Dollarama Inc.

Consolidated Financial Statements

January 29, 2023 and January 30, 2022

(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 January 29, 2023 and January 30, 2022, 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 January 29, 2023 and January 30, 2022;
- the consolidated statements of changes in shareholders' equity (deficit) for the years then ended;
- the consolidated statements of net earnings and comprehensive income 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 significant accounting policies and other explanatory information.

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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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended January 29, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Existence and valuation of inventories *Refer to note 3 – Summary of significant accounting policies, and note 5 – Critical accounting estimates and judgments, to the consolidated financial statements.* As at January 29, 2023, the Corporation held inventories of $957.2 million. The Corporation's inventories at the distribution centre, warehouses and stores consist 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. The Corporation estimates its inventory provisions based on the consideration of a variety of factors, including inventory shrinkage. We determined that this is a key audit matter due to the magnitude of the inventory balance, the high number of locations where inventories were held at and the judgment applied by management in determining the appropriate inventory provisions, such as shrinkage.	Our approach to addressing the matter included the following procedures, among others: • Tested the operating effectiveness of relevant controls relating to the inventory process, including controls around inventory balances at year-end, existence of inventory and the mathematical accuracy of the weighted average cost method and the retail inventory method. • For a sample of inventory items, valued using the weighted average cost method, traced the underlying data to recent purchase invoices. • For a sample of retail inventory items traced the actual selling price in store to underlying data used in the retail inventory method calculation. • For a sample of stores, observed the inventory count process and performed independent test counts during the year. • For the distribution centre, observed the inventory count process and performed an independent test count at year-end. • Performed analytical procedures on inventory balances at year-end. • Tested how management developed the inventory shrinkage provision: – Evaluated the appropriateness of the Corporation's inventory shrinkage provision method. – Tested the underlying data used in the inventory shrinkage provision.

Key audit matter	How our audit addressed the key audit matter
	- Evaluated the reasonableness of significant assumptions used by management related to the inventory shrinkage provision by: o Assessing the percentage of shrinkage applied to inventory balances by comparing to actual results from the counts performed during the year and historical percentage of shrinkage; and o Recalculating the mathematical accuracy of the inventory shrinkage provision. • Tested that inventories at year-end were recorded at the lower of cost and net realizable value by testing a sample of inventory items to the most recent retail prices.

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 skepticism 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
March 29, 2023

[1] FCPA auditor, public accountancy permit No. A122718

Dollarama Inc.

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

	Note	January 29, 2023 $	January 30, 2022 $
Assets			
Current assets			
Cash		101,261	71,058
Accounts receivable		56,290	26,260
Prepaid expenses		23,462	13,135
Inventories		957,172	590,927
Derivative financial instruments	14	18,762	15,987
		1,156,947	717,367
Non-current assets			
Right-of-use assets	6	1,699,755	1,480,255
Property, plant and equipment	7	802,750	761,876
Intangible assets	8	164,654	164,066
Derivative financial instruments	14	-	290
Goodwill	8	727,782	727,782
Equity-accounted investment	9	267,768	211,926
Total assets		4,819,656	4,063,562
Liabilities and shareholders' equity (deficit)			
Current liabilities			
Accounts payable and accrued liabilities	10	336,862	283,125
Short-term borrowings	11	-	89,386
Dividend payable	12	15,828	14,891
Derivative financial instruments	14	8,490	3,435
Income taxes payable		72,572	62,516
Current portion of long-term debt	11	510,315	257,674
Current portion of lease liabilities	6	218,807	200,864
		1,162,874	911,891
Non-current liabilities			
Non-current portion of long-term debt	11	1,741,588	1,539,240
Non-current portion of lease liabilities	6	1,741,936	1,526,564
Deferred income taxes	13	144,848	151,901
Total liabilities		4,791,246	4,129,596
Shareholders' equity (deficit)			
Share capital	12	488,074	479,446
Contributed surplus	12	42,678	32,924
Deficit	12	(514,078)	(578,079)
Accumulated other comprehensive income (loss)	12	11,736	(325)
Total shareholders' equity (deficit)		28,410	(66,034)
Total liabilities and shareholders' equity (deficit)		4,819,656	4,063,562

Approved by the Board of Directors

(signed) "Stephen Gunn"
Stephen Gunn, Director

(signed) "Huw Thomas"
Huw Thomas, Director

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

Dollarama Inc.

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

	Note	Number of common shares	Share capital $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total $
Balance – January 31, 2021	12	310,266,429	485,487	28,527	(149,983)	(29,177)	334,854
Net earnings		-	-	-	663,169	-	663,169
Other comprehensive income (loss)		-	-	-	-	(1,070)	(1,070)
Total comprehensive income (loss)		-	-	-	663,169	(1,070)	662,099
Transfer of realized cash flow hedge losses to inventory, net of taxes		-	-	-	-	29,922	29,922
Dividends declared	12	-	-	-	(60,772)	-	(60,772)
Repurchase and cancellation of common shares	12	(18,176,760)	(29,425)	-	(1,030,493)	-	(1,059,918)
Share-based compensation	12	-	-	8,617	-	-	8,617
Issuance of common shares	12	723,900	19,164	-	-	-	19,164
Reclassification for the exercise of share options	12	-	4,220	(4,220)	-	-	-
Balance – January 30, 2022	12	292,813,569	479,446	32,924	(578,079)	(325)	(66,034)
Net earnings		-	-	-	801,863	-	801,863
Other comprehensive income (loss)		-	-	-	-	38,914	38,914
Total comprehensive income (loss)		-	-	-	801,863	38,914	840,777
Transfer of realized cash flow hedge gains to inventory, net of taxes		-	-	-	-	(26,853)	(26,853)
Dividends declared	12	-	-	-	(63,913)	-	(63,913)
Repurchase and cancellation of common shares	12	(8,916,071)	(15,047)	-	(673,949)	-	(688,996)
Share-based compensation	12	-	-	14,187	-	-	14,187
Issuance of common shares	12	608,150	19,242	-	-	-	19,242
Reclassification for the exercise of share options	12	-	4,433	(4,433)	-	-	-
Balance – January 29, 2023	12	284,505,648	488,074	42,678	(514,078)	11,736	28,410

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

Dollarama Inc.

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

	Note	**January 29, 2023**	**January 30, 2022**
		$	**$**
Sales		5,052,741	4,330,761
Cost of sales	17	2,854,535	2,428,536
Gross profit		2,198,206	1,902,225
General, administrative and store operating expenses		720,312	652,832
Depreciation and amortization	17	331,792	297,960
Share of net earnings of equity-accounted investment	9	(45,399)	(33,184)
Operating income		1,191,501	984,617
Financing costs	17	115,394	91,216
Earnings before income taxes		1,076,107	893,401
Income taxes	13	274,244	230,232
Net earnings		801,863	663,169
Other comprehensive income (loss)			
Items that may be reclassified subsequently to net earnings			
Realized gains on financial instruments not subject to basis adjustment		9,245	723
Reclassification of amortization of net gains on financial instruments not subject to basis adjustment		(1,019)	(435)
Foreign currency translation adjustments		10,813	614
Share of other comprehensive loss of equity-accounted investment	9	(6,031)	(1,217)
Income tax recovery (expense) relating to these items		(2,176)	115
Items that will not be reclassified subsequently to net earnings			
Unrealized gains (losses) on derivative financial instruments subject to basis adjustment		38,016	(294)
Income tax expense relating to these items		(9,934)	(576)
Total other comprehensive income (loss), net of income taxes		38,914	(1,070)
Total comprehensive income		840,777	662,099
Earnings per common share			
Basic net earnings per common share	15	$2.77	$2.19
Diluted net earnings per common share	15	$2.76	$2.18
Weighted average number of common shares outstanding (*thousands*)	15	289,412	302,963
Weighted average number of diluted common shares outstanding (*thousands*)	15	291,005	304,416

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

Dollarama Inc.

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

	Note	January 29, 2023 $	January 30, 2022 $
Operating activities			
Net earnings		801,863	663,169
Adjustments to reconcile net earnings to net cash generated from operating activities:			
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	17	331,792	297,960
Share-based compensation	12	14,187	8,617
Financing costs		115,394	91,216
Deferred income taxes	13	(7,488)	19,529
Share of net earnings of equity-accounted investment	9	(45,399)	(33,184)
Other		9,912	1,711
		1,220,261	1,049,018
Changes in non-cash working capital components	18	(351,218)	110,200
Net cash generated from operating activities		869,043	1,159,218
Investing activities			
Additions to property, plant and equipment	7	(134,049)	(136,772)
Additions to intangible assets	8	(22,778)	(22,740)
Proceeds from disposal of property, plant and equipment		278	839
Net cash used in investing activities		(156,549)	(158,673)
Financing activities			
Proceeds from long-term debt issued (1.871% Fixed Rate Notes)	11	-	375,000
Proceeds from long-term debt issued (2.443% Fixed Rate Notes)	11	-	375,000
Proceeds from long-term debt issued (5.084% Fixed Rate Notes)	11	250,000	-
Proceeds from long-term debt issued (5.165% Fixed Rate Notes)	11	450,000	-
Repayment of the Series 3 Floating Rate Notes	11	-	(300,000)
Repayment of the 2.337% Fixed Rate Notes	11	-	(525,000)
Repayment of the 2.203% Fixed Rate Notes	11	(250,000)	-
Proceeds (repayment) from short-term borrowings	11	(88,385)	88,385
Interest paid on long-term debt and short-term borrowings	11	(64,180)	(47,765)
Payment of debt issue costs	11	(3,847)	(4,174)
Proceeds from bond forward settlement	11	10,416	723
Net payment of lease liabilities	6	(253,566)	(229,582)
Issuance of common shares	12	19,242	19,164
Dividends paid	12	(62,975)	(60,464)
Repurchase and cancellation of common shares	12	(688,996)	(1,059,918)
Net cash used in financing activities		(682,291)	(1,368,631)
Change in cash		30,203	(368,086)
Cash – beginning of year		71,058	439,144
Cash – end of year		101,261	71,058
Supplemental information:			
Interest paid on lease liabilities		52,307	46,297

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

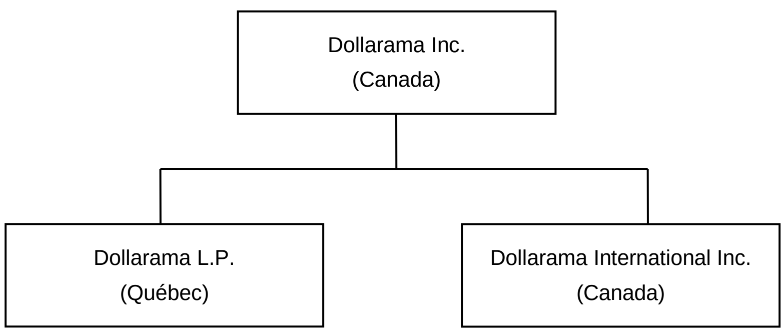
1 General information

Dollarama Inc. (the “Corporation”) was formed on October 20, 2004 under the Canada Business Corporations Act. The Corporation offers a broad assortment of general merchandise, consumable products and seasonal items at select, fixed price points up to $5.00 in-store and online in Canada. As at January 29, 2023, the Corporation maintains retail operations in every Canadian province as well as the Yukon and Northwest Territories.

The Corporation’s head and registered office is located at 5805 Royalmount Avenue, Town of Mount Royal, Québec, H4P 0A1. The Corporation’s warehousing and distribution operations are also located in the Montréal area. The Corporation is listed on the Toronto Stock Exchange (“TSX”) under the symbol “DOL”.

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 years ended January 29, 2023 and January 30, 2022 were comprised of 52 weeks.

As at January 29, 2023, the significant entities within the legal structure of the Corporation are as follows:



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

Dollarama International Inc. (“Dollarama International”) has retail operations in Latin America through its 50.1% equity investment in Dollarcity, a value retailer headquartered in Panama. Dollarcity offers a broad assortment of general merchandise, consumable products and seasonal items at select, fixed price points up to US$4.00 (or the equivalent in local currency) in stores located in El Salvador, Guatemala, Colombia and Peru.

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. The accounting policies of the Corporation have been applied consistently to all fiscal years in these consolidated financial statements.

In order to continue providing relevant and reliable information to the users of these financial statements, the Corporation modified its policy in relation to the classification of financing costs within the consolidated statements of cash flow, in line with other Canadian issuers. Interest paid has been reclassified from operating activities to financing activities. Consequently, some reclassifications in the presentation of the comparative information have been performed to ensure consistency with current period presentation. For the year ended on January 30, 2022, the cash inflow from operating activities increased by $93,335 while the cash outflows from financing activities increased by the same amount.

These consolidated financial statements were approved by the board of directors of the Corporation for issue on March 29, 2023.

Seasonality of operations

The Corporation’s sales generally increase ahead of major holidays, with December representing the highest proportion of sales, but otherwise experience limited seasonal fluctuations. However, the occurrence of certain events that are beyond the Corporation’s control, such as unusually adverse weather or an epidemic or pandemic outbreak (like the COVID-19 pandemic), and that cause disruption in its operations could materially adversely affect the business and financial results of the Corporation.

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 entities considered as subsidiaries of the Corporation for accounting purposes are wholly-owned subsidiaries.

3 Summary of significant accounting policies (cont'd)

Equity-accounted investment

The equity method of accounting is used by the Corporation to account for investments in affiliated companies when the Corporation has significant influence, but not control over the affiliated companies' operations.

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.

The assets and liabilities of foreign operations that have a functional currency different from that of the Corporation are translated into the Canadian dollar presentation currency at the exchange rate in effect at the reporting date. Revenues and expenses of foreign operations are translated into Canadian dollars at the average rates during the period. The resulting foreign currency exchange gains or losses are recognized in the foreign currency translation adjustment as part of other comprehensive income. On the disposal of a foreign operation, the component of accumulated other comprehensive income ("AOCI") related to the foreign currency translation is reclassified to net earnings.

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 net earnings, except where hedge accounting is applied as described below under "Derivative financial instruments".

Segment information

The Corporation has only one reportable segment, which is consistent with the internal reporting provided to the chief operating decision-maker.

Financial assets

The Corporation applies the hedge accounting requirements of IFRS 9, "Financial Instruments" to all existing qualifying hedge relationships.

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)

3 Summary of significant accounting policies (cont'd)

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 net 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

The Corporation estimates the expected credit losses associated with financial assets 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).

Financial liabilities

Financial liabilities comprise accounts payable and accrued liabilities, dividend payable, derivative financial instruments, short-term borrowings, long-term debt and 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 using the effective interest rate method.

Fees paid on the establishment of revolving credit facilities are capitalized and amortized over the term of the facility to which they relate; whereas fees paid upon the issuance of notes reduce their carrying value.

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 uses derivative financial instruments in the management of its foreign currency and interest rate exposure. Derivative financial instruments designated as hedging instruments are recorded at fair value, determined using market prices and other observable inputs.

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.

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, or non-current assets or liabilities if their maturity exceeds 12 months.

Cash flow hedges

The Corporation uses foreign exchange forward contracts and zero cost collar contracts to mitigate the risk associated with fluctuations in the U.S. dollar against the Canadian dollar. These derivative financial instruments are used for risk management purposes and are designated as hedges of future forecasted purchases of merchandise or hedges of U.S. dollar borrowings converted into Canadian dollar borrowings under the US commercial paper program. Foreign exchange forward contracts and zero cost collar contracts are designated as hedging instruments and are recorded at fair value, determined using market prices and other observable inputs.

For the cash flow hedges of future forecasted purchases of merchandise, the effectiveness portion of the changes in the fair value is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in earnings. The accumulated realized gains or losses as a result of cash flow hedges on foreign exchange contracts and zero cost collar contracts are reclassified from shareholders' equity (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 in the same period during which the inventory is sold and recognized as a cost of sales.

For the cash flow hedges of U.S. dollar borrowings under the US commercial paper program, the fluctuations in fair value of the hedged item and hedging instrument are recognized in net earnings and the forward points variations are recorded in other comprehensive income at every reporting period.

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' equity (deficit) at that time remains in shareholders' equity (deficit) and is recognized as part of the carrying value of the hedged transaction when the forecasted non-financial item is recognized.

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 and reclassified to earnings over the same period as the hedged interest payments are recorded in earnings.

Movements on the hedging reserve in shareholders' equity (deficit) are shown in the consolidated statement of changes in shareholders' equity (deficit).

Fair value hedges

The Corporation mainly uses interest rate swaps to hedge changes in the fair value of the issued fixed rate Senior Unsecured Notes. The changes in the fair value of the derivatives are recorded in net earnings as financing costs together with the changes in the fair value of the hedged items attributable to the hedged risk. Any fair value hedge ineffectiveness is recognized in net earnings immediately.

Hedge accounting is discontinued if a derivative instrument is sold, terminated or otherwise de-designated. If fair value hedge accounting is discontinued, the previously hedged item is no longer adjusted for changes in fair value through the consolidated statement of net earnings and comprehensive income and the cumulative net gain or loss on the hedged asset or liability at the time of de-designation is amortized to financing costs over the expected remaining life of the hedged item.

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 net 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	7 to 15 years
Vehicles	5 years
Building and roof	15 to 50 years
Leasehold improvements	Shorter of useful life or lease term
Computer equipment	5 years

3 Summary of significant accounting policies (cont'd)

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.

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 intangible assets which consist of computer software are carried at cost and depreciated on a straight-line basis over an estimated useful life of 5 years.

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 and goodwill

Dollarama's trade name and goodwill were accounted for upon the acquisition, in November 2004, of 80% of the common equity of the Corporation's predecessor.

The trade name is the Corporation's only intangible asset with an indefinite life not subject to amortization. The trade name is recorded at cost.

3 Summary of significant accounting policies (cont'd)

Goodwill 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.

Impairment of non-financial assets

As at the statement of financial position date, or more frequently if events or circumstances indicate that it may be impaired, the Corporation reviews non-financial assets, other than inventories, for indicators of impairment. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, the asset is tested for impairment. Goodwill and indefinite life intangible assets are tested for impairment at least annually.

For the purposes of the impairment testing, assets are allocated to the smallest group of assets that generate cash inflows that are largely independent of cash inflows of other assets or groups of assets (cash generating unit – "CGU"). The Corporation has determined that each retail location is a separate CGU for purposes of impairment testing. The trade name and goodwill are allocated to one group of CGUs solely which represents the lowest level within the Corporation at which trade name and goodwill are monitored for internal management purposes. Corporate assets, such as the Corporation's head office, distribution centre and warehouses, do not individually generate separate cash inflows and are tested for impairment at the minimum grouping of CGUs to which the corporate assets can be reasonably and consistently allocated.

To test for impairment, the asset or CGU's carrying amount is compared to its recoverable amount, which represents 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. 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. The asset or CGUs' impairment losses are first allocated to goodwill, if applicable, then pro rata to the asset or assets of the CGU, without reducing the carrying amount of the assets below the highest of their fair value less costs of disposal, their value in use or zero.

Cash

Cash can include highly liquid investments with original maturities from the date of purchase of three months or less. The 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.

3 Summary of significant accounting policies (cont'd)

Inventories

The Corporation's inventories at the distribution centre, warehouses and stores consist 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 at 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 for 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.

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.

Share capital

Common shares are classified as shareholders' equity (deficit). Incremental costs directly attributable to the issuance of shares or options are shown in shareholders' equity (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 exceeds its book value, the Corporation's shareholders' equity could be in a deficit position.

3 Summary of significant accounting policies (cont'd)

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 to 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 pension plans are recognized as an expense in net 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.

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 net earnings, except to the extent that it relates to items recognized in other comprehensive income or directly in shareholders' equity (deficit). In this case, tax is recognized in other comprehensive income or directly in shareholders' equity (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.

3 Summary of significant accounting policies (cont'd)

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

Under 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 vast majority of the Corporation's revenue comes from the sale of products that are recognized at a point in time. Sales of products in the consolidated statement of net earnings and comprehensive income are recognized by the Corporation when control of the goods has been transferred, being when the customer tenders payment and takes possession of the merchandise and that all obligations have been fulfilled. 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 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 purchased, 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.

3 Summary of significant accounting policies (cont'd)

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 or, if the related inventory has been sold, as a reduction of cost of sales in the consolidated statement of net earnings and comprehensive income.

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 fiscal 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 been exercised at the beginning of the fiscal 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 fiscal year.

Share-based compensation

On March 30, 2021, the board of directors approved the introduction of a new performance component to the Corporation's long-term incentive plan ("LTIP"), namely performance share units ("PSUs"), to be awarded annually concurrently with share options. Awards under the LTIP are now allocated so that at all times PSUs represent a minimum of 50% of the target dollar value of the LTIP award with the balance allocated to share options.

Share options

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, 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).

3 Summary of significant accounting policies (cont'd)

Performance share units

The PSU grants are equity-settled transactions whereby the compensation expense is measured based on the fair value at the grant date and recognized over the related performance period of three years with a corresponding increase in contributed surplus. PSUs will be settled in common shares of the Corporation purchased on the open market, following the expiry of the three-year performance period of each grant. Vesting will be based upon the achievement of performance objectives established at the time of the award by the board of directors.

Leases

Under IFRS 16, "Leases", the Corporation assesses whether a contract is or contains a lease, at the inception of the contract. The Corporation recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and some leases of low-value assets. For these leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the contract's implicit interest rate, if that rate can be readily determined, or the Corporation's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, which are initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3 Summary of significant accounting policies (cont'd)

The Corporation remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, in which cases the lease liability is remeasured by discounting the revised lease payments using the same discount rate used in initially setting up the liability (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

The right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability nor the right-of-use assets. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Cost of sales” or “General, administrative and store operating expenses” in the consolidated statement of net earnings.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and to instead account for any lease and associated non-lease components as a single arrangement. The Corporation has elected to use the practical expedient, and treats the different components identified in a lease as a single lease component.

4 New accounting standards

A number of new standards and amendments to standards and interpretations were effective during the current fiscal year or are effective for the fiscal year beginning in 2023 or after. None of these new standards or amendments are expected to have a significant impact on the consolidated financial statements of the Corporation.

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.

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.

Lease term

Estimate - In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods covered by termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not be terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. Also, under IFRS 16, estimates due to the incremental borrowing rate are used for measurement of the lease liabilities.

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

6 Leases

As at January 29, 2023, the Corporation owned one store, one distribution centre, one warehouse and leased 1,485 stores, its head office, six warehouses and some equipment.

The initial lease term of stores typically runs for a period of approximately 10 years. Many leases include one or more options to renew the lease for additional periods of five years each after the end of the initial term. These terms are used to maximize operational flexibility in terms of managing contracts. Extension options held are either at a fixed rate or at fair market value and are exercisable only by the Corporation and not by the respective lessor. During the year, the financial impact of revising the lease terms to reflect the effect of exercising extension options was an increase in recognized lease liabilities of $53,470 (January 30, 2022 – $28,479).

Some leases provide for additional lease payments that are based on changes in local price indices, or variable lease payments that are based on a percentage of sales that the Corporation makes at the leased store in the period. Some also require the Corporation to make payments that relate to the property taxes levied on the lessor and/or insurance payments made by the lessor; these amounts are generally determined annually.

As at January 29, 2023, changes in right-of-use assets were as follows:

	January 29, 2023 $	**January 30, 2022 $**
Balance, beginning of year	1,480,255	1,344,639
Additions	441,250	335,800
Terminations and other adjustments	(5,104)	(6,340)
Depreciation	(216,646)	(193,844)
Balance, end of year	1,699,755	1,480,255

As at January 29, 2023, changes in lease liabilities were as follows:

	January 29, 2023 $	**January 30, 2022 $**
Balance, beginning of year	1,727,428	1,583,662
Additions	441,250	335,800
Interest expense on lease liabilities	52,307	46,297
Disposals and other adjustments	(6,676)	(8,749)
Net payment of lease liabilities	(253,566)	(229,582)
Balance, end of year	1,960,743	1,727,428
Current portion	218,807	200,864
Non-current portion	1,741,936	1,526,564

During the year ended January 29, 2023, the Corporation expensed $99,706 (January 30, 2022 – $94,227) of variable lease payments, which are not included in the lease liabilities. The Corporation also expensed, in 2023, $14,330 (January 30, 2022 – $18,703) of lease payments relating to short-term leases or leases with underlying low-value asset for which the payments were not included in the lease liabilities.

As at January 29, 2023, the Corporation had future undiscounted minimum lease payments of $146,872 (January 30, 2022 – $128,962) for leases committed to but not yet commenced.

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

7 Property, plant and equipment

	Land	Buildings and roofs	Store and warehouse equipment	Computer equipment	Vehicles	Leasehold improvements	Total
	$	$	$	$	$	$	$
Cost							
Balance January 31, 2021	70,345	89,570	570,349	62,111	5,470	451,186	1,249,031
Additions	-	76	68,601	13,342	1,305	53,448	136,772
Disposal	-	-	(3,625)	(1,415)	(1,435)	(2,754)	(9,229)
Balance January 30, 2022	70,345	89,646	635,325	74,038	5,340	501,880	1,376,574
Accumulated depreciation							
Balance January 31, 2021	-	6,467	293,801	41,859	2,089	195,346	539,562
Depreciation	-	2,333	40,228	8,754	1,072	31,264	83,651
Disposal	-	-	(3,613)	(1,415)	(967)	(2,520)	(8,515)
Balance January 30, 2022	-	8,800	330,416	49,198	2,194	224,090	614,698
Net book value							
Balance January 30, 2022	70,345	80,846	304,909	24,840	3,146	277,790	761,876
Cost							
Balance January 30, 2022	70,345	89,646	635,325	74,038	5,340	501,880	1,376,574
Additions	-	16	62,567	9,335	1,070	61,061	134,049
Disposal	-	-	(1,928)	(201)	(552)	(3,604)	(6,285)
Balance January 29, 2023	70,345	89,662	695,964	83,172	5,858	559,337	1,504,338
Accumulated depreciation							
Balance January 30, 2022	-	8,800	330,416	49,198	2,194	224,090	614,698
Depreciation	-	2,334	46,197	8,614	1,075	34,736	92,956
Disposal	-	-	(1,928)	(201)	(407)	(3,530)	(6,066)
Balance January 29, 2023	-	11,134	374,685	57,611	2,862	255,296	701,588
Net book value							
Balance January 29, 2023	70,345	78,528	321,279	25,561	2,996	304,041	802,750

As at January 29, 2023, the Corporation had contractual commitments to purchase fixed assets totaling $108,738 in Fiscal 2024, comprised of $87,300 for the industrial properties in the Town of Mount Royal, Quebec and $21,438 for the racking in the process of being installed in the new Laval, Quebec warehouse.

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

8 Intangible assets and goodwill

	Computer software $	Trade name [(1)] $	Total intangible assets $	Goodwill $
Cost				
Balance January 31, 2021	150,176	108,200	258,376	727,782
Additions	22,740	-	22,740	-
Balance January 30, 2022	172,916	108,200	281,116	727,782
Accumulated amortization				
Balance January 31, 2021	96,585	-	96,585	-
Amortization	20,465	-	20,465	-
Balance January 30, 2022	117,050	-	117,050	-
Net book value				
Balance January 30, 2022	55,866	108,200	164,066	727,782
Cost				
Balance January 30, 2022	172,916	108,200	281,116	727,782
Additions	22,778	-	22,778	-
Balance January 29, 2023	195,694	108,200	303,894	727,782
Accumulated amortization				
Balance January 30, 2022	117,050	-	117,050	-
Amortization	22,190	-	22,190	-
Balance January 29, 2023	139,240	-	139,240	-
Net book value				
Balance January 29, 2023	56,454	108,200	164,654	727,782

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

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

9 Equity-accounted investment

The following table shows the change in the carrying amount of the investment in Dollarcity, for which the Corporation owns a 50.1% equity interest:

	January 29, 2023 $	January 30, 2022 $
Balance, beginning of year	211,926	179,389
Net investment	6,765	-
Share of net earnings	45,399	33,184
Share of other comprehensive loss	(6,031)	(1,217)
Foreign currency translation adjustments	9,709	570
Balance, end of year	267,768	211,926

10 Accounts payable and accrued liabilities

	January 29, 2023 $	January 30, 2022 $
Trade accounts payable	102,911	66,646
Employee benefits payable	79,387	66,485
Inventories in transit	37,619	53,879
Sales tax payable	50,732	41,443
Rent and other expenses	66,213	54,672
	336,862	283,125

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

11 Debt

Long-term debt outstanding consists of the following as at:	**January 29, 2023** **$**	**January 30, 2022** **$**
Senior Unsecured Notes (the "Senior Unsecured Notes") bearing interest at:		
Fixed annual rate of 5.165% payable in equal semi-annual instalments, maturing April 26, 2030 (the "5.165% Fixed Rate Notes")	450,000	-
Fixed annual rate of 2.443% payable in equal semi-annual instalments, maturing July 9, 2029 (the "2.443% Fixed Rate Notes")	375,000	375,000
Fixed annual rate of 1.505% payable in equal semi-annual instalments, maturing September 20, 2027 (the "1.505% Fixed Rate Notes")	300,000	300,000
Fixed annual rate of 1.871% payable in equal semi-annual instalments, maturing July 8, 2026 (the "1.871% Fixed Rate Notes")	375,000	375,000
Fixed annual rate of 5.084% payable in equal semi-annual instalments, maturing October 27, 2025 (the "5.084% Fixed Rate Notes")	250,000	-
Fixed annual rate of 3.550% payable in equal semi-annual instalments, maturing November 6, 2023 (the "3.550% Fixed Rate Notes")	500,000	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
Less: Unamortized debt issue costs, including $1,609 (January 30, 2022 – $1,632) for the credit facility	(9,107)	(8,009)
Accrued interest on Senior Unsecured Notes	17,177	7,850
Fair value hedge – basis adjustment on interest rate swap	(6,167)	(2,927)
	2,251,903	1,796,914
Current portion (includes unamortized debt issue costs, accrued interest on the Senior Unsecured Notes, and the Senior Unsecured Notes with a maturity date falling within the next 52-week period, when applicable)	(510,315)	(257,674)
	1,741,588	1,539,240

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

11 Debt (cont'd)

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at January 29, 2023 and January 30, 2022. The fair value of the Senior Unsecured Notes was determined as a level 2 in the fair value hierarchy.

	January 29, 2023		January 30, 2022	
	Carrying value $	**Fair value $**	**Carrying value $**	**Fair value $**
Fixed Rate Notes				
5.165% Fixed Rate Notes	453,969	465,107	-	-
2.443% Fixed Rate Notes	373,994	332,276	373,809	361,913
1.505% Fixed Rate Notes	300,494	263,856	300,277	280,650
1.871% Fixed Rate Notes	374,251	345,536	373,948	363,675
5.084% Fixed Rate Notes	252,413	253,258	-	-
3.550% Fixed Rate Notes	504,558	494,545	502,387	512,950
2.203% Fixed Rate Notes	-	-	251,052	251,600
	2,259,679	2,154,578	1,801,473	1,770,788

Fixed Rate Notes

On October 4, 2022, the Corporation issued the 5.165% Fixed Rate Notes and the 5.084% Fixed Rate Notes by way of private placement in Canada, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 5.165% Fixed Rate Notes were issued at par for aggregate gross proceeds of $450,000 and bear interest at a fixed rate of 5.165% per annum, payable in semi-annual instalments, on April 26 and October 26 of each year until maturity on April 26, 2030. The 5.084% Fixed Rate Notes were issued at par for aggregate gross proceeds of $250,000 and bear interest at a fixed rate of 5.084% per annum, payable in semi-annual instalments, on April 27 and October 27 of each year, until maturity on October 27, 2025.

The 5.165% Fixed Rate Notes and the 5.084% Fixed Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS Morningstar.

The Corporation used the net proceeds of these offerings to repay the $250,000 aggregate principal amount of 2.203% Fixed Rate Notes matured on November 10, 2022, to repay a portion of its outstanding USCP Notes (as hereinafter defined) and for general corporate purposes. During the period, the bond forward contracts used as hedging instruments for the refinancing of the 2.203% Fixed Rate Notes generated a net gain of $10,416, of which $9,245 was considered effective and recorded to other comprehensive income in line with the Corporation's hedging strategy. The gain will be reclassified to net earnings in line with the interest payments on the newly issued 5.165% Fixed Rate Notes.

11 Debt (cont'd)

Credit Agreement

On July 5, 2022, the Corporation and the lenders entered into a fifth amending agreement to the Third Amended and Restated Credit Agreement (the "TARCA") in order to, among other things, (i) convert the syndicated credit facilities to sustainability-linked credit facilities (collectively, the "Credit Facility"), (ii) increase the size of Facility B by $250,000 for a total amount of $450,000, bringing the total credit available under the Credit Facility up from $800,000 to $1,050,000, and (iii) extend the term of Facility A in the amount of $250,000 from July 6, 2026 to July 5, 2027, extend the term of Facility B, in the amount of $ 450,000, from July 5, 2024 to July 5, 2025, extend the term of Facility C, in the amount of $50,000, from July 5, 2024 to July 5, 2025, and extend the term of Facility D, in the amount of $300,000, from July 6, 2022 to July 5, 2023.

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

The TARCA requires the Corporation to respect a minimum interest coverage ratio and a maximum leverage ratio, each tested quarterly on a consolidated basis. The Corporation has the option to borrow in Canadian or U.S. dollars.

The Credit Facility is guaranteed by Dollarama L.P. and Dollarama GP Inc. (collectively, with the Corporation, the "Credit Parties"). The TARCA contains restrictive covenants that, subject to certain exceptions, limit the ability of the Credit Parties to, among other things, incur, assume, or permit to exist senior ranking indebtedness or liens, engage in mergers, acquisitions, asset sales or sale leaseback transactions, alter the nature of the business and engage in certain transactions with affiliates. The TARCA also limits the ability of the Corporation, in certain circumstances, to make loans, declare dividends and make payments on, or redeem or repurchase equity interests if there exists a default or an event of default thereunder.

As at January 29, 2023 and January 30, 2022, no amount was outstanding under the TARCA. As at January 29, 2023, the Corporation had $1,048,623 available under its Credit Facility (January 30, 2022 – $798,730), none of which was reserved to serve as a backstop for outstanding amounts under the US commercial paper program (January 30, 2022 – $89,386). As at January 29, 2023, there were letters of credit issued for the purchase of inventories which amounted to $1,377 (January 30, 2022 – $1,270) and the Corporation was in compliance with all of its financial covenants.

Short-term borrowings

Under the terms of its US commercial paper program initially launched in February 2020, the Corporation may issue, from time to time, on a private placement basis in reliance upon exemptions from registration and prospectus requirements under applicable securities legislation, unsecured commercial paper notes with maturities not in excess of 397 days from the date of issue (the "USCP Notes"). On July 7, 2022, the US commercial paper program was upsized from US$500,000 to US$700,000. The aggregate principal amount of USCP Notes outstanding at any one time under the US commercial paper program, as amended, may not exceed US$700,000. The Corporation uses derivative financial instruments to convert the net proceeds from the issuance of USCP Notes into Canadian dollars and uses those proceeds for general corporate purposes.

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

11 Debt (cont'd)

The USCP Notes are direct unsecured obligations of the Corporation and rank equally and *pari passu* with all of its other unsecured and unsubordinated indebtedness. The USCP Notes are unconditionally guaranteed by Dollarama L.P. and Dollarama GP Inc., each a wholly-owned subsidiary of the Corporation. The Corporation's Credit Facility serves as a liquidity backstop for the repayment of the USCP Notes.

As at January 29, 2023, the amount outstanding under the US commercial paper program was nil (January 30, 2022 – US$70,000 ($89,386)). As at January 30, 2022, the USCP Notes outstanding had carrying values that approximated their fair values, and their fair value was determined as a level 2 in the fair value hierarchy.

12 Shareholders' equity (deficit)

a) Share capital

Normal course issuer bid

On July 5, 2022, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 18,713,765 common shares, representing 7.5% of the public float as at the close of markets on June 30, 2022, during the 12-month period from July 7, 2022 to July 6, 2023 (the "2022-2023 NCIB").

The total number of common shares repurchased for cancellation under the 2022-2023 NCIB and the normal course issuer bid previously in effect during the fiscal year ended January 29, 2023 amounted to 8,916,071 common shares (January 30, 2022 – 18,176,760 common shares under the normal course issuer bids then in effect), for a total cash consideration of $688,996 (January 30, 2022 – $1,059,918). For the fiscal year ended January 29, 2023, the Corporation's share capital was reduced by $15,047 (January 30, 2022 – $29,425) and the remaining $673,949 (January 30, 2022 – $1,030,493) 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. Movements in the Corporation's share capital for fiscal years ended on the dates indicated below were as follows:

	January 29, 2023		January 30, 2022	
	Number of common shares	Amount ($)	Number of common shares	Amount ($)
Balance, beginning of year	292,813,569	479,446	310,266,429	485,487
Cancellation under NCIB	(8,916,071)	(15,047)	(18,176,760)	(29,425)
Exercise of share options	608,150	23,675	723,900	23,384
Balance, end of year	284,505,648	488,074	292,813,569	479,446

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

12 Shareholders' equity (deficit) (cont'd)

c) Contributed surplus

Share-based compensation

Performance share units

During the fiscal year ended January 29, 2023, the Corporation recognized a share-based compensation expense for PSUs of $8,604 (January 30, 2022 – $1,631).

Outstanding PSUs for the fiscal year ended on the date indicated below are as follows:

	January 29, 2023	January 30, 2022
Outstanding – beginning of year	103,953	-
Granted	74,564	103,953
Vested [(1)]	-	-
Outstanding – end of year	178,517	103,953

[(1)] Vesting varies from 0% to 200% depending on performance against the criteria at the end of the three-year performance period.

Share options

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 Corporation's board of directors determines the number and characteristics of share options granted 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. There are no share options with non-market performance vesting conditions outstanding. The share options vest over a five-year period, at a rate of 20% annually on the anniversary of the grant date.

During the fiscal year ended January 29, 2023, the Corporation recognized a share-based compensation expense for share options of $5,583 (January 30, 2022 – $6,986).

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

12 Shareholders' equity (deficit) (cont'd)

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

	January 29, 2023		January 30, 2022	
	Number of share options	**Weighted average exercise price ($)**	**Number of share options**	**Weighted average exercise price ($)**
Outstanding – beginning of year	3,819,100	37.28	4,229,500	33.81
Granted	252,435	73.79	396,000	56.50
Exercised	(608,150)	31.64	(723,900)	26.47
Forfeited	(105,000)	45.57	(82,500)	46.65
Outstanding – end of year	3,358,385	40.79	3,819,100	37.28
Exercisable – end of year	2,130,950	33.15	2,174,000	29.56

Information relating to share options outstanding and exercisable as at January 29, 2023 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 ($)**	**Weighted average remaining life (in months)**	**Number of share options**	**Weighted average exercise price ($)**
$12.02 - $19.69	14	541,500	14.68	14	541,500	14.68
$19.70 - $33.78	33	468,000	27.52	33	468,000	27.52
$33.79 - $42.49	63	694,200	37.80	60	524,400	37.68
$42.50 - $47.34	88	593,300	46.80	88	215,600	46.80
$47.35 - $55.17	68	445,500	51.59	65	311,400	51.43
$55.18 - $73.79	103	615,885	63.59	98	70,050	56.50
	63	3,358,385	40.79	47	2,130,950	33.15

The weighted average fair value of the share options granted during the fiscal 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:

	January 29, 2023	**January 30, 2022**
Exercise price per share	$73.79	$56.50
Dividend yield	0.3%	0.4%
Risk-free interest rate	2.4%	1.1%
Expected life	6.1 years	6.1 years
Expected volatility	25.7%	26.8%
Weighted average fair value of share options estimated at the grant date	$21.72	$15.30

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

12 Shareholders' equity (deficit) (cont'd)

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.

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:

	January 29, 2023 $	January 30, 2022 $
Accumulated other comprehensive income (loss) – beginning of year	(325)	(29,177)
Net change in fair value of foreign exchange forward contracts subject to basis adjustments	38,016	(294)
Realized gains on bond forward contracts not subject to basis adjustments	9,245	723
Amortization of net gains on bond forward contracts not subject to basis adjustments	(1,019)	(435)
Foreign currency translation adjustments	10,813	614
Share of other comprehensive loss of equity-accounted investment	(6,031)	(1,217)
Income tax expense thereon	(12,110)	(461)
Total other comprehensive income (loss), net of income tax recovery	38,914	(1,070)
Transfer of realized cash flow hedge losses (gains) to inventory	(36,349)	39,954
Income tax expense (recoveries) thereon	9,496	(10,032)
Accumulated other comprehensive income (loss) – end of year	11,736	(325)

e) Dividends

The table below outlines the amounts of dividends recognized as distributions to holders of common shares in the consolidated statement of changes in shareholders' equity (deficit) during each quarter of the fiscal year ended January 29, 2023 and January 30, 2022.

For the quarters ending	May 1, 2022	July 31, 2022	October 30, 2022	January 29, 2023
Dividend declared	$16,206	$15,984	$15,895	$15,828
Dividend per common share	$0.0553	$0.0553	$0.0553	$0.0553
Declaration date	March 29, 2022	June 7, 2022	September 8, 2022	December 7, 2022
Payment date	May 6, 2022	August 5, 2022	November 4, 2022	February 3, 2023

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

12 Shareholders' equity (deficit) (cont'd)

For the quarters ending	May 2, 2021	August 1, 2021	October 31, 2021	January 30, 2022
Dividend declared	$15,501	$15,311	$15,069	$14,891
Dividend per common share	$0.050	$0.050	$0.050	$0.050
Declaration date	March 30, 2021	June 8, 2021	September 8, 2021	December 7, 2021
Payment date	May 7, 2021	August 6, 2021	November 5, 2021	February 4, 2022

13 Income taxes

a) Income taxes

	January 29, 2023 $	January 30, 2022 $
Current tax expense in respect of the current year	281,732	210,703
Deferred tax expense relating to the origination and reversal of temporary differences	(7,488)	19,529
Income taxes	274,244	230,232

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:

	January 29, 2023 $	January 30, 2022 $
Earnings before income taxes	1,076,107	893,401
Tax calculated at domestic rates applicable to income in Canada and the Canadian provinces	284,630	236,506
Tax effects of:		
Permanent differences	(9,470)	(6,888)
Settlement of previous year's tax assessments	(960)	604
Other	44	10
Tax expense	274,244	230,232

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 January 29, 2023 was 26.5% (January 30, 2022 – 26.5%). The Corporation's effective income tax rate for the fiscal year ended January 29, 2023 was 25.5% (January 30, 2022 – 25.8%).

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

13 Income taxes (cont'd)

b) Deferred income tax

Deferred income taxes reflect the net tax impact of temporary differences between the value of assets and liabilities for accounting and tax purposes. The main components of the deferred tax assets and liabilities were as follows:

	Consolidated statements of financial position	
	January 29, 2023 $	January 30, 2022 $
Non-deductible reserves	15,428	6,822
Lease obligations	518,617	457,768
Deferred tax asset	534,045	464,590
Property, plant and equipment	546,657	483,203
Intangible assets and goodwill	130,968	127,937
Derivative financial instruments	1,268	5,351
Deferred tax liability	678,893	616,491
	144,848	**151,901**

Movements in the Corporation's net deferred income tax liabilities for fiscal years ended on the dates indicated below were as follows:

	January 29, 2023 $	January 30, 2022 $
Net deferred income tax liabilities– beginning of year	**151,901**	**121,879**
Deferred tax (recovery) expense recorded in net earnings	(7,488)	19,529
Deferred tax expense recorded in other comprehensive income (loss)	435	10,493
Net deferred income tax liabilities– end of year	**144,848**	**151,901**

(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. Those categories are, for assets, amortized cost, as well as fair value through the consolidated statement of net earnings and comprehensive income and, for liabilities, amortized cost, as well as fair value through the consolidated statement of net earnings and comprehensive income. The following table shows the carrying values of assets and liabilities for each of these categories as at:

	January 29, 2023 $	January 30, 2022 $
Assets		
Amortized cost		
Cash	101,261	71,058
Accounts receivable	56,290	26,260
Total amortized cost	157,551	97,318
Fair value through profit or loss		
Derivative financial instruments	18,762	16,277
Liabilities		
Amortized cost		
Trade payable and accrued liabilities (1)	283,210	237,991
Short-term borrowings	-	89,386
Dividend payable	15,828	14,891
Lease liabilities	1,960,743	1,727,428
Long-term debt	2,251,903	1,796,914
Total amortized cost	4,511,684	3,866,610
Fair value through profit or loss		
Derivative financial instruments	8,490	3,435

(1) Excluding non-contractual accounts payable.

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, short-term borrowings 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

Foreign exchange forward contracts, zero cost collar contracts and interest rate swap contracts are designated as hedging instruments and are recorded at fair value, determined using market prices and other observable inputs.

The Corporation has master netting agreements for the vast majority of derivative contracts but no amounts have been netted as at January 29, 2023 or January 30, 2022.

A summary of the aggregate contractual nominal value, weighted average contract rate, statement of financial position location and estimated fair values of derivative financial instruments as at January 29, 2023 and January 30, 2022 is as follows:

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

14 Financial instruments (cont'd)

	Contractual nominal value	Weighted average contract 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 January 29, 2023					
Hedging instruments for the forecasted U.S. dollar merchandise purchases					
USD Foreign exchange forward contracts	361,000	1.27	Current assets	18,762	Cash flow hedge
USD Foreign exchange forward contracts	110,000	1.35	Current liabilities	(2,323)	Cash flow hedge
	471,000			16,439	
Hedging instruments for the fixed to floating interest rate notes					
CAD interest rate swap contracts	200,000	CDOR [1] + 2.73%	Current liabilities	(6,167)	Fair value hedge
	200,000			(6,167)	
Total	671,000			10,272	
As at January 30, 2022					
Hedging instruments for the forecasted U.S. dollar merchandise purchases					
USD Foreign exchange forward contracts	525,000	1.25	Current assets	14,544	Cash flow hedge
USD Foreign exchange forward contracts	10,000	1.25	Non-current assets	290	Cash flow hedge
USD Foreign exchange forward contracts	50,000	1.29	Current liabilities	(506)	Cash flow hedge
USD Zero cost collar contracts	40,000	1.22[2] – 1.29[3]	Current assets	450	Cash flow hedge
USD Zero cost collar contracts	5,000	1.25[2] – 1.32[3]	Current liabilities	(2)	Cash flow hedge
	630,000			14,776	
Hedging instruments for the US commercial paper program					
USD Foreign exchange forward contracts	70,000	1.26	Current assets	993	Cash flow hedge
	70,000			993	
Hedging instruments for the fixed to floating interest rate notes					
Interest rate swap contracts	200,000	CDOR [1] + 2.73%	Current liabilities	(2,927)	Fair value hedge
	200,000			(2,927)	
Total	900,000			12,842	

[1] 3-month CDOR
[2] Put strike
[3] Call strike

14 Financial instruments (cont'd)

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

For the year ended January 29, 2023, accumulated fair value gains of $18,822 (January 30, 2022 – accumulated fair value losses of $43,387) on USD foreign exchange forward contracts and USD zero cost collar contracts recorded in the carrying value of inventory were reclassified from inventory to the cost of sales in the consolidated statement of net earnings and comprehensive income.

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 and hedges of U.S. dollar borrowings, 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 hedges of U.S. dollar borrowings, ineffectiveness may arise if the terms of the hedging instruments differ from the terms of the hedged item.

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 merchandise and when accounting for the Corporation's share of the net earnings of Dollarcity.

Foreign exchange forward contracts and zero cost collar contracts are entered into in order to manage the currency fluctuation risk associated with forecasted US dollar merchandise purchases sold in stores, as well as the hedges of U.S. dollar borrowings converted into Canadian dollar borrowings under the US commercial paper program. These 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 and USCP notes (the "hedged item"). Under the Corporation's policy, the critical terms of the forward contracts and zero cost collar 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.

14 Financial instruments (cont'd)

Foreign exchange forward contracts and zero cost collar 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 and zero cost collar contracts as hedges of the variability in highly probable future cash flows attributable to a forecasted transaction (cash flow hedges) or as hedges of U.S. dollar borrowings under the US commercial paper program (cash flow hedges). The fair value of these contracts is determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present values, or using other valuation techniques.

For the fiscal year ended January 29, 2023, accumulated fair value gains of $36,349 (January 30, 2022 – accumulated fair value losses of $39,954) on foreign exchange forward contracts and zero cost collar contracts were reclassified from accumulated other comprehensive income to the carrying value of inventory.

Accumulated fair value gains or losses are recorded in inventory prior to being reclassified in the cost of sales. As a result, adjustments to the consolidated statement of cash flows are made through changes in non-cash working capital.

As at January 29, 2023 and January 30, 2022, 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 $740 and $282 on net earnings, respectively.

ii. Interest rate risk

The Corporation's interest rate risk arises from long-term debt and short-term borrowings. Long-term debt and short-term borrowings 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 uses variable rate debt from time to time 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 January 29, 2023, 100% (January 30, 2022 – 100%) of the Corporation's short-term borrowings and long-term debt carried a fixed interest rate and none (January 30, 2022 – none) carried a variable interest rate.

14 Financial instruments (cont'd)

The Corporation also uses interest rate swap contracts to mitigate the risk associated with changes in the fair value of the issued 3.550% Fixed Rates Notes maturing November 6, 2023 due to changes in interest rates. These derivative financial instruments are used for risk management purposes and are designated as fair value hedges. Under these interest rates swaps, the Corporation receives a fixed rate of interest and pays interest at a variable rate on the notional amount. These derivatives are designated as hedging instruments and are recorded on the consolidated statement of financial position at fair value.

Also bond forward contracts were used in the first half of Fiscal 2023 in advance of issuing the 5.165% Fixed Rate Notes as hedges of interest rates thereof. Upon the pricing of the 5.165% Fixed Rate Notes on October 4, 2022, these bond forward contracts were settled and were no longer outstanding as of January 29, 2023. These derivatives were designated as hedging instruments and were recorded on the consolidated statement of financial position at fair value. The gains related to the effective portion of the change in fair value of the derivatives were recorded to other comprehensive income and are being reclassified to net earnings over the same period as the hedged interest payments are recorded in net 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 consisted 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 were not designated as part of the hedging relationship.

An analysis by maturities is provided in Note 14 e).

As at January 29, 2023, a variation of 100 basis points of the 3-month CDOR rate would, all other variables constant, have a favorable/unfavorable impact of approximately $1,470 on net earnings (January 30, 2022 – $1,470).

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 receivables from landlords for tenant allowances and trade receivables from third parties. 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 January 29, 2023, a significant portion of the accounts receivable are secured by letters of credit. The expected credit loss allowance recorded for accounts receivable was not significant as at January 29, 2023 and January 30, 2022.

14 Financial instruments (cont'd)

The Corporation only enters into derivative contracts with major financial institutions for the purchase of USD forward, zero cost collar contracts and interest rate swap 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 mitigates liquidity risk through continuous monitoring of its debt which is 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 and non-financial covenants under the TARCA and under the trust indentures 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 January 29, 2023, the Corporation had Senior Unsecured Notes outstanding for an aggregate principal amount of $2,250,000 (January 30, 2022 – $1,800,000) and had authorized and available credit in the amount of $1,048,623 under the Credit Facility (January 30, 2022 – $798,730), none of which was reserved to serve as a backstop for outstanding amounts under the US commercial paper program (January 30, 2022 – $89,386) (refer to Note 11).

Management estimates that, as at January 29, 2023 and January 30, 2022, the average time to maturity of the Corporation's committed debt portfolio, which consists of the Senior Unsecured Notes, amounts drawn on the Credit Facility and the USCP Notes, was 4.2 years and 3.8 years, respectively.

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 January 29, 2023. Trade payable 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**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Trade payable and accrued liabilities	283,210	-	-	-	283,210
Dividend payable	15,828	-	-	-	15,828
Lease liabilities [1]	61,676	215,004	977,114	1,068,158	2,321,952
Principal repayment on:					
5.165% Fixed Rate Notes	-	-	-	450,000	450,000
2.443% Fixed Rate Notes	-	-	-	375,000	375,000
1.505% Fixed Rate Notes	-	-	300,000	-	300,000
1.871% Fixed Rate Notes	-	-	375,000	-	375,000
5.084% Fixed Rate Notes	-	-	250,000	-	250,000
3.550% Fixed Rate Notes	-	500,000	-	-	500,000
Interest payments on:					
5.165% Fixed Rate Notes	11,621	11,621	92,970	58,106	174,318
2.443% Fixed Rate Notes	-	9,161	36,645	13,742	59,548
1.505% Fixed Rate Notes	2,258	2,258	18,059	-	22,575
1.871% Fixed Rate Notes	-	7,016	17,541	-	24,557
5.084% Fixed Rate Notes	6,390	6,355	25,420	-	38,165
3.550% Fixed Rate Notes	-	17,750	-	-	17,750
	380,983	769,165	2,092,749	1,965,006	5,207,903

[1] Represent the basic annual rent and other charges paid to landlords that are fixed or that vary based on an index or a rate.

14 Financial instruments (cont'd)

f) Capital management

The Corporation's capital structure consists of common shares, the Senior Unsecured Notes, the Credit Facility, the USCP Notes, share options, equity (deficit) and accumulated other comprehensive income. 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) total lease liabilities) over consolidated EBITDA (earnings before interest, taxes, depreciation and amortization).

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 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 and USCP Notes. 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; reduce the amount of existing debt; repurchase shares for cancellation under a normal course issuer bid; and adjust the amount of dividends paid to shareholders.

The Corporation is subject to financial covenants under the TARCA and the trust indentures 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 January 29, 2023, the Corporation was in compliance with all such covenants.

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

15 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.

	January 29, 2023	**January 30, 2022**
Net earnings attributable to shareholders of the Corporation	$801,863	$663,169
Weighted average number of common shares outstanding during the year *(thousands)*	289,412	302,963
Basic net earnings per common share	$2.77	$2.19

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.

	January 29, 2023	**January 30, 2022**
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	$801,863	$663,169
Weighted average number of common shares outstanding during the year (*thousands*)	289,412	302,963
Assumed share options exercised (*thousands*)	1,593	1,453
Weighted average number of common shares for diluted net earnings per common share *(thousands)*	291,005	304,416
Diluted net earnings per common share	$2.76	$2.18

As at January 29, 2023, 252,435 share options have an anti-dilutive effect since the average market price of the underlying shares was lower than the sum of the exercise price and the unearned shared-based compensation of those share options under the treasury stock method (January 30, 2022 – 453,000).

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

16 Related party transactions

a) Rossy family

As at January 29, 2023, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled $26,635 (January 30, 2022 – $34,730).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled $7,451 for the year ended January 29, 2023 (January 30, 2022 – $6,281).

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

b) Dollarcity

Since 2013, Dollarama International enters into arrangements with Dollarcity for the sale of products to consumers located outside of Canada. When the licensing and services agreement entered into in 2013 expired on February 4, 2022, Dollarama International entered into a new sourcing agreement and a new services agreement with Dollarcity, each having an initial term of five years, subject to automatic renewal for successive one-year periods, unless terminated by either party at least 60 days before the close of the then-current term.

As at January 29, 2023, the account receivable from Dollarcity for the goods sold and services provided under the sourcing agreement and service agreement, both entered into on February 4, 2022, totalled $50,519 (January 30, 2022 – $15,965 under the 2013 licensing and services agreement), which amount is partly guaranteed by a letter of credit up to US$20,000 ($26,622) (January 30, 2022 – US$10,000 ($12,770)). For the year ended January 29, 2023, the sales to Dollarcity that were shipped directly from the Corporation's warehouses amounted to $48,823 (January 30, 2022 – $36,644), including net consideration received for sales in which the Corporation is acting as an intermediary (representing approximately 1% of the Corporation's total consolidated sales).

Under the Stockholders Agreement dated August 14, 2019, Dollarcity's founding stockholders have a put right pursuant to which they can require, in certain circumstances, that Dollarama International purchase shares of Dollarcity held by them at fair market value. Since October 1, 2022, this right may be exercised in the ordinary course by Dollarcity's founding stockholders during specified periods, subject to certain transaction size thresholds, required ownership thresholds and freeze periods, among other conditions and restrictions. This right may also be exercised upon the occurrence of certain extraordinary events, including a change in control of the Corporation and a sale of Dollarcity

The financial information provided below represents the Corporation's 50.1% share of Dollarcity's net earnings and other comprehensive loss for the years ended December 31, 2021 and December 31, 2022, corresponding to Dollarcity's year-end.

	January 29, 2023 $	**January 30, 2022 $**
Net earnings	45,399	33,184
Other comprehensive loss	(6,031)	(1,217)
Total comprehensive income	39,368	31,967

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

16 Related party transactions (cont'd)

c) Compensation of key management and directors

The Corporation considers key management to be the members of the board of directors, the Chief Executive Officer and the executive team that have the authority and responsibility for planning, directing and controlling the activities of the Corporation. The remuneration paid to members of key management as well as share-based payments during the fiscal years ended on the dates indicated below were as follows:

	January 29, 2023 $	January 30, 2022 $
Short-term benefits	12,291	8,159
Defined contribution pension plan	78	88
Share-based payments	10,181	6,513
	22,550	14,760

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

	January 29, 2023 $	January 30, 2022 $
Cost of sales		
Cost of goods sold, labour, transport and other costs	2,701,788	2,281,794
Occupancy costs	152,747	146,742
Total cost of sales	2,854,535	2,428,536
Depreciation and amortization		
Depreciation of property, plant and equipment and right-of-use assets(1)	309,602	277,495
Amortization of intangible assets	22,190	20,465
Total depreciation and amortization	331,792	297,960

(1) Includes depreciation expenses relating to the warehouses and distribution center totalling $12,758 (January 30, 2022 – $12,175)

	January 29, 2023 $	January 30, 2022 $
Employee benefits		
Salaries	540,380	501,953
Share based compensation	14,187	8,617
Defined contribution pension plan	7,536	7,679
Total employee benefit expense	562,103	518,249
Financing costs		
Banking fees and interest expense on debt and lease liabilities	112,645	88,900
Amortization of debt issue costs	2,749	2,316
Total financing costs	115,394	91,216

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

18 Details of statement of cash flows

a) Changes in non-cash working capital

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

	January 29, 2023 $	January 30, 2022 $
Accounts receivable	(28,767)	(5,699)
Prepaid expenses	(10,327)	(3,586)
Inventories	(366,241)	39,729
Accounts payable and accrued liabilities	46,240	30,211
Income taxes payable	7,877	49,545
	(351,218)	110,200
Cash paid for income taxes	271,854	161,310
Cash paid for interest	113,849	91,811
Cash received for interest	9,218	4,681

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

b) Financing activities

Changes in liabilities arising from financing activities comprise the following:

	January 29, 2023			January 30, 2022		
	Short-term borrowings $	Long-term debt $	Lease liabilities $	Short-term borrowings $	Long-term debt $	Lease liabilities $
Balance, beginning of year	89,386	1,796,914	1,727,428	-	1,876,900	1,583,662
Non-cash changes:						
Amortization of debt issue costs	-	2,288	-	-	1,855	-
Financing costs on short-term borrowings and long-term debt	13,806	55,469	-	1,377	42,979	-
Financing costs on lease liabilities	-	-	52,307	-	-	46,297
Other	(1,001)	(3,240)	-	1,001	(2,927)	-
Net increase in lease liabilities	-	-	434,574	-	-	327,051
Cash changes:						
Repayments of long-term debt	-	(250,000)	-	-	(825,000)	-
Issuance of long-term debt	-	700,000	-		750,000	
Payment of interest on long-term debt	-	(45,681)	-		(42,719)	
Payment of debt issue costs	-	(3,847)	-	-	(4,174)	-
Proceeds (Repayment) of short-term borrowings	(102,191)	-	-	87,008	-	-
Net payment of lease liabilities	-	-	(253,566)	-	-	(229,582)
Balance, end of year	-	2,251,903	1,960,743	89,386	1,796,914	1,727,428

19 Event after the reporting period

Quarterly cash dividend

On March 29, 2023, the Corporation announced that its board of directors had approved a 28% increase of the quarterly cash dividend for holders of common shares, from $0.0553 to $0.0708 per common share. This dividend is payable on May 5, 2023 to shareholders of record at the close of business on April 14, 2023. The dividend is designated as an “eligible dividend” for Canadian tax purposes.