

REITMANS

(CANADA) LIMITED

**Unaudited Condensed Consolidated Interim Financial Statements
November 2, 2024 and October 28, 2023**

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	
		November 2, 2024	October 28, 2023 ⁽¹⁾	November 2, 2024	October 28, 2023 ⁽¹⁾
Net revenues	16	\$ 187,670	\$ 193,408	\$ 568,960	\$ 573,704
Cost of goods sold	4	80,097	85,761	240,136	257,612
Gross profit		107,573	107,647	328,824	316,092
Selling, general and administrative expenses		103,683	100,508	304,630	293,671
Results from operating activities		3,890	7,139	24,194	22,421
Finance income	13	1,496	2,120	5,329	4,175
Finance costs	13	(2,665)	(1,892)	(7,465)	(6,205)
Earnings before income taxes		2,721	7,367	22,058	20,391
Income tax expense		(655)	(2,084)	(5,750)	(5,563)
Net earnings		\$ 2,066	\$ 5,283	\$ 16,308	\$ 14,828
Earnings per share:	14				
Basic		\$ 0.04	\$ 0.11	\$ 0.33	\$ 0.30
Diluted		0.04	0.11	0.33	0.30

(1) For the 13 and 39 weeks ended October 28, 2023, selling and distribution expenses of \$88,442 and \$258,044, and administrative expenses of \$12,066 and \$35,627, were combined to present selling, general and administrative expenses of \$100,508 and \$293,671, respectively, in order to align with presentation in the industry. The adjustments had no effect on results from operating activities or on net earnings.

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	
		November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Net earnings		\$ 2,066	\$ 5,283	\$ 16,308	\$ 14,828
Other comprehensive income					
Items that are or may be reclassified subsequently to net earnings:					
Cash flow hedges (net of tax of \$998 and \$1,162 for the 13 and 39 weeks ended November 2, 2024, respectively; net of tax of \$883 and \$981 for the 13 and 39 weeks ended October 28, 2023, respectively)	10	2,766	2,447	3,222	2,720
Loss on foreign currency translation differences reclassified to net earnings	10	-	-	-	1,044
Items that will not be reclassified to net earnings:					
Net actuarial (loss) gain on defined benefit plan (net of tax of \$47 and \$147 for the 13 and 39 weeks ended November 2, 2024, respectively; net of tax of \$64 and \$260 for the 13 and 39 weeks ended October 28, 2023, respectively)	6	(127)	(176)	(406)	722
Total other comprehensive income		2,639	2,271	2,816	4,486
Total comprehensive income		\$ 4,705	\$ 7,554	\$ 19,124	\$ 19,314

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	November 2, 2024	October 28, 2023	February 3, 2024
ASSETS				
CURRENT ASSETS				
Cash		\$ 123,073	\$ 101,275	\$ 116,653
Trade and other receivables		6,567	3,719	3,542
Derivative financial asset	17	5,956	3,844	1,382
Inventories	4	141,305	147,905	122,025
Prepaid expenses and other assets		17,385	15,839	16,341
Pension asset	6	1,286	-	-
Total Current Assets		<u>295,572</u>	<u>272,582</u>	<u>259,943</u>
NON-CURRENT ASSETS				
Property and equipment		77,644	63,747	69,609
Intangible assets		2,029	1,620	1,566
Right-of-use assets	5	138,198	108,195	131,457
Pension asset	6	-	1,886	1,149
Deferred income taxes		20,496	25,866	27,026
Total Non-Current Assets		<u>238,367</u>	<u>201,314</u>	<u>230,807</u>
TOTAL ASSETS		<u>\$ 533,939</u>	<u>\$ 473,896</u>	<u>\$ 490,750</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade and other payables	8	\$ 78,732	\$ 63,247	\$ 61,754
Deferred revenue	9	9,916	11,597	11,939
Income taxes payable		582	789	445
Current portion of lease liabilities	5	33,483	26,851	31,329
Total Current Liabilities		<u>122,713</u>	<u>102,484</u>	<u>105,467</u>
NON-CURRENT LIABILITIES				
Lease liabilities	5	114,667	90,153	106,265
Total Non-Current Liabilities		<u>114,667</u>	<u>90,153</u>	<u>106,265</u>
SHAREHOLDERS' EQUITY				
Share capital	10	28,787	28,292	28,292
Contributed surplus		11,435	11,104	11,207
Retained earnings		252,264	239,143	238,668
Accumulated other comprehensive income	10	4,073	2,720	851
Total Shareholders' Equity		<u>296,559</u>	<u>281,259</u>	<u>279,018</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$ 533,939</u>	<u>\$ 473,896</u>	<u>\$ 490,750</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	Total Shareholders' Equity
Balance as at February 4, 2024		\$ 28,292	\$ 11,207	\$ 238,668	\$ 851	\$ 279,018
Net earnings		-	-	16,308	-	16,308
Total other comprehensive (loss) income	10	-	-	(406)	3,222	2,816
Total comprehensive income for the period		-	-	15,902	3,222	19,124
Share options exercised	10	566	(158)	-	-	408
Share repurchase program under ASPP	10	(71)	-	(2,306)	-	(2,377)
Share-based compensation costs	11	-	386	-	-	386
Total contributions by (distributions to) owners of the Company		495	228	(2,306)	-	(1,583)
Balance as at November 2, 2024		\$ 28,787	\$ 11,435	\$ 252,264	\$ 4,073	\$ 296,559
Balance as at January 29, 2023		\$ 27,406	\$ 10,871	\$ 223,593	\$ (1,044)	\$ 260,826
Net earnings		-	-	14,828	-	14,828
Total other comprehensive income	10	-	-	722	3,764	4,486
Total comprehensive income for the period		-	-	15,550	3,764	19,314
Share options exercised	10	886	(243)	-	-	643
Share-based compensation costs	11	-	476	-	-	476
Total contributions by owners of the Company		886	233	-	-	1,119
Balance as at October 28, 2023		\$ 28,292	\$ 11,104	\$ 239,143	\$ 2,720	\$ 281,259

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)

		For the 13 weeks ended		For the 39 weeks ended	
	Notes	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
CASH FLOWS FROM OPERATING ACTIVITIES					
Net earnings		\$ 2,066	\$ 5,283	\$ 16,308	\$ 14,828
Adjustments for:					
Depreciation, amortization and net impairment losses on property and equipment and intangible assets		3,280	3,316	10,907	10,296
Depreciation on right-of-use assets	5	10,074	8,511	29,183	24,430
Share-based compensation costs	11	156	101	386	476
Net change in transfer of realized gain on cashflow hedges inventory		(68)	(144)	(190)	(144)
Foreign exchange gain		(655)	(2,766)	(4,487)	(1,541)
Loss on foreign currency translation differences reclassified to net earnings	10,13	-	-	-	1,044
Interest on lease liabilities	5,13	2,500	1,892	7,465	5,161
Interest income	13	(1,496)	(1,162)	(4,230)	(3,328)
Income tax expense		655	2,084	5,750	5,563
		16,512	17,115	61,092	56,785
Changes in:					
Trade and other receivables		(406)	(189)	(3,223)	(429)
Inventories	4	(3,771)	909	(19,280)	(5,603)
Prepaid expenses and other assets		2,112	1,448	(1,044)	(1,337)
Trade and other payables	8	1,291	(4,442)	15,490	(18,166)
Pension asset	6	(686)	(8)	(690)	(903)
Deferred revenue	9	269	(1,108)	(2,023)	(2,503)
		15,321	13,725	50,322	27,844
Interest received		1,482	1,194	4,428	3,279
Income taxes paid		-	-	(97)	(592)
Net cash flows from operating activities		16,803	14,919	54,653	30,531
CASH FLOWS USED IN INVESTING ACTIVITIES					
Additions to property and equipment and intangible assets	15	(7,002)	(3,351)	(20,069)	(8,867)
Cash flows used in investing activities		(7,002)	(3,351)	(20,069)	(8,867)
CASH FLOWS USED IN FINANCING ACTIVITIES					
Restricted cash		-	-	-	2,808
Payment of lease liabilities	5	(11,510)	(9,810)	(32,860)	(28,448)
Purchase of Class A non-voting shares for cancellation	10	(226)	-	(226)	-
Proceeds from issuance of share capital pursuant to exercise of share options	10	318	-	408	643
Cash flows used in financing activities		(11,418)	(9,810)	(32,678)	(24,997)
FOREIGN EXCHANGE GAIN ON CASH HELD IN FOREIGN CURRENCY					
		653	2,836	4,514	1,604
NET (DECREASE) INCREASE IN CASH		(964)	4,594	6,420	(1,729)
CASH, BEGINNING OF THE PERIOD		124,037	96,681	116,653	103,004
CASH, END OF THE PERIOD		\$ 123,073	\$ 101,275	\$ 123,073	\$ 101,275

Supplementary cash flow information (note 15)

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. 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 IFRS Accounting Standards, as issued by the International Accounting Standards Board on a basis consistent with those accounting policies followed by the Company in the most recent audited annual consolidated financial statements except where noted below. These unaudited condensed consolidated interim financial statements have been prepared under IFRS in accordance with IAS 34, *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended February 3, 2024.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on December 19, 2024.

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 is recognized as the fair value of the plan assets less the present value of the defined benefit obligation;
- 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 February 3, 2024.

3. MATERIAL ACCOUNTING POLICIES

Except as described below, the material accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended February 3, 2024 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

Adoption of new accounting policies:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued *Presentation of Financial Statements (Amendments to IAS 1)*. The amendments are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted. These amendments clarify the classification of liabilities as current or non-current. The amendments remove the requirement for a right to defer settlement or rollover of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period and have substance. The adoption of these amendments did not have any impact on the Company's unaudited condensed consolidated interim financial statements.

New standards and amendments not yet adopted

New standards and amendments to existing standards have been issued by the IASB, which are mandatory but not yet effective for the 39 weeks ended November 2, 2024. The following new standards and amendments have not been applied in preparing these condensed consolidated interim financial statements.

Presentation and Disclosure in Financial Statements (IFRS 18)

On April 9, 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements to improve reporting of financial performance*. IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. The standard introduces new required subtotals in the statement of earnings and disclosure requirements for management-defined performance measures. IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027. Early adoption is permitted. The Company is currently evaluating the impact from the adoption of IFRS 18 on its consolidated financial statements.

4. INVENTORIES

During the 13 and 39 weeks ended November 2, 2024, inventories recognized as cost of goods sold amounted to \$77,425 and \$235,534, respectively (\$82,438 and \$251,144 for the 13 and 39 weeks ended October 28, 2023, respectively). In addition, for the 13 and 39 weeks ended November 2, 2024, the Company recorded \$2,672 and \$4,602, respectively, related to the write-downs of inventories as a result of net realizable value being lower than cost, which were recognized in cost of goods sold (\$3,323 and \$6,468 for the 13 and 39 weeks ended October 28, 2023, respectively).

Included in inventories is a return asset for the right to recover returned goods for \$2,125 as at November 2, 2024 (October 28, 2023 - \$2,129; February 3, 2024 - \$1,703).

5. 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	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Balance at the beginning of the period	\$ 132,000	\$ 90,881	\$ 131,457	\$ 79,894
Lease additions	16,428	25,942	36,499	53,212
Lease modifications	(156)	(117)	(575)	(481)
Depreciation	(10,074)	(8,511)	(29,183)	(24,430)
Balance at the end of the period	\$ 138,198	\$ 108,195	\$ 138,198	\$ 108,195

Lease liabilities

	For the 13 weeks ended		For the 39 weeks ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Balance at the beginning of the period	\$ 140,890	\$ 99,027	\$ 137,594	\$ 87,499
Lease additions	16,428	25,942	36,499	53,212
Lease modifications	(158)	(47)	(548)	(420)
Payment of lease liabilities	(11,510)	(9,810)	(32,860)	(28,448)
Interest expense (note 13)	2,500	1,892	7,465	5,161
Balance at the end of the period	\$ 148,150	\$ 117,004	\$ 148,150	\$ 117,004
	November 2, 2024		October 28, 2023	
Current portion of lease liabilities	\$ 33,483	\$ 26,851		
Non-current portion of lease liabilities	114,667	90,153		
Total lease liabilities	\$ 148,150	\$ 117,004		

6. PENSION ASSET

The Company recognized an actuarial loss of \$174 and \$553 in other comprehensive income for the 13 and 39 weeks ended November 2, 2024, respectively, (loss of \$240 and gain of \$982 for the 13 and 39 weeks ended October 28, 2023) and subsequently reclassified the amounts from accumulated other comprehensive income to retained earnings based on an updated valuation of the net pension asset.

During the year ended February 3, 2024, 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 was June 30, 2024. The Board of Directors approved the replacement of the Plan with a defined contribution pension plan.

During the 13 and 39 weeks ended November 2, 2024, as part of the Plan windup process, the Company annuitized and transferred to a third party insurer, the portion of the pension asset related to retirees, beneficiaries and active members who elected an immediate or deferred pension. As a result, for the 13 and 39 weeks ended November 2, 2024, the Company recognized a settlement gain of \$749 in selling, general and administrative expenses.

Subsequent to November 2, 2024, Retraite Quebec approved the windup and dissolution of the Plan. Members who have selected a lump sum payment are expected to be paid by January 31, 2025 and all other obligations of the Plan are expected to be fully settled within the next twelve months. As a result, the pension asset is classified as current on the condensed consolidated interim balance sheets as at November 2, 2024.

7. 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 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 November 2, 2024, the Company’s Borrowing Base was \$95,750 (October 28, 2023 – \$95,250, February 3, 2024 – \$92,037).

The Company can borrow funds in Canadian or US dollars at prime, base, the Canadian Overnight Repo Rate Average (“CORRA”) 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 CORRA 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 November 2, 2024, no amount (October 28, 2023 – nil, February 3, 2024 – nil) was drawn under the revolving credit facility and \$1,000 was committed for secured letters of credit (October 28, 2023 – \$2,000, February 3, 2024 – \$2,010).

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 November 2, 2024, October 28, 2023 and February 3, 2024, the Company was in compliance of all financial covenants.

8. TRADE AND OTHER PAYABLES

	<u>November 2, 2024</u>	<u>October 28, 2023</u>	<u>February 3, 2024</u>
Trade payables	\$ 29,105	\$ 14,089	\$ 22,844
Personnel liabilities	18,385	16,494	21,720
Other non-trade payables	23,437	26,622	13,687
Refund liability	5,313	5,252	3,250
Obligation under the ASPP (note 10)	2,151	-	-
Payables relating to premises	341	790	253
	<u>\$ 78,732</u>	<u>\$ 63,247</u>	<u>\$ 61,754</u>

9. DEFERRED REVENUE

	<u>November 2, 2024</u>	<u>October 28, 2023</u>	<u>February 3, 2024</u>
Loyalty points and awards granted under loyalty programs	\$ 1,360	\$ 1,163	\$ 201
Unredeemed gift cards	8,556	10,434	11,738
	<u>\$ 9,916</u>	<u>\$ 11,597</u>	<u>\$ 11,939</u>

10. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

	For the 39 weeks ended			
	November 2, 2024		October 28, 2023	
	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 of the period	35,856	27,810	35,427	26,924
Shares issued pursuant to exercise of share options	272	566	429	886
Shares purchased for cancellation under ASPP	(91)	(71)	-	-
Balance at end of the period	36,037	28,305	35,856	27,810
Total share capital	49,477	\$ 28,787	49,296	\$ 28,292

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 13 and 39 weeks ended November 2, 2024, 211,667 and 271,667, respectively, (429,000 for the 39 weeks ended October 28, 2023) Class A non-voting shares were issued from the exercise of vested share options arising from the Company's share option program (note 11).

During the 13 and 39 weeks ended November 2, 2024, the amounts credited to share capital from the exercise of share options include a cash consideration of \$318 and \$408, respectively, with an ascribed value from contributed surplus of \$125 and \$158, respectively. 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.

Purchase of shares for cancellation under normal course issuer bid

On July 31, 2024, the Company received approval the TSX Venture Exchange to proceed with a normal course issuer bid (“NCIB”). Under the NCIB, the Company may acquire up to an aggregate of 3,283,582 Class A non-voting shares of the Company (“Shares”) over the 12-month period commencing on August 5, 2024, and ending on August 4, 2025, representing approximately 10% of the public float of the Shares. Additionally, under the NCIB, the Company may not acquire more than 2% of the public float of the Shares, representing 718,326 Shares, in any 30-day period.

In connection with the NCIB, the Company entered into an automatic share purchase plan (“ASPP”) with a designated broker to facilitate the purchase of Shares under the NCIB during times when the Company would ordinarily not be permitted to purchase Shares during self-imposed blackout periods. During the 13 and 39 months ended November 2, 2024, under the NCIB and ASPP, the Company purchased for cancellation 91,100 Shares having a carrying amount of \$71 for an aggregate cash consideration of \$226. The premium over of the carrying amount of \$155 for the 13 and 39 weeks ended November 2, 2024, was charged to retained earnings.

As at November 2, 2024, a financial liability with a corresponding amount charged to retained earnings of \$2,151 was recognized in trade and other payables. This liability represents the maximum value of Shares authorized to be repurchased under the ASPP in any 30-day period. Subsequent to November 2, 2024, under the terms and conditions of the NCIB, the Company purchased for cancellation 90,800 Shares for an aggregate cash consideration of \$238.

Accumulated Other Comprehensive Income (“AOCI”)

AOCI is comprised of the following:

	Cash Flow Hedges	Foreign Currency Translation Differences	Total AOCI
Balance at February 4, 2024	\$ 851	\$ -	\$ 851
Net change in fair value of cash flow hedges (net of tax of \$2,006)	5,563	-	5,563
Transfer to cost of inventory (net of tax of \$844)	(2,341)	-	(2,341)
Balance at November 2, 2024	<u>\$ 4,073</u>	<u>\$ -</u>	<u>\$ 4,073</u>
Balance at January 29, 2023	\$ -	\$ (1,044)	\$ (1,044)
Net change in fair value of cash flow hedges (net of tax of \$1,316)	3,649	-	3,649
Transfer to cost of inventory (net of tax of \$335)	(929)	-	(929)
Loss on foreign currency translation differences reclassified to net earnings ⁽¹⁾	-	1,044	1,044
Balance at October 28, 2023	<u>\$ 2,720</u>	<u>\$ -</u>	<u>\$ 2,720</u>

(1) During the 39 weeks ended October 28, 2023, a subsidiary of the Company had been wound-up. Amounts previously recognized in other comprehensive income were reclassified to net earnings (note 13).

Dividends

No dividends were declared or paid during the 13 and 39 weeks ended November 2, 2024 and October 28, 2023.

11. SHARE-BASED PAYMENTS

Under the share option plan, the Company can issue up to 4,300,000 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 February 3, 2024.

Service-based share options

The Company grants service-based share options to certain executives, for which service conditions are expected to be satisfied. Options normally vest in equal tranches over the first three to four years after the grant date and will expire three to four 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 (amounts in dollars):

	For the 39 weeks ended November 2, 2024	
	75,000 Share Options Granted September 19, 2024	1,109,917 Share Options Granted June 26, 2024
Weighted average expected share option life	2.7 years	3.0 years
Weighted average risk-free interest rate	2.84%	3.88%
Weighted average expected share price volatility	36.83%	38.96%
Dividend yield	-	-
Share price at grant date	\$2.40	\$2.42
Exercise price	\$2.40	\$2.42
Weighted average fair value	\$0.62	\$0.71

	For the 39 weeks ended October 28, 2023	
	327,869 Share Options Granted September 5, 2023	32,000 Share Options Granted August 3, 2023
Expected share option life	3.3 years	1.5 years
Risk-free interest rate	4.30%	4.78%
Expected share price volatility	68.10%	73.40%
Dividend yield	-	-
Share price at grant date	\$3.05	\$3.04
Exercise price	\$3.05	\$3.04
Weighted average fair value	\$1.52	\$1.13

The expected volatility is based on the historical volatility of the Company.

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

	For the 13 weeks ended				For the 39 weeks ended			
	November 2, 2024		October 28, 2023		November 2, 2024		October 28, 2023	
	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	2,466	\$ 2.81	1,378	\$ 3.62	1,697	\$ 3.55	1,635	\$ 3.63
Granted	75	2.40	360	3.05	1,185	2.42	360	3.05
Exercised (note 10)	(162)	1.50	-	-	(222)	1.50	(109)	1.50
Forfeited and expired	(56)	2.16	-	-	(337)	5.36	(148)	5.29
Outstanding, at end of period	2,323	\$ 2.90	1,738	\$ 3.50	2,323	\$ 2.90	1,738	\$ 3.50
Options exercisable, at end of period	642	\$ 4.31	797	\$ 5.17	642	\$ 4.31	797	\$ 5.17

During the 13 and 39 weeks ended November 2, 2024, the Company recognized \$156 and \$386, respectively, of compensation costs related to the Company's service-based share options with a corresponding credit to contributed surplus (\$73 and \$189, respectively, for the 13 and 39 weeks ended October 28, 2023).

Market-condition share options

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

	For the 13 weeks ended				For the 39 weeks ended			
	November 2, 2024		October 28, 2023		November 2, 2024		October 28, 2023	
	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	830	\$ 1.50	790	\$ 1.50	830	\$ 1.50	1,110	\$ 1.50
Exercised (note 10)	(50)	1.50	-	-	(50)	1.50	(320)	1.50
Outstanding and exercisable, at end of period	780	\$ 1.50	790	\$ 1.50	780	\$ 1.50	790	\$ 1.50

During the 13 and 39 weeks ended November 2, 2024, no compensation costs related to the Company's market-condition share options were recognized (\$27 and \$287, respectively, for the 13 and 39 weeks ended October 28, 2023 with a corresponding credit to contributed surplus).

12. 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.

13. FINANCE INCOME AND FINANCE COSTS

	For the 13 weeks ended		For the 39 weeks ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Interest income	\$ 1,496	\$ 1,162	\$ 4,230	\$ 3,328
Foreign exchange gain	-	958	1,099	847
Finance income	<u>1,496</u>	<u>2,120</u>	<u>5,329</u>	<u>4,175</u>
Interest expense on lease liabilities	2,500	1,892	7,465	5,161
Foreign exchange loss	165	-	-	-
Loss on foreign currency translation differences reclassified to net earnings (note 10)	-	-	-	1,044
Finance costs	<u>2,665</u>	<u>1,892</u>	<u>7,465</u>	<u>6,205</u>
Net finance (costs) income	<u>\$ (1,169)</u>	<u>\$ 228</u>	<u>\$ (2,136)</u>	<u>\$ (2,030)</u>

14. 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	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Weighted average number of shares – basic	49,359	49,296	49,324	49,058
Dilutive effect of stock options granted	545	604	543	698
Weighted average number of shares – diluted	<u>49,904</u>	<u>49,900</u>	<u>49,867</u>	<u>49,756</u>

As at November 2, 2024, 1,819,786 (October 28, 2023 – 956,869) 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.

15. SUPPLEMENTARY CASH FLOW INFORMATION

	November 2, 2024	October 28, 2023	February 3, 2024
Non-cash transactions:			
Additions to property and equipment and intangible assets included in trade and other payables	\$ 1,878	\$ 1,662	\$2,542

Net impairment losses

As at November 2, 2024, 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 \$99 and \$1,068 of impairment losses recognized related to property and equipment and intangible assets for the 13 and 39 weeks ended November 2, 2024, respectively (\$88 and \$528 for the 13 and 39 weeks ended October 28, 2023, respectively). During the 13 and 39 weeks ended November 2, 2024 and October 28, 2023, no asset impairment losses were reversed following an improvement in profitability of certain CGU’s. Net impairment losses have been recorded in selling, general and administrative expenses.

16. NET REVENUES

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

	For the 13 weeks ended		For the 39 weeks ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Retail stores	\$ 141,318	\$ 143,830	\$ 429,704	\$ 426,489
E-commerce	46,352	49,578	139,256	147,215
Net revenues	\$ 187,670	\$ 193,408	\$ 568,960	\$ 573,704

17. 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.

Financial assets measured at fair value through profit or loss	Carrying Amount				Fair Value		
	Fair Value through Profit or Loss	Fair Value of Hedging Instruments	Amortized Cost	Total	Level 1	Level 2	Total
Derivative financial asset as at:							
November 2, 2024	\$ -	\$ 5,956	\$ -	\$ 5,956	\$ -	\$ 5,956	\$ 5,956
October 28, 2023	-	3,844	\$ -	3,844	-	3,844	3,844
February 3, 2024	-	1,382	-	1,382	-	1,382	1,382

There were no transfers between levels of the fair value hierarchy for the periods ended November 2, 2024, October 28, 2023 and February 3, 2024.

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
November 2, 2024	\$ 1.346	\$ 158,000	\$ 5,956	\$ -	\$ 5,956
October 28, 2023	\$ 1.316	\$ 57,000	\$ 3,844	\$ -	\$ 3,844
February 3, 2024	\$ 1.328	\$ 90,000	\$ 1,382	\$ -	\$ 1,382

18. 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 November 2, 2024 from those disclosed in the Company's audited annual consolidated financial statements for the year ended February 3, 2024.