283	114,429	302,803	239,742
Investing activities					
Additions to property, plant and equipment		(40,149)	(18,818)	(120,410)	(56,000)
Additions to intangible assets		(2,559)	(2,539)	(8,354)	(7,096)
Proceeds on disposal of property, plant and equipment		-	191	53	572
Net cash used in investing activities		(42,708)	(21,166)	(128,711)	(62,524)
Financing activities					
Proceeds from long-term debt - Floating Rate Notes	8	-	-	-	124,834
Net proceeds (repayments) from (of) Credit Facility	8	70,000	105,000	(180,000)	105,000
Proceeds from long-term debt - 2.337% Fixed Rate Notes	8	-	-	525,000	-
Payment of debt issue costs		-	(265)	(2,318)	(708)
Repayment of finance lease		(84)	(246)	(588)	(729)
Issuance of common shares		633	941	4,689	2,702
Dividends paid		(11,902)	(11,543)	(35,124)	(33,672)
Repurchase and cancellation of shares	9	(152,047)	(166,765)	(474,824)	(340,342)
Net cash used in financing activities		(93,400)	(72,878)	(163,165)	(142,915)
Increase (decrease) in cash and cash equivalents		(37,825)	20,385	10,927	34,303
Cash and cash equivalents – beginning of period		107,930	54,121	59,178	40,203
Cash and cash equivalents – end of period		70,105	74,506	70,105	74,506

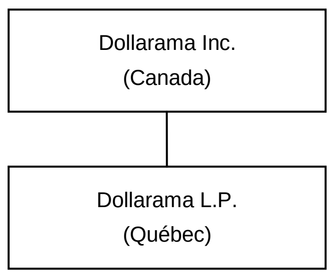
The accompanying notes are an integral part of the condensed interim consolidated financial statements.

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 sell all items for $4.00 or less. As at October 30, 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 October 30, 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 December 7, 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 in the process of analyzing the impact of the adoption of IFRS 16 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, plant and equipment

	Land (1)	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	39,887	21,655	12,115	767	23,842	120,410
Dispositions	-	-	(36)	-	(754)	(315)	(1,105)
Balance October 30, 2016	22,144	39,887	337,968	36,711	4,362	273,414	714,486
Accumulated depreciation							
Balance January 31, 2016	-	-	168,517	7,648	1,316	85,475	262,956
Depreciation	-	-	17,773	4,247	665	12,576	35,261
Dispositions	-	-	(8)	-	(438)	(218)	(664)
Balance October 30, 2016	-	-	186,282	11,895	1,543	97,833	297,553
Net book value							
Balance October 30, 2016	22,144	39,887	151,686	24,816	2,819	175,581	416,933
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) Total costs of $62,000 for land and building construction in progress include racking, fixtures and other equipment that are in the process of being installed. The building itself is substantially complete. Recognized costs for the building construction in progress are not being depreciated because the building is not yet available for use (refer to Note 13).

(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 October 30, 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 October 30, 2016					
Hedging instruments					
Foreign exchange forward contracts	318,500	1.28	Current assets	17,401	Cash flow hedge
Foreign exchange forward contracts	130,000	1.39	Current liabilities	(6,961)	Cash flow hedge
	448,500	1.32		10,440	
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.

During the 39-week period ended October 30, 2016, a gain of $43,745 (November 1, 2015 - gain of $49,659) was reclassified from accumulated other comprehensive income (AOCI) to net earnings.

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

8 Long-term debt

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

	October 30, 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" and, collectively with the 2.337% Fixed Rate Notes, the "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 (the "Credit Facility")	70,000	250,000
Less: Unamortized debt issue costs	(5,194)	(4,062)
Accrued interest on the Floating Rate Notes and Fixed Rate Notes	10,004	3,542
	1,274,644	924,314
Current portion (includes accrued interest on the Floating Rate Notes and Fixed Rate Notes as at period end)	(284,838)	(3,542)
	989,806	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 October 30, 2016, the carrying value of the 2.337% Fixed Rate Notes was $526,150 (January 31, 2016 - n/a). The fair value of the 2.337% Fixed Rate Notes as at October 30, 2016 was determined to be $528,659 valued as a level 2 in the fair value hierarchy (January 31, 2016 – n/a).

As at October 30, 2016, the carrying value of the 3.095% Fixed Rate Notes was $404,978 (January 31, 2016 - $401,546). The fair value of the 3.095% Fixed Rate Notes as at October 30, 2016 was determined to be $410,984 valued as a level 2 in the fair value hierarchy (January 31, 2016 – $411,444).

Floating Rate Notes

As at October 30, 2016, the carrying value of the Floating Rate Notes was $275,152 (January 31, 2016 - $274,786). The fair value of the Floating Rate Notes as at October 30, 2016 was determined to be $274,796 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 October 30, 2016.

8 Long-term debt (cont'd)

Credit Facility

As at October 30, 2016, $70,000 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 $1,943 (January 31, 2016 – $1,000). As at October 30, 2016, the Corporation was in compliance with all of its financial covenants.

9 Share capital

Normal course issuer bid

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 2016-2017 NCIB during the 13-week period ended October 30, 2016 amounted to 1,571,500 common shares (November 1, 2015 – 2,118,173 common shares under the normal course issuer bid then in effect) for a total cash consideration of $157,809 (November 1, 2015 – $188,151). For the 13-week period ended October 30, 2016, the Corporation's share capital was reduced by $5,648 (November 1, 2015 – $7,524) and the remaining $152,161 (November 1, 2015 – $180,627) 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 2016-2017 NCIB and the NCIB in effect before June 17, 2016 during the 39-week period ended October 30, 2016 amounted to 5,140,646 common shares (November 1, 2015 – 4,186,549 common shares under the normal course issuer bids then in effect) for a total cash consideration of $481,321 (November 1, 2015 - $335,154). For the 39-week period ended October 30, 2016, the Corporation's share capital was reduced by $18,476 (November 1, 2015 - $14,871) and the remaining $462,845 (November 1, 2015 - $320,283) was accounted for as a reduction of retained earnings.

Share-based compensation

During the 13-week and 39-week periods ended October 30, 2016, the Corporation recognized a share-based compensation expense of $1,772 and $5,175, respectively (13-week and 39-week periods ended November 1, 2015 - $1,520 and $4,629, 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 39-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:

	39-week periods ended	
	October 30, 2016	November 1, 2015
Dividend yield	0.4%	0.5%
Risk-free interest rate	0.8%	0.9%
Expected life	6.3 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 39-week periods ended on the dates provided below are as follows:

	October 30, 2016		November 1, 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	(319,800)	38.28	(193,948)	26.58
Outstanding – end of period	2,578,400	50.66	2,479,400	42.28
Exercisable – end of period	879,200	36.39	656,200	33.19

(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 October 30, 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	27	17,000	7.29	27	17,000	7.29
$8.76-$13.25	38	4,000	11.21	38	4,000	11.21
$13.26-$18.89	53	30,000	15.40	53	30,000	15.42
$18.90-$27.01	63	237,500	21.87	63	162,700	21.77
$27.02-$40.97	78	855,200	36.30	77	401,600	36.12
$40.98-$56.17	90	627,000	44.85	89	204,200	44.39
$56.18-$71.03	101	377,700	71.03	101	57,700	71.03
$71.04-$90.59	113	430,000	90.24	104	2,000	75.49
	88	2,578,400	50.66	77	879,200	36.39

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 39-week periods ended October 30, 2016 was 26.9% (November 1, 2015 - 26.7%). The Corporation's effective income tax rate for the 13-week and 39-week period ended October 30, 2016 was 27.3% and 27.4%, respectively (13-week and 39-week periods ended November 1, 2015 – 26.9% and 27.1%, respectively).

11 Earnings per common share

Diluted net earnings per common share for the 13-week and 39-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		39-week periods ended	
	October 30, 2016	November 1, 2015	October 30, 2016	November 1, 2015
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	$110,058	$100,076	$299,562	$260,326
Weighted average number of common shares outstanding during the period (*thousands*)	118,181	127,205	119,864	128,403
Assumed share options exercised (*thousands*)	1,315	1,264	1,237	1,127
Weighted average number of common shares for diluted net earnings per common share *(thousands)*	119,496	128,469	121,101	129,530
Diluted net earnings per common share	$0.92	$0.78	$2.47	$2.01

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

12 Commitments

Contractual obligations

As at October 30, 2016, contractual obligations for operating leases amounted to approximately $1,041,266 (November 1, 2015 – $969,908). The leases extend, depending on the renewal options, over various periods up to the year 2039.

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 39-week periods ended on the dates provided below are as follows:

	13-week periods ended		39-week periods ended	
	October 30, 2016	November 1, 2015	October 30, 2016	November 1, 2015
	$	$	$	$
Basic rent	41,190	37,541	121,606	111,502
Contingent rent	1,061	1,197	3,219	3,246
	42,251	38,738	124,825	114,748

13 Related party transactions

Rent

Rental expenses charged by entities controlled by a director totalled $3,561 and $14,513, respectively, for the 13-week and 39-week periods ended October 30, 2016 (13-week and 39-week periods ended November 1, 2015 - $3,520 and $14,391, respectively).

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

Land

Land in Montreal, Québec 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. The building itself is substantially complete whereas racking, fixtures and other equipment are in the process of being installed. The building is expected to be available for use before the end of the 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		39-week periods ended	
	October 30, 2016	November 1, 2015	October 30, 2016	November 1, 2015
	$	$	$	$
Cost of sales:				
Merchandise, labour, transport and other costs	377,327	334,270	1,094,440	974,648
Occupancy costs	69,912	64,267	206,339	188,877
Total cost of sales	447,239	398,537	1,300,779	1,163,525
Depreciation and amortization:				
Depreciation of property, plant and equipment	12,264	10,223	35,261	29,504
Amortization of intangible assets	2,402	1,991	6,938	5,636
Total depreciation and amortization	14,666	12,214	42,199	35,140
Employee benefits	85,584	81,454	244,884	231,423
Financing costs	8,517	5,361	22,440	15,352

15 Changes in non-cash working capital

The changes in non-cash working capital components for the 13-week and 39-week periods ended on the dates provided below are as follows:

	13-week periods ended		39-week periods ended	
	October 30, 2016	November 1, 2015	October 30, 2016	November 1, 2015
	$	$	$	$
Accounts receivable	(52)	(2,226)	(1,876)	116
Deposits and prepaid expenses	1,911	1,220	3,643	(840)
Merchandise inventories	(38,715)	(26,831)	(4,852)	(78,008)
Accounts payable and accrued liabilities	4,450	1,605	(1,081)	(22,318)
Income taxes payable	(3,070)	14,817	(42,359)	2,593
	(35,476)	(11,415)	(46,525)	(98,457)
Cash paid for taxes	40,498	25,008	146,089	95,578
Cash paid for interest	1,483	514	14,026	9,084

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

16 Events after the reporting period

Quarterly cash dividend

On December 7, 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 February 1, 2017 to shareholders of record at the close of business on January 6, 2017 and is designated as an "eligible dividend" for Canadian tax purposes.

Amendment to credit agreement

On November 21, 2016, the Corporation and the lenders entered into an amending agreement to the credit agreement pursuant to which the term was extended by one year, from December 14, 2020 to December 14, 2021.