

# REITMANS

(CANADA) LIMITED

**Unaudited Condensed Consolidated Interim Financial Statements  
October 28, 2023 and October 29, 2022**

**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 28, 2023       | October 29, 2022 <sup>(1)</sup> | October 28, 2023       | October 29, 2022 <sup>(1)</sup> |
| Net revenues                      | 18    | <b>\$ 193,408</b>      | \$ 206,206                      | <b>\$ 573,704</b>      | \$ 590,383                      |
| Cost of goods sold                | 5     | <b>85,761</b>          | 88,133                          | <b>257,612</b>         | 248,578                         |
| Gross profit                      |       | <b>107,647</b>         | 118,073                         | <b>316,092</b>         | 341,805                         |
| Selling and distribution expenses |       | <b>88,442</b>          | 89,891                          | <b>258,044</b>         | 252,451                         |
| Administrative expenses           |       | <b>12,066</b>          | 13,073                          | <b>35,627</b>          | 36,257                          |
| Restructuring                     | 11    | -                      | 73                              | -                      | 480                             |
| Results from operating activities |       | <b>7,139</b>           | 15,036                          | <b>22,421</b>          | 52,617                          |
| Finance income                    | 15    | <b>2,120</b>           | 924                             | <b>4,175</b>           | 1,151                           |
| Finance costs                     | 15    | <b>(1,892)</b>         | (1,282)                         | <b>(6,205)</b>         | (4,000)                         |
| Earnings before income taxes      |       | <b>7,367</b>           | 14,678                          | <b>20,391</b>          | 49,768                          |
| Income tax (expense) recovery     |       | <b>(2,084)</b>         | (67)                            | <b>(5,563)</b>         | 445                             |
| Net earnings                      |       | <b>\$ 5,283</b>        | \$ 14,611                       | <b>\$ 14,828</b>       | \$ 50,213                       |
| Earnings per share:               | 16    |                        |                                 |                        |                                 |
| Basic                             |       | <b>\$ 0.11</b>         | \$ 0.30                         | <b>\$ 0.30</b>         | \$ 1.03                         |
| Diluted                           |       | <b>0.11</b>            | 0.30                            | <b>0.30</b>            | 1.03                            |

(1) For the 13 and 39 weeks ended October 29, 2022, shipping revenues of \$598 and \$1,694, respectively, were reclassified from selling and distribution expenses to net revenues. The adjustments had no effect on results from operating activities or on net earnings. See note 18.

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 28, 2023       | October 29, 2022 | October 28, 2023       | October 29, 2022 |
| Net earnings  |       | \$ 5,283               | \$ 14,611        | \$ 14,828              | \$ 50,213        |
| Other comprehensive income (loss)   |       |                        |                  |                        |                  |
| Items that are or may be reclassified subsequently to net earnings:   |       |                        |                  |                        |                  |
| Cash flow hedges (net of tax of \$883 and \$981 for the 13 and 39 weeks ended October 28, 2023, respectively)   | 12    | 2,447                  | -                | 2,720                  | -                |
| Loss on foreign currency translation differences reclassified to net earnings   | 12    | -                      | -                | 1,044                  | -                |
| Foreign currency translation differences  | 12    | -                      | (270)            | -                      | (288)            |
| Items that will not be reclassified to net earnings:  |       |                        |                  |                        |                  |
| Net actuarial (loss) gain on defined benefit plan (net of tax of \$64 and \$260 for the 13 and 39 weeks ended October 28, 2023, respectively; net of tax of \$116 and \$954 for the 13 and 39 weeks ended October 29, 2022, respectively) | 7     | (176)                  | 323              | 722                    | 194              |
| Total other comprehensive income (loss)   |       | 2,271                  | 53               | 4,486                  | (94)             |
| Total comprehensive income  |       | \$ 7,554               | \$ 14,664        | \$ 19,314              | \$ 50,119        |

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 28, 2023         | October 29, 2022         | January 28, 2023         |
|---|-------|--------------------------|--------------------------|--------------------------|
| <b>ASSETS</b>                                     |       |                          |                          |                          |
| <b>CURRENT ASSETS</b>                             |       |                          |                          |                          |
| Cash  | 4     | \$ 101,275               | \$ 64,298                | \$ 103,004               |
| Restricted cash                                   | 4     | -                        | 2,783                    | 2,808                    |
| Trade and other receivables                       |       | 3,719                    | 3,785                    | 3,241                    |
| Derivative financial asset                        | 19    | 3,844                    | -                        | -                        |
| Inventories                                       | 5     | 147,905                  | 159,741                  | 142,302                  |
| Prepaid expenses and other assets                 |       | 15,839                   | 22,765                   | 14,502                   |
| Total Current Assets                              |       | <u>272,582</u>           | <u>253,372</u>           | <u>265,857</u>           |
| <b>NON-CURRENT ASSETS</b>                         |       |                          |                          |                          |
| Property and equipment                            |       | 63,747                   | 61,145                   | 63,833                   |
| Intangible assets                                 |       | 1,620                    | 3,081                    | 2,638                    |
| Right-of-use assets                               | 6     | 108,195                  | 69,461                   | 79,894                   |
| Pension asset                                     | 7     | 1,886                    | 1,235                    | -                        |
| Deferred income taxes                             |       | 25,866                   | 186                      | 32,308                   |
| Total Non-Current Assets                          |       | <u>201,314</u>           | <u>135,108</u>           | <u>178,673</u>           |
| <b>TOTAL ASSETS</b>                               |       | <u><b>\$ 473,896</b></u> | <u><b>\$ 388,480</b></u> | <u><b>\$ 444,530</b></u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |       |                          |                          |                          |
| <b>CURRENT LIABILITIES</b>                        |       |                          |                          |                          |
| Trade and other payables                          | 9     | \$ 63,247                | \$ 65,368                | \$ 81,087                |
| Deferred revenue                                  | 10    | 11,597                   | 10,844                   | 14,100                   |
| Income taxes payable                              |       | 789                      | 998                      | 1,018                    |
| Current portion of lease liabilities              | 6     | 26,851                   | 25,520                   | 26,741                   |
| Total Current Liabilities                         |       | <u>102,484</u>           | <u>102,730</u>           | <u>122,946</u>           |
| <b>NON-CURRENT LIABILITIES</b>                    |       |                          |                          |                          |
| Lease liabilities                                 | 6     | 90,153                   | 51,432                   | 60,758                   |
| Total Non-Current Liabilities                     |       | <u>90,153</u>            | <u>51,432</u>            | <u>60,758</u>            |
| <b>SHAREHOLDERS' EQUITY</b>                       |       |                          |                          |                          |
| Share capital                                     | 12    | 28,292                   | 27,406                   | 27,406                   |
| Contributed surplus                               |       | 11,104                   | 10,666                   | 10,871                   |
| Retained earnings                                 |       | 239,143                  | 197,387                  | 223,593                  |
| Accumulated other comprehensive income (loss)     | 12    | 2,720                    | (1,141)                  | (1,044)                  |
| Total Shareholders' Equity                        |       | <u>281,259</u>           | <u>234,318</u>           | <u>260,826</u>           |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |       | <u><b>\$ 473,896</b></u> | <u><b>\$ 388,480</b></u> | <u><b>\$ 444,530</b></u> |

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 | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity |
|---|-------|------------------|---------------------|-------------------|---|----------------------------|
| <b>Balance as at January 29, 2023</b>                   |       | \$ 27,406        | \$ 10,871           | \$ 223,593        | \$ (1,044)                                    | \$ 260,826                 |
| Net earnings  |       | -                | -                   | 14,828            | -   | 14,828                     |
| Total other comprehensive income                        | 12    | -                | -                   | 722               | 3,764   | 4,486                      |
| <b>Total comprehensive income for the period</b>        |       | -                | -                   | 15,550            | 3,764   | 19,314                     |
| Share options exercised                                 | 12    | 886              | (243)               | -                 | -   | 643                        |
| Share-based compensation costs                          | 13    | -                | 476                 | -                 | -   | 476                        |
| <b>Total contributions by owners of the Company</b>     |       | 886              | 233                 | -                 | -   | 1,119                      |
| <b>Balance as at October 28, 2023</b>                   |       | <b>\$ 28,292</b> | <b>\$ 11,104</b>    | <b>\$ 239,143</b> | <b>\$ 2,720</b>                               | <b>\$ 281,259</b>          |
| <b>Balance as at January 30, 2022</b>                   |       | \$ 27,406        | \$ 10,295           | \$ 146,980        | \$ (853)                                      | \$ 183,828                 |
| Net earnings  |       | -                | -                   | 50,213            | -   | 50,213                     |
| Total other comprehensive income (loss)                 | 12    | -                | -                   | 194               | (288)   | (94)                       |
| <b>Total comprehensive income (loss) for the period</b> |       | -                | -                   | 50,407            | (288)   | 50,119                     |
| Share-based compensation costs                          | 13    | -                | 371                 | -                 | -   | 371                        |
| <b>Total contributions by owners of the Company</b>     |       | -                | 371                 | -                 | -   | 371                        |
| <b>Balance as at October 29, 2022</b>                   |       | <b>\$ 27,406</b> | <b>\$ 10,666</b>    | <b>\$ 197,387</b> | <b>\$ (1,141)</b>                             | <b>\$ 234,318</b>          |

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 28, 2023       | October 29, 2022 | October 28, 2023       | October 29, 2022 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |       |                        |                  |                        |                  |
| Net earnings   |       | \$ 5,283               | \$ 14,611        | \$ 14,828              | \$ 50,213        |
| Adjustments for:   |       |                        |                  |                        |                  |
| Depreciation, amortization and net impairment losses on property and equipment and intangible assets |       | 3,316                  | 3,534            | 10,296                 | 11,744           |
| Depreciation on right-of-use assets  | 6     | 8,511                  | 7,893            | 24,430                 | 20,986           |
| Share-based compensation costs   | 13    | 101                    | 181              | 476                    | 371              |
| Net change in transfer of realized gain on cash flow hedges to inventory                             |       | (144)                  | -                | (144)                  | -                |
| Foreign exchange gain  |       | (2,766)                | (1,357)          | (1,541)                | (1,942)          |
| Loss on foreign currency translation differences reclassified to net earnings                        | 12,15 | -                      | -                | 1,044                  | -                |
| Interest on lease liabilities  | 6,15  | 1,892                  | 1,282            | 5,161                  | 3,555            |
| Interest on revolving credit   | 15    | -                      | -                | -                      | 445              |
| Interest income  | 15    | (1,162)                | (333)            | (3,328)                | (488)            |
| Income tax expense (recovery)  |       | 2,084                  | 67               | 5,563                  | (445)            |
|  |       | <b>17,115</b>          | <b>25,878</b>    | <b>56,785</b>          | <b>84,439</b>    |
| Changes in:  |       |                        |                  |                        |                  |
| Trade and other receivables  |       | (189)                  | 1,263            | (429)                  | 3,929            |
| Inventories  | 5     | 909                    | (5,991)          | (5,603)                | (40,769)         |
| Prepaid expenses and other assets  |       | 1,448                  | 8,450            | (1,337)                | 19,825           |
| Trade and other payables   | 9     | (4,442)                | 8,103            | (18,166)               | 32,177           |
| Pension asset  | 7     | (8)                    | (131)            | (903)                  | 13               |
| Deferred revenue   | 10    | (1,108)                | (1,117)          | (2,503)                | (2,646)          |
|  |       | <b>13,725</b>          | <b>36,455</b>    | <b>27,844</b>          | <b>96,968</b>    |
| Interest paid  |       | -                      | (5)              | -                      | (486)            |
| Interest received  |       | 1,194                  | 232              | 3,279                  | 380              |
| Income taxes paid  |       | -                      | -                | (592)                  | (46)             |
| Net cash flows from operating activities   |       | <b>14,919</b>          | <b>36,682</b>    | <b>30,531</b>          | <b>96,816</b>    |
| <b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>   |       |                        |                  |                        |                  |
| Additions to property and equipment and intangible assets  | 17    | (3,351)                | (2,383)          | (8,867)                | (5,633)          |
| Cash flows used in investing activities  |       | <b>(3,351)</b>         | <b>(2,383)</b>   | <b>(8,867)</b>         | <b>(5,633)</b>   |
| <b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>   |       |                        |                  |                        |                  |
| Release of restricted cash   | 4     | -                      | (18)             | 2,808                  | (26)             |
| Net repayment of revolving credit facility   | 8     | -                      | -                | -                      | (29,634)         |
| Payment of lease liabilities   | 6     | (9,810)                | (9,373)          | (28,448)               | (24,451)         |
| Proceeds from issuance of share capital  | 12    | -                      | -                | 643                    | -                |
| Cash flows used in financing activities  |       | <b>(9,810)</b>         | <b>(9,391)</b>   | <b>(24,997)</b>        | <b>(54,111)</b>  |
| <b>FOREIGN EXCHANGE GAIN ON CASH HELD IN FOREIGN CURRENCY</b>  |       |                        |                  |                        |                  |
|  |       | <b>2,836</b>           | <b>1,217</b>     | <b>1,604</b>           | <b>1,724</b>     |
| NET INCREASE (DECREASE) IN CASH  |       | <b>4,594</b>           | <b>26,125</b>    | <b>(1,729)</b>         | <b>38,796</b>    |
| CASH, BEGINNING OF THE PERIOD  |       | <b>96,681</b>          | <b>38,173</b>    | <b>103,004</b>         | <b>25,502</b>    |
| CASH, END OF THE PERIOD  |       | <b>\$ 101,275</b>      | <b>\$ 64,298</b> | <b>\$ 101,275</b>      | <b>\$ 64,298</b> |

Supplementary cash flow information (note 17)

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. The Company’s issued and outstanding Common and Class A shares are listed on the Toronto Stock Venture Exchange under the symbol “RET.V” and “RET-A.V”, respectively.

#### **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 28, 2023.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on December 14, 2023.

##### **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;
- liabilities for cash-settled share-based payment arrangements are measured in accordance with IFRS 2, *Share-Based Payment*; and
- derivative financial instruments measured at fair value.

### 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.

### 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. These estimates and assumptions are based on historical experience, other relevant factors and expectations of the future and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

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 28, 2023.

## 3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below and for the change in accounting for shipping fees charged to customers that are now recorded as e-commerce net revenue, which were previously netted against shipping costs, the significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended January 28, 2023 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

### **Adoption of new accounting policies:**

*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. 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. 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. 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 adoption of these amendments did not have a significant impact on the Company's unaudited condensed consolidated interim financial statements.

#### **4. CASH AND RESTRICTED CASH**

|                                | <u>October 28, 2023</u> | <u>October 29, 2022</u> | <u>January 28, 2023</u> |
|--------------------------------|-------------------------|-------------------------|-------------------------|
| Cash <sup>(1)</sup>            | \$ 101,275              | \$ 64,298               | \$ 103,004              |
| Restricted cash <sup>(2)</sup> | -                       | 2,783                   | 2,808                   |
|                                | <u>\$ 101,275</u>       | <u>\$ 67,081</u>        | <u>\$ 105,812</u>       |

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

(2) Restricted cash represented cash held in trust by a Canadian financial institution as security on a standby letter of credit, which expired during the 39 weeks ended October 28, 2023. The cash bore interest at variable rates.

#### **5. INVENTORIES**

During the 13 and 39 weeks ended October 28, 2023, inventories recognized as cost of goods sold amounted to \$82,438 and \$251,144, respectively (\$85,704 and \$245,108 for the 13 and 39 weeks ended October 29, 2022, respectively). In addition, for the 13 and 39 weeks ended October 28, 2023, the Company recorded \$3,323 and \$6,468, respectively, of write-downs of inventories as a result of net realizable value being lower than cost (\$2,429 and \$3,470 for the 13 and 39 weeks ended October 29, 2022, respectively).

Included in inventories is a return asset for the right to recover returned goods for \$2,129 as at October 28, 2023 (October 29, 2022 - \$2,307; January 28, 2023 - \$2,100).

## 6. LEASES

The Company renews leases of its retail locations as part of its normal course of business. The following tables represent changes in right-of-use assets and lease liabilities:

### *Right-of-use assets*

|  | For the 13 weeks ended |                  | For the 39 weeks ended |                  |
|--|------------------------|------------------|------------------------|------------------|
|  | October 28, 2023       | October 29, 2022 | October 28, 2023       | October 29, 2022 |
| Balance at the beginning of the period | \$ 90,881              | \$ 71,533        | \$ 79,894              | \$ 44,978        |
| Lease additions                        | 25,942                 | 5,900            | 53,212                 | 46,100           |
| Lease modifications                    | (117)                  | (79)             | (481)                  | (631)            |
| Depreciation                           | (8,511)                | (7,893)          | (24,430)               | (20,986)         |
| Balance at the end of the period       | \$ 108,195             | \$ 69,461        | \$ 108,195             | \$ 69,461        |

### *Lease liabilities*

|  | For the 13 weeks ended |                  | For the 39 weeks ended |                  |
|--|------------------------|------------------|------------------------|------------------|
|  | October 28, 2023       | October 29, 2022 | October 28, 2023       | October 29, 2022 |
| Balance at the beginning of the period | \$ 99,027              | \$ 79,089        | \$ 87,499              | \$ 52,307        |
| Lease additions                        | 25,942                 | 5,962            | 53,212                 | 46,162           |
| Lease modifications                    | (47)                   | (8)              | (420)                  | (621)            |
| Payment of lease liabilities           | (9,810)                | (9,373)          | (28,448)               | (24,451)         |
| Interest expense (note 15)             | 1,892                  | 1,282            | 5,161                  | 3,555            |
| Balance at the end of the period       | \$ 117,004             | \$ 76,952        | \$ 117,004             | \$ 76,952        |

  

|  | October 28, 2023 | October 29, 2022 |
|--|------------------|------------------|
| Current portion of lease liabilities     | \$ 26,851        | \$ 25,520        |
| Non-current portion of lease liabilities | 90,153           | 51,432           |
| Total lease liabilities                  | \$ 117,004       | \$ 76,952        |

## 7. PENSION ASSET

The Company recognized an actuarial loss of \$240 and gain of \$982 in other comprehensive income for the 13 and 39 weeks ended October 28, 2023, respectively, (gain of \$439 and \$1,148 for the 13 and 39 weeks ended October 29, 2022, respectively) and subsequently reclassified the amounts from accumulated other comprehensive income to retained earnings based on an updated valuation of the net pension asset.

On May 19, 2023, the Board of Directors approved the dissolution of the Company's defined benefit pension plan (the "Plan"). The effective date of the windup for the Plan is June 30, 2024 and subject to regulatory approval from Retraite Quebec. The Board of Directors approved the replacement of the Plan with a defined contribution pension plan. The curtailment of the Plan required a revaluation resulting in the recognition of a gain of \$919 for the 39 weeks ended October 28, 2023, recorded as \$576 in selling and distribution expenses and \$343 in administrative expenses.

## 8. 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 28, 2023, the Company’s Borrowing Base was \$95,250 (October 29, 2022 – \$95,250, January 28, 2023 – \$92,762).

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 28, 2023, no amount (October 29, 2022 – nil, January 28, 2023 – nil) was drawn under the revolving credit facility and \$2,000 was committed for secured letters of credit (October 29, 2022 – \$2,000, January 28, 2023 – \$2,000).

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 28, 2023, October 29, 2022 and January 28, 2023, the Company was in compliance of all financial covenants.

## 9. TRADE AND OTHER PAYABLES

|                               | <u>October 28, 2023</u> | <u>October 29, 2022</u> | <u>January 28, 2023</u> |
|-------------------------------|-------------------------|-------------------------|-------------------------|
| Trade payables                | \$ 14,089               | \$ 9,712                | \$ 18,282               |
| Personnel liabilities         | 16,494                  | 25,981                  | 37,027                  |
| Other non-trade payables      | 26,622                  | 22,852                  | 20,683                  |
| Refund liability              | 5,252                   | 5,940                   | 4,024                   |
| Payables relating to premises | 790                     | 883                     | 1,071                   |
|                               | <u>\$ 63,247</u>        | <u>\$ 65,368</u>        | <u>\$ 81,087</u>        |

## 10. DEFERRED REVENUE

|  | <u>October 28, 2023</u> | <u>October 29, 2022</u> | <u>January 28, 2023</u> |
|--|-------------------------|-------------------------|-------------------------|
| Loyalty points and awards granted under loyalty programs | \$ 1,163                | \$ 1,116                | \$ 242                  |
| Unredeemed gift cards                                    | 10,434                  | 9,728                   | 13,858                  |
|  | <u>\$ 11,597</u>        | <u>\$ 10,844</u>        | <u>\$ 14,100</u>        |

## 11. RESTRUCTURING

During the year ended January 29, 2022, the Company emerged from Companies' Creditors Arrangement Act ("CCAA") proceedings. In connection with the restructuring plan and the CCAA proceedings, the following restructuring costs and recoveries were recognized:

|                      | For the 13 weeks ended |                  | For the 39 weeks ended |                  |
|----------------------|------------------------|------------------|------------------------|------------------|
|                      | October 28, 2023       | October 29, 2022 | October 28, 2023       | October 29, 2022 |
| Legal and other fees | \$ -                   | \$ 73            | \$ -                   | \$ 974           |
| Other recoveries     | -                      | -                | -                      | (494)            |
|                      | <u>\$ -</u>            | <u>\$ 73</u>     | <u>\$ -</u>            | <u>\$ 480</u>    |

## 12. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

|   | For the 39 weeks ended      |                  |                             |                 |
|---|-----------------------------|------------------|-----------------------------|-----------------|
|   | October 28, 2023            |                  | October 29, 2022            |                 |
|   | 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          | <u>13,440</u>               | <u>\$ 482</u>    | 13,440                      | \$ 482          |
| <b>Class A non-voting shares</b>                    |                             |                  |                             |                 |
| Balance at beginning of the period                  | 35,427                      | 26,924           | 35,427                      | 26,924          |
| Shares issued pursuant to exercise of share options | 429                         | 886              | -                           | -               |
| Balance at end of the period                        | <u>35,856</u>               | <u>27,810</u>    | 35,427                      | 26,924          |
| Total share capital                                 | <u>49,296</u>               | <u>\$ 28,292</u> | 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.

### *Issuance of Class A Non-Voting Shares*

During the 39 weeks ended October 28, 2023, 429,000 (October 29, 2022 – nil) Class A non-voting shares were issued from the exercise of vested share options arising from the Company's share option program (note 13). During the 39 weeks ended October 28, 2023, the amounts credited to share capital from the exercise of share options include a cash consideration of \$643 with an ascribed value from contributed surplus of \$243.

*Accumulated Other Comprehensive Income (“AOCI”)*

AOCI is comprised of the following:

|  | <b>Cash Flow<br/>Hedges</b> | <b>Foreign<br/>Currency<br/>Translation<br/>Differences</b> | <b>Total AOCI</b> |
|--|-----------------------------|---|-------------------|
| Balance at January 29, 2023  | \$ -                        | \$ (1,044)  | \$ (1,044)        |
| Net change in fair value of cash flow hedges (net of tax of \$981)                           | 2,720                       | -   | 2,720             |
| Loss on foreign currency translation differences reclassified to net earnings <sup>(1)</sup> | -                           | 1,044   | 1,044             |
| Balance at October 28, 2023  | <b>\$ 2,720</b>             | <b>\$ -</b>   | <b>\$ 2,720</b>   |
| Balance at January 30, 2022  | \$ -                        | \$ (853)  | \$ (853)          |
| Change in foreign currency translation differences   | -                           | (288)   | (288)             |
| Balance at October 29, 2022  | <b>\$ -</b>                 | <b>\$ (1,141)</b>   | <b>\$ (1,141)</b> |

(1) During the 39 weeks ended October 28, 2023, a subsidiary of the Company has been wound-up. Amounts previously recognized in other comprehensive income were reclassified to net earnings (note 15).

*Dividends*

No dividends were declared or paid during the 13 and 39 weeks ended October 28, 2023 and October 29, 2022.

### 13. 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 28, 2023.

#### *Service-based share options*

During the 13 and 39 weeks ended October 28, 2023, the Company granted 359,869 (940,000 during the 39 weeks ended October 29, 2022) service-based share options to certain executives, for which service conditions are expected to be satisfied. Estimated fair values of options on the grant date were determined using the Black Scholes option pricing model based on the following assumptions (amounts in dollars):

|                                 | For the 13 and 39 weeks ended<br>October 28, 2023     |   | For the 39 weeks ended<br>October 29, 2022         |
|---------------------------------|---|---|--|
|                                 | 327,869 Share<br>Options Granted<br>September 5, 2023 | 32,000 Share<br>Options Granted<br>August 3, 2023 | 940,000 Share<br>Options Granted<br>April 26, 2022 |
| Grant term                      | 4.1 years   | 1.8 years   | 3.1 years  |
| Equal vesting tranches          | 4   | 2   | 3  |
| Expected share option life      | 3.3 years   | 1.5 years   | 2.5 years  |
| Risk-free interest rate         | 4.30%   | 4.78%   | 2.46%  |
| Expected share price volatility | 68.10%  | 73.40%  | 71.90%   |
| Dividend yield                  | -   | -   | -  |
| Share price at grant date       | \$3.05  | \$3.04  | \$1.40   |
| Exercise price                  | \$3.05  | \$3.04  | \$1.50   |
| Average fair value              | \$1.52  | \$1.13  | \$0.60   |

The expected volatility is based on the historical volatility of comparable companies traded in the industry.

The changes in outstanding service-based share options were as follows:

|  | For the 13 weeks ended |                                       |                       |                                       | For the 39 weeks ended |                                       |                       |                                       |
|--|------------------------|---------------------------------------|-----------------------|---------------------------------------|------------------------|---------------------------------------|-----------------------|---------------------------------------|
|  | October 28, 2023       |                                       | October 29, 2022      |                                       | October 28, 2023       |                                       | October 29, 2022      |                                       |
|  | Options<br>(in 000's)  | Weighted<br>Average<br>Exercise Price | Options<br>(in 000's) | Weighted<br>Average<br>Exercise Price | Options<br>(in 000's)  | Weighted<br>Average<br>Exercise Price | Options<br>(in 000's) | Weighted<br>Average<br>Exercise Price |
| Outstanding,<br>at beginning of period   | 1,378                  | \$ 3.62                               | 1,685                 | \$ 3.72                               | 1,635                  | \$ 3.63                               | 1,126                 | \$ 8.56                               |
| Granted                                  | 360                    | 3.05                                  | -                     | -                                     | 360                    | 3.05                                  | 940                   | 1.50                                  |
| Exercised (note 12)                      | -                      | -                                     | -                     | -                                     | (109)                  | 1.50                                  | -                     | -                                     |
| Forfeited and expired                    | -                      | -                                     | (50)                  | 6.75                                  | (148)                  | 5.29                                  | (431)                 | 11.85                                 |
| Outstanding,<br>at end of period         | 1,738                  | \$ 3.50                               | 1,635                 | \$ 3.63                               | 1,738                  | \$ 3.50                               | 1,635                 | \$ 3.63                               |
| Options exercisable,<br>at end of period | 797                    | \$ 5.17                               | 720                   | \$ 6.34                               | 797                    | \$ 5.17                               | 720                   | \$ 6.34                               |

During the 13 and 39 weeks ended October 28, 2023, the Company recognized \$73 and \$189, respectively, of compensation costs related to the Company's service-based share options with a corresponding credit to contributed surplus (\$72 and \$148, respectively for the 13 and 39 weeks ended October 29, 2022).

### Market-condition share options

During the 39 weeks ended October 28, 2023, no market-condition share options were granted. During the 39 weeks ended October 29, 2022, the Company granted 1,110,000 market-condition 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 (amounts in dollars):

|                                 | <b>1,110,000 Share<br/>Options Granted<br/>April 26, 2022</b> |
|---------------------------------|---|
| 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  |
| Average fair value              | <u>\$0.57</u>   |

The expected volatility is based on the historical volatility of comparable companies traded in the industry.

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

|  | For the 13 weeks ended |                                       |                       |                                       | For the 39 weeks ended |                                       |                       |                                       |
|--|------------------------|---------------------------------------|-----------------------|---------------------------------------|------------------------|---------------------------------------|-----------------------|---------------------------------------|
|  | October 28, 2023       |                                       | October 29, 2022      |                                       | October 28, 2023       |                                       | October 29, 2022      |                                       |
|  | Options<br>(in 000's)  | Weighted<br>Average<br>Exercise Price | Options<br>(in 000's) | Weighted<br>Average<br>Exercise Price | Options<br>(in 000's)  | Weighted<br>Average<br>Exercise Price | Options<br>(in 000's) | Weighted<br>Average<br>Exercise Price |
| Outstanding,<br>at beginning of period   | 790                    | \$ 1.50                               | 1,110                 | \$ 1.50                               | 1,110                  | \$ 1.50                               | -                     | \$ -                                  |
| Granted                                  | -                      | -                                     | -                     | -                                     | -                      | -                                     | 1,110                 | 1.50                                  |
| Exercised (note 12)                      | -                      | -                                     | -                     | -                                     | (320)                  | 1.50                                  | -                     | -                                     |
| Outstanding,<br>at end of period         | <b>790</b>             | <b>\$ 1.50</b>                        | 1,110                 | \$ 1.50                               | <b>790</b>             | <b>\$ 1.50</b>                        | 1,110                 | \$ 1.50                               |
| Options exercisable,<br>at end of period | <b>790</b>             | <b>\$ 1.50</b>                        | -                     | \$ -                                  | <b>790</b>             | <b>\$ 1.50</b>                        | -                     | \$ -                                  |

During the 13 and 39 weeks ended October 28, 2023, the Company recognized \$27 and \$287, respectively, of compensation costs related to the Company's market-condition share options with a corresponding credit to contributed surplus (\$109 and \$223, respectively, for the 13 and 39 weeks ended October 29, 2022).

No Performance Share Units were granted and no related share-based compensation costs were recognized during the 13 and 39 weeks ended October 28, 2023 and October 29, 2022.

## 14. 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.

## 15. FINANCE INCOME AND FINANCE COSTS

|  | For the 13 weeks ended |                  | For the 39 weeks ended |                  |
|--|------------------------|------------------|------------------------|------------------|
|  | October 28, 2023       | October 29, 2022 | October 28, 2023       | October 29, 2022 |
| Interest income  | \$ 1,162               | \$ 333           | \$ 3,328               | \$ 488           |
| Foreign exchange gain  | 958                    | 591              | 847                    | 663              |
| Finance income   | 2,120                  | 924              | 4,175                  | 1,151            |
| Interest expense on lease liabilities (note 6)   | 1,892                  | 1,282            | 5,161                  | 3,555            |
| Loss on foreign currency translation differences<br>reclassified to net earnings (note 12) | -                      | -                | 1,044                  | -                |
| Interest expense on revolving credit facility  | -                      | -                | -                      | 445              |
| Finance costs  | 1,892                  | 1,282            | 6,205                  | 4,000            |
| Net finance income (costs)   | \$ 228                 | \$ (358)         | \$ (2,030)             | \$ (2,849)       |

## 16. EARNINGS PER SHARE

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

|   | For the 13 weeks ended |                  | For the 39 weeks ended |                  |
|---|------------------------|------------------|------------------------|------------------|
|   | October 28, 2023       | October 29, 2022 | October 28, 2023       | October 29, 2022 |
| Weighted average number of shares – basic   | 49,296                 | 48,867           | 49,058                 | 48,867           |
| Dilutive effect of stock options granted    | 604                    | -                | 698                    | -                |
| Weighted average number of shares – diluted | 49,900                 | 48,867           | 49,756                 | 48,867           |

As at October 28, 2023, 956,869 (October 29, 2022 – nil) share options were excluded from the calculation of diluted earnings per share 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.

## 17. SUPPLEMENTARY CASH FLOW INFORMATION

|  | <u>October 28, 2023</u> | <u>October 29, 2022</u> | <u>January 28, 2023</u> |
|--|-------------------------|-------------------------|-------------------------|
| Non-cash transactions:   |                         |                         |                         |
| Additions to property and equipment and intangible assets included in trade and other payables | \$ 1,662                | \$ 271                  | \$1,336                 |

### *Net impairment losses*

As at October 28, 2023, 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 \$88 and \$528 of impairment losses recognized related to property and equipment for the 13 and 39 weeks ended October 28, 2023, respectively (\$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). During the 13 and 39 weeks ended October 28, 2023, no asset impairment losses were reversed (\$180 and \$787 of asset impairment losses were reversed for the 13 and 39 weeks ended October 29, 2022, following an improvement in profitability of certain CGU’s). Net impairment losses have been recorded in selling and distribution expenses.

## 18. NET REVENUES

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

|               | <u>For the 13 weeks ended</u> |                                       | <u>For the 39 weeks ended</u> |                                       |
|---------------|-------------------------------|---------------------------------------|-------------------------------|---------------------------------------|
|               | <u>October 28, 2023</u>       | <u>October 29, 2022<sup>(1)</sup></u> | <u>October 28, 2023</u>       | <u>October 29, 2022<sup>(1)</sup></u> |
| Retail stores | \$ 143,830                    | \$ 151,846                            | \$ 426,489                    | \$ 423,455                            |
| E-commerce    | 49,578                        | 54,360                                | 147,215                       | 166,928                               |
| Net revenues  | <u>\$ 193,408</u>             | <u>\$ 206,206</u>                     | <u>\$ 573,704</u>             | <u>\$ 590,383</u>                     |

(1) For the 13 and 39 weeks ended October 29, 2022, shipping revenues of \$598 and \$1,694, respectively, were reclassified from selling and distribution expenses to net revenues as part of e-commerce.

## 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 (other than those included below) approximates their respective carrying amounts as at the reporting dates because of the short-term nature of those financial instruments.

|   | October 28, 2023                  |                                   |                |          |            |          |          |  |
|---|-----------------------------------|-----------------------------------|----------------|----------|------------|----------|----------|--|
|   | 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  | \$ -                              | \$ 3,844                          | \$ -           | \$ 3,844 | \$ -       | \$ 3,844 | \$ 3,844 |  |

There were no transfers between levels of the fair value hierarchy for the periods ended October 28, 2023, October 29, 2022 and January 28, 2023.

### *Derivative financial instruments*

The Company entered into forward contracts with its banks on the U.S. dollar. These foreign exchange contracts extend over a period normally not exceeding twelve months.

Details of the foreign exchange contracts outstanding, all of which are designated as cash flow hedges are as follows:

|                                    | Average Strike Price | Notional Amount in U.S. Dollars | Derivative Financial Asset | Derivative Financial Liability | Net      |
|------------------------------------|----------------------|---------------------------------|----------------------------|--------------------------------|----------|
| <b>October 28, 2023</b>            |                      |                                 |                            |                                |          |
| Foreign exchange forward contracts | \$ 1.316             | \$ 57,000                       | \$ 3,844                   | \$ -                           | \$ 3,844 |

## 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 13 and 39 weeks ended October 28, 2023 from those disclosed in the Company's audited annual consolidated financial statements for the year ended January 28, 2023.