Dollarama Inc.

Condensed Interim Consolidated Financial Statements

For the 13-week periods ended April 29, 2018 and April 30, 2017

(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	April 29, 2018 $	January 28, 2018 $
Assets			
Current assets			
Cash		90,565	54,844
Accounts receivable		15,930	15,263
Prepaid expenses		9,064	8,649
Prepaid income taxes		5,897	-
Inventories		513,447	490,927
Derivative financial instruments	6	3,782	286
		638,685	569,969
Non-current assets			
Property, plant and equipment	12	538,717	490,988
Intangible assets		147,507	145,600
Goodwill		727,782	727,782
Total assets		2,052,691	1,934,339
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities		170,133	228,362
Dividend payable		13,109	12,180
Derivative financial instruments	6	10,737	35,720
Income taxes payable		-	39,491
Finance lease obligations	11	750	-
Current portion of long-term debt	7	414,173	405,192
		608,902	720,945
Non-current liabilities			
Long-term debt	7	1,368,904	1,260,459
Finance lease obligations	11	3,520	-
Deferred rent and lease inducements		93,080	92,633
Deferred income taxes		124,917	112,660
Total liabilities		2,199,323	2,186,697
Commitments	11		
Shareholders' deficit			
Share capital	8	416,372	415,787
Contributed surplus		29,177	27,699
Deficit	8	(589,131)	(663,421)
Accumulated other comprehensive loss		(3,050)	(32,423)
Total shareholders' deficit		(146,632)	(252,358)
Total liabilities and shareholders' deficit		2,052,691	1,934,339

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

Dollarama Inc.

Consolidated Interim Statement of Changes in Shareholders' Deficit

For the 13-week periods ended

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

	Note	Number of common shares	Share capital $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total $
Balance – January 29, 2017	8	115,051,349	420,266	24,321	(342,957)	(1,346)	100,284
Net earnings		-	-	-	94,690	-	94,690
Other comprehensive income		-	-	-	-	22,455	22,455
Total comprehensive income		-	-	-	94,690	22,455	117,145
Dividends declared		-	-	-	(12,546)	-	(12,546)
Repurchase and cancellation of common shares	8	(1,687,240)	(6,168)	-	(174,396)	-	(180,564)
Share-based compensation	8	-	-	1,620	-	-	1,620
Issuance of common shares	8	243,700	9,634	-	-	-	9,634
Reclassification for the exercise of share options	8	-	2,061	(2,061)	-	-	-
Balance – April 30, 2017		113,607,809	425,793	23,880	(435,209)	21,109	35,573
Balance – January 28, 2018	8	109,325,859	415,787	27,699	(663,421)	(32,423)	(252,358)
Net earnings		-	-	-	101,575	-	101,575
Other comprehensive income		-	-	-	-	20,727	20,727
Total comprehensive income		-	-	-	101,575	20,727	122,302
Transfer of realized cash flow hedge losses to inventory		-	-	-	-	8,646	8,646
Dividends declared		-	-	-	(13,109)	-	(13,109)
Repurchase and cancellation of common shares	8	(94,500)	(368)	-	(14,176)	-	(14,544)
Share-based compensation	8	-	-	1,640	-	-	1,640
Issuance of common shares	8	11,000	791	-	-	-	791
Reclassification for the exercise of share options	8	-	162	(162)	-	-	-
Balance – April 29, 2018		109,242,359	416,372	29,177	(589,131)	(3,050)	(146,632)

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

Dollarama Inc.

Consolidated Interim Statement of Net Earnings and Comprehensive Income

For the 13-week periods ended

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

	Note	April 29, 2018 $	April 30, 2017 $
Sales		756,069	704,945
Cost of sales	13	471,417	439,623
Gross profit		284,652	265,322
General, administrative and store operating expenses		114,478	109,474
Depreciation and amortization	13	18,736	16,545
Operating income		151,438	139,303
Financing costs	13	11,326	9,242
Earnings before income taxes		140,112	130,061
Income taxes	9	38,537	35,371
Net earnings		101,575	94,690
Other comprehensive income			
Items that may be reclassified subsequently to net earnings			
Unrealized gain on derivative financial instruments, net of reclassification adjustment		-	30,661
Unrealized gain on derivative financial instruments not subject to basis adjustments		191	-
Items that will not be reclassified subsequently to net earnings			
Unrealized gain on derivative financial instruments subject to basis adjustments	4	28,289	-
Income taxes relating to components of other comprehensive income		(7,753)	(8,206)
Total other comprehensive income, net of income taxes		20,727	22,455
Total comprehensive income		122,302	117,145
Earnings per common share			
Basic net earnings per common share	10	$0.93	$0.83
Diluted net earnings per common share	10	$0.92	$0.82
Weighted average number of common shares outstanding (*thousands*)	10	109,303	114,370
Weighted average number of diluted common shares outstanding (*thousands*)	10	110,801	115,682

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

Dollarama Inc.

Consolidated Interim Statement of Cash Flows
For the 13-week periods ended
(Unaudited, expressed in thousands of Canadian dollars)

	Note	April 29, 2018 $	April 30, 2017 $
Operating activities			
Net earnings		101,575	94,690
Adjustments to reconcile net earnings to net cash generated from operating activities:			
Depreciation of property, plant and equipment and amortization of intangible assets	13	18,736	16,545
Amortization of deferred tenant allowances		(1,378)	(1,241)
Amortization of deferred leasing costs		120	123
Amortization of debt issue costs		560	458
Amortization of bond lock loss		22	-
Transfer of realized cash flow hedge losses to inventory	4	8,646	-
Recognition of realized losses on foreign exchange contracts	6	-	567
Cash settlement of gains on foreign exchange contracts		-	2,359
Deferred lease inducements		1,162	1,270
Deferred tenant allowances		663	1,765
Share-based compensation	8	1,640	1,620
Interest payment on finance lease		32	-
Financing costs on long-term debt		8,981	6,586
Deferred income taxes		4,482	3,329
Loss on disposal of assets		91	11
		145,332	128,082
Changes in non-cash working capital components	14	(118,076)	(43,922)
Net cash generated from operating activities		27,256	84,160
Investing activities			
Additions to property, plant and equipment		(59,042)	(16,725)
Additions to intangible assets		(5,232)	(2,985)
Proceeds from disposal of property, plant and equipment		69	197
Net cash used in investing activities		(64,205)	(19,513)
Financing activities			
Proceeds from long-term debt issued (Series 2 Floating Rate Notes)	7	-	225,000
Proceeds from long-term debt issued (Series 3 Floating Rate Notes)	7	300,000	-
Repayments of Credit Facility	7	(191,000)	(105,000)
Payment of debt issue costs		(1,114)	(891)
Repayment of finance lease		(141)	-
Issuance of common shares		791	9,634
Dividends paid		(12,180)	(11,591)
Repurchase and cancellation of common shares	8	(23,686)	(189,384)
Net cash from (used in) financing activities		72,670	(72,232)
Increase (decrease) in cash		35,721	(7,585)
Cash – beginning of period		54,844	62,015
Cash – end of period		90,565	54,430

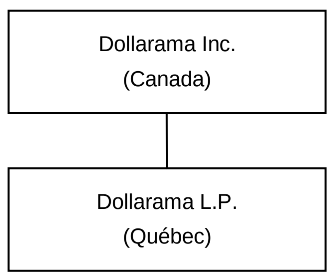
The accompanying notes are an integral part of these condensed interim consolidated financial statements.

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 April 29, 2018, 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 April 29, 2018, 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 June 7, 2018.

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 28, 2018 (“Fiscal 2018”), 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

Except as described in Note 4 below, these unaudited condensed interim consolidated financial statements have been prepared using the accounting policies as outlined in Note 3 to the Fiscal 2018 audited consolidated financial statements.

4 Significant new accounting standards

a) New and amended accounting standards adopted

IFRS 9 – Financial instruments

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”. The Corporation adopted the requirements of IFRS 9 on January 29, 2018 using the modified retrospective method as permitted by IFRS 9. On the transition date, the Corporation applied the new hedge accounting requirements to all existing qualifying hedge relationships. IFRS 9 introduces changes to the cash flow hedge accounting model and eliminates the accounting policy choice provided by IAS 39 for the hedging of a forecasted transaction that results in the recognition of a non-financial asset or liability. Below is the Corporation’s method of accounting for financial instruments under IFRS 9.

The adoption of IFRS 9 did not have a material impact on the Corporation’s consolidated financial statements.

Classification

On initial recognition, the Corporation determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through other comprehensive income (FVOCI) or through profit or loss (FVTPL)

The classification under IFRS 9 is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met:

1. Held within a business model whose objective is to hold assets to collect contractual cash flows; and
2. Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the Corporation may irrevocably elect, on initial recognition, to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as instruments held for trading or derivatives), or if the Corporation has chosen to evaluate them at FVTPL.

4 Significant new accounting standards (cont'd)

The table below summarizes the classification and measurement of the Corporation's financial instruments accounted for under IFRS 9 compared to the Corporation's previous classification under IAS 39.

	IAS 39 Classification	IFRS 9 Classification
Assets		
Cash	Loans and receivables - Amortized cost	Amortized cost
Accounts receivable	Loans and receivables - Amortized cost	Amortized cost
Derivative financial instruments	Fair value through profit or loss (FVTPL)	Fair value through profit or loss (FVTPL)
Liabilities		
Trade payables and accrued liabilities	Other financial liabilities - Amortized cost	Amortized cost
Dividend payable	Other financial liabilities - Amortized cost	Amortized cost
Long-term debt	Other financial liabilities - Amortized cost	Amortized cost
Derivative financial instruments	Fair value through profit or loss (FVTPL)	Fair value through profit or loss (FVTPL)

Evaluation

Financial instruments at amortized cost

Financial instruments at amortized cost are initially measured at fair value and subsequently, at amortized cost, using the effective interest method, less any impairment loss. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of net earnings and comprehensive income.

Financial instruments at fair value

Financial instruments are initially and subsequently measured at fair value and transaction costs are accounted for in the consolidated statement of net earnings and comprehensive income. The effective portion of gains and losses on hedging instruments is accounted for in other comprehensive income in the period in which they occur. When the Corporation elects to measure a financial liability at FVTPL, gains or losses related to the Corporation's own credit risk are accounted for in the consolidated statement of net earnings and comprehensive income.

Impairment

Since January 29, 2018, the Corporation prospectively estimates the expected credit losses associated with debt instruments accounted for at amortized cost or FVOCI. The impairment methodology used depends on whether there is a significant increase in the credit risk or not. For trade receivables, the Corporation measures loss allowances at an amount equal to lifetime expected credit loss (ECL) as allowed by IFRS 9 under the simplified method. The adoption of the ECL model did not have a significant impact on the Corporation's consolidated financial statements.

4 Significant new accounting standards (cont'd)

Derecognition

Financial assets

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred. Gains and losses from the derecognition are recognized in the consolidated statement of net earnings and comprehensive income.

Financial liabilities

The Corporation derecognizes a financial liability when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of net earnings and comprehensive income.

Hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in earnings. Under IFRS 9, for cash flow hedges of a forecasted transaction which results in the recognition of a non-financial item, such as inventory, the carrying value of that item must be adjusted for the accumulated gains or losses recognized directly in shareholders' deficit. Subsequently, the accumulated gains and losses recorded in inventory (as a result of the basis adjustment) will be recorded in the consolidated statement of net earnings and comprehensive income in the same period or periods during which the hedged expected future cash flows affect the consolidated statement of net earnings and comprehensive income (through cost of sales).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in shareholders' deficit at that time remains in shareholders' deficit and is recognized when the forecasted transaction is ultimately recognized in earnings. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in shareholders' deficit is immediately transferred to earnings.

Foreign exchange forward contracts are designated as cash flow hedges of specific anticipated transactions.

For cash flow hedges associated with interest rate risk such as a bond forward sale, the derivative is recorded on the consolidated statement of financial position at fair value. The effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, and reclassified to net earnings over the same period as the hedged interest payments are recorded in net earnings.

4 Significant new accounting standards (cont'd)

As a result of the adoption of IFRS 9, the Corporation transferred an amount of $8,646 of accumulated losses previously recognized in accumulated other comprehensive income and included that amount directly in the carrying amount of the inventory (referred to as 'basis adjustment'). This basis adjustment was not a reclassification adjustment and did not affect the Corporation's consolidated statement of net earnings and comprehensive income. Furthermore, the fair value gain of $28,289 on foreign exchange forward contracts subject to cash flow hedge accounting that will be subsequently basis adjusted onto the initial carrying amount of non-financial hedged items (foreign-currency-denominated inventory purchases) has been presented as amounts that will not be subsequently reclassified to net earnings.

IFRS 15 – Revenue from contracts with customers

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". The Corporation adopted the requirements of IFRS 15 on January 29, 2018, using the modified retrospective method as permitted by IFRS 15.

The adoption of IFRS 15 did not result in any adjustments or in any change in the recognition of revenues compared to prior periods and therefore, no comparative figures have been restated.

IFRS 15 is based on the principle that revenue is recognized when control of a good or service is transferred to a customer. A five-step recognition model is used to apply the standard as follows:

1. Identify the contract(s) with the customer;
2. Identify the separate performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to separate performance obligations; and
5. Recognize revenue when (or as) each performance obligation is satisfied.

All sales are final. Revenue is shown net of sales tax and discounts. Gift cards sold are recorded as a liability, and revenue is recognized when gift cards are redeemed.

The Corporation may enter into arrangements with third parties for the sale of products to customers. When the Corporation acts as the principal in these arrangements, it recognizes revenue based on the amounts billed to customers. Otherwise, the Corporation recognizes the net amount that it retains as revenue.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. The revenues of the Corporation come from the sale of products that are recognized at a point in time. Sales of products in the consolidated statement of net earnings and comprehensive income are recognized by the Corporation when control of the goods has been transferred, being when the customer tenders payment and takes possession of the merchandise and that all obligations have been fulfilled.

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

4 Significant new accounting standards (cont'd)

b) Accounting standards and amendments issued but not yet adopted

IFRS 16 – Leases

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. 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 11) 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 following table outlines the key areas that will be impacted by the adoption of IFRS 16.

Impacted areas of the business	Analysis	Impact
Financial reporting	The analysis includes which contracts will be in scope as well as the options available under the new standard such as whether to early adopt, the two recognition and measurement exemptions and whether to apply the new standard on a full retrospective application in accordance with IAS 8 or choose the "modified retrospective approach".	The Corporation is in the process of analyzing the full 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 addition, the Corporation is working with a third party provider of advisory services. As at April 29, 2018, the operating leases disclosed in Note 11 to these unaudited condensed interim consolidated financial statements are in scope with IFRS 16.
Information systems	The Corporation is analyzing the need to make changes within its information systems environment to optimize the management of more than 1,000 leases that will fall within the scope of the new standard.	The Corporation has chosen an IT solution for the eventual recognition and measurement of leases in scope. Integration testing began in the third quarter of Fiscal 2018 and was ongoing as at April 29, 2018.
Internal controls	The Corporation will be performing an analysis of the changes to the control environment as a result of the adoption of IFRS 16.	Concurrently with integration testing, the Corporation is evaluating the impact of IFRS 16 on its control environment.
Stakeholders	The Corporation will be performing an analysis of the impact on the disclosure to its stakeholders as a result of the adoption of IFRS 16.	The Corporation has begun communicating the impact of IFRS 16 to internal stakeholders.

5 Critical accounting estimates and judgments

The preparation of 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 2018 (refer to Note 5 of the Fiscal 2018 audited consolidated financial statements).

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

6 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 or interest rate, statement of financial position location and estimated fair values of derivative financial instruments as at April 29, 2018 and January 28, 2018 is as follows:

	Contractual nominal value	Average contract/ interest rate	Statement of financial position	Fair value - Asset (Liability)	Nature of hedging relationship
	USD/CAD $	USD/CAD/ interest rate	Location	Significant other observable inputs (Level 2) $	Recurring
As at April 29, 2018					
Hedging instruments					
CAD Bond forward sale contract	147,000	2.164%	Current assets	477	Cash flow hedge
USD Foreign exchange forward contracts	145,000	1.26	Current assets	3,305	Cash flow hedge
USD Foreign exchange forward contracts	309,000	1.32	Current liabilities	(10,737)	Cash flow hedge
	454,000			(7,432)	
As at January 28, 2018					
Hedging instruments					
CAD Bond forward sale contract	110,000	2.186%	Current assets	286	Cash flow hedge
USD Foreign exchange forward contracts	514,000	1.30	Current liabilities	(35,720)	Cash flow hedge

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

7 Long-term debt

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

	April 29, 2018 $	January 28, 2018 $
Senior unsecured notes bearing interest at:		
Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022 (the “2.203% Fixed Rate Notes”)	250,000	250,000
Fixed annual rate of 2.337% payable in equal semi-annual instalments, maturing July 22, 2021 (the “2.337% Fixed Rate Notes”)	525,000	525,000
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 2.203% Fixed Rate Notes and the 2.337% Fixed Rate Notes, the “Fixed Rate Notes”)	400,000	400,000
Variable rate equal to 3-month bankers’ acceptance rate (CDOR) plus 27 basis points payable quarterly, maturing February 1, 2021 (the “Series 3 Floating Rate Notes”)	300,000	-
Variable rate equal to 3-month bankers’ acceptance rate (CDOR) plus 59 basis points payable quarterly, maturing March 16, 2020 (the“Series 2 Floating Rate Notes”, and collectively with the Series 3 Floating Rate Notes, the “Floating Rate Notes”)	300,000	300,000
Unsecured revolving credit facility maturing September 29, 2022 (the “Credit Facility”)	-	191,000
Less: Unamortized debt issue costs	(6,096)	(5,541)
Accrued interest on the Floating Rate Notes and Fixed Rate Notes	14,173	5,192
	1,783,077	1,665,651
Current portion (includes accrued interest on the Floating Rate Notes and Fixed Rate Notes)	(414,173)	(405,192)
	1,368,904	1,260,459

Fixed Rate Notes

As at April 29, 2018, the carrying value of the 2.203% Fixed Rate Notes was $251,610 (January 28, 2018 – $250,186). The fair value of the 2.203% Fixed Rate Notes as at April 29, 2018 was determined to be $241,123 valued as a level 2 in the fair value hierarchy (January 28, 2018 – $242,410). The 2.203% Fixed Rate Notes are due on November 10, 2022.

As at April 29, 2018, the carrying value of the 2.337% Fixed Rate Notes was $526,758 (January 28, 2018 – $523,597). The fair value of the 2.337% Fixed Rate Notes as at April 29, 2018 was determined to be $517,099 valued as a level 2 in the fair value hierarchy (January 28, 2018 – $519,246). The 2.337% Fixed Rate Notes are due on July 22, 2021.

As at April 29, 2018, the carrying value of the 3.095% Fixed Rate Notes was $405,669 (January 28, 2018 – $402,452). The fair value of the 3.095% Fixed Rate Notes as at April 29, 2018 was determined to be $402,304 valued as a level 2 in the fair value hierarchy (January 28, 2018 – $403,452). The 3.095% Fixed Rate Notes are due on November 5, 2018 and therefore presented as a current liability on the condensed interim consolidated statement of financial position as at April 29, 2018.

7 Long-term debt (cont'd)

Floating Rate Notes

On February 1, 2018, the Corporation issued the Series 3 Floating Rates Notes, on a private placement basis in Canada, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The Series 3 Floating Rate Notes were issued at par for aggregate gross proceeds of $300,000 and bear interest at a rate equal to the 3-month bankers' acceptance rate (CDOR) plus 27 basis points (or 0.27%), set quarterly on the 1st day of February, May, August and November of each year. Interest is payable in cash quarterly, in arrears, over the 3-year term on the 1st day of February, May, August and November of each year. As at April 29, 2018, the carrying value of the Series 3 Floating Rate Notes was $300,361 (January 28, 2018 – n/a). The fair value of the Series 3 Floating Rate Notes as at April 29, 2018 was determined to be $299,481 valued as a level 2 in the fair value hierarchy (January 28, 2018 – n/a). The Series 3 Floating Rate Notes are due on February 1, 2021.

As at April 29, 2018, the carrying value of the Series 2 Floating Rate Notes was $300,243 (January 28, 2018 – $300,066). The fair value of the Series 2 Floating Rate Notes as at April 29, 2018 was determined to be $301,809 valued as a level 2 in the fair value hierarchy (January 28, 2018 – $302,502). The Series 2 Floating Rate Notes are due on March 16, 2020.

Credit Facility

As at April 29, 2018, there was no amount outstanding under the Credit Facility (January 28, 2018 – $191,000), other than letters of credit issued for the purchase of inventories and a letter of guarantee required by the municipality in connection with the expansion of the distribution centre, which amounted to $3,643 (January 28, 2018 – $1,059). As at April 29, 2018, the Corporation was in compliance with all of its financial covenants.

8 Shareholders' deficit

a) Share capital

Normal course issuer bid

On June 7, 2017, the Corporation announced the renewal of its normal course issuer bid to repurchase for cancellation up to 5,680,390 common shares, representing 5% of the common shares issued and outstanding as at the close of markets on June 6, 2017, during the 12-month period from June 19, 2017 to June 18, 2018 (the "2017-2018 NCIB").

The total number of common shares repurchased for cancellation under the 2017-2018 NCIB during the 13-week period ended April 29, 2018 amounted to 94,500 common shares (April 30, 2017 – 1,687,240 common shares under the previous normal course issuer bid) for a total cash consideration of $14,544 (April 30, 2017 – $180,564). For the 13-week period ended April 29, 2018, the Corporation's share capital was reduced by $368 (April 30, 2017 – $6,168) and the remaining $14,176 (April 30, 2017 – $174,396) was accounted for as an increase in deficit.

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

8 Shareholders' deficit (cont'd)

b) Contributed surplus

Share-based compensation

During the 13-week period ended April 29, 2018, the Corporation recognized a share-based compensation expense of $1,640 (April 30, 2017 – $1,620).

Outstanding and exercisable share options for the 13-week periods ended on the dates indicated below are as follows:

	April 29, 2018		April 30, 2017	
	Number of share options	Weighted average exercise price ($)	Number of share options	Weighted average exercise price ($)
Outstanding – beginning of period	2,429,550	58.76	2,572,000	50.68
Granted	185,000	153.76	249,000	112.07
Exercised	(11,000)	71.88	(243,700)	39.53
Forfeited	(8,600)	85.59	-	-
Outstanding – end of period	2,594,950	65.39	2,577,300	57.66
Exercisable – end of period	1,622,950	47.61	1,181,900	41.85

Information relating to share options outstanding and exercisable as at April 29, 2018 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 ($)	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price ($)
$8.75 - $18.89	30	24,000	13.64	30	24,000	13.64
$18.90 - $27.01	45	169,200	21.79	45	169,200	21.79
$27.02 - $40.97	60	665,550	36.32	59	633,550	36.13
$40.98 - $56.17	72	570,200	44.67	71	416,600	44.39
$56.18 - $71.03	83	340,000	71.03	83	182,000	71.03
$71.04 - $90.59	95	395,000	90.59	95	149,000	90.59
$90.60 - $112.07	107	243,000	112.07	107	48,600	112.07
$112.08 - $153.76	119	188,000	153.49	-	-	-
	78	2,594,950	65.39	68	1,622,950	47.61

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

8 Shareholders' deficit (cont'd)

The weighted average fair value of the share options granted during the 13-week periods ended on the dates indicated below was estimated at the grant date based on the Black-Scholes option pricing model using the following assumptions:

	April 29, 2018	April 30, 2017
Exercise price per share	$153.76	$112.07
Dividend yield	0.3%	0.4%
Risk-free interest rate	2.0%	1.2%
Expected life	6.2 years	6.2 years
Expected volatility	21.0%	20.4%
Weighted average fair value of share options estimated at the grant date	$37.01	$24.12

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 weekly observations of the Corporation's publicly traded share price.

9 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 period ended April 29, 2018 was 27.0% (April 30, 2017 – 26.9%). The Corporation's effective income tax rate for the 13-week period ended April 29, 2018 was 27.5% (April 30, 2017 – 27.2%).

10 Earnings per common share

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

	April 29, 2018	April 30, 2017
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	$101,575	$94,690
Weighted average number of common shares outstanding during the period (*thousands*)	109,303	114,370
Assumed share options exercised (*thousands*)	1,498	1,312
Weighted average number of common shares for diluted net earnings per common share *(thousands)*	110,801	115,682
Diluted net earnings per common share	$0.92	$0.82

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

11 Leases and commitments

Commitments

As at April 29, 2018, contractual obligations for operating leases amounted to approximately $1,052,280 (April 30, 2017 – $1,047,946). The leases extend, depending on the renewal options, over various periods up to the year 2039.

Operating leases

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

	April 29, 2018 $	April 30, 2017 $
Basic rent	47,581	44,253
Contingent rent	726	1,179
	48,307	45,432

Finance lease obligation

As at April 29, 2018, the Corporation's finance lease obligation amounted to $4,270 (April 30, 2017 – n/a). During the period, the Corporation recorded an interest expense of $32 (April 30, 2017 – n/a) on the finance lease.

12 Related party transactions

Rent

Rental expenses charged by entities controlled by the Rossy family totalled $5,487 for the 13–week period ended April 29, 2018 (April 30, 2017 – $5,754). Rental expenses include charges related to the distribution centre until February 21, 2018, the date on which it was acquired by the Corporation.

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

Property

On February 21, 2018, the Corporation acquired its existing distribution centre, which was previously leased from an entity controlled by the Rossy family, for a total $39,000, of which $16,848 accounted for land and $22,152 for the building. This purchase was a related party transaction at fair value, being the amount of consideration established at market terms, based on an independent appraisal. The Corporation has started incurring costs associated with the expansion of the distribution centre but those were not significant as at April 29, 2018.

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

13 Expenses by nature included in the interim consolidated statement of net earnings and comprehensive income

	April 29, 2018 $	April 30, 2017 $
Cost of sales		
Cost of goods sold, labour, transport and other costs	394,483	365,205
Occupancy costs	76,934	74,418
Total cost of sales	471,417	439,623
Depreciation and amortization		
Depreciation of property, plant and equipment	15,531	13,813
Amortization of intangible assets	3,205	2,732
Total depreciation and amortization	18,736	16,545
Employee benefits	85,288	78,624
Financing costs	11,326	9,242

14 Changes in non-cash working capital

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

	April 29, 2018 $	April 30, 2017 $
Accounts receivable	(667)	2,373
Prepaid expenses	(415)	(2,437)
Prepaid income taxes	(5,897)	(2,489)
Inventories	(22,520)	(2,644)
Accounts payable and accrued liabilities	(49,086)	(22,128)
Income taxes payable	(39,491)	(16,597)
	(118,076)	(43,922)
Cash paid for income taxes	79,391	51,127
Cash paid for interest	2,080	1,797

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

15 Events after the reporting period

Quarterly cash dividend

On June 7, 2018, the Corporation announced that its board of directors had approved a quarterly cash dividend for holders of its common shares of $0.12 per common share. The Corporation's quarterly cash dividend will be paid on August 1, 2018 to shareholders of record at the close of business on July 6, 2018 and is designated as an "eligible dividend" for Canadian tax purposes.

Renewal of normal course issuer bid

On June 7, 2018, the Corporation announced that its board of directors had approved the renewal of the normal course issuer bid and that the Corporation had received approval from the TSX to purchase for cancellation up to 5,462,117 common shares, representing 5.0% of the 109,242,359 common shares issued and outstanding as at the close of markets on June 6, 2018. Purchases may commence on June 20, 2018 and will terminate no later than June 19, 2019.