Dollarama Inc.

Consolidated Financial Statements

January 31, 2021 and February 2, 2020

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

Independent auditor's report

To the Shareholders of Dollarama Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dollarama Inc. and its subsidiaries (together, the Corporation) as at January 31, 2021 and February 2, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at January 31, 2021 and February 2, 2020;
- the consolidated statements of changes in shareholders' equity (deficit) for the years then ended;
- the consolidated statements of net earnings and comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended January 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Existence, accuracy and valuation of inventories *Refer to note 3 – Summary of significant accounting policies, and note 5 – Critical accounting estimates and judgments, to the consolidated financial statements.* As at January 31, 2021, the Corporation held inventories of $630.7 million. The Corporation's inventories at the distribution centre, warehouses and stores consist of merchandise purchased and held for resale and are valued at the lower of cost and net realizable value. Cost is determined at the distribution centre and warehouses on a weighted average cost basis and is then assigned to store inventories using the retail inventory method. The Corporation estimates its inventory provisions based on the consideration of a variety of factors, including inventory shrinkage. We determined that this is a key audit matter due to the magnitude of the inventory balance, the high number of locations where inventory was held at and the judgment applied by management in determining the appropriate inventory provisions, such as shrinkage.	Our approach to addressing the matter included the following procedures, among others: • Tested the operating effectiveness of relevant controls relating to the inventory process. • On a sample basis of inventory items, recalculated the mathematical accuracy of the weighted average cost basis and retail inventory method. Tested a sample of inventory items to purchase invoices and a sample of store inventories at year-end to most recent retail prices, respectively. • Observed the inventory count process for all warehouses and the distribution centre at year-end and performed independent test counts. • Observed the inventory count process for a sample of stores during the year and performed independent test counts. • Tested how management developed the inventory shrinkage provision: – Tested the underlying data used in the inventory shrinkage provision.

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

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
March 31, 2021

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

Dollarama Inc.

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

	Note	January 31, 2021 $	February 2, 2020 $
Assets			
Current assets			
Cash		439,144	90,464
Accounts receivable		20,546	34,965
Prepaid expenses		9,549	9,935
Prepaid income taxes		-	1,767
Inventories		630,655	623,490
Derivative financial instruments	14	468	3,876
		1,100,362	764,497
Non-current assets			
Right-of-use assets	6	1,344,639	1,283,778
Property, plant and equipment	7	709,469	644,011
Intangible assets	8	161,791	152,967
Derivative financial instruments	14	314	-
Goodwill	8	727,782	727,782
Equity-accounted investment	9	179,389	143,421
Total assets		4,223,746	3,716,456
Liabilities and shareholders' equity (deficit)			
Current liabilities			
Accounts payable and accrued liabilities	10	253,072	289,254
Dividend payable		14,583	13,737
Derivative financial instruments	14	25,821	267
Income taxes payable		12,975	-
Current portion of long-term debt	11	832,821	606,494
Current portion of lease liabilities	6	181,893	182,732
		1,321,165	1,092,484
Non-current liabilities			
Non-current portion of long-term debt	11	1,044,079	1,270,289
Non-current portion of lease liabilities	6	1,401,769	1,332,016
Deferred income taxes	13	121,879	113,863
Total liabilities		3,888,892	3,808,652
Commitments			
Shareholders' equity (deficit)			
Share capital	12	485,487	448,704
Contributed surplus	12	28,527	29,108
Deficit	12	(149,983)	(574,110)
Accumulated other comprehensive income (loss)	12	(29,177)	4,102
Total shareholders' equity (deficit)		334,854	(92,196)
Total liabilities and shareholders' equity (deficit)		4,223,746	3,716,456

Approved by the Board of Directors

(signed) "Stephen Gunn"
Stephen Gunn, Director

(signed) "Richard Roy"
Richard Roy, Director

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

Dollarama Inc.

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

	Note	Number of common shares	Share capital $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total $
Balance – February 3, 2019		314,685,277	408,179	32,450	(765,202)	7,189	(317,384)
Net earnings		-	-	-	564,039	-	564,039
Other comprehensive income		-	-	-	-	9,237	9,237
Total comprehensive income		-	-	-	564,039	9,237	573,276
Transfer of realized cash flow hedge gains to inventory		-	-	-	-	(12,324)	(12,324)
Dividends declared		-	-	-	(55,231)	-	(55,231)
Repurchase and cancellation of common shares	12	(7,089,040)	(9,439)	-	(317,716)	-	(327,155)
Share-based compensation	12	-	-	5,448	-	-	5,448
Issuance of common shares	12	2,634,800	41,174	-	-	-	41,174
Reclassification for the exercise of share options	12	-	8,790	(8,790)	-	-	-
Balance – February 2, 2020	12	310,231,037	448,704	29,108	(574,110)	4,102	(92,196)
Net earnings		-	-	-	564,348	-	564,348
Other comprehensive loss		-	-	-	-	(32,620)	(32,620)
Total comprehensive income (loss)		-	-	-	564,348	(32,620)	531,728
Transfer of realized cash flow hedge gains to inventory		-	-	-	-	(659)	(659)
Dividends declared		-	-	-	(55,616)	-	(55,616)
Repurchase and cancellation of common shares	12	(1,621,708)	(2,437)	-	(84,605)	-	(87,042)
Share-based compensation	12	-	-	6,240	-	-	6,240
Issuance of common shares	12	1,657,100	32,399	-	-	-	32,399
Reclassification for the exercise of share options	12	-	6,821	(6,821)	-	-	-
Balance – January 31, 2021	12	310,266,429	485,487	28,527	(149,983)	(29,177)	334,854

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

Dollarama Inc.

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

	Note	January 31, 2021	February 2, 2020
		$	$
Sales		4,026,259	3,787,291
Cost of sales	17	2,261,248	2,134,933
Gross profit		1,765,011	1,652,358
General, administrative and store operating expenses		654,032	551,699
Depreciation and amortization	17	269,633	242,785
Share of net earnings of equity-accounted investment	9	(19,654)	(10,263)
Operating income		861,000	868,137
Financing costs	17	95,646	100,605
Other income		-	(2,835)
Earnings before income taxes		765,354	770,367
Income taxes	13	201,006	206,328
Net earnings		564,348	564,039
Other comprehensive income			
Items that may be reclassified subsequently to net earnings			
Realized losses on financial instruments not subject to basis adjustment		(460)	-
Reclassification of losses on derivative financial instruments not subject to basis adjustments		(354)	(378)
Foreign currency translation adjustments		(8,061)	(647)
Share of other comprehensive income (loss) of equity-accounted investment	9	(3,588)	907
Income tax recovery relating to these items		240	49
Items that will not be reclassified subsequently to net earnings			
Unrealized gains (losses) on derivative financial instruments subject to basis adjustments		(27,750)	12,637
Income tax recovery (expense) relating to these items		7,353	(3,331)
Total other comprehensive income (loss), net of income taxes		(32,620)	9,237
Total comprehensive income		531,728	573,276
Earnings per common share			
Basic net earnings per common share	15	$1.82	$1.80
Diluted net earnings per common share	15	$1.81	$1.78
Weighted average number of common shares outstanding (*thousands*)	15	310,738	313,910
Weighted average number of diluted common shares outstanding (*thousands*)	15	312,455	317,185

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

Dollarama Inc.

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

	Note	January 31, 2021 $	February 2, 2020 $
Operating activities			
Net earnings		564,348	564,039
Adjustments to reconcile net earnings to net cash generated from operating activities:			
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	17	269,633	242,785
Amortization of debt issue costs	17	2,673	2,677
Recognition of gains and losses on bond lock and bond forward contracts		(354)	(378)
Share-based compensation	12	6,240	5,448
Financing costs on long-term debt		(356)	1,138
Deferred income taxes	13	15,843	15,015
Gain on lease modifications		(4,822)	(762)
Share of net earnings of equity-accounted investment	9	(19,654)	(10,263)
Other income		-	(2,835)
		833,551	816,864
Changes in non-cash working capital components	18	55,531	(84,356)
Net cash generated from operating activities		889,082	732,508
Investing activities			
Acquisition of equity-accounted investment	9	(97,281)	(59,546)
Additions to property, plant and equipment	7	(140,040)	(120,963)
Additions to intangible assets	8	(27,797)	(19,659)
Proceeds from disposal of property, plant and equipment		593	855
Net cash used in investing activities		(264,525)	(199,313)
Financing activities			
Proceeds from long-term debt issued (1.505% Fixed Rate Notes)	11	300,000	-
Repayments of Credit Facility	11	-	(25,000)
Repayment of Series 2 Floating Rate Notes	11	(300,000)	-
Payment of debt issue costs		(2,200)	(260)
Payment of bond forward settlement		(460)	-
Principal elements of lease liabilities	6	(163,804)	(127,717)
Issuance of common shares	12	32,399	41,174
Dividends paid	12	(54,770)	(54,144)
Repurchase and cancellation of common shares	12	(87,042)	(327,155)
Net cash used in financing activities		(275,877)	(493,102)
Change in cash		348,680	40,093
Cash – beginning of year		90,464	50,371
Cash – end of year		439,144	90,464

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

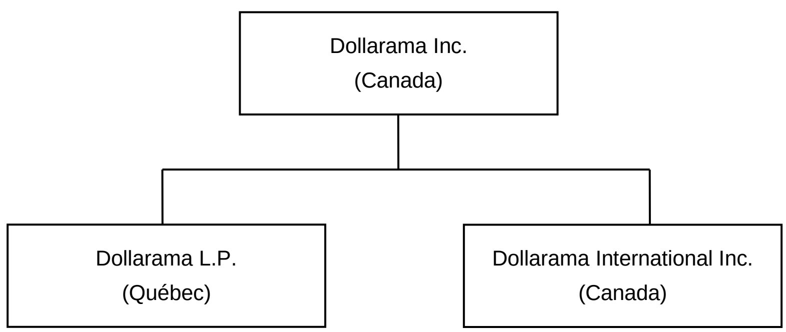
1 General information

Dollarama Inc. (the “Corporation”) was formed on October 20, 2004 under the Canada Business Corporations Act. The Corporation offers a broad assortment of general merchandise, consumable products and seasonal items at select, fixed price points up to $4.00 in-store and online in Canada. As at January 31, 2021, the Corporation maintains retail operations in every Canadian province.

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

The Corporation’s fiscal year ends on the Sunday closest to January 31 of each year and usually has 52 weeks. However, as is traditional with the retail calendar, every five or six years, a week is added to the fiscal year. The fiscal years ended January 31, 2021 and February 2, 2020 were comprised of 52 weeks.

As at January 31, 2021, the significant entities within the legal structure of the Corporation are as follows:



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

Dollarama International Inc. (“Dollarama International”) has retail operations in Latin America through its 50.1% equity investment in Dollarcity, a value retailer headquartered in Panama. Dollarcity offers a broad assortment of general merchandise, consumable products and seasonal items at select, fixed price points up to US$3.00 (or the equivalent in local currency) in stores located in El Salvador and Guatemala and up to the equivalent of US$4.00 in local currency in stores located in Colombia. Dollarama International also sells merchandise and renders services to Dollarcity. For the fiscal years ended January 31, 2021 and February 2, 2020, sales by Dollarama International to Dollarcity represented approximately 1% of the Corporation’s total consolidated sales.

2 Basis of preparation

The Corporation prepares its consolidated financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook – Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments, which are measured at fair value. The accounting policies of the Corporation have been applied consistently to all fiscal years in these consolidated financial statements, except for newly adopted amendments described below.

These consolidated financial statements were approved by the board of directors of the Corporation for issue on March 31, 2021.

Seasonality of operations

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

3 Summary of significant accounting policies

Subsidiaries

Subsidiaries are all entities over which the Corporation has control. The Corporation determines control based on its ability to exercise power that significantly affects the entities' relevant day-to-day activities. Control is also determined by the Corporation's exposure to the variability in returns on investment in the entity, whether favorable or unfavorable. Furthermore, control is defined by the Corporation's ability to direct the decisions made by the entity which ultimately impact return on investment. The existence and effect of substantive voting rights are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is determined and they are deconsolidated from the date on which control is deemed to have ceased.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Corporation. All entities considered as subsidiaries of the Corporation for accounting purposes are wholly-owned subsidiaries.

Equity-accounted investment

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

3 Summary of significant accounting policies (cont'd)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is also the Corporation's functional currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in earnings, except where hedge accounting is applied as described below under "Derivative financial instruments".

Segment information

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

Financial assets

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

On initial recognition, the Corporation determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through other comprehensive income (FVOCI) or through profit or loss (FVTPL)

The classification under IFRS 9 is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Contracts with embedded derivatives where the host is a financial asset will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met:

1. Held within a business model whose objective is to hold assets to collect contractual cash flows; and
2. Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 Summary of significant accounting policies (cont'd)

Financial assets classified at amortized cost are initially measured at fair value adjusted for directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment loss. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of net earnings and comprehensive income.

Financial assets at fair value through profit or loss (FVTPL) are initially and subsequently recognized at fair value; transaction costs are expensed in earnings. The effective portion of gains and losses on hedging instruments is accounted for in other comprehensive income in the period in which they occur.

The table below summarizes the classification and measurement of the Corporation's financial assets.

	IFRS 9 Classification
Cash	Amortized cost
Accounts receivable	Amortized cost
Derivative financial instruments	FVTPL

The Corporation estimates the expected credit losses associated with financial assets accounted for at amortized cost. The impairment methodology used depends on whether there is a significant increase in the credit risk or not. For accounts receivables, the Corporation measures loss allowances at an amount equal to lifetime expected credit loss (ECL).

Financial liabilities

Financial liabilities comprise accounts payable and accrued liabilities, dividend payable, derivative financial instruments, long-term debt and lease obligations.

Long-term debt is recognized initially at fair value, net of recognized transaction costs, and is subsequently measured at amortized cost, being the carrying value. Any difference between the carrying value and the redemption value is recognized in the consolidated statement of net earnings and comprehensive income using the effective interest rate method.

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

Financial liabilities are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the financial liabilities for at least 12 months after the statement of financial position date.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

3 Summary of significant accounting policies (cont'd)

Derivative financial instruments

The Corporation may use derivative financial instruments in the management of its foreign currency risk. The Corporation may also use derivative financial instruments in the management of its interest rate exposure. The Corporation designates certain derivatives as hedges of a particular risk associated with a highly probable forecast transaction (cash flow hedge).

When hedge accounting is applied, the Corporation documents at inception the relationships between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking derivatives to specific assets and liabilities on the consolidated statement of financial position or to specific firm commitments or forecasted transactions. The Corporation also assesses whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Movements on the hedging reserve in shareholders' equity (deficit) are shown in the consolidated statement of changes in shareholders' equity (deficit). The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in earnings.

The accumulated realized gains or losses as a result of cash flow hedges on foreign exchange contracts and zero cost collar contracts are reclassified from shareholders' equity (deficit) to the carrying value of inventory (known as a basis adjustment). These accumulated gains and losses recorded in inventory are then subsequently reclassified to the consolidated statement of net earnings and comprehensive income in the same period during which the inventory is sold and recognized as a cost of sales.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in shareholders' equity (deficit) at that time remains in shareholders' equity (deficit) and is recognized as part of the carrying value of the hedged transaction when the forecasted non-financial item is recognized.

Foreign exchange forward contracts and zero cost collar contracts are designated as cash flow hedges of specific forecasted transactions.

For cash flow hedges associated with interest rate risk such as a bond forward sale, the derivative is recorded on the consolidated statement of financial position at fair value. The effective portion of changes in the fair value of the derivative is recorded to other comprehensive income and reclassified to earnings over the same period as the hedged interest payments are recorded in earnings.

3 Summary of significant accounting policies (cont'd)

Derivatives where hedge accounting is not applied

Derivative financial instruments which are not designated as hedges or have ceased to be effective prior to maturity are recorded at their fair values under assets or liabilities, with changes in their fair values recorded in earnings.

Property, plant and equipment

Property, plant and equipment are carried at cost and depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Store and warehouse equipment	7 to 15 years
Vehicles	5 years
Building and roof	20 - 50 years
Leasehold improvements	Shorter of useful life or lease term
Computer equipment	5 years

The Corporation recognizes in the carrying amount of property, plant and equipment the full purchase price of assets acquired or constructed as well as the costs incurred that are directly incremental as a result of the construction of a specific asset, when they relate to bringing the asset into working condition.

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized. The rate for calculating the capitalized financing cost is based on the Corporation's weighted average cost of borrowing experienced during the reporting period.

The Corporation also capitalizes the cost of replacing parts of an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate. If the expected residual value of an asset is equal to or greater than its carrying value, depreciation on that asset is ceased. Depreciation is resumed when the expected residual value falls below the asset's carrying value. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized directly in the consolidated statement of net earnings and comprehensive income.

3 Summary of significant accounting policies (cont'd)

Goodwill and intangible assets

The Corporation classifies intangible assets into three categories: (1) intangible assets with finite lives subject to amortization, (2) intangible assets with indefinite lives not subject to amortization and (3) goodwill.

Intangible assets with finite lives subject to amortization

The Corporation determines the useful lives of identifiable intangible assets based on the specific facts and circumstances related to each intangible asset. Finite life intangible assets which consist of computer software are carried at cost and depreciated on a straight-line basis over an estimated useful life of 5 years.

The Corporation recognizes in the carrying amount of intangible assets with finite lives subject to amortization the full purchase price of the intangible assets developed or acquired as well as other costs incurred that are directly incremental as a result of the development of a specific intangible asset, when they relate to bringing the asset into working condition.

Intangible assets with indefinite lives not subject to amortization

The trade name is the Corporation's only intangible asset with indefinite life not subject to amortization. The trade name is recorded at cost. It is tested for impairment annually, as of the statement of financial position date, or more frequently if events or circumstances indicate that it may be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. As the trade name does not generate cash flows that are independent from other assets or individual cash-generating units ("CGUs" or "CGU"), trade name is allocated to one group of CGUs that is expected to benefit from the business combination, and which represents the lowest level within the Corporation at which trade name is monitored for internal management purposes.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the share of the net identifiable assets acquired of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill is subsequently measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, as at the statement of financial position date, or more frequently if events or circumstances indicate that it may be impaired. For the purposes of annual impairment testing, goodwill is allocated to one group of CGUs that is expected to benefit from the business combination, and which represents the lowest level within the Corporation at which goodwill is monitored for internal management purposes.

3 Summary of significant accounting policies (cont'd)

Impairment of non-financial assets

Assets that are subject to amortization are periodically reviewed for indicators of impairment. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, the asset or CGU is tested for impairment. To the extent that the asset or CGU's carrying amount exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of net earnings and comprehensive income. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU. The fair value is the price that could be received for an asset or CGU in an orderly transaction between market participants at the measurement date, less costs of disposal. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs – these are individual stores). Management undertakes an assessment of relevant market data, which includes the current publicly quoted market capitalization of the Corporation.

Cash

Cash can include highly liquid investments with original maturities from the date of purchase of three months or less. The majority of payments due from financial institutions for the settlement of credit card and debit card transactions are processed within one business day, and are therefore classified as cash.

Inventories

The Corporation's inventories at the distribution centre, warehouses and stores consist of merchandise purchased and held for resale and are valued at the lower of cost and net realizable value.

Cost is determined at the distribution centre and warehouses on a weighted average cost basis and is then assigned to store inventories using the retail inventory method. Costs of inventories include amounts paid to suppliers, duties and freight into the warehouses as well as costs directly associated with warehousing and distribution to stores and receiving at stores.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are obligations to pay for goods acquired from suppliers or for services rendered by employees and service providers in the ordinary course of business. Accounts payable and accrued liabilities are classified as current liabilities if payment is due or expected within one year or less. Otherwise, they are presented as non-current liabilities.

Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost.

3 Summary of significant accounting policies (cont'd)

Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and if it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are not recognized for future operating losses.

If the effect of time value of money is material, provisions are measured at the present value of cash flows expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as accretion expense under financing costs in the consolidated statement of net earnings and comprehensive income.

Share capital

Common shares are classified as shareholders' equity (deficit). Incremental costs directly attributable to the issuance of shares or options are shown in shareholders' equity (deficit) as a deduction, net of tax, from the proceeds of issuance.

When the Corporation repurchases common shares under its normal course issuer bid, the portion of the price paid for the common shares that corresponds to the book value of those shares is recognized as a reduction of share capital. The portion of the price paid that is in excess of the book value is recognized as a reduction of retained earnings.

Dividends declared

Dividend distributions to the Corporation's shareholders are recognized as a liability in the Corporation's consolidated financial statements in the period in which the dividends are declared by the board of directors.

Employee future benefits

A defined contribution pension plan is a post-employment benefit plan under which the Corporation pays fixed contributions into a separate legal entity as well as plans administered by the provincial and federal governments and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in earnings when they are due.

The Corporation offers a defined contribution pension plan to eligible employees whereby it matches an employee's contributions up to 5% of the employee's salary, subject to a maximum of 50% of the RRSP annual contribution limit.

Short-term employee benefits

Liabilities for bonus plans are recognized based on a formula that takes into consideration individual performance and contributions to the profitability of the Corporation.

3 Summary of significant accounting policies (cont'd)

Termination benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognizes termination benefits when it is demonstrably committed to providing termination benefits as a result of an offer made.

Income taxes

The income tax expense for the year comprises current and deferred tax. Tax is recognized in earnings, except to the extent that it relates to items recognized in other comprehensive income or directly in shareholders' equity (deficit). In this case, tax is recognized in other comprehensive income or directly in shareholders' equity (deficit).

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from initial recognition of goodwill or if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 Summary of significant accounting policies (cont'd)

Revenue recognition

Under IFRS 15, "Revenue from Contracts with Customers", revenue is recognized when control of a good or service is transferred to a customer. A five-step recognition model is used to apply the standard as follows: (1) identify the contract(s) with the customer; (2) identify the separate performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied. The vast majority of the Corporation's revenue comes from the sale of products that are recognized at a point in time. Sales of products in the consolidated statement of net earnings and comprehensive income are recognized by the Corporation when control of the goods has been transferred, being when the customer tenders payment and takes possession of the merchandise and that all obligations have been fulfilled. Revenue is recognized for goods shipped when the goods leave the port; and revenue is recognized for services when services have been rendered, which can occur discretely or over time.

The recognition of revenue at the store occurs at the time a customer tenders payment for and takes possession of the merchandise. Gift cards sold are recorded as a liability, and revenue is recognized when gift cards are redeemed. Online sales are recognized when control of goods has passed to the customer.

All sales are final. Revenue is shown net of sales tax and discounts.

Gross versus net

The Corporation may enter into arrangements for the sale of products to customers. When the Corporation acts as the principal in these arrangements, it recognizes revenue based on the amounts billed to customers. Otherwise, the Corporation recognizes the net amount that it retains as revenue.

Cost of sales

Cost of sales includes the cost of inventories purchased, outbound transportation costs, warehousing and distribution costs, receiving costs at the store, store, warehouse and distribution centre occupancy costs, as well as the effective portion of change in fair value on qualifying cash flow hedges related to the purchase of inventories.

Vendor rebates

The Corporation records vendor rebates, consisting of volume purchase rebates, when it is probable that they will be received and the amounts are reasonably estimable. The rebates are recorded as a reduction of inventory purchases or, if the related inventory has been sold, as a reduction of cost of sales in the consolidated statement of net earnings and comprehensive income.

General, administrative and store operating expenses

The Corporation includes store and head office salaries and benefits, repairs and maintenance, professional fees, store supplies and other related expenses in general, administrative and store operating expenses.

3 Summary of significant accounting policies (cont'd)

Earnings per common share

Earnings per common share is determined using the weighted average number of common shares outstanding during the fiscal year. Diluted earnings per common share is determined using the treasury share method to evaluate the dilutive effect of share options. Under this method, instruments with a dilutive effect are considered to have been exercised at the beginning of the fiscal year, or at the time of issuance, if later, and the proceeds received are considered to have been used to redeem common shares at the average market price during the fiscal year.

Share-based compensation

The Corporation recognizes a compensation expense for share options granted based on the fair value of those options at the grant date, using the Black-Scholes option pricing model. The options granted by the Corporation vest in tranches (graded vesting); accordingly, the expense is recognized in vesting tranches.

The total amount to be expensed is determined by reference to the fair value of the options granted.

The impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and retaining an employee of the entity over a specified time period) are excluded from the fair value calculation. Non-market performance vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Corporation revises its estimates of the number of options that are expected to vest based on the non-market performance vesting conditions. The Corporation recognizes the impact of the revision to original estimates, if any, in the consolidated statement of net earnings and comprehensive income, with a corresponding adjustment to contributed surplus.

When option holders exercise their options, the cash paid for the shares issued is credited, together with the related compensation costs, to share capital (nominal value).

3 Summary of significant accounting policies (cont'd)

Leases

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

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

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

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

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

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

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

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

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

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

3 Summary of significant accounting policies (cont'd)

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

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

4 New accounting standards

New accounting policies adopted in the current year and

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Effective February 3, 2020, the Corporation adopted the "Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7" (the "Reform Phase 1"). The amendments were meant to provide temporary exceptions from applying specific hedge accounting requirements during the period of uncertainty arising from the Reform Phase 1 which affects the application of hedge accounting requirements of IFRS 9. There is no impact as a result of the adoption of these amendments since the hedges the Corporation contracted are not subject to an interest rate benchmark that is scheduled for replacement.

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

In May 2020, the IASB issued an amendment to IFRS 16, "Leases", which provides lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change if the change were not a lease modification. The amendment is effective for annual and interim reporting periods beginning on or after June 1, 2020 with early application permitted. The Corporation has adopted the "COVID-19-Related Rent Concessions" amendment to IFRS 16. Early application by the Corporation of the practical expedient did not have an impact on the financial results.

New accounting standards announced but not yet adopted

Libor Reform with Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16

In August 2020, the IASB issued Interest Rate Benchmark Reform Phase 2 (the "Reform Phase 2"), which complemented the Reform Phase 1 and amended various standards requiring interest rates or interest rate calculations. The Reform Phase 2 provides guidance on the impacts on the financial statements after the London Inter-bank Offered Rate reform and its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021. These amendments will not have a significant impact on the Corporation's financial statements.

5 Critical accounting estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions using judgment that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses during the reporting period. Estimates and other judgments are continually evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

The following discusses the most significant accounting judgments and estimates that the Corporation made in the preparation of the consolidated financial statements.

Valuation of inventories

Estimate - Store inventories are valued at the lower of cost and net realizable value, with cost being determined by the retail inventory method. Under the retail inventory method, inventories are converted to a cost basis by applying an average cost-to-sell ratio. Inventories that are at the distribution centre or warehouses and inventories that are in transit from suppliers are measured at the lower of cost and net realizable value, with cost determined on a weighted average cost basis.

Inventories include items that have been marked down to management's best estimate of their net realizable value and are included in cost of sales in the period in which the markdown is determined. The Corporation estimates its inventory provisions based on the consideration of a variety of factors, including quantities of slow-moving or carryover seasonal merchandise on hand, historical markdown statistics, future merchandising plans and inventory shrinkage. The accuracy of the Corporation's estimates can be affected by many factors, some of which are beyond its control, including changes in economic conditions and consumer buying trends.

Historically, the Corporation has not experienced significant differences in its estimates of markdowns compared with actual results. Changes to the inventory provisions and especially shrinkage can have a material impact on the results of the Corporation.

Lease term

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

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

6 Leases

As at January 31, 2021, the Corporation owned one store, one distribution centre, one warehouse and leased 1,355 stores, its head office, five warehouses and some equipment.

The initial lease term of stores typically runs for a period of approximately 10 years. Many leases include one or more options to renew the lease for additional periods of five years each after the end of the initial term. These terms are used to maximize operational flexibility in terms of managing contracts. Extension options held are either at a fixed rate or at fair market value and are exercisable only by the Corporation and not by the respective lessor. During the year, the financial impact of revising the lease terms to reflect the effect of exercising extension options was an increase in recognized lease liabilities of $12,707 (February 2, 2020 – $7,121).

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

a) Additions to right-of-use assets

Additions to the right-of-use assets during the fiscal year ended January 31, 2021 amounted to $241,139 (February 2, 2020 – $242,777).

b) Amounts recognized in the consolidated statement of net earnings

	January 31, 2021 $	February 2, 2020 $
Depreciation of right-of-use assets	176,704	165,483
Gain on lease remeasurements	(4,855)	(899)
Interest on lease liabilities	47,115	47,347
Variable lease expenses not included in the measurement of the lease liabilities	90,708	87,211
Expenses relating to short-term leases	18,272	13,885

c) Amounts recognized in the consolidated statement of cash flows

	January 31, 2021 $	February 2, 2020 $
Lease cash flows		
Fixed payments	224,276	192,708
Variable payments	95,944	78,266
Short-term leases	18,272	13,885
Tenant incentives received	(13,357)	(17,644)
	325,135	267,215
Principal elements of lease liabilities		
Fixed payments	224,276	192,708
Tenant incentives received	(13,357)	(17,644)
Interest on lease liabilities	(47,115)	(47,347)
	163,804	127,717

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

7 Property, plant and equipment

	Land	Buildings	Construction in progress	Store and warehouse equipment	Computer equipment	Vehicles	Leasehold improvements	Total
	$	$		$	$	$	$	$
Cost								
Balance February 3, 2019	64,843	60,928	29,700	440,776	45,966	5,115	362,581	1,009,909
Additions	5,502	7,583	-	41,985	19,766	1,806	44,321	120,963
Transfers	-	20,818	(29,700)	22,131	(13,406)	-	-	(157)
Dispositions	-	-	-	(171)	-	(1,557)	(1,292)	(3,020)
Balance February 2, 2020	70,345	89,329	-	504,721	52,326	5,364	405,610	1,127,695
Accumulated depreciation								
Balance February 3, 2019	-	2,375	-	250,583	25,355	1,920	143,649	423,882
Depreciation	-	1,761	-	23,384	9,384	1,010	26,035	61,574
Transfers	-	-	-	948	(948)	-	-	-
Dispositions	-	-	-	(171)	-	(947)	(654)	(1,772)
Balance February 2, 2020	-	4,136	-	274,744	33,791	1,983	169,030	483,684
Net book value								
Balance February 2, 2020	70,345	85,193	-	229,977	18,535	3,381	236,580	644,011
Cost								
Balance February 2, 2020	70,345	89,329	-	504,721	52,326	5,364	405,610	1,127,695
Additions	-	241	-	79,248	10,498	1,516	48,537	140,040
Retirement	-	-	-	(13,620)	(713)	(1,410)	(2,961)	(18,704)
Balance January 31, 2021	70,345	89,570	-	570,349	62,111	5,470	451,186	1,249,031
Accumulated depreciation								
Balance February 2, 2020	-	4,136	-	274,744	33,791	1,983	169,030	483,684
Depreciation	-	2,331	-	32,677	8,781	1,077	29,090	73,956
Retirement	-	-	-	(13,620)	(713)	(971)	(2,774)	(18,078)
Balance January 31, 2021	-	6,467	-	293,801	41,859	2,089	195,346	539,562
Net book value								
Balance January 31, 2021	70,345	83,103	-	276,548	20,252	3,381	255,840	709,469

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

8 Intangible assets and goodwill

	Computer software $	Trade name [(1)] $	Total intangible assets $	Goodwill $
Cost				
Balance February 3, 2019	102,563	108,200	210,763	727,782
Additions	19,659	-	19,659	-
Transfers	157	-	157	-
Balance February 2, 2020	122,379	108,200	230,579	727,782
Accumulated amortization				
Balance February 3, 2019	61,884	-	61,884	-
Amortization	15,728	-	15,728	-
Balance February 2, 2020	77,612	-	77,612	-
Net book value				
Balance February 2, 2020	44,767	108,200	152,967	727,782
Cost				
Balance February 2, 2020	122,379	108,200	230,579	727,782
Additions	27,797	-	27,797	-
Balance January 31, 2021	150,176	108,200	258,376	727,782
Accumulated amortization				
Balance February 2, 2020	77,612	-	77,612	-
Amortization	18,973	-	18,973	-
Balance January 31, 2021	96,585	-	96,585	-
Net book value				
Balance January 31, 2021	53,591	108,200	161,791	727,782

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

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

9 Equity-accounted investment

The final purchase price for the 50.1% equity interest held in Dollarcity was calculated following completion of the audit of Dollarcity's financial statements for the 12-month period ended June 30, 2020 and amounted to US$92,700 ($122,079). On September 10, 2020, the Corporation paid the balance of purchase price of US$52,700 ($69,279). This is following a cash payment of US$40,000 ($52,800) made on August 14, 2019, when the Corporation closed the acquisition.

On May 8, 2020, the Corporation, through Dollarama International, and Dollarcity's founding stockholders, each made a capital contribution to Dollarcity to cover their pro rata share of the costs associated with a series of transactions aimed at bringing real estate assets into the Dollarcity group, eliminating existing related-party transactions and insourcing some logistics activities. The Corporation's capital contribution amounted to US$20,040 ($28,002) and was added to the equity-accounted investment of the Corporation in Dollarcity.

The change in the carrying amount of the investment was as follows:

	January 31, 2021 $	February 2, 2020 $
Opening balance	143,421	-
Investment	28,002	122,616
Transaction fees	-	6,746
Share of net earnings	19,654	10,263
Share of other comprehensive income (loss)	(3,588)	907
Gain on the exercise of the call option	-	2,835
Foreign currency translation adjustments	(8,100)	54
Ending balance	179,389	143,421

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

10 Accounts payable and accrued liabilities

	January 31, 2021 $	February 2, 2020 $
Trade accounts payable	66,691	64,728
Employee benefits payable	61,793	48,190
Inventories in transit	43,436	36,866
Sales tax payable	34,642	43,033
Rent and other expenses	46,510	26,621
Estimated balance of the purchase price for the acquisition of a 50.1% interest in Dollarcity	-	69,816
	253,072	289,254

11 Debt

Long-term debt outstanding consists of the following as at:	January 31, 2021 $	February 2, 2020 $
Senior unsecured notes bearing interest at:		
Fixed annual rate of 1.505% payable in equal semi-annual instalments, maturing September 20, 2027 (the “1.505% Fixed Rate Notes”)	300,000	-
Fixed annual rate of 3.55% payable in equal semi-annual instalments, maturing November 6, 2023 (the “3.55% Fixed Rate Notes”)	500,000	500,000
Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022 (the “2.203% Fixed Rate Notes”)	250,000	250,000
Fixed annual rate of 2.337% payable in equal semi-annual instalments, maturing July 22, 2021 (the “2.337% Fixed Rate Notes”, and collectively with the 1.505% Fixed Rate Notes, the 3.55% Fixed Rate Notes and the 2.203% Fixed Rate Notes, the “Fixed Rate Notes”)	525,000	525,000
Variable rate equal to 3-month bankers’ acceptance rate (CDOR) plus 27 basis points payable quarterly, maturing February 1, 2021 (the “Series 3 Floating Rate Notes”)	300,000	300,000
Variable rate equal to 3-month bankers’ acceptance rate (CDOR) plus 59 basis points payable quarterly, repaid on March 16, 2020 (the “Series 2 Floating Rate Notes”, and collectively with the Series 3 Floating Rate Notes, the “Floating Rate Notes”)	-	300,000
Less: Unamortized debt issue costs	(6,151)	(6,624)
Accrued interest on Floating Rate Notes and Fixed Rate Notes (collectively, the “Senior Unsecured Notes”)	8,051	8,407
	1,876,900	1,876,783
Current portion (includes the Series 3 Floating Rate Notes maturing February 1, 2021, the 2.337% Fixed Rate Notes maturing July 22, 2021, unamortized debt issue costs and accrued interest on the Senior Unsecured Notes)	(832,821)	(606,494)
	1,044,079	1,270,289

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

11 Debt (cont'd)

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at January 31, 2021 and February 2, 2020. The fair value of the Senior Unsecured Notes was determined as a level 2 in the fair value hierarchy.

	January 31, 2021		February 2, 2020	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Fixed Rate Notes				
1.505% Fixed Rate Notes	300,089	300,660	-	-
3.55% Fixed Rate Notes	501,716	537,250	500,874	523,480
2.203% Fixed Rate Notes	250,856	257,000	250,664	250,958
2.337% Fixed Rate Notes	525,127	529,725	524,686	527,678
Floating Rate Notes				
Series 3 Floating Rate Notes	300,566	300,030	301,302	300,204
Series 2 Floating Rate Notes	-	-	300,754	300,156
	1,878,354	1,924,665	1,878,280	1,902,476

Fixed Rate Notes

On September 18, 2020, the Corporation issued the 1.505% Fixed Rate Notes at par, for aggregate gross proceeds of $300,000, by way of private placement, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 1.505% Fixed Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS Limited. The 1.505% Fixed Rate Notes bear interest at a rate of 1.505% per annum, payable in equal semi-annual instalments, in arrears, on March 20 and September 20 of each year until maturity on September 20, 2027.

Credit Agreement

On February 14, 2020, the Corporation and the lenders entered into the Third Amended and Restated Credit Agreement (the "TARCA") reflecting a number of agreed upon amendments to the Second Amended and Restated Credit Agreement (the "SARCA"), including the addition of a new revolving credit facility, Facility D, in the amount of $300,000. This additional facility brings total commitments up from $500,000 to $800,000 and the whole facility serves as a liquidity backstop for the repayment of the USCP Notes (defined hereinafter) issued from time to time under the US Commercial Paper Program (defined hereinafter).

On March 13, 2020, the Corporation and the lenders entered into a first amending agreement to the TARCA in order to extend the term of Facility B and Facility C, representing $200,000 and $50,000 respectively, from September 29, 2021 to September 29, 2022.

11 Debt (cont'd)

On September 21, 2020, the Corporation and the lenders entered into the second amending agreement to the TARCA in order to extend the term of Facility D of $300,000 from February 12, 2021 to September 20, 2021.

On March 9, 2021, the Corporation and the lenders entered into a third amending agreement to the TARCA in order to extend further the term for each of Facility B and Facility C from September 29, 2022 to September 29, 2023. Facility A, in the amount of $250,000, is available until September 27, 2024.

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

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

As at January 31, 2021, no amount was outstanding under the TARCA (February 2, 2020 – no amount outstanding under the SARCA), although there were letters of credit issued for the purchase of inventories which amounted to $1,105 (February 2, 2020 – $469). As at January 31, 2021, the Corporation was in compliance with all of its financial covenants.

Short-term borrowings

On February 18, 2020, the Corporation announced the establishment of a commercial paper program in the United States on a private placement basis, in reliance upon exemptions from registration and prospectus requirements under applicable securities legislation (the "US Commercial Paper Program").

Under the terms of the US Commercial Paper Program, the Corporation may issue, from time to time, unsecured commercial paper notes with maturities not in excess of 397 days from the date of issue (the "USCP Notes"). The aggregate principal amount of USCP Notes outstanding at any one time under the US Commercial Paper Program may not exceed US$500,000. The Corporation uses derivative financial instruments to convert the net proceeds from the issuance of USCP Notes into Canadian dollars, and uses those proceeds for general corporate purposes.

The USCP Notes are direct unsecured obligations of the Corporation and rank equally with all of its other unsecured and unsubordinated indebtedness. The USCP Notes are unconditionally guaranteed by Dollarama L.P. and Dollarama GP Inc., each a wholly-owned subsidiary of the Corporation.

As at January 31, 2021, there was no amount outstanding under the US Commercial Paper Program.

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

12 Shareholders' equity (deficit)

a) Share capital

Normal course issuer bid

On July 3, 2019, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 15,737,468 common shares, representing 5.0% of the common shares issued and outstanding as at the close of markets on July 2, 2019, during the 12-month period from July 5, 2019 to July 4, 2020 (the "2019-2020 NCIB"). No common shares were repurchased under the 2019-2020 NCIB during the fiscal year ended January 31, 2021.

On July 3, 2020, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 15,548,326 common shares, representing 5.0% of the common shares issued and outstanding as at the close of markets on June 30, 2020, during the 12-month period from July 7, 2020 to July 6, 2021 (the "2020-2021 NCIB").

The total number of common shares repurchased for cancellation under the 2020-2021 NCIB during the fiscal year ended January 31, 2021 amounted to 1,621,708 (February 2, 2020 – 7,089,040 common shares under the normal course issuer bids then in effect), for a total cash consideration of $87,042 (February 2, 2020 – $327,155). For the fiscal year ended January 31, 2021, the Corporation's share capital was reduced by $2,437 (February 2, 2020 – $9,439) and the remaining $84,605 (February 2, 2020 – $317,716) was accounted for as an increase in deficit.

b) Common shares authorized

The Corporation is authorized to issue an unlimited number of common shares. All common shares are issued as fully paid and without par value. Movements in the Corporation's share capital for fiscal years ended on the dates indicated below were as follows:

	January 31, 2021		February 2, 2020	
	Number of common shares	Amount ($)	Number of common shares	Amount ($)
Balance, beginning of year	310,231,037	448,704	314,685,277	408,179
Cancellation under NCIB	(1,621,708)	(2,437)	(7,089,040)	(9,439)
Exercise of share options	1,657,100	39,220	2,634,800	49,964
Balance, end of year	310,266,429	485,487	310,231,037	448,704

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

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

c) Contributed surplus

Share-based compensation

The Corporation established a management option plan whereby its directors, officers and employees may be granted share options to acquire its shares. Under the plan, the Corporation's board of directors determines the number and characteristics of share options granted and share options have a life not exceeding 10 years.

Outstanding share options under the plan are granted with service requirements (or service conditions). These share options were granted to purchase an equivalent number of common shares. There are no share options with non-market performance vesting conditions outstanding. The share options vest over a five-year period, at a rate of 20% annually on the anniversary of the grant date.

During the fiscal year ended January 31, 2021, the Corporation recognized a share-based compensation expense of $6,240 (February 2, 2020 – $5,448).

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

	January 31, 2021		February 2, 2020	
	Number of share options	Weighted average exercise price ($)	Number of share options	Weighted average exercise price ($)
Outstanding – beginning of year	5,083,700	26.99	7,249,600	22.07
Granted	823,000	47.44	583,500	38.47
Exercised	(1,657,100)	19.55	(2,634,800)	15.63
Forfeited	(20,100)	41.72	(114,600)	35.59
Outstanding – end of year	4,229,500	33.81	5,083,700	26.99
Exercisable – end of year	2,159,100	25.12	3,022,100	19.86

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

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

Information relating to share options outstanding and exercisable as at January 31, 2021 is as follows:

	Share options outstanding			Share options exercisable		
Range of exercise prices	**Weighted average remaining life (in months)**	**Number of share options**	**Weighted average exercise price ($)**	**Weighted average remaining life (in months)**	**Number of share options**	**Weighted average exercise price ($)**
$6.30 - $9.90	11	75,600	7.03	11	75,600	7.03
$9.91 - $13.66	26	95,600	11.85	26	95,600	11.85
$13.67 - $18.72	38	820,800	14.83	38	820,800	14.83
$18.73 - $23.68	50	267,500	23.68	50	267,500	23.68
$23.69 - $30.20	62	555,500	30.20	62	330,500	30.20
$30.21 - $37.36	74	543,600	37.36	74	273,600	37.36
$37.37 - $53.83	101	1,870,900	45.84	90	295,500	46.95
	74	4,229,500	33.81	53	2,159,100	25.12

The weighted average fair value of the share options granted during the fiscal years ended on the dates indicated below was estimated at the grant date based on the Black-Scholes option pricing model using the following assumptions:

	January 31, 2021	February 2, 2020
Exercise price per share	$47.44	$38.47
Dividend yield	0.4%	0.5%
Risk-free interest rate	0.5%	1.4%
Expected life	6.2 years	6.2 years
Expected volatility	27.7%	22.4%
Weighted average fair value of share options estimated at the grant date	$12.53	$9.16

The expected life is estimated using the average of the vesting period and the contractual life of the share options. Expected volatility is estimated based on weekly observations of the Corporation's publicly traded share price.

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

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

d) Accumulated other comprehensive income (loss)

Components of accumulated other comprehensive income include unrealized gains (losses) on derivative financial instruments designated as hedging instruments, net of reclassification adjustments and income tax:

	January 31, 2021 $	February 2, 2020 $
Accumulated other comprehensive income – beginning of year	4,102	7,189
Net change in fair value of foreign exchange forward contracts subject to basis adjustments	(27,750)	12,637
Realized losses on financial instruments	(460)	-
Unrealized losses on derivative financial instruments not subject to basis adjustments	(354)	(378)
Foreign currency translation adjustments	(8,061)	(647)
Share of other comprehensive income (loss) of equity-accounted investment	(3,588)	907
Income tax expense (recoveries) thereon	7,593	(3,282)
Total other comprehensive income (loss), net of income tax recovery	(32,620)	9,237
Transfer of realized cash flow hedge gains to inventory	(901)	(13,661)
Income tax recoveries thereon	242	1,337
Accumulated other comprehensive income (loss) – end of year	(29,177)	4,102

e) Dividends

The table below outlines the amounts of dividends recognized as distributions to holders of common shares in the consolidated statement of changes in shareholders' equity (deficit) during each quarter of the fiscal year ended January 31, 2021 and February 2, 2020.

For the quarters ending	May 3, 2020	August 2, 2020	November 1, 2020	January 31, 2021
Dividend declared	$13,659	$13,683	$13,691	$14,583
Dividend per common share	$0.044	$0.044	$0.044	$0.047
Declaration date	March 31, 2020	June 9, 2020	September 1, 2020	December 8, 2020
Payment date	May 8, 2020	August 7, 2020	November 6, 2020	February 5, 2021

For the quarters ending	May 5, 2019	August 4, 2019	November 3, 2019	February 2, 2020
Dividend declared	$13,848	$13,852	$13,794	$13,737
Dividend per common share	$0.044	$0.044	$0.044	$0.044
Declaration date	March 27, 2019	June 12, 2019	September 11, 2019	December 3, 2019
Payment date	May 10, 2019	August 9, 2019	November 8, 2019	February 7, 2020

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

13 Income taxes

There are transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

a) Deferred income taxes

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	January 31, 2021 $	February 2, 2020 $
Deferred tax assets		
To be recovered after 12 months	419,277	401,385
To be recovered within 12 months	11,754	7,979
Deferred tax liabilities		
To be settled after 12 months	(550,774)	(521,803)
To be settled within 12 months	(2,136)	(1,424)
	(121,879)	(113,863)

Gross movement on the deferred income tax liability is as follows:

	January 31, 2021 $	February 2, 2020 $
Deferred income tax liability - beginning of year	(113,863)	(96,900)
Charged to consolidated statement of net earnings and comprehensive income	(15,843)	(15,093)
Tax recovery relating to components of other comprehensive income	7,827	(1,870)
Deferred income tax liability - end of year	(121,879)	(113,863)

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

13 Income taxes (cont'd)

The significant movements in deferred income tax liabilities during the year, taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Property, plant and equipment $	Intangible assets and goodwill $	Derivative financial instruments $	Total $
As at February 3, 2019	(367,975)	(118,934)	2,137	(484,772)
Charged (credited) to consolidated statement of net earnings and comprehensive income	(32,538)	(2,357)	(1,312)	(36,207)
Credited to components of other comprehensive income related to financial assets	-	-	(1,870)	(1,870)
As at February 2, 2020	(400,513)	(121,291)	(1,045)	(522,849)
Charged (credited) to consolidated statement of net earnings and comprehensive income	(25,681)	(3,288)	(378)	(29,347)
Credited to components of other comprehensive income	-	-	1,423	1,423
As at January 31, 2021	(426,194)	(124,579)	-	(550,773)

The significant movements in deferred income tax assets during the year, taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Non deductible reserves $	Lease liabilities $	Other assets $	Derivative financial instruments $	Total $
As at February 3, 3019	6,045	376,557	5,270	-	387,872
Credited (charged) to consolidated statement of net earnings and comprehensive income	1,556	24,828	(5,270)	-	21,114
As at February 2, 2020	7,601	401,385	-	-	408,986
Credited (charged) to consolidated statement of net earnings and comprehensive income	(2,140)	17,774	-	4,274	19,908
As at January 31, 2021	5,461	419,159	-	4,274	428,894

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

13 Income taxes (cont'd)

b) Income taxes

	January 31, 2021 $	February 2, 2020 $
Current tax expense in respect of the current year	185,163	191,235
Deferred tax expense relating to the origination and reversal of temporary differences	15,843	15,093
Income taxes	201,006	206,328

Tax on the Corporation's earnings before income taxes differs from the theoretical amount that would arise using the weighted average tax rate applicable to earnings of the consolidated entities as follows:

	January 31, 2021 $	February 2, 2020 $
Earnings before income taxes	765,354	770,367
Tax calculated at domestic rates applicable to income in Canada and the Canadian provinces	203,309	207,075
Tax effects of:		
Permanent differences	(3,541)	(1,572)
Settlement of previous year's tax assessments	(160)	(313)
Other	1,398	1,138
Tax expense	201,006	206,328

The income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. The statutory income tax rate for the fiscal year ended January 31, 2021 was 26.6% (February 2, 2020 – 26.9%). The Corporation's effective income tax rate for the fiscal year ended January 31, 2021 was 26.3% (February 2, 2020 – 26.8%).

During the fiscal year ended February 2, 2020, the Corporation acquired 50.1% of Dollarcity's issued and outstanding shares. The aggregate amount of taxable temporary differences associated with this investment in a joint arrangement, for which the deferred tax liabilities have not been recognized as at January 31, 2021, was $27,600. No deferred tax liabilities were recognized on the temporary differences associated with this investment in a joint arrangement since the Corporation controls the timing of the reversal and it is not probable that they will be reversed in the foreseeable future.

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

14 Financial instruments

Exposure and management of risk

The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Corporation's financial performance. The Corporation uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the finance department under practices approved by the board of directors of the Corporation. This department identifies, evaluates and hedges financial risks based on the requirements of the organization. The board of directors provides guidance for overall risk management, covering many areas of risk including but not limited to foreign exchange risk, interest rate risk, credit risk and the use of derivative financial instruments.

a) Measurement categories

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recorded in the consolidated statement of net earnings and comprehensive income. Those categories are, for assets, amortized cost, as well as fair value through the consolidated statement of net earnings and comprehensive income and, for liabilities, amortized cost, as well as fair value through the consolidated statement of net earnings and comprehensive income. The following table shows the carrying values of assets and liabilities for each of these categories as at:

	January 31, 2021 $	February 2, 2020 $
Assets		
Amortized cost		
Cash	439,144	90,464
Accounts receivable	20,546	34,965
Total amortized cost	459,690	125,429
Fair value through profit or loss		
Derivative financial instruments	782	3,876
Liabilities		
Amortized cost		
Trade payable and accrued liabilities (1)	213,883	243,570
Dividend payable	14,583	13,737
Lease liabilities	1,583,662	1,514,748
Long-term debt	1,876,900	1,876,783
Total amortized cost	3,689,028	3,648,838
Fair value through profit or loss		
Derivative financial instruments	25,821	267

(1) Excluding non-contractual accounts payable.

14 Financial instruments (cont'd)

Fair value measurements

The carrying amounts of financial instruments are presented in the consolidated statement of financial position at fair value or amortized cost according to the Corporation's accounting policies. Current financial assets and liabilities, which include cash, accounts receivable, accounts payable and accrued liabilities, and dividends payable, approximate fair values due to the immediate or short-term maturities of these financial instruments.

The three levels of fair value hierarchy under which the Corporation's financial instruments are valued are the following:

Level 1 – Quoted market prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

b) Derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as held for trading for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Corporation has master netting agreements for the vast majority of derivative contracts but no amounts have been netted as at January 31, 2021 or February 2, 2020.

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

14 Financial instruments (cont'd)

A summary of the aggregate contractual nominal value, weighted average contract rate, statement of financial position location and estimated fair values of derivative financial instruments as at January 31, 2021 and February 2, 2020 is as follows:

	Contractual nominal value	Weighted average contract rate	Statement of financial position	Fair value - Asset (Liability)	Nature of hedging relationship
	USD/CAD	USD/CAD	Location	Significant other observable inputs (Level 2)	Recurring
	$			$	
As at January 31, 2021					
Hedging instruments for the forecasted U.S. dollar merchandise purchases					
USD Foreign exchange forward contracts	30,000	1.26	Current assets	420	Cash flow hedge
USD Foreign exchange forward contracts	20,000	1.26	Non-current assets	314	Cash flow hedge
USD Foreign exchange forward contracts	535,000	1.33	Current liabilities	(25,784)	Cash flow hedge
USD Zero cost collar contracts	9,000	1.24[(1)] – 1.32[(2)]	Current liabilities	(37)	Cash flow hedge
USD Zero cost collar contracts	24,000	1.25[(1)] – 1.30[(2)]	Current assets	48	Cash flow hedge
	618,000			(25,039)	
As at February 2, 2020					
Hedging instruments					
USD Foreign exchange forward contracts	410,000	1.31	Current assets	3,876	Cash flow hedge
USD Foreign exchange forward contracts	41,000	1.33	Current liabilities	(267)	Cash flow hedge
	451,000			3,609	

(1) Average put strike
(2) Average call strike

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

For the year ended January 31, 2021, accumulated fair value gains of $10,401 (February 2, 2020 – $18,185) on foreign exchange forward contracts recorded in the carrying value of inventory were reclassified from inventory to the consolidated statement of net earnings and comprehensive income and recorded in the cost of sales.

Hedge ineffectiveness

The Corporation formally documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedging transactions.

14 Financial instruments (cont'd)

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the Corporation or any of its subsidiaries enter into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Corporation therefore performs a qualitative assessment of effectiveness.

For hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecasted transaction changes from what was originally estimated or if there are changes in the credit risk of the Corporation or the counterparty.

For the fiscal years ended January 31, 2021 and February 2, 2020, no ineffectiveness was recognized.

c) Market risk

i. Foreign exchange risk

The functional currency of the Corporation is the Canadian dollar ("CAD"). Because cash inflows are primarily denominated in Canadian dollars, the Corporation is exposed to the variability in the CAD/U.S. dollars ("USD") exchange rate when paying expenses with USD that relate to merchandise and when accounting for the Corporation's share of the net earnings of Dollarcity.

Foreign exchange forward contracts and zero cost collar contracts are entered into in order to manage the currency fluctuation risk associated with forecasted US dollar merchandise purchases sold in stores, as well as the USCP Notes. These contracts are purchased for cash flow hedging as part of the Corporation's risk management process and are designated as the hedging item of highly probable future purchases of merchandise and USCP notes (the "hedged item"). Under the Corporation's policy, the critical terms of the forward contracts and zero cost collar contracts must align with the hedged items.

At each reporting date, the Corporation performs an assessment of effectiveness of its cash flow hedges to ensure that the hedging relationship, between the hedging instrument and the hedged item, remains highly effective.

Foreign exchange forward contracts and zero cost collar contracts are designated as hedging instruments and recorded at fair value, determined using market prices and other observable inputs. The Corporation designates its foreign exchange forward and zero cost collar contracts as hedges of the variability in highly probable future cash flows attributable to a forecasted transaction (cash flow hedges). The fair value of these contracts is determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present values, or using other valuation techniques.

For the fiscal year ended January 31, 2021, accumulated fair value gains of $901 (February 2, 2020 – $13,661) on foreign exchange forward contracts and zero cost collar contracts were reclassified from accumulated other comprehensive income to the carrying value of inventory.

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

14 Financial instruments (cont'd)

Accumulated fair value gains or losses are recorded in inventory prior to being reclassified in the cost of sales. As a result, adjustments to the consolidated statement of cash flows are made through changes in non-cash working capital. The change in fair value used for calculating hedge ineffectiveness is as follows:

	January 31, 2021 $	**February 2, 2020 $**
Hedged item		
Cash flow hedge on foreign exchange forward and zero cost collar contracts	(28,651)	(1,024)

As at January 31, 2021 and February 2, 2020, a variation in the CAD of 10% against the USD on monetary accounts in USD would, all other variables constant, have an approximate favorable/unfavorable impact of approximately $594 and $718 on net earnings, respectively.

ii. Interest rate risk

The Corporation's interest rate risk arises from long-term debt and short-term borrowings. Long-term debt and short-term borrowings issued at variable rates exposes the Corporation to cash flow interest rate risk. Long-term debt issued at fixed rates exposes the Corporation to fair value interest rate risk.

On a quarterly basis, the Corporation analyzes its interest rate risk exposure. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Corporation calculates the impact on earnings of a defined interest rate shift. The Corporation often uses variable rate debt to finance a portion of its operations and capital expenditures. These obligations expose the Corporation to variability in interest payments due to changes in interest rates. As at January 31, 2021, 84% (68% - February 2, 2020) of the Corporation's debt carried a fixed interest rate and 16% (32% - February 2, 2020) carried a variable interest rate. An analysis by maturities is provided in Note 14 e) below.

As at January 31, 2021 and February 2, 2020, a variation of 100 basis points of the 3-month CDOR rate would, all other variables constant, have a favorable/unfavorable impact of approximately $2,202 and $4,386 on net earnings, respectively.

14 Financial instruments (cont'd)

d) Credit risk

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist of cash, accounts receivable and derivative contracts.

The Corporation offsets the credit risk by depositing its cash with major financial institutions whom have been assigned high credit ratings by internationally recognized credit rating agencies.

The Corporation is exposed to credit risk on receivables from landlords for tenant allowances and trade receivables from third parties. In order to mitigate this risk, the Corporation monitors credit risk and may retain offsetting payments until accounts receivable are fully satisfied. Other significant trade receivables are secured with letters of credit, which can be called on if the counterparty is in default under the terms of the agreement.

For purposes of testing the impairment of financial assets, the Corporation applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at January 31, 2021, a significant portion of the accounts receivable are secured by letters of credit. The expected credit loss allowance recorded for accounts receivable was not significant as at January 31, 2021 and February 2, 2020.

The Corporation only enters into derivative contracts with major financial institutions for the purchase of USD forward and zero cost collar contracts, as described above, and has master netting agreements in place for the vast majority of those derivative contracts.

e) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation mitigates liquidity risk through continuous monitoring of its debt which is guaranteed by Dollarama L.P. and Dollarama GP Inc.

The Corporation's objective is to maintain sufficient liquidity to meet its financial liabilities as they become due and remain compliant with financial and non-financial covenants under the Credit Agreement and under the trust indentures governing the Senior Unsecured Notes. The Corporation manages liquidity risk through various means, including monitoring cash balances and planned cash flows generated from operations and used for investing in capital assets.

As at January 31, 2021, the Corporation had Senior Unsecured Notes outstanding for an aggregate principal amount of $1,875,000 (February 2, 2020 – $1,875,000) and had authorized and available credit in the amount of $798,895 (February 2, 2020 – $499,531) under the Credit Facility (refer to Note 11).

Management estimates that, as at January 31, 2021 and February 2, 2020, the average time to maturity of the Corporation's committed debt portfolio, which consists of the Senior Unsecured Notes, amounts drawn on the Credit Facility and the USCP Notes, was 2.2 years and 1.9 year, respectively.

14 Financial instruments (cont'd)

The table below analyzes the Corporation's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as at January 31, 2021. Trade payable and accrued liabilities exclude liabilities that are not contractual (such as income tax liabilities that are created as a result of statutory requirements imposed by governments).

(dollars in thousands)	**Less than 3 months**	**3 months to 1 year**	**1-5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Trade payable and accrued liabilities	213,883	-	-	-	213,883
Dividend payable	14,583	-	-	-	14,583
Lease liabilities [1]	71,662	152,558	795,704	796,396	1,816,320
Principal repayment on:					
1.505% Fixed Rate Notes	-	-	-	300,000	300,000
3.55% Fixed Rate Notes	-	-	500,000	-	500,000
2.203% Fixed Rate Notes	-	-	250,000	-	250,000
2.337% Fixed Rate Notes	-	525,000	-	-	525,000
Series 3 Floating Rate Notes	300,000	-	-	-	300,000
Interest payments on:					
1.505% Fixed Rate Notes	2,282	2,258	18,060	9,030	31,630
3.55% Fixed Rate Notes	-	17,750	35,500	-	53,250
2.203% Fixed Rate Notes	-	5,508	5,507	-	11,015
2.337% Fixed Rate Notes	-	6,135	-	-	6,135
Credit Facility and Floating Rate Notes [2]	531	-	-	-	531
	602,941	709,209	1,604,771	1,105,426	4,022,347

[1] Represent the basic annual rent and other charges paid to landlords that are fixed or that vary based on an index or a rate.
[2] Based on interest rates in effect as at January 31, 2021.

14 Financial instruments (cont'd)

f) Capital management

The Corporation's capital structure consists of common shares, the Senior Unsecured Notes, the Credit Facility, the USCP Notes, share options to employees and directors, equity (deficit) and accumulated other comprehensive income. The Corporation manages its capital structure and makes changes pursuant to economic conditions and conditions related to its assets.

The Corporation monitors capital using a number of financial metrics, including but not limited to the leverage ratio, defined as adjusted total debt (sum of (i) total long-term debt and (ii) total lease liabilities) over consolidated EBITDA (earnings before interest, taxes, depreciation and amortization).

The Corporation's objectives when managing capital are to:

- provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations; and
- ensure sufficient liquidity to pursue its growth strategy.

In managing its capital structure, the Corporation monitors performance throughout the year to ensure working capital requirements are funded from operations, available cash on deposit and, where applicable, bank borrowings and USCP Notes. The Corporation manages its capital structure and may make adjustments to it in order to support the broader corporate strategy or in response to changes in economic conditions and risk. In order to maintain or adjust its capital structure, the Corporation may: issue shares or new debt; reduce the amount of existing debt; repurchase shares for cancellation under a normal course issuer bid; and adjust the amount of dividends paid to shareholders.

The Corporation is subject to financial covenants under the Credit Agreement and the trust indentures governing the Senior Unsecured Notes, which are measured on a quarterly basis. These covenants include a leverage ratio and an interest coverage ratio. As at January 31, 2021, the Corporation was in compliance with all such covenants.

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

15 Earnings per common share

a) Basic

Basic earnings per common share is calculated by dividing the profit attributable to shareholders of the Corporation by the weighted average number of common shares outstanding during the year.

	January 31, 2021	February 2, 2020
Net earnings attributable to shareholders of the Corporation	$564,348	$564,039
Weighted average number of common shares outstanding during the year *(thousands)*	310,738	313,910
Basic net earnings per common share	$1.82	$1.80

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. For the share options, the Corporation's only category of dilutive potential common shares, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Corporation's shares) based on the exercise price of outstanding share options. The number of shares as calculated above is then compared with the number of shares that would have been issued assuming the exercise of the share options, plus any unrecognized compensation costs.

	January 31, 2021	February 2, 2020
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	$564,348	$564,039
Weighted average number of common shares outstanding during the year (*thousands*)	310,738	313,910
Assumed share options exercised (*thousands*)	1,717	3,275
Weighted average number of common shares for diluted net earnings per common share *(thousands)*	312,455	317,185
Diluted net earnings per common share	$1.81	$1.78

As at January 31, 2021, 1,342,600 share options have an anti-dilutive effect since the average market price of the underlying shares was lower than the sum of the exercise price and the unearned shared-based compensation of those share options under the treasury stock method (February 2, 2020 – 536,700).

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

16 Related party transactions

a) Rossy family

As at January 31, 2021, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled $44,110 (February 2, 2020 – $52,419).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled $6,370 for the year ended January 31, 2021 (February 2, 2020 – $7,013).

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

b) Dollarcity

In 2013, Dollarama International, the Corporation's wholly-owned subsidiary, entered into a licensing and services agreement with Dollarcity (the "LSA"). As at January 31, 2021, the account receivable from Dollarcity for the goods sold, assets licensed, and services provided under the LSA totalled $14,752 (February 2, 2020 – $27,248), which amount is partly guaranteed by a letter of credit up to US$10,000 ($12,777) (February 2, 2020 – US$20,000 ($26,474)). For the year ended January 31, 2021, the goods sold to Dollarcity that are shipped directly from the Corporation's warehouses amounted to $16,846 (for the period from August 14, 2019, the date on which Dollarcity became a related party to the Corporation as a result of the acquisition by the Corporation of a 50.1% interest in Dollarcity, to February 2, 2020 – $9,309).

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

The financial information provided below represents the Corporation's 50.1% share of Dollarcity's net earnings and other comprehensive income (loss) for the year ended December 31, 2020, the date of Dollarcity's year-end, compared to a 4.5-month period (from August 14, 2019 to December 31, 2019) for the corresponding period last year.

	January 31, 2021 $	February 2, 2020 $
Net earnings	19,654	10,263
Other comprehensive income (loss)	(3,588)	907
Total comprehensive income	16,066	11,170

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

16 Related party transactions (cont'd)

c) Compensation of key management and directors

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

	January 31, 2021 $	February 2, 2020 $
Short-term benefits	6,703	6,574
Defined contribution pension plan	60	68
Share-based payments	4,741	4,622
	11,504	11,264

Under their respective employment agreements and assuming their termination without cause or constructive termination occurred on January 29, 2021, the last business day of the Corporation's fiscal year ended January 31, 2021, the members of key management would be entitled to receive potential incremental payouts representing approximately $11,272. Upon termination without cause or constructive termination, the vested options held by a member of key management at the date of termination continue to be exercisable by the member of key management until the earlier of (i) the date that is 30 days after the date of termination and (ii) the date which is ten (10) years from the date of the grant. Assuming their termination occurred on January 29, 2021, the last business day of the Corporation's fiscal year ended January 31, 2021, the members of key management, as a group, would be entitled to receive, upon exercise of their options, amounts representing $33,254.

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

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

	January 31, 2021 $	February 2, 2020 $
Cost of sales		
Cost of goods sold, labour, transport and other costs	2,117,533	2,001,917
Occupancy costs	143,715	133,016
Total cost of sales	2,261,248	2,134,933
Depreciation and amortization		
Depreciation of property, plant and equipment and right-of-use assets[1]	250,660	227,057
Amortization of intangible assets	18,973	15,728
Total depreciation and amortization	269,633	242,785

[1] Includes depreciation expenses relating to the warehouses and distribution center totalling $11,630 (February 2, 2020 – $9,761)

	January 31, 2021 $	February 2, 2020 $
Employee benefits		
Salaries	508,686	417,737
Share based compensation	6,240	5,448
Defined contribution pension plan	6,495	5,923
Total employee benefit expense	521,421	429,108
Financing costs		
Interest and banking fees	92,973	97,928
Amortization of debt issue costs	2,673	2,677
Total financing costs	95,646	100,605

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

18 Details of statement of cash flows

a) Changes in non-cash working capital

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

	January 31, 2021 $	February 2, 2020 $
Accounts receivable	14,061	1,222
Prepaid expenses	386	5,639
Prepaid income taxes	1,777	-
Inventories	(7,164)	(42,262)
Accounts payable and accrued liabilities [(1)]	33,727	(12,600)
Income taxes payable	12,744	(36,355)
	55,531	(84,356)
Cash paid for income taxes	170,207	227,669
Cash paid for interest	93,877	97,801

(1) As at February 2, 2020, the estimated balance of the purchase price for the acquisition of a 50.1% interest in Dollarcity of US$52,674 ($69,816) was recorded in accounts payable and accrued liabilities and was excluded from the change in non-cash working capital. See Note 9 for recent developments.

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

b) Financing activities

Changes in liabilities arising from financing activities comprise the following:

	January 31, 2021		February 2, 2020	
	Long-term debt $	Lease liabilities $	Long-term debt $	Lease liabilities $
Balance, beginning of year	1,876,783	1,514,748	1,898,228	1,402,820
Non-cash changes:				
Amortization of debt issue costs	2,673	-	2,677	-
Financing costs on long-term debt	(356)	-	1,138	-
Net increase in lease liabilities	-	232,718	-	239,645
Cash changes:				
Net repayments of long-term debt	-	-	(25,000)	-
Payment of debt issue costs	(2,200)	-	(260)	-
Net payment of lease liabilities	-	(163,804)	-	(127,717)
Balance, end of year	1,876,900	1,583,662	1,876,783	1,514,748

19 Events after the reporting period

Quarterly cash dividend

On March 31, 2021, the Corporation announced that its Board of Directors had approved a 7.0% increase of the quarterly cash dividend for holders of common shares, from $0.047 to $0.0503 per common share. This dividend is payable on May 7, 2021 to shareholders of record at the close of business on April 16, 2021. The dividend is designated as an “eligible dividend” for Canadian tax purposes.