

REITMANS

(CANADA) LIMITED

**Unaudited Condensed Consolidated Interim Financial Statements
October 29, 2022 and October 30, 2021**

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 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Sales	20	\$ 205,608	\$ 178,184	\$ 588,689	\$ 471,732
Cost of goods sold	7	88,133	76,839	248,578	214,774
Gross profit		117,475	101,345	340,111	256,958
Selling and distribution expenses		89,293	71,066	250,757	196,322
Administrative expenses		13,073	9,005	36,257	26,362
Restructuring	13	73	(307)	480	(12,726)
Results from operating activities		15,036	21,581	52,617	47,000
Finance income	17	924	723	1,151	1,576
Finance costs	17	1,282	889	4,000	3,056
Earnings before income taxes		14,678	21,415	49,768	45,520
Income tax expense (recovery)	16	67	(574)	(445)	(388)
Net earnings from continuing operations		14,611	21,989	50,213	45,908
Earnings from discontinued operations, net of tax	4	-	4,839	-	15,032
Net earnings		\$ 14,611	\$ 26,828	\$ 50,213	\$ 60,940
Earnings per share:					
Basic	18	\$ 0.30	\$ 0.55	\$ 1.03	\$ 1.25
Diluted		0.30	0.55	1.03	1.25
Earnings per share from continuing operations:					
Basic	18	\$ 0.30	\$ 0.45	\$ 1.03	\$ 0.94
Diluted		0.30	0.45	1.03	0.94

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

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 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Net earnings		\$ 14,611	\$ 26,828	\$ 50,213	\$ 60,940
Other comprehensive income					
Items that are or may be reclassified subsequently to net earnings:					
Foreign currency translation differences	14	(270)	29	(288)	152
Items that will not be reclassified to net earnings:					
Net actuarial gain on defined benefit plan (net of tax of \$116 and \$954 for the 13 and 39 weeks ended October 29, 2022, respectively)	9	323	-	194	-
Total other comprehensive income		53	29	(94)	152
Total comprehensive income		\$ 14,664	\$ 26,857	\$ 50,119	\$ 61,092

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 29, 2022	October 30, 2021 ⁽¹⁾	January 29, 2022
ASSETS				
CURRENT ASSETS				
Cash	5	\$ 64,298	\$ 84,671	\$ 25,502
Restricted cash	5	2,783	-	-
Trade and other receivables	6	3,785	6,138	7,606
Inventories	7	159,741	133,533	118,972
Prepaid expenses and other assets		22,765	36,709	42,590
Total Current Assets		253,372	261,051	194,670
NON-CURRENT ASSETS				
Restricted cash	5	-	2,756	2,757
Property and equipment	19	61,145	62,694	65,970
Intangible assets	19	3,081	7,460	5,613
Right-of-use assets	8	69,461	39,449	44,978
Pension asset	9	1,235	-	100
Deferred income taxes		186	151	186
Total Non-Current Assets		135,108	112,510	119,604
TOTAL ASSETS		\$ 388,480	\$ 373,561	\$ 314,274
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Revolving credit facility	10	\$ -	\$ -	\$ 29,634
Trade and other payables	11	65,368	40,731	34,478
Deferred revenue	12	10,844	10,526	13,490
Income taxes payable		998	664	537
Current portion of lease liabilities	8	25,520	22,427	20,888
Liabilities subject to compromise	13	-	185,565	-
Total Current Liabilities		102,730	259,913	99,027
NON-CURRENT LIABILITIES				
Lease liabilities	8	51,432	27,228	31,419
Pension liability	9	-	3,643	-
Total Non-Current Liabilities		51,432	30,871	31,419
SHAREHOLDERS' EQUITY				
Share capital	14	27,406	27,406	27,406
Contributed surplus		10,666	10,295	10,295
Retained earnings		197,387	45,778	146,980
Accumulated other comprehensive loss	14	(1,141)	(702)	(853)
Total Shareholders' Equity		234,318	82,777	183,828
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 388,480	\$ 373,561	\$ 314,274

(1) As at October 30, 2021, restricted cash of \$2,756 has been classified as non-current assets to correctly reflect the presentation of this caption.

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
Balance as at January 30, 2022		\$ 27,406	\$ 10,295	\$ 146,980	\$ (853)	\$ 183,828
Net earnings		-	-	50,213	-	50,213
Total other comprehensive income (loss)	14	-	-	194	(288)	(94)
Total comprehensive income (loss) for the period		-	-	50,407	(288)	50,119
Share-based compensation costs	15	-	371	-	-	371
Total contributions by owners of the Company		-	371	-	-	371
Balance as at October 29, 2022		\$ 27,406	\$ 10,666	\$ 197,387	\$ (1,141)	\$ 234,318
Balance as at January 31, 2021		\$ 27,406	\$ 10,295	\$ (15,162)	\$ (854)	\$ 21,685
Net earnings		-	-	60,940	-	60,940
Total other comprehensive income	14	-	-	-	152	152
Total comprehensive income for the period		-	-	60,940	152	61,092
Balance as at October 30, 2021		\$ 27,406	\$ 10,295	\$ 45,778	\$ (702)	\$ 82,777

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 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES					
Net earnings		\$ 14,611	\$ 26,828	\$ 50,213	\$ 60,940
Adjustments for:					
Depreciation, amortization and net impairment losses on property and equipment, and intangible assets		3,534	4,430	11,744	13,323
Depreciation on right-of-use assets		7,893	7,063	20,986	22,311
Share-based compensation costs	15	181	-	371	-
Foreign exchange (gain) loss		(1,357)	334	(1,942)	1,789
Gain on lease re-measurements due to restructuring	8,13	-	(71)	-	(5,073)
Interest on lease liabilities	17	1,282	889	3,555	3,056
Interest on revolving credit	17	-	-	445	-
Interest income	17	(333)	(94)	(488)	(230)
Income tax expense (recovery)		67	(574)	(445)	(388)
		25,878	38,805	84,439	95,728
Changes in:					
Trade and other receivables	6	1,263	(832)	3,929	4,521
Inventories	7	(5,991)	(23,733)	(40,769)	(37,411)
Prepaid expenses and other assets		8,450	907	19,825	(4,609)
Pension asset	9	(131)	183	13	550
Trade and other payables	11	8,103	3,038	32,177	9,058
Liabilities subject to compromise	13	-	(7,113)	-	(17,467)
Deferred revenue	12	(1,117)	(763)	(2,646)	(1,936)
Cash from operating activities		36,455	10,492	96,968	48,434
Interest paid		(5)	-	(486)	-
Interest received		232	106	380	239
Income taxes paid		-	-	(46)	(1,168)
Net cash flows from operating activities		36,682	10,598	96,816	47,505
CASH FLOWS USED IN INVESTING ACTIVITIES					
Additions to property and equipment and intangible assets, net	19	(2,383)	(4,032)	(5,633)	(6,882)
Cash flows used in investing activities		(2,383)	(4,032)	(5,633)	(6,882)
CASH FLOWS USED IN FINANCING ACTIVITIES					
Restricted cash	5	(18)	(1)	(26)	(3)
Net repayment of revolving credit facility	10	-	-	(29,634)	-
Payment of lease liabilities		(9,373)	(9,190)	(24,451)	(29,455)
Cash flows used in financing activities		(9,391)	(9,191)	(54,111)	(29,458)
FOREIGN EXCHANGE GAIN (LOSS) ON CASH HELD IN FOREIGN CURRENCY					
		1,217	(291)	1,724	(1,656)
NET INCREASE (DECREASE) IN CASH					
		26,125	(2,916)	38,796	9,509
CASH, BEGINNING OF THE PERIOD					
		38,173	87,587	25,502	75,162
CASH, END OF THE PERIOD					
		\$ 64,298	\$ 84,671	\$ 64,298	\$ 84,671

Supplementary cash flow information (note 19)

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, 40th 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 January 29, 2022.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on December 15, 2022.

b) 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 asset (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*.

c) 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.

d) 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.

e) 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 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 measures taken by various government authorities to contain the virus and its variants spread for potential future waves, future customer shopping behavior including online sales and the impact of shipping delays to the supply chain. 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 January 29, 2022.

f) CCAA Proceedings

During the fiscal year ended January 29, 2022, on January 12, 2022, the Company emerged from the restructuring proceedings in connection with the Companies' Creditors Arrangement Act (the "CCAA") under which it obtained an initial order from the Superior Court of Quebec on May 19, 2020.

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 January 29, 2022 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

(a) Adoption of new accounting policies:

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

On May 14, 2020, the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*. The amendments are effective for annual periods beginning on or after January 1, 2022 and apply to contracts existing at the date when the amendments are first applied. Early adoption is permitted. IAS 37 does not specify which costs are included as a cost of fulfilling a contract when determining whether a contract is onerous. The IASB's amendments address this issue by clarifying the costs of fulfilling a contract.

The adoption of this amendment to IAS 37 did not have a significant impact on the Company's unaudited condensed consolidated interim financial statements.

(b) New standards and interpretations not yet adopted:

Disclosure initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued *Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)*.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The amendments help companies provide useful accounting policy disclosures. The key amendments include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)*. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

On May 7, 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted. The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The Company does not expect that the adoption of these new standards will have a significant impact on its unaudited condensed consolidated interim financial statements.

4. DISCONTINUED OPERATIONS

During the fiscal year ended January 30, 2021, the Company closed all retail stores and e-commerce channels of the Thyme Maternity and Addition Elle 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:

Earnings from discontinued operations

	For the 13 weeks ended		For the 39 weeks ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Sales	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	-	-	-	-
Gross profit	-	-	-	-
Selling and distribution expenses	-	-	-	-
Restructuring (note 13)	-	(4,839)	-	(15,032)
Results from operating activities	-	4,839	-	15,032
Finance costs	-	-	-	-
Earnings before income taxes	-	4,839	-	15,032
Income tax expense	-	-	-	-
Net earnings from discontinued operations	\$ -	\$ 4,839	\$ -	\$ 15,032
Earnings per share, discontinued operations:				
Basic	\$ -	\$ 0.10	\$ -	\$ 0.31
Diluted	-	0.10	-	0.31

For the 13 and 39 weeks ended October 29, 2022 and October 30, 2021, discontinued operations had no impact on the condensed consolidated interim statements of cash flows.

5. CASH AND RESTRICTED CASH

	<u>October 29, 2022</u>	<u>October 30, 2021</u>	<u>January 29, 2022</u>
Cash ⁽¹⁾	\$ 64,298	\$ 84,671	\$ 25,502
Restricted cash ⁽²⁾	2,783	2,756	2,757
	<u>\$ 67,081</u>	<u>\$ 87,427</u>	<u>\$ 28,259</u>

(1) The Company's cash held with banks bears interest at variable rates.

(2) Restricted cash represents cash held in trust by a Canadian financial institution as security on a standby letter of credit expiring on July 7, 2023. As at October 30, 2021 and January 29, 2022, restricted cash is presented as non-current on the condensed consolidated interim balance sheets.

6. TRADE AND OTHER RECEIVABLES

As at October 29, 2022, trade and other receivables include an amount of nil (October 30, 2021 – \$920; January 29, 2022 – \$4,651) related to COVID-19 government grants receivable under the Tourism and Hospitality Recovery Program (“THRP”) through which subsidies for wages and rent can be claimed.

The Company recognized grant income of \$1,119 from this program as a reduction of selling and distribution expenses and \$91 as a reduction of administrative expenses for the 39 weeks ended October 29, 2022 (\$1,482 and \$16,696 as a reduction of selling and distribution expenses and \$115 and \$1,374 as a reduction of administrative expenses for the 13 and 39 weeks ended October 30, 2021, respectively).

7. INVENTORIES

During the 13 and 39 weeks ended October 29, 2022, inventories recognized as cost of goods sold from continuing operations amounted to \$85,704 and \$245,108, respectively (\$74,487 and \$213,522 for the 13 and 39 weeks ended October 30, 2021, respectively). In addition, for the 13 and 39 weeks ended October 29, 2022, the Company recorded \$2,429 and \$3,470, respectively, (\$2,352 and \$1,252 for the 13 and 39 weeks ended October 30, 2021, respectively) of write-downs of inventories as a result of net realizable value being lower than cost which were recognized in cost of goods sold.

Included in inventories is a return asset for the right to recover returned goods for \$2,307 as at October 29, 2022 (October 30, 2021 - \$2,136; January 29, 2022 - \$1,880).

8. LEASES

While the Company was under CCAA proceedings, a portion of its retail leases were contingent on a percentage of sales. The Company renegotiated retail leases subsequent to its exit of restructuring proceedings under CCAA and certain of those leases were modified to return to fixed payment leases. The Company recognized \$5,900 and \$45,796 of additions to right-of-use assets and lease liabilities for the 13 and 39 weeks ended October 29, 2022, respectively, for new and renegotiated leases.

During the 13 and 39 weeks ended October 30, 2021, the Company had renegotiated leases as part of its restructuring plan resulting in the reduction of right-of-use assets of \$20 and \$54,035, respectively, the reduction of lease liabilities by \$81 and \$59,129, respectively, and recognized a gain on lease re-measurements of \$71 and \$5,073, respectively, in restructuring costs. See note 13.

9. PENSION ASSET (LIABILITY)

The Company recognized an actuarial gain of \$439 and \$1,148 in other comprehensive income for the 13 and 39 weeks ended October 29, 2022, respectively, (nil for the 13 and 39 weeks ended October 30, 2021) and subsequently reclassified the amounts from accumulated other comprehensive income to retained earnings based on an updated valuation to the net pension asset (liability). During the 39 weeks ended October 29, 2022, the discount rate used in measuring the accrued benefit obligation increased from 3.40% as at January 29, 2022 to 5.30% as at October 29, 2022.

10. REVOLVING CREDIT FACILITY

The Company has access to a senior secured asset-based revolving facility with a Canadian financial institution for an amount of up to \$115,000 (“Borrowing Base”), or its US dollar equivalent, which matures on January 12, 2025. The revolving credit facility is classified as a current liability in the unaudited condensed consolidated interim balance sheets as it is being managed and expected to be settled by the Company in its normal operating cycle. The Borrowing Base is dependent on certain factors including, but not limited to, the level of the Company’s inventory, credit card receivables and the statutory amount payables to governmental authorities. As at October 29, 2022, the Company’s Borrowing Base was \$95,250 (October 30, 2021 – nil, January 29, 2022 – \$90,708).

The Company can borrow funds in Canadian or US dollars at prime, base, the Canadian Dollar Offered Rate (“CDOR”) or the Secured Overnight Financing Rate (“SOFR”). The facility bears interest at the prime or base rate, plus 0.50% or 0.75%, up to 2.00%, and at the CDOR or SOFR rate, plus 1.75% or 2.00%, based on the average excess availability of the credit facility per the Borrowing Base. Up to \$35,000 (or its U.S. dollar equivalent) of the facility can be withdrawn through secured letters of credit.

As at October 29, 2022, no amount (October 30, 2021 – nil, January 29, 2022 – \$29,634) was drawn under the revolving credit facility and \$2,000 was committed for secured letters of credit (October 30, 2021 – nil, January 29, 2022 – nil).

The facility is secured by certain of the Company’s assets including trade receivables, inventories and property and equipment. The Company is required to maintain certain financial covenants related to this revolving credit facility. As at October 29, 2022, the Company was in compliance of all financial covenants.

11. TRADE AND OTHER PAYABLES

	<u>October 29, 2022</u>	<u>October 30, 2021</u>	<u>January 29, 2022</u>
Trade payables	\$ 9,712	\$ 1,632	\$ 1,280
Personnel liabilities	25,981	14,484	13,049
Other non-trade payables	22,852	18,718	16,406
Refund liability	5,940	5,209	3,181
Payables relating to premises	883	688	562
	<u>\$ 65,368</u>	<u>\$ 40,731</u>	<u>\$ 34,478</u>

12. DEFERRED REVENUE

	October 29, 2022	October 30, 2021	January 29, 2022
Loyalty points and awards granted under loyalty programs	\$ 1,116	\$ 1,048	\$ 248
Unredeemed gift cards	9,728	9,478	13,242
	\$ 10,844	\$ 10,526	\$ 13,490

13. LIABILITIES SUBJECT TO COMPROMISE AND RESTRUCTURING

During the year ended January 29, 2022, the Company emerged from CCAA proceedings and made an aggregate payment of \$95,000 as the final settlement for unsecured liabilities subject to compromise of \$183,613. As at October 30, 2021, the estimate for liabilities subject to compromise amounted to \$185,563.

Restructuring costs

In connection with the restructuring plan and the CCAA proceedings, the following restructuring costs (recoveries) were recognized:

	13 weeks ended October 29, 2022		13 weeks ended October 30, 2021	
	Continuing	Combined	Continuing	Discontinued
Provision for disclaimed leases ⁽¹⁾	\$ -	\$ (9,612)	\$ (4,773)	\$ (4,839)
Gain on lease re-measurements (note 8)	-	(71)	(71)	-
Legal, Monitor and other consulting fees	73	906	906	-
Termination benefits	-	858	858	-
DIP lender fees	-	34	34	-
Other expenses	-	2,739	2,739	-
	\$ 73	\$ (5,146)	\$ (307)	\$ (4,839)

	39 weeks ended October 29, 2022		39 weeks ended October 30, 2021	
	Continuing	Combined	Continuing	Discontinued
Rent & occupancy costs recovered on lease re-negotiations	\$ -	\$(10,983)	\$(10,983)	\$ -
Provision for disclaimed leases ⁽¹⁾	-	(19,330)	(4,298)	(15,032)
Gain on lease re-measurements (note 8)	-	(5,073)	(5,073)	-
Legal, Monitor and other consulting fees	974	2,697	2,697	-
Termination benefits	-	1,206	1,206	-
DIP lender fees	-	235	235	-
Other (recoveries) expenses	(494)	3,490	3,490	-
	\$ 480	\$ (27,758)	\$ (12,726)	\$ (15,032)

(1) During the 13 and 39 weeks ended October 30, 2021, the provision for disclaimed leases was adjusted to reflect the most recent settlement discussions with certain landlords.

14. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

	For the 39 weeks ended			
	October 29, 2022		October 30, 2021	
	Number of shares (in 000's)	Carrying amount	Number of shares (in 000's)	Carrying amount
Common shares				
Balance at beginning and end of the period	13,440	\$ 482	13,440	\$ 482
Class A non-voting shares				
Balance at beginning and end of the period	35,427	26,924	35,427	26,924
Total share capital	48,867	\$ 27,406	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:

	Foreign Currency Translation Differences
Balance at January 30, 2022	\$ (853)
Change in foreign currency translation differences	(288)
Balance at October 29, 2022	\$ (1,141)
Balance at January 31, 2021	\$ (854)
Change in foreign currency translation differences	152
Balance at October 30, 2021	\$ (702)

Dividends

No dividends were declared or paid during the 13 and 39 weeks ended October 29, 2022 and October 30, 2021.

15. SHARE-BASED PAYMENTS

Under the share option plan, the Company is limited to issue 3,500,000 Class A non-voting shares pursuant to the exercise of options. Further details regarding the share option plan can be found in the Company's audited annual consolidated financial statements for the year ended January 29, 2022.

Share options

During the 39 weeks ended October 29, 2022, the Company granted 940,000 share options to certain executives, for which service conditions are expected to be satisfied. Options will vest in equal tranches over the first three years after the grant date and will expire three years and a month after the grant date. Estimated fair values of options on the grant date were determined using the Black Scholes option pricing model based on the following assumptions:

	<u>940,000 Share Options Granted April 26, 2022</u>
Expected share option life	2.5 years
Risk-free interest rate	2.46%
Expected share price volatility	71.90%
Dividend yield	-
Share price at grant date	\$1.40
Exercise price	\$1.50

The expected volatility is based on the historical volatility of comparable companies traded in the industry. The average fair value of stock options granted was \$0.60 per option.

The changes in outstanding share options were as follows:

	<u>For the 13 weeks ended</u>				<u>For the 39 weeks ended</u>			
	<u>October 29, 2022</u>		<u>October 30, 2021</u>		<u>October 29, 2022</u>		<u>October 30, 2021</u>	
	Options (in 000's)	Weighted Average Exercise Price	Options (in 000's)	Weighted Average Exercise Price	Options (in 000's)	Weighted Average Exercise Price	Options (in 000's)	Weighted Average Exercise Price
Outstanding, at beginning of period	1,685	\$ 3.72	1,357	\$ 8.84	1,126	\$ 8.56	1,357	\$ 8.84
Granted	-	-	-	-	940	1.50	-	-
Forfeited and expired	(50)	6.75	(231)	10.24	(431)	11.85	(231)	10.24
Outstanding, at end of period	<u>1,635</u>	<u>\$ 3.63</u>	<u>1,126</u>	<u>\$ 8.56</u>	<u>1,635</u>	<u>\$ 3.63</u>	<u>1,126</u>	<u>\$ 8.56</u>
Options exercisable, at end of period	<u>720</u>	<u>\$ 6.34</u>	<u>1,116</u>	<u>\$ 8.57</u>	<u>720</u>	<u>\$ 6.34</u>	<u>1,116</u>	<u>\$ 8.57</u>

During the 13 and 39 weeks ended October 29, 2022, the Company recognized \$72 and \$148, respectively, of compensation costs related to the Company's service-based share options with a corresponding credit to contributed surplus (nil for the 13 and 39 weeks ended October 30, 2021).

Market-condition share options

The Company also granted 1,110,000 share options to certain executives for which service and market conditions exist and will expire three years and a month after the grant date. The performance condition attached to those share options are Class A non-voting share price targets being met. The fair value of options was estimated at the grant date using the Monte Carlo pricing model based on the following assumptions:

	1,110,000 Share Options Granted April 26, 2022
Expected share option life	2.6 years
Risk-free interest rate	2.48%
Expected share price volatility	71.90%
Dividend yield	-
Share price at grant date	\$1.40
Exercise price	\$1.50

The expected volatility is based on the historical volatility of comparable companies traded in the industry. The average fair value of stock options granted was \$0.57 per option.

The changes in outstanding market-condition share options were as follows:

	For the 13 weeks ended October 29, 2022		For the 39 weeks ended October 29, 2022	
	Options (in 000's)	Weighted Average Exercise Price	Options (in 000's)	Weighted Average Exercise Price
Outstanding, at beginning of period	1,110	\$ 1.50	-	\$ -
Granted	-	-	1,110	1.50
Outstanding, at end of period	1,110	\$ 1.50	1,110	\$ 1.50
Options exercisable, at end of period	-	\$ -	-	\$ -

During the 13 and 39 weeks ended October 29, 2022, the Company recognized \$109 and \$223, respectively, of compensation costs related to the Company's market-condition share options with a corresponding credit to contributed surplus (nil for the 13 and 39 weeks ended October 30, 2021).

No Performance Share Units were granted and no related share-based compensation costs were recognized during the 13 and 39 weeks ended October 29, 2022 and October 30, 2021.

16. 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. For the 13 and 39 weeks ended October 29, 2022, the current tax recovery is mainly comprised of adjustments in respect to prior periods net of the income tax provision related to the operations of a foreign subsidiary.

17. FINANCE INCOME AND FINANCE COSTS

	For the 13 weeks ended		For the 39 weeks ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Interest income	\$ 333	\$ 94	\$ 488	\$ 230
Foreign exchange gain	591	629	663	1,346
Finance income	924	723	1,151	1,576
Interest expense on revolving credit facility	-	-	445	-
Interest expense on lease liabilities	1,282	889	3,555	3,056
Finance costs	1,282	889	4,000	3,056
Net finance costs	\$ (358)	\$ (166)	\$ (2,849)	\$ (1,480)

18. EARNINGS PER SHARE

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

	For the 13 and 39 weeks ended	
	October 29, 2022	October 30, 2021
Weighted average number of shares – basic and diluted	48,867	48,867

All share options were excluded from the calculation of diluted earnings per share for the 13 and 39 weeks ended October 29, 2022 and October 30, 2021 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.

19. SUPPLEMENTARY CASH FLOW INFORMATION

	October 29, 2022	October 30, 2021	January 29, 2022
Non-cash transactions:			
Additions to property and equipment and intangible assets included in trade and other payables	\$ 271	\$ 2,025	\$ 1,517

Net impairment losses

As at October 29, 2022, the Company tested for impairment certain cash-generating units ("CGUs") for which there were indications that their carrying amounts may not be recoverable, which resulted in \$171 and \$1,393 of impairment losses recognized related to property and equipment and intangible assets for the 13 and 39 weeks ended October 29, 2022, respectively (nil for the 13 and 39 weeks ended October 30, 2021). During the 13 and 39 weeks ended October 29, 2022, \$180 and \$787 of asset impairment losses were reversed following an improvement in profitability of certain CGU's, respectively (\$121 and \$628 for the 13 and 39 weeks ended October 30, 2021, respectively). Net impairment losses have been recorded in selling and distribution expenses.

20. NET SALES

Net sales disaggregated for retail stores and e-commerce is as follows:

	For the 13 weeks ended		For the 39 weeks ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Retail stores	\$ 151,846	\$ 128,515	\$ 423,455	\$ 320,851
E-commerce	53,762	49,669	165,234	150,881
Net sales	\$ 205,608	\$ 178,184	\$ 588,689	\$ 471,732

21. FINANCIAL INSTRUMENTS

Accounting classification and fair values

The Company has determined that the fair value of its current financial assets and liabilities at October 29, 2022, October 30, 2021 and January 29, 2022 (other than liabilities subject to compromise) approximates their respective carrying amounts as at the reporting dates because of the short-term nature of those financial instruments.

22. 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 13 and 39 weeks ended October 29, 2022 from those described in the Company's audited annual consolidated financial statements for the year ended January 29, 2022.