

# REITMANS

(CANADA) LIMITED

**Unaudited Condensed Consolidated Interim Financial Statements  
October 31, 2020 and November 2, 2019**

**REITMANS (CANADA) LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS**

(Unaudited)

(in thousands of Canadian dollars except per share amounts)

	Notes	For the 13 weeks ended		For the 39 weeks ended	
		October 31, 2020	November 2, 2019 <sup>(1)</sup>	October 31, 2020	November 2, 2019 <sup>(1)</sup>
Sales		\$ 163,362	\$ 183,603	\$ 388,675	\$ 521,058
Cost of goods sold	7	81,819	86,809	207,316	245,259
Gross profit		81,543	96,794	181,359	275,799
Selling and distribution expenses		78,474	89,991	212,550	261,762
Administrative expenses		8,280	11,617	24,891	34,067
Impairment of non-financial assets	21	4,528	330	12,771	2,386
Restructuring costs	11	3,797	-	27,342	-
Results from operating activities		(13,536)	(5,144)	(96,195)	(22,416)
Finance income	16	201	533	12,112	2,735
Finance costs	16	1,406	5,892	4,373	13,310
Loss before income taxes		(14,741)	(10,503)	(88,456)	(32,991)
Income tax expense (recovery)	15	217	(1,106)	660	(7,031)
Net loss from continuing operations		(14,958)	(9,397)	(89,116)	(25,960)
Earnings (loss) from discontinued operations, net of tax	4	383	(13,700)	(72,181)	(9,806)
Net loss		\$ (14,575)	\$ (23,097)	\$ (161,297)	\$ (35,766)
Loss per share :	17				
Basic		\$ (0.30)	\$ (0.47)	\$ (3.30)	\$ (0.61)
Diluted		(0.30)	(0.47)	(3.30)	(0.61)
Loss per share from continuing operations :	17				
Basic		\$ (0.31)	\$ (0.19)	\$ (1.82)	\$ (0.44)
Diluted		(0.31)	(0.19)	(1.82)	(0.44)

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

(1) Comparative figures have been restated to separately present the results of continuing and discontinued operations. See note 4.

**REITMANS (CANADA) LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

(in thousands of Canadian dollars)

	Notes	For the 13 weeks ended		For the 39 weeks ended	
		October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Net loss		\$ (14,575)	\$ (23,097)	\$ (161,297)	\$ (35,766)
Other comprehensive income (loss)					
Items that are or may be reclassified subsequently to net earnings:					
Cash flow hedges (net of tax of \$273 for the 39 weeks ended October 31, 2020; net of tax of \$91 for the 13 weeks and \$75 for the 39 weeks ended November 2, 2019)	13	-	(249)	(754)	(207)
Foreign currency translation differences	13	28	13	(53)	(35)
Total other comprehensive income (loss)		28	(236)	(807)	(242)
Total comprehensive loss		\$ (14,547)	\$ (23,333)	\$ (162,104)	\$ (38,008)

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

**REITMANS (CANADA) LIMITED**  
**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS**

(Unaudited)

(in thousands of Canadian dollars)

	Notes	October 31, 2020	November 2, 2019	February 1, 2020
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	5	\$ 82,717	\$ 67,346	\$ 89,410
Trade and other receivables	6	6,018	7,801	6,313
Derivative financial asset	19	-	252	1,124
Inventories	7	111,853	175,254	147,428
Prepaid expenses		30,074	15,163	9,441
Total Current Assets		<b>230,662</b>	<b>265,816</b>	<b>253,716</b>
<b>NON-CURRENT ASSETS</b>				
Property and equipment	21	70,680	89,463	88,090
Intangible assets		11,714	19,546	20,267
Right-of-use assets	8,21	121,441	193,797	198,097
Deferred income taxes		-	30,582	-
Total Non-Current Assets		<b>203,835</b>	<b>333,388</b>	<b>306,454</b>
<b>TOTAL ASSETS</b>		<b>\$ 434,497</b>	<b>\$ 599,204</b>	<b>\$ 560,170</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	9	\$ 45,663	\$ 111,294	\$ 109,674
Derivative financial liability	19	-	1,023	348
Deferred revenue	10	10,010	10,340	15,042
Income taxes payable		2,418	344	3,207
Current portion of lease liabilities	8	38,764	61,509	61,618
Liabilities subject to compromise	11	203,332	-	-
Total Current Liabilities		<b>300,187</b>	<b>184,510</b>	<b>189,889</b>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities	8	98,963	141,704	152,251
Pension liability	12	3,627	21,089	24,213
Total Non-Current Liabilities		<b>102,590</b>	<b>162,793</b>	<b>176,464</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	13	27,406	27,406	27,406
Contributed surplus		10,290	10,277	10,283
(Deficit) retained earnings		(4,942)	215,744	156,355
Accumulated other comprehensive loss	13	(1,034)	(1,526)	(227)
Total Shareholders' Equity		<b>31,720</b>	<b>251,901</b>	<b>193,817</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 434,497</b>	<b>\$ 599,204</b>	<b>\$ 560,170</b>

Going concern, impact of COVID-19 and CCAA proceedings (note 2(b))

Subsequent events (note 22)

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

**REITMANS (CANADA) LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS'**  
**EQUITY**

(Unaudited)  
(in thousands of Canadian dollars)

	Notes	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
<b>Balance as at February 2, 2020</b>		\$ 27,406	\$ 10,283	\$ 156,355	\$ (227)	\$ 193,817
Net loss		-	-	(161,297)	-	(161,297)
Total other comprehensive loss	13	-	-	-	(807)	(807)
<b>Total comprehensive loss for the period</b>		-	-	(161,297)	(807)	(162,104)
Share-based compensation costs	14	-	7	-	-	7
<b>Total contributions by owners of the Company</b>		-	7	-	-	7
<b>Balance as at October 31, 2020</b>		\$ 27,406	\$ 10,290	\$ (4,942)	\$ (1,034)	\$ 31,720
<b>Balance as at February 3, 2019</b>		\$ 38,397	\$ 10,245	\$ 292,239	\$ (1,284)	\$ 339,597
IFRS 16 adoption adjustment (net of tax)		-	-	767	-	767
<b>Restated balance as at February 3, 2019</b>		38,397	10,245	293,006	(1,284)	340,364
Net loss		-	-	(35,766)	-	(35,766)
Total other comprehensive loss	13	-	-	-	(242)	(242)
<b>Total comprehensive loss for the period</b>		-	-	(35,766)	(242)	(36,008)
Share-based compensation costs	14	-	32	-	-	32
Dividends	13	-	-	(8,776)	-	(8,776)
Purchase of Class A non-voting shares pursuant to substantial issuer bid		(10,991)	-	-	-	(10,991)
Excess of purchase price of Class A non-voting shares over carrying amount		-	-	(32,720)	-	(32,720)
<b>Total (distributions to) contributions by owners of the Company</b>		(10,991)	32	(41,496)	-	(52,455)
<b>Balance as at November 2, 2019</b>		\$ 27,406	\$ 10,277	\$ 215,744	\$ (1,526)	\$ 251,901

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

**REITMANS (CANADA) LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited)  
(in thousands of Canadian dollars)

Notes	For the 13 weeks ended		For the 39 weeks ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss	\$ (14,575)	\$ (23,097)	\$ (161,297)	\$ (35,766)
Adjustments for:				
Depreciation and amortization	14,829	24,971	47,323	75,158
Impairment of non-financial assets	21 5,230	957	34,789	3,245
Impairment of goodwill	-	11,843	-	11,843
Share-based compensation costs	14 2	(124)	7	(57)
Net change in fair value of marketable securities	16 -	4,409	-	8,264
Net change in transfer of realized loss (gain) on cash flow hedges to inventory	-	116	(250)	1,423
Foreign exchange gain	(2,086)	(248)	(1,281)	(4,343)
Gain on lease re-measurements due to restructuring	8 (3,130)	-	(6,011)	-
Interest on lease liabilities	16 1,408	1,832	4,831	5,696
Interest and dividend income, net	16 (146)	(501)	(372)	(2,735)
Income tax expense (recovery)	217	(1,786)	740	(6,285)
	<b>1,749</b>	<b>18,372</b>	<b>(81,521)</b>	<b>56,443</b>
Changes in:				
Trade and other receivables	6,949	(1,206)	153	381
Inventories	(3,924)	(9,744)	35,575	(28,445)
Prepaid expenses	(8,212)	1,114	(20,633)	(1,585)
Trade and other payables	10,829	(4,115)	(64,344)	14,272
Liabilities subject to compromise	11 8,065	-	193,644	-
Pension liability	12 185	(102)	(20,586)	45
Deferred revenue	(2,422)	(2,355)	(5,032)	(4,869)
Cash from operating activities	<b>13,219</b>	1,964	<b>37,256</b>	36,242
Interest received	154	377	514	1,443
Dividends received	-	288	-	1,582
Income taxes received	771	255	883	267
Income taxes paid	(198)	(103)	(2,139)	(3,800)
Net cash flows from operating activities	<b>13,946</b>	2,781	<b>36,514</b>	35,734
<b>CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES</b>				
Additions to property and equipment and intangible assets, net	18 (1,407)	(5,256)	(4,794)	(17,397)
Proceeds on sale of marketable securities	-	41,425	-	41,425
Cash flows (used in) from investing activities	<b>(1,407)</b>	36,169	<b>(4,794)</b>	24,028
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>				
Dividends paid	13 -	(2,442)	-	(8,776)
Payment of lease liabilities	(11,510)	(18,982)	(39,951)	(56,755)
Purchases of Class A non-voting shares for cancellation	13 -	-	-	(43,711)
Cash flows used in financing activities	<b>(11,510)</b>	(21,424)	<b>(39,951)</b>	(109,242)
<b>FOREIGN EXCHANGE GAIN ON CASH HELD IN FOREIGN CURRENCY</b>				
	<b>2,343</b>	258	<b>1,538</b>	4,308
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	<b>3,372</b>	17,784	<b>(6,693)</b>	(45,172)
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF THE PERIOD</b>				
	<b>79,345</b>	49,562	<b>89,410</b>	112,518
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF THE PERIOD</b>				
	<b>\$ 82,717</b>	\$ 67,346	<b>\$ 82,717</b>	\$ 67,346

Supplementary cash flow information (note 18)

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

**REITMANS (CANADA) LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)

**1. REPORTING ENTITY**

Reitmans (Canada) Limited (the “Company”) is a company domiciled in Canada and is incorporated under the Canada Business Corporations Act. The address of the Company’s registered office is 155 Wellington Street West, 40<sup>th</sup> Floor, Toronto, Ontario M5V 3J7. The principal business activity of the Company is the sale of women’s wear at retail.

**2. BASIS OF PRESENTATION**

**a) Statement of Compliance**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) on a basis consistent with those accounting policies followed by the Company in the most recent audited annual consolidated financial statements except where noted below. These unaudited condensed consolidated interim financial statements have been prepared under IFRS in accordance with IAS 34, *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended February 1, 2020.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on December 17, 2020.

**b) Going Concern, impact of COVID-19 and CCAA Proceedings**

Since the coronavirus disease (COVID-19) was declared a pandemic on March 11, 2020 by the *World Health Organization*, there have been significant impacts for the Company. The measures adopted by the Federal and Provincial governments in order to mitigate the spread of COVID-19 required the Company to close all of its retail locations across the country effective March 17, 2020. During the period of closure, the Company’s only sales were derived from its e-commerce channel. At the end of May 2020, the Company began re-opening its retail stores across Canada in accordance with Federal, Provincial and Municipal regulations surrounding de-confinement. Subsequent to October 31, 2020, certain provinces mandated renewed lockdown measures to mitigate the spread of COVID-19 forcing the temporary closure of retail stores in these provinces. See note 22.

### *CCAA Proceedings*

On May 19, 2020, the Company obtained an initial order (the “Order”) from the Superior Court of Quebec (the “Court”) to seek protection from creditors under the Companies’ Creditors Arrangement Act (the “CCAA”). Under the terms of the Order, Ernst & Young Inc. has been appointed as the monitor (the “Monitor”). The CCAA process allows the Company to implement an operational and commercial restructuring plan to re-position the Company for long-term success (the “restructuring plan”). See note 11.

On May 29, 2020, the Company obtained an extension of the Order from the Court for an additional stay period to July 27, 2020. On July 27, 2020, the Court ordered a first extension of the stay period to October 16, 2020. On October 16, 2020, the Court ordered a second extension of the stay period to January 22, 2021.

On August 20, 2020, a claims process order (the “claims process”) was approved by the Court. The claims process was initiated on September 10, 2020 and ended October 21, 2020 (“claims bar date”) as described in note 2(f)(iii).

### *Restructuring Plan*

On June 1, 2020, the Company announced, as part of its restructuring plan and as approved by the Monitor, the closure of the Thyme Maternity and Addition Elle brands. The restructuring plan led to the closure of all retail stores and e-commerce for both brands and to the termination of approximately 1,600 employees in its retail locations and head office. See notes 4 and 11.

In accordance with the policies of the Toronto Stock Exchange (the “TSX”), trading in the Company’s Common shares and Class A non-voting shares was suspended on May 19, 2020 and the Company’s shares were delisted from the TSX effective at the close of business on July 29, 2020. On September 3, 2020, the Company’s shares began trading on the TSX Venture Exchange.

### *Going Concern*

For the 39 weeks ended October 31, 2020, the Company incurred a net loss of \$161,297. The Company’s current liabilities total \$300,187 and exceed current assets of \$230,662 as at October 31, 2020. On August 5, 2020 the Company secured interim financing (“DIP Loan”) of up to \$60,000 with a Canadian financial institution, as described in note 20.

The deterioration in the Company’s financial position since the end of the fiscal year ended February 1, 2020, the Company’s liquidity position as of the date of the approval of these condensed consolidated interim financial statements and the unpredictability of the outcome of the matters arising from the CCAA proceedings, indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

These condensed consolidated interim financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern, management must take into account all available information about the future, including estimated future cash flows, for a period of at least twelve months following the end of the reporting period. These consolidated financial statements as at and for the 39 weeks ended October 31, 2020 do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate. Such adjustments could be material.

### **c) Basis of Measurement**

These unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items:

- lease liabilities are initially measured at the present value of the lease payments that are not paid at the lease commencement date;
- pension liability is recognized as the present value of the defined benefit obligation less the fair value of the plan assets; and
- liabilities for cash-settled share-based payment arrangements are measured in accordance with IFRS 2, *Share-Based Payment*.

### **d) Seasonality of Interim Operations**

The retail business is seasonable and the results of operations for any interim period are not necessarily indicative of the results of operation for the full fiscal year or any future period. Due to the impact of COVID-19, sales are not expected to follow historical patterns.

### **e) Functional and Presentation Currency**

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts.

### **f) Estimates, Judgments and Assumptions**

The preparation of the unaudited condensed consolidated interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Management has made significant judgments in connection with the potential impact of COVID-19 on the Company's reported assets, liabilities, revenue and expenses, and on the related disclosures, using estimates and assumptions, which are subject to significant uncertainties. The extent to which COVID-19 will continue to impact the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted at this time. These future developments include the duration, severity and scope of the COVID-19 outbreak, the measures taken by various government authorities to contain it and the reaction of the general public to, and compliance with, such containment measures. Accordingly, actual results could differ materially from those estimates and assumptions made by management.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied and described in the Company's audited annual consolidated financial statements for the year ended February 1, 2020, except as noted below. The following were updated to reflect the continued and uncertain economic impact of COVID-19 which may influence consumer shopping behavior and future consumer demand, as well as the uncertain outcome of the CCAA proceedings.

## *Critical Judgements and Key Sources of Estimation Uncertainty*

### **(i) Inventories**

In determining the net realizable value of inventory, estimates are required in relation to forecasted sales and inventory balances. COVID-19 increases the risk of uncertainty related to these estimates because they are normally based on a historical pattern of sales. The unprecedented impact of COVID-19 required management to apply a higher degree of judgement in determining the estimates to set up provisions for merchandise in inventory that may have to be sold below cost.

### **(ii) Impairment of Non-Financial Assets**

Significant management estimates are required to determine the recoverable amount of the cash-generating unit (“CGU”) including estimates of fair value, selling costs or the discounted future cash flows related to the CGU. COVID-19 increases the risk of uncertainty surrounding management’s estimates. Differences in estimates could affect whether property and equipment, right-of use assets and intangible assets are in fact impaired and the dollar amount of that impairment.

### **(iii) Liabilities subject to compromise**

On August 20, 2020, the Court rendered a claims process order establishing the rules for the creditors to submit a proof of claim. This order allowed creditors to submit their claims from September 10, 2020 until October 21, 2020 (“claims bar date”). All claims are determined as at May 19, 2020, the date of the Initial Order and therefore, the beginning of the CCAA process. The Monitor initiated the process for the identification, resolution and barring of claims in connection with the CCAA proceedings. As of the date of the approval of these condensed consolidated interim financial statements, it is currently not possible to determine the quantum of the claims that will ultimately be allowed by the Court, as the Monitor’s claims identification, resolution and barring process is not completed and may take considerable time to resolve. Therefore, amounts identified as liabilities subject to compromise were based on the information available, which management believes to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Liabilities subject to compromise represent the Company’s best estimate of liabilities that will ultimately be subject to the plan of arrangement and compromise to the Company’s creditors.

### 3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended February 1, 2020 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

#### *Discontinued operations*

A discontinued operation is a component of the Company's activities that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

#### *Government assistance*

Government assistance is recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program and the Company is reasonably certain based on management's judgment that the government grant will be received. Government assistance, including grants, related to operating expenses is accounted for as a reduction to the related expenses. Government assistance, including monetary and nonmonetary grants related to the acquisition of property, plant and equipment, is accounted for as a reduction of the cost of the related property, plant and equipment, and is recognized in net earnings using the same methods, periods and rates as for the related property, plant and equipment.

#### **(a) New standards and interpretations not yet adopted:**

##### **COVID-19-Related Rent Concessions**

On May 28, 2020, the IASB issued *COVID-19-Related Rent Concessions (Amendment to IFRS 16)*. The amendment is effective for annual periods beginning on or after June 1, 2020. Early adoption is permitted. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. Rent concessions granted from landlords during the 13 and 39 weeks ended October 31, 2020 following re-negotiation of certain leases did not meet the criteria required from *COVID-19-Related Rent Concessions (Amendment to IFRS 16)*. As a result, the practical expedient was not applied, and the amended contracts were accounted for as modified leases. See note 8.

#### 4. DISCONTINUED OPERATIONS

On June 1, 2020, the Company announced, as part of its restructuring plan and as approved by the Monitor, the closure of the Thyme Maternity and Addition Elle brands. This announcement led to the planned closure of all retail stores and e-commerce channels related to these brands.

The financial information presented below is directly attributable to both brands. All administrative expenses and various selling and distribution expenses from shared, centralized and common functions of the Company are excluded from the determination of discontinued operations.

The operating results are presented as discontinued operations and prior periods have been restated:

##### Earnings (loss) from discontinued operations

	For the 13 weeks ended		For the 39 weeks ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Sales	\$ 1,379	\$ 38,733	\$ 74,086	\$ 119,251
Cost of goods sold <sup>(1)</sup>	157	19,635	51,684	54,690
Gross profit	1,222	19,098	22,402	64,561
Selling and distribution expenses <sup>(2)(3)</sup>	(887)	20,659	20,307	59,817
Impairment of non-financial assets <sup>(4)</sup>	702	627	22,018	859
Restructuring costs (note 11) <sup>(5)</sup>	1,022	-	51,720	-
Impairment of goodwill <sup>(6)</sup>	-	11,843	-	11,843
Results from operating activities	385	(14,031)	(71,643)	(7,958)
Finance costs <sup>(7)</sup>	2	349	458	1,102
Earnings (loss) before income taxes	383	(14,380)	(72,101)	(9,060)
Income tax (recovery) expense	-	(680)	80	746
Net earnings (loss) income from discontinued operations	\$ 383	\$ (13,700)	\$ (72,181)	\$ (9,806)
Earnings (loss) per share, discontinued operations :				
Basic	\$ 0.01	\$ (0.28)	\$ (1.48)	\$ (0.17)
Diluted	0.01	(0.28)	(1.48)	(0.17)

(1) During the 13 and 39 weeks ended October 31, 2020, inventories recognized as cost of goods sold amounted to \$1,811 and \$50,168, respectively (\$18,740 and \$52,742 for the 13 and 39 weeks ended November 2, 2019). In addition, for the 13 and 39 weeks ended October 31, 2020, the Company recorded a reversal of \$1,654 and a loss of \$1,516, respectively, (losses of \$895 and \$1,948 for the 13 and 39 weeks ended November 2, 2019) on write-downs of inventories as a result of net realizable value being lower than cost which were recognized in cost of goods sold.

(2) The Company recognized grant income in connection with the Canada Emergency Wage Subsidy of \$91 and \$1,979 as a reduction of selling and distribution expenses for the 13 and 39 weeks ended October 31, 2020, respectively.

(3) During the 13 weeks ended October 31, 2020, certain selling and distribution expenses were reclassified between continuing and discontinued operations, resulting is a recovery of \$887.

- (4) As a result of the adverse impact of COVID-19 and as part of the restructuring plan resulting in the closure of Addition Elle and Thyme Maternity, the Company performed an impairment test for its non-financial assets. The test resulted in the recognition of impairment losses related to right-of-use assets of \$1,007 and \$8,826 for the 13 and 39 weeks ended October 31, 2020, respectively, as well as impairment reversals of \$305 and impairment losses of \$10,102 related to property and equipment and of impairment losses of nil and \$3,090 related to intangible assets for the 13 and 39 weeks ended October 31, 2020, respectively (nil and \$149 related to right-of-use assets, \$627 and \$710 related to property and equipment and nil to intangible assets for the 13 and 39 weeks ended November 2, 2019, respectively). See note 21 for methodology and assumptions used in the impairment test.
- (5) During the 13 and 39 weeks ended October 31, 2020, right-of-use assets were reduced by \$805 and \$28,455 and lease liabilities were reduced by nil and \$31,478, respectively. A corresponding gain of \$805 and \$3,023 was recognized in restructuring costs for the 13 and 39 weeks ended October 31, 2020, respectively, as lease modifications in connection with leases that were disclaimed as part of the CCAA proceedings (nil for the 13 and 39 weeks ended November 2, 2019). See note 8.
- (6) As at November 2, 2019, goodwill was allocated to one of the groups of cash-generating units (“CGUs”), the Addition Elle banner. The decline in Addition Elle profitability triggered an interim impairment test of goodwill and the Company recorded a goodwill impairment loss of \$11,843 in the 13 and 39 weeks ended November 2, 2019 reducing the carrying amount to nil.
- (7) Finance costs represent interest expense on lease liabilities.

The following table presents the effect of discontinued operations on the condensed consolidated interim statements of cash flows:

#### Net cash flows (used in) from discontinued operations

	For the 13 weeks ended		For the 39 weeks ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Net cash flow (used in) from operating activities	\$ (4,140)	\$ (1,168)	\$ (28,077)	\$ 13,703
Net cash flow used in investing activities	-	(1,230)	(762)	(3,009)
Net cash flow used in financing activities	(482)	(3,720)	(5,903)	(11,345)
Net cash flow for the period	\$ (4,622)	\$ (6,118)	\$ (34,742)	\$ (651)

#### 5. CASH AND CASH EQUIVALENTS

	October 31, 2020	November 2, 2019	February 1, 2020
Cash	\$ 79,967	\$ 63,829	\$ 86,432
Short-term deposits <sup>(1)</sup>	-	3,517	2,978
Restricted cash <sup>(2)</sup>	2,750	-	-
	\$ 82,717	\$ 67,346	\$ 89,410

- (1) The Company’s cash held with banks bears interest at variable rates. Short-term deposits were bearing interest at 0.6% and 0.5% as at November 2, 2019 and February 1, 2020, respectively.
- (2) Restricted cash represents cash held in trust by a Canadian financial institution as security held on a standby letter of credit.

## **6. TRADE AND OTHER RECEIVABLES**

Trade and other receivables include an amount of \$1,961 related to government grants receivable. The Government of Canada made available to businesses affected by COVID-19 the Canada Emergency Wage Subsidy (“CEWS”), which allows companies to claim a portion of employee wages when eligibility requirements are met. As at October 31, 2020, the Company believed that it qualified to receive the CEWS and that there was reasonable assurance that the amount would be received from the government. The Company also intends to apply for the CEWS in subsequent application periods, where the qualification criteria continues to be met.

The Company recognized grant income of \$6,183 and \$24,005 as a reduction of selling and distribution expenses and \$542 and \$2,259 as a reduction of administrative expenses for the 13 and 39 weeks ended October 31, 2020, respectively.

## **7. INVENTORIES**

During the 13 and 39 weeks ended October 31, 2020, inventories recognized as cost of goods sold from continuing operations amounted to \$78,775 and \$195,785 (\$84,651 and \$240,953 for the 13 and 39 weeks ended November 2, 2019). In addition, for the 13 and 39 weeks ended October 31, 2020, the Company recorded \$3,044 and \$11,531, respectively, (\$2,158 and \$4,306 for the 13 and 39 weeks ended November 2, 2019) of write-downs of inventories as a result of net realizable value being lower than cost which were recognized in cost of goods sold. No inventory write-downs recognized in previous periods were reversed for the 13 and 39 weeks ended November 2, 2019.

Included in inventories is a return asset for the right to recover returned goods for \$1,988 as at October 31, 2020 (November 2, 2019 - \$2,511; February 1, 2020 - \$1,898).

## **8. LEASES**

During the 39 weeks ended October 31, 2020, in connection with the CCAA proceedings, the Company issued disclaimer notices related to various leases of its retail locations as part of its restructuring plan as described in note 11. For the 13 and 39 weeks ended October 31, 2020, the Company accounted for such disclaimed leases as lease modifications and consequently reduced its right-of-use assets by \$1,114 and \$6,300 and reduced its lease liabilities by \$921 and \$8,121, respectively. The resulting gain on lease re-measurements of \$1,158 and \$1,821 was recognized in restructuring costs from continuing operations for the 13 and 39 weeks ended October 31, 2020, respectively.

Included in liabilities subject to compromise is a provision for the Company’s best estimate of claims from landlords for disclaimed leases that will ultimately be settled subject to the plan of arrangement and compromise with the Company’s landlords. See note 11.

During the 13 and 39 weeks ended October 31, 2020, the Company reduced its right-of-use assets and lease liabilities by \$19,072 and \$20,239, respectively and recognized a gain on lease re-measurements of \$1,167 in restructuring costs from continuing operations related to leases re-negotiated with landlords as part of its restructuring plan. Subsequent to period end, the Company continued re-negotiating leases with landlords, the effect of those modifications will be reflected in the financial statements during the periods into which modified contracts are signed by both parties.

## 9. TRADE AND OTHER PAYABLES

	<u>October 31, 2020</u>	<u>November 2, 2019</u>	<u>February 1, 2020</u>
Trade payables	\$ 4,856	\$ 77,657	\$ 75,132
Personnel liabilities	14,511	21,826	20,441
Other non-trade payables	21,540	5,954	9,367
Refund liability	4,313	5,287	3,489
Payables relating to premises	443	570	1,245
	<u>\$ 45,663</u>	<u>\$ 111,294</u>	<u>\$ 109,674</u>

## 10. DEFERRED REVENUE

	<u>October 31, 2020</u>	<u>November 2, 2019</u>	<u>February 1, 2020</u>
Loyalty points and awards granted under loyalty programs	\$ 988	\$ 1,292	\$ 847
Unredeemed gift cards	9,022	9,048	14,195
	<u>\$ 10,010</u>	<u>\$ 10,340</u>	<u>\$ 15,042</u>

## 11. LIABILITIES SUBJECT TO COMPROMISE AND RESTRUCTURING COSTS

As at October 31, 2020, in connection with the CCAA proceedings, the Company identified the following unsecured liabilities subject to compromise:

Trade payables and accruals	\$ 76,832
Lease liabilities	9,686
Provision for disclaimed leases	52,055
Pension liabilities (note 12)	20,857
Termination benefit liabilities	12,687
Sales taxes payable	5,068
Other non-trade payables	26,147
	<u>\$ 203,332</u>

The liabilities that are not subject to the CCAA proceedings are excluded from the liabilities subject to compromise.

### *Restructuring costs*

As described in note 2(b), as part of its restructuring plan and as approved by the Monitor, the Company closed all retail stores and e-commerce for Thyme Maternity and Addition Elle and terminated approximately 1,600 employees at its retail locations and head office. In connection with the restructuring plan and the CCAA proceedings, the following restructuring costs were recognized:

	<b>13 weeks ended October 31, 2020</b>		
	<b>Combined</b>	<b>Continuing</b>	<b>Discontinued</b>
Provision for disclaimed leases <sup>(1)</sup>	\$ 116	\$ 502	\$ (386)
Gain on lease re-measurements (notes 4 and 8)	(3,130)	(2,325)	(805)
Termination benefits <sup>(1)</sup>	780	1,255	(475)
Inventory purchases cancellation costs and other expenses	5,638	2,950	2,688
Legal, Monitor and other consulting fees	924	924	-
DIP lender fees	491	491	-
	<b>\$ 4,819</b>	<b>\$ 3,797</b>	<b>\$ 1,022</b>

(1) During the 13 weeks ended October 31, 2020, certain restructuring costs were reclassified between continuing and discontinued operations.

	<b>39 weeks ended October 31, 2020</b>		
	<b>Combined</b>	<b>Continuing</b>	<b>Discontinued</b>
Provision for disclaimed leases	\$ 52,455	\$ 9,726	\$ 42,729
Gain on lease re-measurements (notes 4 and 8)	(6,011)	(2,988)	(3,023)
Termination benefits	12,687	7,266	5,421
Inventory purchases cancellation costs and other expenses	15,849	9,256	6,593
Legal, Monitor and other consulting fees	3,591	3,591	-
DIP lender fees	491	491	-
	<b>\$ 79,062</b>	<b>\$ 27,342</b>	<b>\$ 51,720</b>

## **12. PENSION LIABILITY**

The Company sponsors a Supplemental Executive Retirement Plan (“SERP”) for certain senior executives, which is neither registered nor pre-funded. In connection with CCAA proceedings, the pre-petition portion of the pension liability related to SERP of \$20,857 has been reclassified to liabilities subject to compromise. See note 11.

### 13. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

	For the 39 weeks ended			
	October 31, 2020		November 2, 2019	
	Number of shares (in 000's)	Carrying amount	Number of shares (in 000's)	Carrying amount
<b>Common shares</b>				
Balance at beginning and end of the period	<b>13,440</b>	<b>\$ 482</b>	13,440	\$ 482
<b>Class A non-voting shares</b>				
Balance at beginning of the period	<b>35,427</b>	<b>26,924</b>	49,890	37,915
Purchase of shares under substantial issuer bid	-	-	(14,463)	(10,991)
Balance at end of the period	<b>35,427</b>	<b>26,924</b>	35,427	26,924
Total share capital	<b>48,867</b>	<b>\$ 27,406</b>	48,867	\$ 27,406

#### *Authorized Share Capital*

The Company has authorized for issuance an unlimited number of Common shares and Class A non-voting shares. Both Common shares and Class A non-voting shares have no par value. All issued shares are fully paid.

The Common shares and Class A non-voting shares of the Company rank equally and pari passu with respect to the right to receive dividends and upon any distribution of the assets of the Company. However, in the case of share dividends, the holders of Class A non-voting shares shall have the right to receive Class A non-voting shares and the holders of Common shares shall have the right to receive Common shares.

*Accumulated Other Comprehensive Income (“AOCI”)*

AOCI is comprised of the following:

	<b>Cash Flow Hedges</b>	<b>Foreign Currency Translation Differences</b>	<b>Total AOCI</b>
Balance at February 2, 2020	\$ 754	\$ (981)	\$ (227)
Net change in fair value of cash flow hedges (net of tax of \$3,229)	8,815	-	8,815
Transfer of realized loss on cash flow hedges to inventory (net of tax of \$79)	218	-	218
Reclassification of cash flow hedges from OCI to foreign exchange gain within finance income (net of tax of \$3,583) (note 15)	(9,787)	-	(9,787)
Change in foreign currency translation differences	-	(53)	(53)
Balance at October 31, 2020	<u>\$ -</u>	<u>\$ (1,034)</u>	<u>\$ (1,034)</u>
Balance at February 3, 2019	\$ (352)	\$ (932)	\$ (1,284)
Net change in fair value of cash flow hedges (net of tax of \$496)	649	-	649
Transfer of realized gain on cash flow hedges to inventory (net of tax of \$480)	(856)	-	(856)
Change in foreign currency translation differences	-	(35)	(35)
Balance at November 2, 2019	<u>\$ (559)</u>	<u>\$ (967)</u>	<u>\$ (1,526)</u>

*Dividends*

The following dividends were declared and paid by the Company:

	<b>For the 13 weeks ended</b>		<b>For the 39 weeks ended</b>	
	<b>October 31, 2020</b>	<b>November 2, 2019</b>	<b>October 31, 2020</b>	<b>November 2, 2019</b>
Common shares and Class A non-voting shares	\$ -	\$ 2,442	\$ -	\$ 8,776
Dividend per share	<u>\$ -</u>	<u>\$ 0.05</u>	<u>\$ -</u>	<u>\$ 0.15</u>

## 14. SHARE-BASED PAYMENTS

No share option awards or share appreciation rights were granted during the 13 and 39 weeks ended October 31, 2020 and November 2, 2019. For the 13 and 39 weeks ended October 31, 2020, the Company recognized share-based compensation costs related to previously-granted share options of \$2 and \$7, respectively (\$3 and \$32 for the 13 and 39 weeks ended November 2, 2019, respectively).

No performance share units (“PSUs”) were granted during the 13 and 39 weeks ended October 31, 2020 (440,000 PSUs at a weighted average share price of \$3.23 during the 39 weeks ended November 2, 2019). No share-based compensation costs related to PSUs were recognized for the 13 and 39 weeks ended October 31, 2020. The Company recognized a share-based compensation recovery related to PSUs of \$95 and \$66 in selling and distribution expenses and a recovery of \$32 and \$23 in administrative expenses for 13 and 39 weeks ended November 2, 2019, respectively.

## 15. INCOME TAX

In the interim periods, the income tax provision is based on an estimate of the earnings that will be generated in a full year. The estimated average annual effective income tax rates are re-estimated at each interim reporting date, based on full year projections of earnings. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. Due to the uncertainties related to the Company’s ability to generate future profitable operations, the Company has determined that it is not probable that future taxable profits will be available against which deferred tax assets can be utilized. Accordingly, no deferred tax assets have been recognized in the condensed consolidated interim financial statements.

For the 39 weeks ended October 31, 2020, the current tax expense is mainly comprised of the deferred income tax impact related to the reclassification of the accumulated unrealized gain associated with forward contracts from other comprehensive income to net earnings combined with the recognition of income tax expense related to a foreign subsidiary. See note 13 and 19.

## 16. FINANCE INCOME AND FINANCE COSTS

	For the 13 weeks ended		For the 39 weeks ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Dividend income from marketable securities	\$ -	\$ 138	\$ -	\$ 1,427
Interest income	146	363	372	1,308
Foreign exchange gain <sup>(1)</sup>	55	32	11,740	-
Finance income	<b>201</b>	533	<b>12,112</b>	2,735
Interest expense on lease liabilities	1,406	1,483	4,373	4,594
Net change in fair value of marketable securities <sup>(2)</sup>	-	4,409	-	8,264
Foreign exchange loss	-	-	-	452
Finance costs	1,406	5,892	4,373	13,310
Net finance (costs) income	<b>\$ (1,205)</b>	<b>\$ (5,359)</b>	<b>\$ 7,739</b>	<b>\$(10,575)</b>

<sup>(1)</sup> Included in foreign exchange gain for the 39 weeks ended October 31, 2020, is a realized gain of \$9,741 on maturity and disposal of foreign exchange contracts (nil for the 39 weeks ended November 2, 2019). See note 19.

<sup>(2)</sup> During the fiscal year ended February 1, 2020, the Company disposed of its marketable securities.

## 17. LOSS PER SHARE

The number of shares (in thousands) used in the basic and diluted loss per share and basic and diluted loss per share from continuing and discontinued operations calculations is as follows:

	For the 13 weeks ended		For the 39 weeks ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Weighted average number of shares - basic	<b>48,867</b>	48,867	<b>48,867</b>	58,350
Weighted average number of shares - diluted	<b>48,867</b>	48,867	<b>48,867</b>	58,350

All share options were excluded from the calculation of diluted loss per share for the 13 and 39 weeks ended October 31, 2020 and November 2, 2019 as these options were deemed to be anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options is based on quoted market prices for the period during which the options were outstanding.

## 18. SUPPLEMENTARY CASH FLOW INFORMATION

	October 31, 2020	November 2, 2019	February 1, 2020
Non-cash transactions:			
Additions to property and equipment and intangible assets included in trade and other payables	\$ 1,715	\$ 717	\$ 1,382

## 19. FINANCIAL INSTRUMENTS

### Accounting classification and fair values

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value. The Company has determined that the fair value of its current financial assets and liabilities at October 31, 2020 (other than those included below for previous periods and liabilities subject to compromise) approximates their respective carrying amounts as at the reporting dates because of the short-term nature of those financial instruments. The fair value of the liabilities subject to compromise is not determinable at the date of these condensed consolidated interim financial statements.

	November 2, 2019						
	Carrying Amount				Fair Value		
	Fair Value through Profit or Loss	Fair Value of Hedging Instruments	Amortized Cost	Total	Level 1	Level 2	Total
<b>Financial assets measured at fair value through profit or loss</b>							
Derivative financial asset	\$ -	\$ 252	\$ -	\$ 252	\$ -	\$ 252	\$ 252
<b>Financial liabilities measured at fair value through profit or loss</b>							
Derivative financial liability	\$ -	\$ 1,023	\$ -	\$ 1,023	\$ -	\$ 1,023	\$ 1,023

	February 1, 2020						
	Carrying Amount				Fair Value		
	Fair Value through Profit or Loss	Fair Value of Hedging Instruments	Amortized Cost	Total	Level 1	Level 2	Total
<b>Financial assets measured at fair value through profit or loss</b>							
Derivative financial asset	\$ -	\$ 1,124	\$ -	\$ 1,124	\$ -	\$ 1,124	\$ 1,124
<b>Financial liabilities measured at fair value through profit or loss</b>							
Derivative financial liability	\$ -	\$ 348	\$ -	\$ 348	\$ -	\$ 348	\$ 348

There were no transfers between levels of the fair value hierarchy for the periods ended November 2, 2019 and February 1, 2020.

### Derivative financial instruments

The Company had entered into forward contracts with its banks on the U.S. dollar. These foreign exchange contracts extended over a period normally not exceeding twelve months and were normally designated as cash flow hedges to mitigate foreign exchange risk that is part of its U.S. dollar purchases. The Company determined that it no longer met the criteria for these purchases as a result of the Company's effort to reduce future inventory purchases in response to the uncertainty surrounding COVID-19 and the restructuring plan (notes 2(b) and 11). During the 39 weeks ended October 31, 2020, \$130,000 of future U.S. dollar denominated purchases, hedged by outstanding forward contracts with an accumulated gain of \$9,787 (net of tax of \$3,583), were no longer expected to occur. As a result, the Company is no longer designating these forward contracts for hedge accounting and has reclassified the accumulated unrealized gain associated with these forward contracts from other comprehensive income to net earnings as part of finance income (notes 13 and 16) during the 39 weeks ended October 31, 2020.

During the 39 weeks ended October 31, 2020, the Company has temporarily paused its hedging program due to the uncertainties surrounding future inventory purchase commitments as a result of COVID-19 and the restructuring plan (notes 2(b) and 11). During the 39 weeks ended October 31, 2020, forward contracts with a notional amount of \$15,000 U.S. dollars matured and the Company disposed of all remaining outstanding forward contracts with a notional amount of \$115,000 U.S. dollars, resulting in a foreign exchange gain of \$9,741 recognized directly to net earnings as part of finance income. See note 16.

Details of foreign exchange contracts outstanding:

	<b>Average Strike Price</b>	<b>Notional Amount in U.S. Dollars</b>	<b>Derivative Financial Asset</b>	<b>Derivative Financial Liability</b>	<b>Net</b>
October 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -
November 2, 2019	\$ 1.319	\$ 165,000	\$ 252	\$ (1,023)	\$ (771)
February 1, 2020	\$ 1.318	\$ 175,000	\$ 1,124	\$ (348)	\$ 776

## 20. FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposures during the 39 weeks ended October 31, 2020 from those described in the Company's audited annual consolidated financial statements for the year ended February 1, 2020 with exception to the following:

### *Liquidity Risk*

For the 39 weeks ended October 31, 2020, the Company incurred a net loss of \$161,297. The Company's current liabilities total \$300,187 (of which \$203,332 is subject to compromise in connection with CCAA proceedings (note 11)) as at October 31, 2020 and current liquid assets consisting of cash and cash equivalents total \$82,717. During the 39 weeks ended October 31, 2020, the Company's lenders terminated the maximum overdraft protection of \$25,000 and the facilities available for letters of credit of \$40,000 had been reduced to a maximum of \$1,000. Given the deterioration in the Company's financial position since the end of the fiscal year ended February 1, 2020, the effective elimination of its previous credit facilities and the continued uncertainty surrounding COVID-19, on May 19, 2020, the Company obtained an initial order (the "Order") to seek protection from creditors under the CCAA.

On August 5, 2020, the Company secured interim ("DIP Loan") financing with a Canadian financial institution consisting of a revolving credit facility of up to \$60,000 and the facilities available for securing letters of credit of up to \$5,000. The DIP Loan bears interest at the lender's prime rate plus 5.00% per annum on the outstanding principal amount of the DIP Loan. The interim financing was approved by the Court on August 20, 2020. As at October 31, 2020, no amount was drawn down on the DIP Loan.

### *Foreign Currency Risk*

The Company's cash flow hedge policy allows it to enter into to certain qualifying foreign exchange contracts to be designated as cash flow hedging instruments to mitigate the foreign exchange risk associated with its merchandise purchases, which are typically in U.S. dollars. As described in note 19, the uncertainty surrounding COVID-19 and the outcome of the CCAA proceedings have reduced future purchases for which foreign exchange contracts were designated as cash flow hedges are no longer expected to occur. Consequently, foreign exchange gains and losses on merchandise purchases are recorded in net earnings instead of in other comprehensive income.

## **21. IMPAIRMENT OF NON-FINANCIAL ASSETS**

At October 31, 2020, as a result of the adverse impact of COVID-19, the Company performed its impairment test for its non-financial assets. The test resulted in the recognition of impairment losses from continuing operations related to right-of-use assets of \$1,349 and \$7,690 and to property and equipment of \$3,179 and \$5,081 for the 13 and 39 weeks ended October 31, 2020, respectively (nil and \$932 related to right-of-use assets and \$330 and \$1,454 related to property and equipment for the 13 and 39 weeks ended November 2, 2019, respectively). The reduction in anticipated profitability at the individual store locations (cash-generating units “CGUs”) resulted in the estimated recoverable amounts of certain CGUs falling below the carrying amount of the CGU at period end.

Recoverable amounts of the CGUs tested for impairment were based on their estimated value in use which was determined using a cash flow model developed by the Company for each individual store locations discounted using a pre-tax discount rate of 20% (November 2, 2019 – 13.5%). The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant asset within the CGU. Sales forecasts for cash flows considered the weighted average impact of multiple scenarios based on operating results and internal forecasts prepared by management. A 1% increase in the discount rate does not materially change the results of the tests.

No asset impairment charges were reversed during the 13 and 39 weeks ended October 31, 2020 and November 2, 2019.

## **22. SUBSEQUENT EVENTS**

### *Temporary store closures*

In accordance with local government and public authority guidelines, the Company has experienced some temporary retail location closures. The Company can continue to sell through its e-commerce channel to customers during the applicable periods of closure until further extensions or changes are announced and will continue to follow all local government and health organization guidelines.