Dollarama Inc.

Consolidated Financial Statements

February 3, 2019 and January 28, 2018

(Expressed in thousands of Canadian dollars, unless otherwise noted)

Independent auditor's report

To the Shareholders of Dollarama Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dollarama Inc. and its subsidiaries (together, the Corporation) as at February 3, 2019 and January 28, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at February 3, 2019 and January 28, 2018;
- the consolidated statements of changes in shareholders' deficit for the years then ended;
- the consolidated statements of net earnings and comprehensive income (loss) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Linda Beauparlant.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
March 28, 2019

[1] CPA auditor, CA, public accountancy permit No. A117693

Dollarama Inc.

Consolidated Statement of Financial Position as at
(Expressed in thousands of Canadian dollars)

	Note	February 3, 2019 $	January 28, 2018 $
Assets			
Current assets			
Cash		50,371	54,844
Accounts receivable		42,206	15,263
Prepaid expenses		30,316	8,649
Inventories		581,241	490,927
Derivative financial instruments	14	5,505	286
		709,639	569,969
Non-current assets			
Property, plant and equipment	6	589,513	490,988
Intangible assets	7	150,961	145,600
Goodwill	7	727,782	727,782
Total assets		2,177,895	1,934,339
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities	8	232,545	228,362
Dividend payable		12,650	12,180
Derivative financial instruments	14	872	35,720
Income taxes payable		34,602	39,491
Finance lease obligations	10	531	-
Current portion of long-term debt	9	7,383	405,192
		288,583	720,945
Non-current liabilities			
Long-term debt	9	1,890,845	1,260,459
Finance lease obligations	10	3,278	-
Deferred rent and lease inducements	11	101,700	92,633
Deferred income taxes	13	127,585	112,660
Total liabilities		2,411,991	2,186,697
Commitments	10		
Shareholders' deficit			
Share capital	12	408,179	415,787
Contributed surplus		32,450	27,699
Deficit	12	(681,914)	(663,421)
Accumulated other comprehensive income (loss)	12	7,189	(32,423)
Total shareholders' deficit		(234,096)	(252,358)
Total liabilities and shareholders' deficit		2,177,895	1,934,339

Approved by the Board of Directors

(signed) "Stephen Gunn" — Stephen Gunn, Director

(signed) "Richard Roy" — Richard Roy, Director

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

Dollarama Inc.

Consolidated Statement of Changes in Shareholders' Deficit for the years ended
(Expressed in thousands of Canadian dollars, except share amounts)

	Note	Number of common shares[(1)]	Share capital $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total $
Balance – January 29, 2017	12	345,154,047	420,266	24,321	(342,957)	(1,346)	100,284
Net earnings		-	-	-	519,410	-	519,410
Other comprehensive loss		-	-	-	-	(31,077)	(31,077)
Total comprehensive income	12	-	-	-	519,410	(31,077)	488,333
Dividends declared		-	-	-	(49,520)	-	(49,520)
Repurchase and cancellation of common shares	12	(18,313,620)	(22,305)	-	(790,354)	-	(812,659)
Share-based compensation	12	-	-	6,559	-	-	6,559
Issuance of common shares	12	1,137,150	14,645	-	-	-	14,645
Reclassification for the exercise of share options		-	3,181	(3,181)	-	-	-
Balance – January 28, 2018		327,977,577	415,787	27,699	(663,421)	(32,423)	(252,358)
Balance – January 28, 2018	12	327,977,577	415,787	27,699	(663,421)	(32,423)	(252,358)
Net earnings		-	-	-	548,874	-	548,874
Other comprehensive income		-	-	-	-	32,537	32,537
Total comprehensive income		-	-	-	548,874	32,537	581,411
IFRS 9 transition adjustment	4	-	-	-	-	8,646	8,646
Transfer of realized cash flow hedge gains to inventory		-	-	-	-	(1,571)	(1,571)
Dividends declared		-	-	-	(51,767)	-	(51,767)
Repurchase and cancellation of common shares	12	(13,790,350)	(17,491)	-	(515,600)	-	(533,091)
Share-based compensation	12	-	-	6,466	-	-	6,466
Issuance of common shares	12	498,050	8,168	-	-	-	8,168
Reclassification for the exercise of share options		-	1,715	(1,715)	-	-	-
Balance – February 3, 2019		314,685,277	408,179	32,450	(681,914)	7,189	(234,096)

(1) Numbers of common shares as at January 29, 2017 and January 28, 2018, including changes in the share capital between these dates, reflect the retrospective application of the Share Split (defined under Note 12).

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

Dollarama Inc.

Consolidated Statement of Net Earnings and Comprehensive Income (Loss) for the years ended
(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	February 3, 2019 $	January 28, 2018 $
Sales		3,548,503	3,266,090
Cost of sales	17	2,155,339	1,965,171
Gross profit		1,393,164	1,300,919
General, administrative and store operating expenses		509,337	474,807
Depreciation and amortization	17	79,374	70,550
Operating income		804,453	755,562
Net financing costs	17	48,506	39,877
Earnings before income taxes		755,947	715,685
Income taxes	13	207,073	196,275
Net earnings		548,874	519,410
Other comprehensive income			
Items to be reclassified subsequently to net earnings			
Unrealized loss on derivative financial instruments, net of reclassification adjustment		-	(42,641)
Unrealized gain on derivative financial instruments not subject to basis adjustments		1,935	-
Items that will not be reclassified subsequently to net earnings			
Unrealized gain on derivative financial instruments subject to basis adjustments		42,506	-
Income taxes recovery (expenses) relating to components of other comprehensive income		(11,904)	11,564
Total other comprehensive income (loss), net of income taxes		32,537	(31,077)
Total comprehensive income		581,411	488,333
Earnings per common share			
Basic net earnings per common share *(restated)* [1]	16	$1.69	$1.54
Diluted net earnings per common share *(restated)* [1]	16	$1.67	$1.52
Weighted average number of common shares outstanding (*thousands*) *(restated)* [1]	16	324,460	338,253
Weighted average number of diluted common shares outstanding (*thousands*) *(restated)* [1]	16	328,404	342,519

(1) Numbers of common shares and amounts per common share as at January 28, 2018 reflect the retrospective application of the Share Split (see Note 12).

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

Dollarama Inc.

Consolidated Statement of Cash Flows for the years ended
(Expressed in thousands of Canadian dollars)

	Note	February 3, 2019	January 28, 2018
		$	$
Operating activities			
Net earnings		548,874	519,410
Adjustments to reconcile net earnings to net cash generated from operating activities:			
Depreciation of property, plant and equipment and amortization of intangible assets	17	79,374	70,550
Amortization of deferred tenant allowances	11	(5,598)	(5,149)
Amortization of deferred leasing costs	7	472	483
Amortization of debt issue costs	17	2,298	2,017
Recognition of gains and losses on bond locks and bond forwards contracts	14	177	-
Transfer of realized cash flow hedge losses to inventory	4	8,646	-
Recognition of realized losses on foreign exchange contracts	14	-	3,851
Cash settlement of gains on foreign exchange contracts		-	(10,266)
Deferred lease inducements	11	4,360	5,348
Deferred tenant allowances	11	10,305	10,607
Share-based compensation	12	6,466	6,559
Interest payment on finance lease	10	116	-
Financing costs on long-term debt		5,045	1,548
Deferred income taxes	13	3,511	6,297
Loss on disposal of assets		159	207
		664,205	611,462
Changes in non-cash working capital components	18	(131,153)	25,872
Net cash generated from operating activities		533,052	637,334
Investing activities			
Additions to property, plant and equipment	6	(161,104)	(112,786)
Additions to intangible assets	7	(19,703)	(19,134)
Proceeds from disposal of property, plant and equipment		1,295	696
Net cash used in investing activities		(179,512)	(131,224)
Financing activities			
Proceeds from long-term debt issued (Series 2 Floating Rate Notes)	9	-	300,000
Proceeds from long-term debt issued (2.203% Fixed Rate Notes)	9	-	250,000
Proceeds from long-term debt issued (Series 3 Floating Rate Notes)	9	300,000	-
Proceeds from long-term debt issued (3.55% Fixed Rate Notes)	9	497,685	-
Proceeds (repayments) of Credit Facility	9	(166,000)	61,000
Repayment of Series 1 Floating Rate Notes	9	-	(275,000)
Repayment of 3.095% Fixed Rate Notes	9	(400,000)	-
Payment of debt issue costs		(3,597)	(2,658)
Repayment of finance lease		(686)	-
Issuance of common shares	12	8,168	14,645
Dividends paid	12	(51,297)	(48,932)
Repurchase and cancellation of common shares	12	(542,286)	(812,336)
Net cash used in financing activities		(358,013)	(513,281)
Decrease in cash		(4,473)	(7,171)
Cash – beginning of year		54,844	62,015
Cash – end of year		50,371	54,844

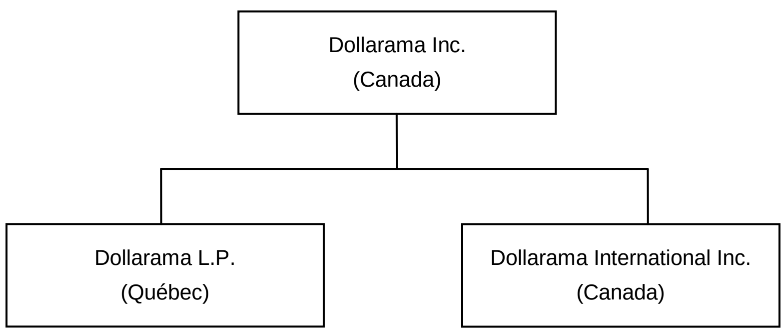
The accompanying notes are an integral part of these consolidated financial statements.

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 February 3, 2019, 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 fiscal year ends on the Sunday closest to January 31 of each year and usually has 52 weeks. However, as is traditional with the retail calendar, every five or six years, a week is added to the fiscal year. The fiscal year ended January 28, 2018 was comprised of 52 weeks whereas the fiscal year ended February 3, 2019 was comprised of 53 weeks.

The Corporation's head and registered office is located at 5805 Royalmount Avenue, Montreal, Quebec, H4P 0A1. As at February 3, 2019, 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.

Dollarama International Inc. sells merchandise and renders services to customers outside of Canada, the Corporation's country of domicile. For the fiscal year ended February 3, 2019 and January 28, 2018, sales from Dollarama International Inc. represented approximately 1% of the Corporation's total consolidated sales.

2 Basis of preparation

The Corporation prepares its 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 consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments, which are measured at fair value. With the exception of IFRS 9, "Financial Instruments" and IFRS 15, "Revenue from Contracts with Customers" that the Corporation adopted on a retrospective basis without restatement of comparative periods on January 29, 2018, the accounting policies of the Corporation have been applied consistently to all periods in these consolidated financial statements. Please refer to Note 3 for a summary of the significant accounting policies under IFRS 9 and IFRS 15.

2 Basis of preparation (cont'd)

The numbers of common shares in these consolidated financial statements as at January 29, 2017 and January 28, 2018, including changes in the share capital between these dates, reflect the retrospective application of the Share Split (see Note 12).

These consolidated financial statements were approved by the board of directors of the Corporation for issue on March 28, 2019.

3 Summary of significant accounting policies

Subsidiaries

Subsidiaries are all entities over which the Corporation has control. The Corporation determines control based on its ability to exercise power that significantly affects the entities' relevant day-to-day activities. Control is also determined by the Corporation's exposure to the variability in returns on investment in the entity, whether favorable or unfavorable. Furthermore, control is defined by the Corporation's ability to direct the decisions made by the entity which ultimately impact return on investment. The existence and effect of substantive voting rights are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is determined and they are deconsolidated from the date on which control is deemed to have ceased.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Corporation. All subsidiaries of the Corporation are wholly-owned subsidiaries.

Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in earnings, except where hedge accounting is applied as described below under "Derivative financial instruments".

3 Summary of significant accounting policies (cont'd)

Segment information

The Corporation manages its business on the basis of one operating segment, which is also the Corporation's only reportable segment, which is consistent with the internal reporting provided to the chief operating decision-maker. The Corporation operates in Canada, which is its country of domicile.

Financial assets

The Corporation applied the IFRS 9 classification and measurement requirements applicable to financial instruments for the fiscal year ended February 3, 2019. The 2018 comparative period has not been restated, and the IAS 39 requirements have been applied.

Classification and measurement of financial assets for the fiscal year ended February 3, 2019

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. Contracts with embedded derivatives where the host is a financial asset 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.

Financial assets classified at amortized cost are initially measured at fair value adjusted for directly attributable transaction costs and subsequently carried 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 assets at fair value through profit or loss (FVTPL) are initially and subsequently recognized at fair value; transaction costs are expensed in earnings. The effective portion of gains and losses on hedging instruments is accounted for in other comprehensive income in the period in which they occur.

The table below summarizes the classification and measurement of the Corporation's financial assets.

	IFRS 9 Classification
Cash	Amortized cost
Accounts receivable	Amortized cost
Derivative financial instruments	FVTPL

3 Summary of significant accounting policies (cont'd)

The Corporation estimates the expected credit losses associated with financial instruments accounted for at amortized cost. The impairment methodology used depends on whether there is a significant increase in the credit risk or not. For accounts receivables, the Corporation measures loss allowances at an amount equal to lifetime expected credit loss (ECL).

Classification and measurement of financial assets for the fiscal year ended January 28, 2018

For the fiscal year ended January 28, 2018, the Corporation classified its financial assets in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are initially and subsequently recognized at fair value; transaction costs are expensed in earnings.

b) Loans and receivables

Loans and receivables comprise cash and accounts receivable. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are neither quoted on an active market nor intended for trading. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

The Corporation estimates the incurred credit losses associated with financial instruments accounted for at amortized cost.

Financial liabilities

Financial liabilities comprise accounts payable and accrued liabilities, dividend payable, derivative financial instruments, long-term debt and finance lease obligations.

Long-term debt is recognized initially at fair value, net of recognized transaction costs, and is subsequently measured at amortized cost, being the carrying value. Any difference between the carrying value and the redemption value is recognized in the consolidated statement of net earnings and comprehensive income (loss) using the effective interest rate method.

Fees paid on the establishment of revolving credit facilities are capitalized as a prepayment for liquidity services and amortized over the term of the facility or the notes to which they relate.

Financial liabilities are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the financial liabilities for at least 12 months after the statement of financial position date.

3 Summary of significant accounting policies (cont'd)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Derivative financial instruments

The Corporation may use derivative financial instruments in the management of its foreign currency risk on purchases. The Corporation may also use derivative financial instruments in the management of its interest rate exposure. The Corporation designates certain derivatives as hedges of a particular risk associated with a highly probable forecast transaction (cash flow hedge).

When hedge accounting is applied, the Corporation documents at inception the relationships between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking derivatives to specific assets and liabilities on the consolidated statement of financial position or to specific firm commitments or forecasted transactions. The Corporation also assesses whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Movements on the hedging reserve in shareholders' deficit are shown in the consolidated statement of changes in shareholders' deficit. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedges

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 (loss). The gain or loss relating to the ineffective portion is recognized immediately in earnings.

For the fiscal year ended January 28, 2018, amounts accumulated in shareholders' deficit are reclassified to earnings in the periods when the hedged item affects earnings (the vast majority of the reclassification occurs in the first 12 months following the settlement of the derivative financial instrument). The gain or loss relating to the effective portion of the derivatives is recognized as part of cost of sales in the consolidated statement of net earnings and comprehensive income (loss). 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 forecast transaction is ultimately recognized in earnings. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in shareholders' deficit is immediately transferred to earnings.

For the fiscal year ended February 3, 2019, following the adoption of IFRS 9, the accumulated realized gains or losses as a result of cash flow hedges on foreign exchange contracts are reclassified from shareholders' deficit to the carrying value of inventory (known as a basis adjustment). These accumulated gains and losses recorded in inventory are then subsequently reclassified to the consolidated statement of net earnings and comprehensive income (loss) in the same period during which the inventory is sold and recognized as a cost of sales.

3 Summary of significant accounting policies (cont'd)

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 as part of the carrying value of the hedged transaction when the forecasted non-financial item is recognized.

Foreign exchange forward contracts are designated as cash flow hedges of specific forecasted 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 recorded to other comprehensive income (loss), and reclassified to earnings over the same period as the hedged interest payments are recorded in earnings.

Derivatives where hedge accounting is not applied

Derivative financial instruments which are not designated as hedges or have ceased to be effective prior to maturity are recorded at their fair values under assets or liabilities, with changes in their fair values recorded in earnings.

Property, plant and equipment

Property, plant and equipment are carried at cost and depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Store and warehouse equipment	10 to 15 years
Vehicles	5 years
Building and roof	20 - 50 years
Leasehold improvements	Lease term
Computer equipment	5 years

The Corporation recognizes in the carrying amount of property, plant and equipment the full purchase price of assets acquired or constructed as well as the costs incurred that are directly incremental as a result of the construction of a specific asset, when they relate to bringing the asset into working condition.

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized. The rate for calculating the capitalized financing cost is based on the Corporation's weighted average cost of borrowing experienced during the reporting period.

The Corporation also capitalizes the cost of replacing parts of an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate. If the expected residual value of an asset is equal to or greater than its carrying value, depreciation on that asset is ceased. Depreciation is resumed when the expected residual value falls below the asset's carrying value. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized directly in the consolidated statement of net earnings and comprehensive income (loss).

3 Summary of significant accounting policies (cont'd)

Goodwill and intangible assets

The Corporation classifies intangible assets into three categories: (1) intangible assets with finite lives subject to amortization, (2) intangible assets with indefinite lives not subject to amortization and (3) goodwill.

Intangible assets with finite lives subject to amortization

The Corporation determines the useful lives of identifiable intangible assets based on the specific facts and circumstances related to each intangible asset. Finite life intangibles are carried at cost and depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Computer software	5 years
Deferred leasing costs	Lease term

The Corporation recognizes in the carrying amount of intangible assets with finite lives subject to amortization the full purchase price of the intangible assets developed or acquired as well as other costs incurred that are directly incremental as a result of the development of a specific intangible asset, when they relate to bringing the asset into working condition.

Intangible assets with indefinite lives not subject to amortization

The trade name is the Corporation's only intangible asset with indefinite life not subject to amortization. The trade name is recorded at cost and is not subject to amortization, having an indefinite life. It is tested for impairment annually, as of the statement of financial position date, or more frequently if events or circumstances indicate that it may be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. As the trade name does not generate cash flows that are independent from other assets or individual cash-generating units ("CGUs" or "CGU"), trade name is allocated to one group of CGUs that is expected to benefit from the business combination, and which represents the lowest level within the Corporation at which trade name is monitored for internal management purposes.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the share of the net identifiable assets acquired of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill is subsequently measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, as at the statement of financial position date, or more frequently if events or circumstances indicate that it may be impaired. For the purposes of annual impairment testing, goodwill is allocated to one group of CGUs that is expected to benefit from the business combination, and which represents the lowest level within the Corporation at which goodwill is monitored for internal management purposes.

3 Summary of significant accounting policies (cont'd)

Impairment of non-financial assets

Assets that are subject to amortization are periodically reviewed for indicators of impairment. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, the asset or CGU is tested for impairment. To the extent that the asset or CGU's carrying amount exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of net earnings and comprehensive income (loss). The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU. The fair value is the price that could be received for an asset or CGU in an orderly transaction between market participants at the measurement date, less costs of disposal. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs – these are individual stores). Management undertakes an assessment of relevant market data, which includes the current publicly quoted market capitalization of the Corporation.

Cash

Cash includes highly liquid investments with original maturities from the date of purchase of three months or less. The majority of payments due from financial institutions for the settlement of credit card and debit card transactions are processed within one business day, and are therefore classified as cash.

Inventories

The Corporation's inventories at the distribution centre, warehouses and stores consist primarily of merchandise purchased and held for resale and are valued at the lower of cost and net realizable value.

Cost is determined at the distribution centre and warehouses on a weighted average cost basis and is then assigned to store inventories using the retail inventory method. Costs of inventories include amounts paid to suppliers, duties and freight into the warehouses as well as costs directly associated with warehousing and distribution to stores and receiving costs at the stores.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are obligations to pay for goods acquired from suppliers or services rendered by employees and service providers in the ordinary course of business. Accounts payable and accrued liabilities are classified as current liabilities if payment is due or expected within one year or less. Otherwise, they are presented as non-current liabilities.

Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost.

3 Summary of significant accounting policies (cont'd)

Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and if it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are not recognized for future operating losses.

If the effect of time value of money is material, provisions are measured at the present value of cash flows expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as accretion expense under financing costs in the consolidated statement of net earnings and comprehensive income (loss).

Share capital

Common shares are classified as shareholders' deficit. Incremental costs directly attributable to the issuance of shares or options are shown in shareholders' deficit as a deduction, net of tax, from the proceeds of issuance.

When the Corporation repurchases common shares under its normal course issuer bid, the portion of the price paid for the common shares that corresponds to the book value of those shares is recognized as a reduction of share capital. The portion of the price paid that is in excess of the book value is recognized as a reduction of retained earnings. As a direct result of the fact that the price paid for each common share significantly exceeds its book value, the Corporation's shareholders' equity is now in a deficit position.

Dividends declared

Dividend distributions to the Corporation's shareholders are recognized as a liability in the Corporation's consolidated financial statements in the period in which the dividends are declared by the board of directors.

Employee future benefits

A defined contribution pension plan is a post-employment benefit plan under which the Corporation pays fixed contributions into a separate legal entity as well as state plans administered by the provincial and federal governments and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution retirement plans are recognized as an expense in earnings when they are due.

The Corporation offers a defined contribution pension plan to eligible employees whereby it matches an employee's contributions up to 5% of the employee's salary, subject to a maximum of 50% of the RRSP annual contribution limit.

Short-term employee benefits

Liabilities for bonus plans are recognized based on a formula that takes into consideration individual performance and contributions to the profitability of the Corporation.

3 Summary of significant accounting policies (cont'd)

Termination benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognizes termination benefits when it is demonstrably committed to providing termination benefits as a result of an offer made.

Income taxes

The income tax expense for the year comprises current and deferred tax. Tax is recognized in earnings, except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in shareholders' deficit. In this case, tax is recognized in other comprehensive income (loss) or directly in shareholders' deficit.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from initial recognition of goodwill or if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Revenue recognition

For the fiscal year ended January 28, 2018, under IAS 18, "Revenue", the Corporation recognized revenue from the sale of products or the rendering of services when they were earned, specifically when all the following conditions were met: (1) the significant risks and rewards of ownership were transferred to customers and the Corporation retained neither continuing managerial involvement nor effective control; (2) there was clear evidence that an arrangement existed; (3) the amount of revenue and related costs could be measured reliably; and (4) it was probable that the economic benefits associated with the transaction would flow to the Corporation. The recognition of revenue at the store occurred at the time a customer tendered payment for and took possession of the merchandise.

3 Summary of significant accounting policies (cont'd)

For the fiscal year ended February 3, 2019, following the adoption of IFRS 15, "Revenue from Contracts with Customers", 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. 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 (loss) 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. Revenue is recognized for goods shipped when the goods leave the port; and revenue is recognized for services when services have been rendered, which can occur discretely or over time.

The recognition of revenue at the store occurs at the time a customer tenders payment for and takes possession of the merchandise. Gift cards sold are recorded as a liability, and revenue is recognized when gift cards are redeemed. Online sales are recognized when control of goods has passed to the customer.

All sales are final. Revenue is shown net of sales tax and discounts.

Gross versus net

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.

Cost of sales

Cost of sales includes the cost of inventories, outbound transportation costs, warehousing and distribution costs, receiving costs at the store, store, warehouse and distribution centre occupancy costs, as well as the effective portion of change in fair value on qualifying cash flow hedges related to the purchase of inventories.

Vendor rebates

The Corporation records vendor rebates, consisting of volume purchase rebates, when it is probable that they will be received and the amounts are reasonably estimable. The rebates are recorded as a reduction of inventory purchases and are reflected as a reduction of cost of sales in the consolidated statement of net earnings and comprehensive income (loss).

General, administrative and store operating expenses

The Corporation includes store and head office salaries and benefits, repairs and maintenance, professional fees, store supplies and other related expenses in general, administrative and store operating expenses.

Earnings per common share

Earnings per common share is determined using the weighted average number of common shares outstanding during the year. Diluted earnings per common share is determined using the treasury share method to evaluate the dilutive effect of share options. Under this method, instruments with a dilutive effect are considered to have

3 Summary of significant accounting policies (cont'd)

been exercised at the beginning of the year, or at the time of issuance, if later, and the proceeds received are considered to have been used to redeem common shares at the average market price during the year.

Leases

Finance leases

Assets held under leases which result in the Corporation receiving substantially all the risks and rewards of ownership of the asset ("finance leases") are capitalized at the lower of the fair value of equipment or the estimated present value of the minimum lease payments. The corresponding finance lease obligation is included within interest bearing liabilities. The interest element is amortized using the effective interest rate method.

Operating leases

The Corporation leases stores, five warehouses and corporate headquarters. It also leased a distribution centre until February 21, 2018, the date on which the distribution centre was acquired at fair value by the Corporation. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The Corporation recognizes rental expense incurred and inducements received from landlords on a straight-line basis over the term of the lease. Any difference between the calculated expense and the amounts actually paid is reflected as deferred lease inducements in the Corporation's consolidated statement of financial position. Contingent rental expense is recognized when the achievement of specified sales targets is considered probable.

Deferred leasing costs and deferred tenant allowances are recorded on the consolidated statement of financial position and amortized using the straight-line method over the term of the respective lease.

Share-based compensation

The Corporation recognizes a compensation expense for share options granted based on the fair value of those options at the grant date, using the Black-Scholes option pricing model. The options granted by the Corporation vest in tranches (graded vesting); accordingly, the expense is recognized in vesting tranches.

The total amount to be expensed is determined by reference to the fair value of the options granted.

The impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and retaining an employee of the entity over a specified time period) are excluded from the fair value calculation. Non-market performance vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Corporation revises its estimates of the number of options that are expected to vest based on the non-market performance vesting conditions. The Corporation recognizes the impact of the revision to original estimates, if any, in the consolidated statement of net earnings and comprehensive income (loss), with a corresponding adjustment to contributed surplus.

When option holders exercise their options, the cash paid for the shares issued is credited, together with the related compensation costs, to share capital (nominal value).

(Expressed in thousands of Canadian dollars, unless otherwise noted)

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

As a result of the adoption of IFRS 9, the Corporation transferred on January 29, 2018 an amount of $8,646 of accumulated losses previously recognized in accumulated other comprehensive income (loss) and included that amount directly in the carrying amount of 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 (loss). Furthermore, for the fiscal year ended February 3, 2019, the fair value gain of $42,506 on foreign exchange forward contracts subject to cash flow hedge accounting that will be subsequently basis adjusted to the initial carrying amount of non-financial hedged items (foreign currency denominated inventory purchases) have been presented as amounts that will not be subsequently reclassified to net earnings.

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)

The Corporation's method of accounting for financial instruments under IFRS 9 can be found in Note 3.

4 Significant new accounting standards (cont'd)

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.

The Corporation's method of accounting for revenue under IFRS 15 can be found in Note 3.

b) Accounting standards and amendments issued but not yet adopted

IFRS 16 – Leases

In January of 2016, the IASB issued IFRS 16, "Leases", which replaces IAS 17, "Leases". The new standard is effective for fiscal years beginning on or after January 1, 2019. 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 10) 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.

IFRS 16 will be applied for the fiscal year ending February 2, 2020 using the full retrospective approach and the Corporation will therefore be restating comparative information for the fiscal year ended February 3, 2019, as if IFRS 16 had always been applied.

The Corporation's consolidated statement of financial position as at February 3, 2019 is expected to increase by approximately $1.2 billion to $1.3 billion with the addition of lease liabilities and $1.1 billion to $1.2 billion with the addition of right-of-use assets. Lease-related expenses previously recorded in cost of sales, primarily as occupancy costs, will be recorded as depreciation using a straight line method on the right-of-use assets and the lease liabilities will be unwound using an effective interest rate method. The application of these two methods will result in more expenses charged to net earnings earlier in the lease term and less expenses charged in the later years.

While IFRS 16 will not cause a difference in the amount of cash transferred between the parties of a lease, it will change the presentation of cash flows relating to leases in the Corporation's consolidated statement of cash flows.

The Corporation will elect to include in the right-of-use assets and lease liability non-lease components that are in scope of IFRS 16, which include, but are not limited to, property taxes, utility charges, and common area maintenance charges. Other occupancy costs not within the scope of IFRS 16 will continue to be expensed as incurred and recorded in cost of sales.

The lease term for the majority of leases is expected to be approximately 15 years, which includes an initial base term of 10 years and one renewal option of 5 years.

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.

The following discusses the most significant accounting judgments and estimates that the Corporation made in the preparation of the consolidated financial statements.

Income taxes

Judgment - Judgment is required in determining income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Property, plant and equipment

Estimate - Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes, based on additional available information, are accounted for prospectively as a change in accounting estimate.

Valuation of inventories

Estimate - Store inventories are valued at the lower of cost and net realizable value, with cost being determined by the retail inventory method. Under the retail inventory method, inventories are converted to a cost basis by applying an average cost-to-sell ratio. Inventories that are at the distribution centre or warehouses and inventories that are in transit from suppliers are measured at the lower of cost and net realizable value, with cost determined on a weighted average cost basis.

Inventories include items that have been marked down to management's best estimate of their net realizable value and are included in cost of sales in the period in which the markdown is determined. The Corporation estimates its inventory provisions based on the consideration of a variety of factors, including quantities of slow-moving or carryover seasonal merchandise on hand, historical markdown statistics, future merchandising plans and inventory shrinkage. The accuracy of the Corporation's estimates can be affected by many factors, some of which are beyond its control, including changes in economic conditions and consumer buying trends.

Historically, the Corporation has not experienced significant differences in its estimates of markdowns compared with actual results. Changes to the inventory provisions and especially shrinkage can have a material impact on the results of the Corporation.

5 Critical accounting estimates and judgments (cont'd)

Impairment of goodwill and trade name

Estimate - Goodwill and trade name are not subject to amortization and are tested for impairment annually or more frequently if events or circumstances indicate that the assets might be impaired. Impairment is identified by comparing the recoverable amount of the CGU to its carrying value. To the extent the CGU's carrying amount exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of net earnings and comprehensive income (loss).

The recoverable amount of the CGU is based on comparing the greater of the fair value less costs of disposal and its value in use to the carrying value. The fair value is the price that could be received for an asset or CGU in an orderly transaction between market participants at the measurement date, less costs of disposal. The value in use is derived using estimated future cash flows that are discounted with an interest rate that reflects risk for the Corporation and the time value of money. Management undertakes an assessment of relevant market data, which includes the current publicly quoted market capitalization of the Corporation.

As at February 3, 2019 and January 28, 2018, impairment reviews were performed by comparing the carrying value of goodwill and the trade name with the recoverable amount of the CGU to which goodwill and the trade name have been allocated. Management determined that there has been no impairment.

Fair value of financial instruments and hedging

Estimate - The fair value of financial instruments is based on current interest rates, foreign exchange rates, credit risk, market value and current pricing of financial instruments with similar terms. The carrying value of financial instruments, especially those with current maturities such as cash, accounts receivable, accounts payable and accrued liabilities, and dividend payable, approximates their fair value.

When hedge accounting is used, formal documentation is set up about relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions.

This process includes linking derivatives to specific firm commitments or forecasted transactions. As part of the Corporation's hedge accounting, an assessment is made to determine whether the derivatives that arose as hedging instruments are effective in offsetting changes in cash flows of hedged items.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

6 Property, plant and equipment

	Land[(1)]	Buildings[(1)]	Construction in progress[(2)]	Store and warehouse equipment	Computer equipment	Vehicles	Leasehold improvements	Total
	$	$		$	$	$	$	$
Cost								
Balance January 28, 2018	45,366	36,508	-	401,436	38,821	4,842	325,819	852,792
Additions	19,477	23,165	29,700	39,521	11,524	1,619	40,477	165,483
Transfers[(3)]	-	1,255	-	-	-	-	(1,255)	-
Dispositions	-	-	-	(181)	-	(1,346)	(2,460)	(3,987)
Balance February 3, 2019	64,843	60,928	29,700	440,776	50,345	5,115	362,581	1,014,288
Accumulated depreciation								
Balance January 28, 2018	-	851	-	219,950	17,259	1,716	122,028	361,804
Depreciation	-	1,524	-	30,676	8,989	1,015	23,300	65,504
Dispositions	-	-	-	(43)	-	(811)	(1,679)	(2,533)
Balance February 3, 2019	-	2,375	-	250,583	26,248	1,920	143,649	424,775
Net book value								
Balance February 3, 2019	64,843	58,553	29,700	190,193	24,097	3,195	218,932	589,513
Cost								
Balance January 29, 2017	22,144	45,779	-	350,325	33,892	4,565	286,695	743,400
Additions	23,222	3,213	-	39,599	4,766	2,001	39,985	112,786
Transfers [(4)]	-	(12,484)	-	12,152	266	-	-	(66)
Dispositions	-	-	-	(640)	(103)	(1,724)	(861)	(3,328)
Balance January 28, 2018	45,366	36,508	-	401,436	38,821	4,842	325,819	852,792
Accumulated depreciation								
Balance January 29, 2017	-	-	-	192,620	9,593	1,669	102,429	306,311
Depreciation	-	851	-	27,970	7,766	1,115	20,216	57,918
Dispositions	-	-	-	(640)	(100)	(1,068)	(617)	(2,425)
Balance January 28, 2018	-	851	-	219,950	17,259	1,716	122,028	361,804
Net book value								
Balance January 28, 2018	45,366	35,657	-	181,486	21,562	3,126	203,791	490,988

(1) Additions to land and buildings in the fiscal year ended February 3, 2019 relate mainly to the acquisition of the previously leased distribution centre and its ongoing expansion.

(2) Costs associated with the expansion of the distribution centre. Recognized costs for the building construction in progress are not being depreciated because the building was not yet available for use as at February 3, 2019.

(3) Costs and accumulated depreciation related to floor and roof of the acquired distribution centre totalling $1,255 were reclassified from leasehold improvements to buildings on July 29, 2018.

(4) Racking, fixtures and other equipment (including hardware and software) totalling $12,418 were reclassified from buildings to store and warehouse equipment and to computer equipment on January 30, 2017. The balance of $66 was reclassified from buildings to computer software on January 30, 2017.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

7 Intangible assets and goodwill

	Deferred leasing costs $	Computer software $	Trade name [2] $	Total intangible assets $	Goodwill $
Cost					
Balance January 28, 2018	7,046	82,860	108,200	198,106	727,782
Additions	-	19,703	-	19,703	-
Balance February 3, 2019	7,046	102,563	108,200	217,809	727,782
Accumulated amortization					
Balance January 28, 2018	4,492	48,014	-	52,506	-
Amortization	472	13,870	-	14,342	-
Balance February 3, 2019	4,964	61,884	-	66,848	-
Net book value					
Balance February 3, 2019	2,082	40,679	108,200	150,961	727,782
Cost					
Balance January 29, 2017	7,046	63,660	108,200	178,906	727,782
Additions	-	19,134	-	19,134	-
Transfers [1]	-	66	-	66	-
Balance January 28, 2018	7,046	82,860	108,200	198,106	727,782
Accumulated amortization					
Balance January 29, 2017	4,009	35,382	-	39,391	-
Amortization	483	12,632	-	13,115	-
Balance January 28, 2018	4,492	48,014	-	52,506	-
Net book value					
Balance January 28, 2018	2,554	34,846	108,200	145,600	727,782

(1) Other equipment totalling $66 was reclassified from building to computer software on January 30, 2017.

(2) Intangible assets with indefinite lives are not subject to amortization.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

8 Accounts payable and accrued liabilities

	February 3, 2019 $	January 28, 2018 $
Trade accounts payable	79,560	59,674
Employee benefits payable	41,960	57,081
Inventories in transit	42,198	33,782
Sales tax payable	37,313	41,301
Accrued share repurchases	-	9,142
Rent and other expenses	31,514	27,382
	232,545	228,362

9 Long-term debt

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

	February 3, 2019 $	January 28, 2018 $
Senior unsecured notes bearing interest at:		
Fixed annual rate of 3.55% payable in equal semi-annual instalments, maturing November 6, 2023 (the "3.55% Fixed Rate Notes")	500,000	-
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, repaid on November 5, 2018 (the "3.095% Fixed Rate Notes", and collectively with the 3.55% Fixed Rate Notes, the 2.203% Fixed Rate Notes and the 2.337% Fixed Rate Notes, the "Fixed Rate Notes")	-	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, 2023 (the "Credit Facility")	25,000	191,000
Less: Unamortized debt issue costs	(9,155)	(5,541)
Accrued interest on the Floating Rate Notes and Fixed Rate Notes	7,383	5,192
	1,898,228	1,665,651
Current portion (includes accrued interest on the Floating Rate Notes and Fixed Rate Notes)	(7,383)	(405,192)
	1,890,845	1,260,459

9 Long-term debt (cont'd)

Fixed Rate Notes

On November 5, 2018, the Corporation issued the 3.55% Fixed Rate Notes in the aggregate principal amount of $500,000, on a private placement basis in Canada, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 3.55% Fixed Rate Notes were issued at a price of $995.37 per $1,000.00 principal amount of 3.55% Fixed Rate Notes, for an effective yield of 3.652% and aggregate gross proceeds of $497,685. The 3.55% Fixed Rate Notes bear interest at a rate of 3.55% per annum, payable in equal semi-annual instalments, in arrears, on the 6th day of May and November of each year over the five-year term. The net proceeds of the offering were used to repay the 3.095% Fixed Rate Notes which matured on November 5, 2018, repay indebtedness outstanding under the Credit Facility and for general corporate purposes. The 3.55% Fixed Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS Limited.

As at February 3, 2019, the carrying value of the 3.55% Fixed Rate Notes was $500,082 (January 28, 2018 – n/a). The fair value of the 3.55% Fixed Rate Notes as at February 3, 2019 was determined to be $504,470 valued as a level 2 in the fair value hierarchy (January 28, 2018 – n/a).

As at February 3, 2019, the carrying value of the 2.203% Fixed Rate Notes was $250,477 (January 28, 2018 – $250,186). The fair value of the 2.203% Fixed Rate Notes as at February 3, 2019 was determined to be $241,543 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 February 3, 2019, the carrying value of the 2.337% Fixed Rate Notes was $524,256 (January 28, 2018 – $523,597). The fair value of the 2.337% Fixed Rate Notes as at February 3, 2019 was determined to be $517,435 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.

On November 5, 2018, the Corporation repaid the principal and all accrued and unpaid interest on the 3.095% Fixed Rate Notes. As at January 28, 2018, the carrying value of the 3.095% Fixed Rate Notes was $402,452. The fair value of the 3.095% Fixed Rate Notes as at January 28, 2018 was determined to be $403,452 valued as a level 2 in the fair value hierarchy.

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 February 3, 2019, the carrying value of the Series 3 Floating Rate Notes was $299,287 (January 28, 2018 – n/a). The fair value of the Series 3 Floating Rate Notes as at February 3, 2019 was determined to be $297,351 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.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

9 Long-term debt (cont'd)

As at February 3, 2019, the carrying value of the Series 2 Floating Rate Notes was $300,707 (January 28, 2018 – $300,066). The fair value of the Series 2 Floating Rate Notes as at February 3, 2019 was determined to be $300,180 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

The Corporation has access to three separate unsecured revolving credit facilities totalling $500,000 (collectively, the "Credit Facility") made available under the Second Amended and Restated Credit Agreement (the "Credit Agreement"), originally dated as of October 25, 2013, as amended and restated from time to time, most recently on December 21, 2018.

Facility A in the amount of $250,000 is available until September 29, 2023, whereas Facility B and Facility C, representing $200,000 and $50,000 respectively, are available until September 29, 2020.

Under the Credit Agreement, the Corporation may, under certain circumstances and subject to receipt of additional commitments from existing lenders or other eligible institutions, request increases to the Credit Facility up to an aggregate amount, together with all then-existing commitments, of $1,500,000.

Since the July 27, 2018 amendment to the Credit Agreement, the applicable margin, ranging from 0% to 1.70% per annum, is no longer calculated based on the senior unsecured credit or debt rating issued to the Corporation by a rating agency but rather on a lease-adjusted leverage ratio reported on a quarterly basis to the lenders.

As at February 3, 2019, an amount of $25,000 was outstanding under the Credit Facility (January 28, 2018 – $191,000), as well as 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 $5,633 (January 28, 2018 – $1,059). As at February 3, 2019, the Corporation was in compliance with all of its financial covenants.

10 Leases and commitments

a) Operating leases

The basic rent and contingent rent expense of operating leases for stores, warehouses, distribution centre (until February 21, 2018, the date on which the distribution centre was acquired by the Corporation) and corporate headquarters included in the consolidated statement of net earnings and comprehensive income (loss) are as follows:

	February 3, 2019 $	January 28, 2018 $
Basic rent	193,138	177,862
Contingent rent	4,774	5,178
	197,912	183,040

(Expressed in thousands of Canadian dollars, unless otherwise noted)

10 Leases and commitments (cont'd)

b) Commitments

As at February 3, 2019, contractual obligations for operating leases amounted to $1,124,229 (January 28, 2018 – $1,070,929). The leases extend, depending on the renewal options, over various years up to the year 2039.

Non-cancellable operating lease rentals are payable as follows:

	February 3, 2019 $	January 28, 2018 $
Less than 1 year	190,999	177,806
Between 1 and 5 years	613,083	589,116
More than 5 years	320,147	304,007
Total	1,124,229	1,070,929

As at February 3, 2019, the Corporation had commitments of approximately $14,500 (January 28, 2018 – n/a) for the expansion of the distribution centre.

c) Finance lease obligation

As at February 3, 2019, the Corporation's finance lease obligation amounted to $3,809 (January 28, 2018 – n/a). During the fiscal year ended February 3, 2019, the Corporation recorded an interest expense of $116 (January 28, 2018 – n/a) on the finance lease.

11 Deferred rent and lease inducements

Deferred lease inducements and deferred tenant allowances are amortized using the straight-line method over the term of the respective lease. The following table shows the continuity of other liabilities, which consisted of deferred tenant allowances and deferred lease inducements:

	February 3, 2019 $	January 28, 2018 $
Deferred tenant allowances, beginning of year	44,013	38,555
Additions	10,305	10,607
Amortization	(5,598)	(5,149)
Deferred tenant allowances, end of year	48,720	44,013
Deferred lease inducements, beginning of year	48,620	43,272
Purchase of distribution centre	(1,102)	-
Additions, net of straight-line rent	5,462	5,348
Deferred lease inducements, end of year	52,980	48,620
	101,700	92,633

12 Shareholders' deficit

a) Share capital

Three-for-one share split

On June 19, 2018, shareholders of record as at the close of business on June 14, 2018 received two additional common shares for each common share held (the "Share Split"). Ex-distribution trading in the common shares on a split-adjusted basis commenced on June 20, 2018.

Normal course issuer bid

During the 12-month period ended June 18, 2018, the Corporation was authorized to repurchase for cancellation up to 17,041,170 common shares (retrospectively restated to reflect the Share Split), representing 5.0% of the common shares issued and outstanding as at the close of markets on June 6, 2017 (the "2017-2018 NCIB"). At the expiry of the 2017-2018 NCIB, the Corporation had repurchased for cancellation a total of 14,061,366 common shares.

On June 7, 2018, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 16,386,351 common shares (retrospectively restated to reflect the Share Split), representing 5.0% of the common shares issued and outstanding as at the close of markets on June 6, 2018, during the 12-month period from June 20, 2018 to June 19, 2019 (the "2018-2019 NCIB").

On December 5, 2018, the Corporation received approval from the TSX to amend the 2018-2019 NCIB in order to increase the number of shares that may be repurchased thereunder from 16,386,351 to 30,095,056 common shares (representing 10.0% of the Corporation's public float as at June 6, 2018). The other terms of the 2018-2019 NCIB remain unchanged.

Taking into account the Share Split, the total number of common shares repurchased for cancellation under the 2017-2018 NCIB and the 2018-2019 NCIB during the fiscal year ended February 3, 2019 amounted to 13,790,350 common shares (January 28, 2018 – 18,313,620 common shares purchased under the normal course issuer bids then in effect) for a total cash consideration of $533,091 (January 28, 2018 – $812,659). For the fiscal year ended February 3, 2019, the Corporation's share capital was reduced by $17,491 (January 28, 2018 – $22,305) and the remaining $515,600 (January 28, 2018 – $790,354) was accounted for as an increase in deficit.

b) Common shares authorized

The Corporation is authorized to issue an unlimited number of common shares. All common shares are issued as fully paid and without par value.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

12 Shareholders' deficit (cont'd)

Movements in the Corporation's share capital are as follows:

	February 3, 2019		January 28, 2018	
	Number of common shares	Amount $	Number of common shares[1]	Amount $
Balance, beginning of year	327,977,577	415,787	345,154,047	420,266
Cancellation under NCIB	(13,790,350)	(17,491)	(18,313,620)	(22,305)
Exercise of share options	498,050	9,883	1,137,150	17,826
Balance, end of year	314,685,277	408,179	327,977,577	415,787

(1) Retrospectively restated to reflect the application of the Share Split.

c) Contributed surplus

Share-based compensation

The Corporation established a management option plan whereby its directors, officers and employees may be granted share options to acquire its shares. Under the plan, the number and characteristics of share options granted are determined by the board of directors of the Corporation, and share options have a life not exceeding 10 years.

Outstanding share options under the plan are granted with service requirements (or service conditions). These share options were granted to purchase an equivalent number of common shares. The share options vest at a rate of 20% annually on the anniversary of the grant date.

Outstanding and exercisable share options for the years ended on the dates provided below are as follows:

	February 3, 2019		January 28, 2018[1]	
	Number of share options	Weighted average exercise price ($)	Number of share options	Weighted average exercise price ($)
Outstanding – beginning of year	7,288,650	19.59	7,716,000	16.89
Granted	555,000	51.25	756,000	37.45
Exercised	(498,050)	16.40	(1,137,150)	12.88
Forfeited	(96,000)	31.57	(46,200)	27.09
Outstanding – end of year	7,249,600	22.07	7,288,650	19.59
Exercisable – end of year	4,549,600	15.84	3,340,050	14.13

(1) Retrospectively restated to reflect the application of the Share Split.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

12 Shareholders' deficit (cont'd)

During the fiscal year ended February 3, 2019, the Corporation recognized a share-based compensation expense of $ 6,466 (January 28, 2018 - $6,559).

Information relating to share options outstanding and exercisable as at February 3, 2019 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 ($)	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price ($)
$2.92 - $4.38	8	24,000	2.92	8	24,000	2.92
$4.39 - $6.59	26	48,000	5.36	26	48,000	5.36
$6.60 - $9.90	36	489,600	7.26	36	489,600	7.26
$9.91 - $13.66	51	1,733,800	12.14	50	1,733,800	12.14
$13.67 - $18.72	63	1,621,200	14.86	62	1,219,200	14.82
$18.73 - $23.68	74	953,400	23.68	74	491,400	23.68
$23.69 - $30.20	86	1,125,000	30.20	86	405,000	30.20
$30.21 - $37.36	98	705,600	37.36	98	136,800	37.36
$37.37 - $51.25	110	549,000	51.16	103	1,800	45.60
	69	7,249,600	22.07	59	4,549,600	15.84

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

	February 3, 2019	January 28, 2018
Exercise price per share	$51.25	$37.45
Dividend yield	0.3%	0.4%
Risk-free interest rate	2.0%	1.2%
Expected life	6.2 years	6.2 years
Expected volatility	20.4%	20.4%
Weighted average fair value of share options estimated at the grant date	$12.34	$8.07

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.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

12 Shareholders' deficit (cont'd)

d) Accumulated other comprehensive income (loss)

Components of accumulated other comprehensive income (loss) include unrealized gains (losses) on derivative financial instruments designated as hedging instruments, net of reclassification adjustments and income tax:

	February 3, 2019 $	January 28, 2018 $
Accumulated other comprehensive loss – beginning of year	(32,423)	(1,346)
Net change in fair value of foreign exchange forward contracts subject to basis adjustments	42,506	(36,226)
Realized losses on foreign exchange forward contracts	-	(10,266)
Foreign exchange losses transferred to earnings	-	3,851
Unrealized gain on derivative financial instruments not subject to basis adjustments	1,935	-
Income tax recoveries (expense) thereon	(11,904)	11,564
Total other comprehensive income (loss), net of income tax recovery	32,537	(31,077)
Transfer of realized cash flow hedge gains to inventory	(1,571)	-
IFRS 9 transition adjustment	8,646	-
Accumulated other comprehensive income (loss) – end of year	7,189	(32,423)

e) Dividends

The table below outlines the amounts of dividends recognized as distributions to holders of common shares during the fiscal year ended February 3, 2019.

	April 29, 2018[(1)]	July 29, 2018	October 28, 2018	February 3, 2019
Dividend amount	$12,180	$13,109	$13,073	$12,935
Dividend per common share	$0.037	$0.040	$0.040	$0.040
Declaration date	December 5, 2017	March 28, 2018	June 6, 2018	September 12, 2018
Payment date	January 31, 2018	May 2, 2018	August 1, 2018	October 31, 2018

(1) Retrospectively restated to reflect the application of the Share Split.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

13 Income taxes

a) Deferred income taxes

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	February 3, 2019 $	January 28, 2018 $
Deferred tax assets		
To be recovered after 12 months	28,423	25,204
To be recovered within 12 months	7,736	18,943
Deferred tax liabilities		
To be settled after 12 months	(161,899)	(154,481)
To be settled within 12 months	(1,845)	(2,326)
	(127,585)	(112,660)

Gross movement on the deferred income tax liability is as follows:

	February 3, 2019 $	January 28, 2018 $
Deferred income tax liability - beginning of year	112,660	117,837
Credited to consolidated statement of net earnings and comprehensive income (loss)	3,021	6,387
Tax recovery (loss) relating to components of other comprehensive income (loss)	11,904	(11,564)
Deferred income tax liability - end of year	127,585	112,660

(Expressed in thousands of Canadian dollars, unless otherwise noted)

13 Income taxes (cont'd)

The significant movements in deferred income tax liabilities during the year, taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Property, plant and equipment $	Intangible assets and goodwill $	Derivative financial instruments $	Total $
As at January 29, 2017	(35,003)	(109,774)	(189)	(144,966)
Charged to consolidated statement of net earnings and comprehensive income (loss)	(4,884)	(4,820)	(1,751)	(11,455)
Credited to components of other comprehensive income (loss) related to financial assets	-	-	11,564	11,564
As at January 28, 2018	(39,887)	(114,594)	9,624	(144,857)
Charged (credited) to consolidated statement of net earnings and comprehensive income (loss)	(5,370)	(4,339)	4,417	(5,292)
Credited to components of other comprehensive income (loss)	-	-	(11,904)	(11,904)
As at February 3, 2019	(45,257)	(118,933)	2,137	(162,053)

The significant movements in deferred income tax assets during the year, taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Non deductible reserves $	Other liabilities $	Total $
As at January 29, 2017	5,152	21,977	27,129
Credited to consolidated statement of net earnings and comprehensive income (loss)	1,841	3,227	5,068
As at January 28, 2018	6,993	25,204	32,197
Credited (charged) to consolidated statement of net earnings and comprehensive income (loss)	(948)	3,219	2,271
As at February 3, 2019	6,045	28,423	34,468

(Expressed in thousands of Canadian dollars, unless otherwise noted)

13 Income taxes (cont'd)

b) Income taxes

	February 3, 2019 $	January 28, 2018 $
Current tax expense in respect of the current year	203,562	189,978
Deferred tax expense relating to the origination and reversal of temporary differences	3,511	6,297
Income taxes	207,073	196,275

Tax on the Corporation's earnings before income taxes differs from the theoretical amount that would arise using the weighted average tax rate applicable to earnings of the consolidated entities as follows:

	February 3, 2019 $	January 28, 2018 $
Earnings before income taxes	755,947	715,685
Tax calculated at domestic rates applicable to income in Canada and the Canadian provinces	203,907	192,721
Tax effects of:		
Permanent differences	1,497	1,913
Settlement of previous year's tax assessments	(18)	(40)
Other	1,687	1,681
Tax expense	207,073	196,275

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 fiscal year ended February 3, 2019 was 27.0% (January 28, 2018 – 26.9%). The Corporation's effective income tax rate for the fiscal year ended February 3, 2019 was 27.4% (January 28, 2018 – 27.4%).

(Expressed in thousands of Canadian dollars, unless otherwise noted)

14 Financial instruments

Exposure and management of risk

The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Corporation's financial performance. The Corporation uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the finance department under practices approved by the board of directors of the Corporation. This department identifies, evaluates and hedges financial risks based on the requirements of the organization. The board of directors provides guidance for overall risk management, covering many areas of risk including but not limited to foreign exchange risk, interest rate risk, credit risk and the use of derivative financial instruments.

a) Measurement categories

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recorded in the consolidated statement of net earnings and comprehensive income (loss). Those categories are, for assets, amortized cost, as well as fair value through the consolidated statement of net earnings and comprehensive income (loss) and, for liabilities, amortized cost, as well as fair value through the consolidated statement of net earnings and comprehensive income (loss). The following table shows the carrying values of assets and liabilities for each of these categories as at:

	February 3, 2019 $	January 28, 2018 $
Assets		
Amortized cost		
Cash	50,371	54,844
Accounts receivable	42,206	15,263
Total amortized cost	92,577	70,107
Fair value through profit or loss		
Derivative financial instruments	5,505	286
Liabilities		
Amortized cost		
Trade payables and accrued liabilities	193,002	178,298
Dividend payable	12,650	12,180
Finance lease obligations	3,809	-
Long-term debt	1,898,228	1,665,651
Total amortized cost	2,107,689	1,856,129
Fair value through profit or loss		
Total derivative financial instruments	872	35,720

14 Financial instruments (cont'd)

Fair value measurements

The carrying amounts of financial instruments are presented in the consolidated statement of financial position at fair value or amortized cost according to the Corporation's accounting policies. Current financial assets and liabilities, which include cash, accounts receivable, accounts payable and accrued liabilities, and dividends payable, approximate fair values due to the immediate or short-term maturities of these 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.

b) Derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as held for trading for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Corporation has master netting agreements for the vast majority of derivative contracts but no amounts have been netted as at February 3, 2019 or January 28, 2018.

A summary of the aggregate contractual nominal value, weighted average contract rate or interest rate, statement of financial position location and estimated fair values of derivative financial instruments as at February 3, 2019 and January 28, 2018 is as follows:

(Expressed in thousands of Canadian dollars, unless otherwise noted)

14 Financial instruments (cont'd)

	Contractual nominal value	Weighted 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 February 3, 2019					
Hedging instruments					
USD Foreign exchange forward contracts	385,000	1.30	Current assets	5,505	Cash flow hedge
USD Foreign exchange forward contracts	100,000	1.32	Current liabilities	(872)	Cash flow hedge
	485,000			4,633	
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

The foreign currency forwards are denominated in the same currency as the highly probable future inventory purchases, therefore the hedge ratio is 1:1.

Hedge ineffectiveness

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.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the Corporation or any of its subsidiaries enter into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Corporation therefore performs a qualitative assessment of effectiveness.

For hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecasted transaction changes from what was originally estimated or if there are changes in the credit risk of the Corporation or the counterparty.

For the years ended February 3, 2019 and January 28, 2018, no ineffectiveness was recognized.

14 Financial instruments (cont'd)

c) Market risk

i. Foreign exchange risk

The functional currency of the Corporation is the Canadian dollar ("CAD"). Because cash inflows are primarily denominated in Canadian dollars, the Corporation is exposed to the variability in the CAD/U.S. dollars ("USD") exchange rate when paying expenses with USD that relate to imported merchandise.

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. These forward contracts are purchased for cash flow hedging as part of the Corporation's risk management process and are designated as the hedging item of highly probable future purchases of merchandise (the "hedged item"). Under the Corporation's policy, the critical terms of the forward contracts must align with the hedged items.

At each reporting date, the Corporation performs an assessment of effectiveness of its cash flow hedges to ensure that the hedging relationship, between the hedging instrument and the hedged item, remains highly effective.

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 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.

For the fiscal year ended February 3, 2019, accumulated fair value gains of $2,152 on foreign exchange forward contracts were reclassified from accumulated other comprehensive income (loss) to the carrying value of inventory.

Prior to the adoption of IFRS 9, these accumulated fair value gains or losses were reported as adjustments in the consolidated statement of cash flows to reconcile net earnings to net cash generated from operating activities. With the adoption of IFRS 9, accumulated fair value gains or losses are now recorded in inventory prior to being reclassified in the cost of sales. As a result, adjustments to the consolidated statement of cash flows are now made through changes in non-cash working capital.

As at February 3, 2019	Change in fair value used for calculating hedge ineffectiveness
	$
Hedged item	
Cash flow hedge on foreign exchange forward contracts	40,354

For the fiscal year ended January 28, 2018 (prior to the adoption of IFRS 9), accumulated fair value losses of $3,851 on foreign exchange forward contracts were reclassified from accumulated other comprehensive income (loss) to the consolidated statement of net earnings and comprehensive income and recorded in the cost of sales.

14 Financial instruments (cont'd)

As at February 3, 2019 and January 28, 2018, a variation in the CAD of 10% against the USD on monetary accounts in USD would, all other variables constant, have an approximate favorable/unfavorable impact of approximately $1,121 and $1,000 on net earnings, respectively.

ii. *Interest rate risk*

The Corporation's interest rate risk arises from long-term debt. Long-term debt issued at variable rates exposes the Corporation to cash flow interest rate risk. Long-term debt issued at fixed rates exposes the Corporation to fair value interest rate risk.

On a quarterly basis, the Corporation analyzes its interest rate risk exposure. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Corporation calculates the impact on earnings of a defined interest rate shift. The Corporation often uses variable-rate debt to finance a portion of its operations and capital expenditures. These obligations expose the Corporation to variability in interest payments due to changes in interest rates. As at February 3, 2019, 67% (71% - January 28, 2018) of the Corporation's debt carried a fixed interest rate and 33% (29% - January 28, 2018) carried a variable interest rate. An analysis by maturities is provided in note 14 e) below.

Bond forward sale contracts were also designated as hedging instruments and the effective portion of the change in fair value of the derivative was recorded to other comprehensive income (loss), and will be reclassified to net earnings over the same period as the hedged interest payments are recorded in earnings. The hedged risk was defined as the variability in cash flows associated with coupons paid on the debt to be issued attributable to movements in the CAD benchmark rate. The CAD benchmark rate consists of the interpolated yield of Government of Canada bond curve with a term corresponding to the expected debt. Cash flows related to the expected bond's credit spread over the CAD benchmark rate was not designated as part of the hedging relationship. On October 29, 2018, immediately after the pricing of the 3.55% Fixed Rate Notes, the Corporation settled the bond forward sale derivatives which were entered into in January 2018, March 2018, May 2018, June 2018 and July 2018, to manage the exposure to interest rate risk in advance of the financing. The realized gain on the settlement of the derivatives was $2,307 and will be amortized in net financing costs over the term of the 3.55% Fixed Rate Notes. For the fiscal year ended February 3, 2019, an amount of $86 was reclassified to net financing costs, resulting in a balance of $2,221 remaining in accumulated other comprehensive income (loss).

As at February 3, 2019 and January 28, 2018, a variation of 100 basis points of the 3-month CDOR rate would, all other variables constant, have a favorable/unfavorable impact of approximately $4,560 and 3,600$ on net earnings, respectively.

14 Financial instruments (cont'd)

d) Credit risk

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist of cash, accounts receivable and derivative contracts.

The Corporation offsets the credit risk by depositing its cash with major financial institutions whom have been assigned high credit ratings by internationally recognized credit rating agencies.

The Corporation is exposed to credit risk on accounts receivable from landlords for tenant allowances and trade receivables from a third party. In order to mitigate this risk, the Corporation monitors credit risk and may retain offsetting payments until accounts receivable are fully satisfied. Other significant trade receivables are secured with letters of credit, which can be called on if the counterparty is in default under the terms of the agreement.

For purposes of testing the impairment of financial assets, the Corporation applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at February 3, 2019, a significant portion of the accounts receivable are secured by letters of credit. The expected credit loss allowance recorded for accounts receivable is not significant as at February 3, 2019 and January 29, 2018 (date of adoption of IFRS 9).

Finally, the Corporation only enters into derivative contracts with major financial institutions for the purchase of USD forward contracts, as described above, and has master netting agreements in place for the vast majority of those derivative contracts.

e) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due.

The Corporation's funded debts are guaranteed by Dollarama L.P. and Dollarama GP Inc.

The Corporation's objective is to maintain sufficient liquidity to meet its financial liabilities as they become due and remain compliant with financial covenants under the Credit Facility and under the trust indenture governing the Senior Unsecured Notes. The Corporation manages liquidity risk through various means including, monitoring cash balances and planned cash flows generated from operations and used for investing in capital assets.

As at February 3, 2019, the Corporation had issued the 3.55% Fixed Rate Notes in the amount of $500,000 maturing November 6, 2023, the 2.203% Fixed Rate Notes in the amount of $250,000 maturing November 10, 2022, the 2.337% Fixed Rate Notes in the amount of $525,000 maturing July 22, 2021, the Series 2 Floating Rate Notes in the amount of $300,000 maturing March 16, 2020 and the Series 3 Floating Rate Notes in the amount of $300,000 maturing February 1, 2021. In addition, the Corporation had authorized and available credit in the amount of $469,367 under its Credit Facility (refer to Note 9). Management estimates that, as at February 3, 2019 and January 28, 2018, the average time to maturity of the Corporation's committed debt portfolio was 2.9 years.

14 Financial instruments (cont'd)

The table below analyzes the Corporation's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as at February 3, 2019. Trade payables and accrued liabilities exclude liabilities that are not contractual (such as income tax liabilities that are created as a result of statutory requirements imposed by governments).

(dollars in thousands)	**Less than 3 months $**	**3 months to 1 year $**	**1-5 years $**	**Total $**
Trade payables and accrued liabilities	193,002	-	-	193,002
Dividend payable	12,650	-	-	12,650
Obligations under finance lease	153	470	3,070	3,693
Principal repayment on:				
3.55% Fixed Rate Notes	-	-	500,000	500,000
2.203% Fixed Rate Notes	-	-	250,000	250,000
2.337% Fixed Rate Notes	-	-	525,000	525,000
Series 3 Floating Rate Notes	-	-	300,000	300,000
Series 2 Floating Rate Notes	-	-	300,000	300,000
Credit Facility	-	-	25,000	25,000
Interest payments on:				
3.55% Fixed Rate Notes	-	17,799	71,000	88,799
2.203% Fixed Rate Notes	-	5,508	16,523	22,031
2.337% Fixed Rate Notes	-	12,269	18,404	30,673
Credit Facility and Floating Rate Notes (1)	4,139	12,417	10,012	26,568
	209,944	48,463	2,019,009	2,277,416

(1) Based on interest rates in effect as at February 3, 2019.

The following table summarizes the Corporation's off-balance sheet arrangements and commitments as at February 3, 2019.

(dollars in thousands)	**Less than 3 months $**	**3 months to 1 year $**	**1-5 years $**	**Over 5 years $**	**Total $**
Obligations under operating leases (2)	47,750	143,249	613,083	320,147	1,124,229
Letters of credit and of guarantee	5,633	-	-	-	5,633
Distribution centre expansion costs commitments	4,833	9,667	-	-	14,500
	58,216	152,916	613,083	320,147	1,144,362

(2) Represent the basic annual rent, exclusive of the contingent rentals, common area maintenance, real estate taxes and other charges paid to landlords that, all together, represent approximately 38% of total lease expenses.

Other than operating lease obligations, letters of credit, letters of guarantee and commitments for the expansion of the distribution centre described above, the Corporation has no off-balance sheet arrangements or commitments.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

14 Financial instruments (cont'd)

f) Capital management

The Corporation's capital structure consists of common shares, funded debt, share options to employees and directors, deficit and AOCI. The Corporation manages its capital structure and makes changes pursuant to economic conditions and conditions related to its assets.

The Corporation monitors capital using a number of financial metrics, including but not limited to:

- the leverage ratio, defined as adjusted total debt (sum of (i) total long-term debt and (ii) 6x operating leases) over consolidated EBITDAR (sum of (i) earnings before interest, taxes, depreciation and amortization and (ii) operating leases).

	February 3, 2019	**January 28, 2018**
	$	**$**
Total long-term debt (Note 9)	1,898,228	1,665,651
6x[1] operating leases (Note 10)	1,187,472	1,098,240
Adjusted total debt	3,085,700	2,763,891
EBITDA	883,827	826,112
Operating leases (Note 10)	197,912	183,040
EBITDAR	1,081,739	1,009,152
Adjusted total debt / EBITDAR	**2.85x**	**2.74x**

(1) The 6x factor is used by DBRS Limited in its rating methodology to account for the Corporation's operating leases in the calculation of adjusted total debt.

The Corporation's objectives when managing capital are to:

- provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations; and
- ensure sufficient liquidity to pursue its organic growth strategy.

In managing its capital structure, the Corporation monitors performance throughout the year to ensure working capital requirements are funded from operations, available cash on deposit and, where applicable, bank borrowings. The Corporation manages its capital structure and may make adjustments to it in order to support the broader corporate strategy or in response to changes in economic conditions and risk. In order to maintain or adjust its capital structure, the Corporation may: issue shares or new debt; issue new debt to replace existing debt (with different characteristics); reduce the amount of existing debt; purchase shares for cancellation under a normal course issuer bid; and adjust the amount of dividends paid to shareholders.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

14 Financial instruments (cont'd)

The Corporation is subject to financial covenants under the Credit Facility and the trust indenture governing the Senior Unsecured Notes, which are measured on a quarterly basis. These covenants include a leverage ratio and an interest coverage ratio. As at February 3, 2019, the Corporation was in compliance with all such covenants.

15 Related party transactions

Rent

Rental expenses charged by entities controlled by the Rossy family totalled $16,276 for the fiscal year ended February 3, 2019 (January 28, 2018 - $18,361). 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.

Compensation of key management and directors

For the fiscal year ended February 3, 2019, key management (otherwise designated as named executive officers or "NEOs") included the Corporation's President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Senior Vice-President, Import Division, and Vice-President, Global Procurement.

For the fiscal year ended January 28, 2018, key management included the Corporation's Executive Chairman, President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, and Senior Vice-President, Import Division.

The remuneration paid to directors and members of key management personnel as well as share-based payments during the years ended on the dates indicated below were as follows:

	February 3, 2019	January 28, 2018
	$	$
Short-term benefits	9,087	10,087
Defined contribution plan	72	53
Share-based payments	3,258	4,027
	12,417	14,167

(Expressed in thousands of Canadian dollars, unless otherwise noted)

15 Related party transactions (cont'd)

Under their respective employment agreements and assuming their termination without cause or constructive termination occurred on February 1, 2019, the last business day of the Corporation's fiscal year ended February 3, 2019, the NEOs would be entitled to receive potential incremental payouts representing approximately $9,300. Upon termination without cause or constructive termination, the vested options held by a NEO at the date of termination continue to be exercisable by the NEO until the earlier of (i) the date that is 30 days after the date of termination and (ii) the date which is ten (10) years from the date of the grant. Assuming their termination occurred on February 1, 2019, the last business day of the Corporation's fiscal year ended February 3, 2019, the NEOs, as a group, would be entitled to receive, upon exercise of their options, amounts representing $36,022.

16 Earnings per common share

a) Basic

Basic earnings per common share is calculated by dividing the profit attributable to shareholders of the Corporation by the weighted average number of common shares outstanding during the year.

	February 3, 2019	**January 28, 2018[(1)]**
Net earnings attributable to shareholders of the Corporation	$548,874	$519,410
Weighted average number of common shares outstanding during the year *(thousands)*	324,460	338,253
Basic net earnings per common share	$1.69	$1.54

(1) Retrospectively restated to reflect the application of the Share Split.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

16 Earnings per common share (cont'd)

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. For the share options, the Corporation's only category of dilutive potential common shares, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Corporation's shares) based on the exercise price of outstanding share options. The number of shares as calculated above is then compared with the number of shares that would have been issued assuming the exercise of the share options, plus any unrecognized compensation costs.

	February 3, 2019	**January 28, 2018[1]**
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	$548,874	$519,410
Weighted average number of common shares outstanding during the year (thousands)	324,460	338,253
Assumed share options exercised (thousands)	3,944	4,266
Weighted average number of common shares for diluted net earnings per common share (thousands)	328,404	342,519
Diluted net earnings per common share	$1.67	$1.52

(1) Retrospectively restated to reflect the application of the Share Split.

As at February 3, 2019, 549,000 share options have an anti-dilutive effect since the average market price of the underlying shares was lower than the exercise price of those share options (January 28, 2018 – n/a).

(Expressed in thousands of Canadian dollars, unless otherwise noted)

17 Expenses by nature included in the consolidated statement of net earnings and comprehensive income (loss)

	February 3, 2019 $	January 28, 2018 $
Cost of sales		
Cost of goods sold, labour, transport and other costs	1,838,076	1,665,771
Occupancy costs	317,263	299,400
Total cost of sales	2,155,339	1,965,171
Depreciation and amortization		
Depreciation of property, plant and equipment (Note 6)	65,504	57,918
Amortization of intangible assets (Note 7)	13,870	12,632
Total depreciation and amortization	79,374	70,550
Employee benefits		
Remuneration for services rendered	384,342	345,824
Share options granted to directors and employees (Note 12)	6,466	6,559
Defined contribution plan	5,573	4,830
Total employee benefit expense	396,381	357,213
Net Financing costs		
Interest expense and banking fees	46,208	37,860
Amortization of debt issue costs	2,298	2,017
Net financing costs	48,506	39,877

18 Consolidated statement of cash flows information

The changes in non-cash working capital components on the dates indicated below are as follows:

	February 3, 2019 $	January 28, 2018 $
Accounts receivable	(26,943)	124
Prepaid expenses	(21,667)	(1,487)
Inventories	(90,314)	(25,212)
Accounts payable and accrued liabilities	12,660	29,553
Income taxes payable	(4,889)	22,894
	(131,153)	25,872
Cash paid for income taxes	206,704	166,970
Cash paid for interest	45,629	34,907

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

19 Events after the reporting period

Increase of quarterly dividend

On March 28, 2019, the Corporation announced that its board of directors had approved a 10.0% increase of the quarterly dividend for holders of common shares, from $0.040 per common share to $0.044 per common share. This increased quarterly dividend will be paid on May 10, 2019 to shareholders of record at the close of business on April 19, 2019 and is designated as an “eligible dividend” for Canadian tax purposes.