REITMANS

(CANADA) LIMITED

Management's Discussion and Analysis
and
Consolidated Financial Statements

Years ended February 1, 2020 and February 2, 2019

REITMANS

(CANADA) LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Reitmans (Canada) Limited and its subsidiaries ("Reitmans" or the "Company") should be read in conjunction with the audited consolidated financial statements of Reitmans as at and for the fiscal years ended February 1, 2020 and February 2, 2019 and the notes thereto which are available on the SEDAR website at www.sedar.com. This MD&A is dated May 1, 2020.

All financial information contained in this MD&A and Reitmans' audited consolidated financial statements has been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), as issued by the International Accounting Standards Board ("IASB"). All monetary amounts shown in the tables in this MD&A are in millions of Canadian dollars unless otherwise indicated, except per share and strike price amounts. The audited consolidated financial statements and this MD&A were reviewed by Reitmans' Audit Committee and were approved by its Board of Directors on May 1, 2020.

Unless otherwise indicated, all comparisons of results for the 13 weeks ended February 1, 2020 ("fourth quarter of 2020") are against results for the 13 weeks ended February 2, 2019 ("fourth quarter of 2019") and all comparisons of results for the 52 weeks ended February 1, 2020 ("fiscal 2020") are against the results for the 52 weeks ended February 2, 2019 ("fiscal 2019"). The Company's fiscal year ends on the Saturday closest to the end of January. As outlined in the "New Accounting Policies Adopted in Fiscal 2020" section of this MD&A, the Company adopted IFRS 16 – *Leases*, using the modified retrospective approach, effective for the annual reporting period beginning on February 3, 2019. Accordingly, comparative figures as at February 2, 2019, for the fourth quarter of 2019, and for the fiscal 2019, have not been restated and continue to be reported under IAS 17 – *Leases*. For analysis purposes only, this MD&A also shows, where applicable, amounts for the fourth quarter of 2020 and fiscal 2020 as if the Company continued to report under IAS 17 – *Leases,* and had not adopted IFRS 16.

Current developments

The outbreak of the coronavirus disease (COVID-19) (the "outbreak"), which was declared a pandemic on March 11, 2020 by the World Health Organization, is having significant impacts for the Company. The measures adopted by the Federal and provincial governments in order to mitigate the spread of the outbreak required the Company to close all of its retail locations across the country effective March 17, 2020 until further notice. From March 18, 2020, the Company's only sales are derived from its e-commerce channel. The duration and impact of the outbreak is unknown and may influence consumer shopping behavior and consumer demand including online shopping. Given all the uncertainty surrounding the outbreak, the Company is currently unable to predict when it will reopen its retail locations. In addition, recent temporary factory closures in China have resulted in disruptions to the Company's supply chain with delays in the delivery of merchandise and increased freight costs.

For the year ended February 1, 2020, the Company incurred a net loss of $87.4 million. The Company's current liabilities total $189.7 million as at February 1, 2020 and are comprised primarily of trade payables for the purchase of merchandise and lease liability payments to landlords for rent of retail locations. As at February 1, 2020, the Company held liquid current assets of $89.4 million comprised of cash and cash equivalents. However, based on the Company's liquidity position as of the date of this MD&A, including the termination and reduction in availabilities under the Company's credit facilities, and in light of the uncertainty surrounding the outbreak, management estimates that it will need additional financing to meet its current and future financial obligations. In order to conserve cash to finance its ongoing operations, the Company has suspended the declaration and payment of any dividends, has, subsequent to year end, temporarily laid off 90% of its retail store employees and 30% of its head office employees and is currently minimizing purchases where possible. The Company is actively seeking additional financing and is also exploring various alternatives. The Company is currently in discussions with its banker regarding alternative financing arrangements. Other financing options, such as mortgage financing of the Company's property, are also being considered. However, there is no assurance that financing can be obtained in the limited time period required and in the quantum needed. If the Company is unable to obtain such financing in the limited time period required, it may be unable to continue as a going concern. The Company's ability to continue as a going concern is dependent on its ability to resume normal operations, generate future revenues and profitable operations and obtain additional financing. As a result, these events and conditions indicate a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern and, therefore, realize its assets and discharge its liabilities in the normal course of business.

The audited consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The audited consolidated financial statements as at and for the year ended February 1, 2020 do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate. Such adjustments could be material. It is not possible to reliably estimate the length and severity of the outbreak and the impact on the financial results and financial condition of the Company in future periods. In fiscal 2021, the Company will take into consideration the most recent developments and impacts of the outbreak including updated assessments of future cash flows. Any additional impacts resulting from the outbreak will be reflected in the financial results of fiscal 2021, if applicable.

Additional information about Reitmans is available on the Company's website at www.reitmanscanadalimited.com or on the SEDAR website at www.sedar.com.

FORWARD-LOOKING STATEMENTS

All of the statements contained herein, other than statements of fact that are independently verifiable at the date hereof, are forward-looking statements. Such statements, based as they are on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown, many of which are beyond the Company's control. Consequently, actual future results may differ materially from the anticipated results expressed in forward-looking statements, which reflect the Company's expectations only as of the date of this MD&A. Forward-looking statements are based upon the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and currently expected future developments, as well as other factors it believes, are appropriate in the circumstances. This MD&A contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the Company's belief in its strategies and its brands and their capacity to generate long-term profitable growth, future liquidity, planned capital expenditures, amount of pension plan contributions, status and impact of systems implementation, the ability of the Company to successfully implement its strategic initiatives and cost reduction and productivity improvement initiatives as well as the impact of such initiatives. These specific forward-looking statements are contained throughout this MD&A including those listed in the "Operating Risk Management" and "Financial Risk Management" sections of this MD&A. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "should" and similar expressions, as they relate to the Company and its management.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including:

- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates, interest rates, currency exchange rates or derivative prices;
- significant economic disruptions caused by global health risks (such as the COVID-19 outbreak) that influence consumer demand and hamper the ability to get merchandise on a timely basis;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- the changing consumer preferences toward e-commerce, online retailing and the introduction of new technologies;
- seasonality and weather;
- the inability of the Company's information technology ("IT") infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cyber security or data breaches;
- failure to realize benefits from investments in the Company's new IT systems;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrinkage;
- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies associated with the Company's major initiatives, including those from restructuring;
- changes in the Company's income, capital, property and other tax and regulatory liabilities, including changes in tax laws, regulations or future assessments.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time. The reader should not place undue reliance on any forward-looking statements included herein. These statements speak only as of the date made and the Company is under no obligation and disavows any intention to update or revise such statements as a result of any event, circumstances or otherwise, except to the extent required under applicable securities law.

NON-GAAP FINANCIAL MEASURES

The Company has identified several key operating performance measures and non-GAAP financial measures which management believes are useful in assessing the performance of the Company; however, readers are cautioned that some of these measures may not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies.

In addition to discussing earnings in accordance with IFRS, this MD&A provides adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") as a non-GAAP financial measure. Adjusted EBITDA is defined as net earnings before income tax expense/recovery, dividend income, interest income, net change in fair value and loss on disposal of marketable securities, interest expense, impairment of goodwill, depreciation, amortization and net impairment charges. The following table reconciles the most comparable GAAP measure, net earnings or loss, to adjusted EBITDA. Management believes that adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund working capital needs and fund capital expenditures and uses the metric for this purpose. The exclusion of dividend income, interest income and expense and the net change in fair value and loss on disposal of marketable securities eliminates the impact on earnings derived from non-operational activities. The exclusion of depreciation, amortization and impairment charges eliminates the non-cash impact. The intent of adjusted EBITDA is to provide additional useful information to investors and analysts. The measure does not have any standardized meaning under IFRS. Although depreciation, amortization and impairment charges are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, as such, adjusted EBITDA does not reflect any cash requirements for these replacements. Adjusted EBITDA should not be considered either as discretionary cash available to invest in the growth of the business or as a measure of cash that will be available to meet the Company's obligations. Other companies may calculate adjusted EBITDA differently. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring. Adjusted EBITDA should not be used in substitute for measures of performance prepared in accordance with IFRS or as an alternative to net earnings, net cash provided by operating, investing or financing activities or any other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with IFRS. Although adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, it has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Company's results as reported under IFRS.

The Company considers results from operating activities a useful measure of the Company's performance from its retail operations. Given that the Company has recorded a goodwill impairment charge in fiscal 2020, it has also determined that a useful non-GAAP financial measure would be results from operating activities before impairment of goodwill, as noted in the "OPERATING RESULTS FOR FISCAL 2020 COMPARED TO FISCAL 2019" and "SUMMARY OF QUARTERLY RESULTS" sections of this MD&A. Additionally, (loss) earnings per share excluding impairment of goodwill both on a basic and diluted basis have been presented, which removes the impact of impairment of goodwill on net (loss) earnings used for calculation purposes. Both of these non-GAAP financial measures are considered useful information and should not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

The Company uses a key performance indicator ("KPI"), comparable sales, to assess store performance and sales growth. The Company engages in an omnichannel approach in connecting with its customers by appealing to their shopping habits through either online or store channels. This approach allows customers to shop online for home delivery, purchase in any of our store locations or ship to home from another store when the products are unavailable in a particular store. Due to customer cross-channel behaviour, the Company reports a single comparable sales metric, inclusive of store and e-commerce channels. Comparable sales are defined as sales generated by stores that have been continuously open during both of the periods being compared and include e-commerce sales. Comparable sales exclude sales from wholesale accounts. The comparable sales metric compares the same calendar days for each period. Although this KPI is expressed as a ratio, it is a non-GAAP financial measure that does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. Management uses comparable sales in evaluating the performance of stores and online sales and considers it useful in helping to determine what portion of new sales has come from sales growth and what portion can be attributed to the opening of new stores. Comparable sales is a measure widely used amongst retailers and is considered useful information for both investors and analysts. Comparable sales should not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

The following table reconciles net (loss) earnings to adjusted EBITDA:

	For the fourth quarter of			For fiscal		
	2020	**2020 Excluding impact of IFRS 16 (1)**	**2019**	**2020**	**2020 Excluding impact of IFRS 16 (1)**	**2019**
Net (loss) earnings	**$ (51.7)**	$ (51.4)	$ (8.9)	**$(87.4)**	$(84.3)	$ 6.8
Depreciation, amortization and net impairment losses	**24.6**	8.0	9.1	**103.0**	33.5	37.9
Dividend income	**-**	-	(0.7)	**(1.4)**	(1.4)	(2.5)
Interest income	**(0.4)**	(0.4)	(0.7)	**(1.7)**	(1.7)	(2.2)
Impairment of goodwill	**-**	-	-	**11.8**	11.8	-
Net change in fair value and loss on disposal of marketable securities	**-**	-	8.5	**8.3**	8.3	12.3
Interest expense on lease liabilities	**1.8**	-	-	**7.5**	-	-
Income tax expense (recovery)	**29.2**	29.3	(0.3)	**22.9**	24.0	5.4
Adjusted EBITDA	**$ 3.5**	$ (14.5)	$ 7.0	**$ 63.0**	$ (9.8)	$ 57.7
Adjusted EBITDA as % of sales	**1.5%**	(6.3%)	3.1%	**7.2%**	(1.1%)	6.3%

[1] Adjusted EBITDA for the fourth quarter of 2020 and fiscal 2020 excluding impact of IFRS 16 assumes the Company continued to report under IAS 17 – *Leases* and did not adopt IFRS 16. Under IFRS 16, the nature and timing of expenses related to operating leases have changed as the straight-line operating lease expenses have been replaced with a depreciation charge for right-of-use assets and interest expense on lease liabilities. Accordingly, IFRS 16 had a favourable impact of approximately $18.0 million and $72.8 million on adjusted EBITDA for the fourth quarter of 2020 and for fiscal 2020, respectively, as operating lease expenses have been replaced with depreciation and interest expenses, which are not included in the calculation of adjusted EBITDA.

OVERVIEW

The Company has a single reportable segment that derives its revenue primarily from the sale of women's specialty apparel to consumers through its retail banners. The Company's stores are primarily located in malls and retail power centres across Canada while also offering e-commerce website shopping for all of its banners. The online channels provide customers convenience, selection and ease of purchase, while enhancing customer loyalty and continuing to build the brands. The Company currently operates under the following banners:

Reitmans

The Reitmans banner, operating stores averaging 4,600 sq. ft., is one of Canada's largest women's apparel specialty chains and a leading fashion brand. Reitmans has developed strong customer loyalty through superior service, insightful marketing and quality merchandise.

Penningtons

Penningtons is a leader in the Canadian plus-size market, offering trend-right styles and affordable quality for plus-size fashion sizes 12–32. Penningtons operates stores averaging 6,000 sq. ft. in power centres across Canada.

ADDITION ELLE

Addition Elle is a fashion destination for plus-size women with a focus on fashion, quality and fit delivering the latest trends to updated fashion essentials in an inspiring shopping environment. Addition Elle operates stores averaging 6,000 sq. ft. in major malls and power centres nationwide.

RW&CO.

RW & CO. operates stores averaging 4,500 sq. ft. in premium locations in major shopping malls, catering to a customer with an urban mindset by offering fashions for men and women.

Thyme MATERNITY

Thyme Maternity is a leading fashion brand for moms-to-be, offering current styles for every aspect of life, from casual to work, plus a complete line of nursing fashions and accessories. Thyme operates stores averaging 2,000 sq. ft. in major malls and power centres across Canada.

RETAIL BANNERS

	Number of stores at February 2, 2019	**Q1 Closings**	**Q2 Closings**	**Q3 Openings**	**Q3 Closings**	**Q4 Closings**	**Number of stores at February 1, 2020**
Reitmans	263	(4)	(1)	3	(1)	-	260
Penningtons	115	-	(1)	-	(2)	(1)	111
Addition Elle	81	(1)	-	-	(1)	(2)	77
RW & CO.	83	(1)	(1)	-	-	(1)	80
Thyme Maternity	58	-	-	-	(3)	(1)	54
Total	**600**	**(6)**	**(3)**	**3**	**(7)**	**(5)**	**582**

Store closings take place for a variety of reasons as the viability of each store and its location is constantly monitored and assessed for continuing profitability. In most cases when a store is closed, merchandise at that location is sold off in the normal course of business and any unsold merchandise remaining at the closing date is generally transferred to other stores operating under the same banner for sale in the normal course of business.

THREE-YEAR REVIEW OF SELECTED FINANCIAL INFORMATION

	Fiscal 2020	Fiscal 2019[1]	Fiscal 2018[1]
Total stores at end of fiscal year	**582**	600	642
Sales	**$ 869.5**	$ 923.0	$ 964.4
Gross profit	**444.4**	509.5	524.3
(Loss) earnings before income taxes	**(64.5)**	12.2	(16.6)
Net (loss) earnings	**(87.4)**	6.8	(16.0)
(Loss) earnings per share			
Basic	**(1.56)**	0.11	(0.25)
Diluted	**(1.56)**	0.11	(0.25)
Total assets[2]	**560.2**	492.8	499.7
Total non-current liabilities[2]	**176.7**	34.0	34.3
Dividends per share	**$ 0.15**	$ 0.20	$ 0.20

1 The Company adopted IFRS 16 – Leases, using the modified retrospective approach, effective for fiscal 2020, beginning on February 3, 2019. Accordingly, comparative figures for fiscal 2019 and fiscal 2018 have not been restated and continue to be reported under IAS 17. See note 3(a) in the audited consolidated financial statements for fiscal 2020.

2 As a result of the adoption of IFRS 16, Fiscal 2020 total assets and total non-current liabilities include $198.1 of right-of-use assets and $152.3 of lease liabilities, respectively.

The Canadian retail marketplace reflects consumers shopping behaviours that include traditional in-store purchases and online shopping. To enhance the customers' online and in-store experiences, the Company invests significantly in improvements in e-commerce fulfillment and technology. The Company is well positioned in an omnichannel shopping environment with a store portfolio that is located in highly desirable major malls and power centres across Canada and a compelling e-commerce offering.

The value of the Canadian dollar vis-à-vis the U.S. dollar is a significant factor that can impact profitability of the retail operations. A focus on improved sourcing practices and reducing costs, while maintaining a value proposition for customers, along with managing foreign exchange market risks through U.S. dollar foreign exchange forward contract purchases allows the Company to mitigate any negative impact.

Sales

In fiscal 2018, despite the reduced number of stores, sales increased over the previous fiscal year with sales growth driven primarily through e-commerce and wholesale channels. Fiscal 2018 included an additional week of sales due to the Company's floating year-end. Stores continued to be a significant factor in responding to customers shopping behaviours in an omnichannel environment, offering a powerful, positive brand experience that capitalizes on the unique advantage of a strong network of stores.

In fiscal 2019, the Company continued its execution of an optimal mix of stores (including closure of all Hyba store locations) in an omnichannel retail landscape and investing in its e-commerce growth, by leveraging the inventory in its network of stores via its ship from store initiative. The reduction in sales in fiscal 2019 when compared to fiscal 2018 was due to the inclusion of an additional week of sales in fiscal 2018 and the continued execution of a strategy to close underperforming stores to optimize overall operating results.

In fiscal 2020, the reduction in sales is primarily due to lower sales performance in the Company's plus-size banners and the reduced number of stores. Strategic brand initiatives in the plus-size banners implemented early in the fiscal year failed to resonate with their customer base, negatively affecting sales. Although a variety of corrective measures was implemented, the implementation of these corrective strategies occurred late in fiscal 2020 and did not have a positive impact for the fiscal 2020. In the first half of fiscal 2020, the Company completed the deployment of its ship from store initiative across all banners, enhancing the availability of inventory across all channels.

Gross Profit

Overall, the Company's gross profit and net earnings over the past three fiscal years have been significantly impacted by weakness in the Canadian dollar in relation to the U.S. dollar. The weakening of the Canadian dollar has resulted in increased merchandise costs as virtually all merchandise payments are settled in U.S. dollars. Gross profit for fiscal 2018 was negatively impacted by higher promotional activity and foreign exchange. In fiscal 2019, the Company's gross profit declined due to the inclusion of an extra week of operating results in fiscal 2018 and from higher promotional activity, despite a positive foreign exchange impact on merchandise costs in cost of goods sold resulting from the purchase of foreign exchange forward contracts with more favorable rates. In fiscal 2020, the Company's gross profit declined primarily due to lower sales and higher promotional activity in the Company's plus-size banners despite a positive foreign exchange impact on U.S. dollar denominated purchases included in cost of goods sold.

Summary

As at February 1, 2020, the Company's liquidity position consisted of $ 89.4 million (February 2, 2019 - $112.5 million) in cash and cash equivalents, a positive working capital position and no long-term debt (other than its lease liabilities). As at the end of fiscal 2020, inventory levels were approximately the same as compared to the end of fiscal 2019, whereas inventory levels at the end of fiscal 2019 were higher as compared to the end of fiscal 2018 due to planned earlier receipts of spring merchandise. The Company manages its capital expenditures, which were $27.0 million in fiscal 2018, $26.1 million in fiscal 2019 and $23.5 million in fiscal 2020. These capital expenditures are primarily investments related to digital technology and retail system upgrades, distribution and handling system improvements and existing store renovations and new store builds. Subsequent to the end of fiscal 2020, there were significant changes to the Company's cash reserves and available credit facilities as outlined in "current developments" section of this MD&A and in notes 2b and 26 to the audited consolidated financial statements.

STRATEGIC INITIATIVES

The Company has undertaken a number of strategic initiatives to enhance its brands, improve productivity and profitability at all levels through system advances and foster a culture of process improvements.

Ongoing and new Company initiatives include:

INITIATIVES	STATUS
With the poor operating results of its plus-size banners during fiscal 2020, the Company re-organized its plus-size leadership team in the third quarter of fiscal 2020.	The new leadership team has reviewed all strategic aspects of the plus-size banners and corrective action has been taken to improve operating results, including aligning resources by focusing on the target market of each plus-size banner.
Related to the growth of its e-commerce business, the Company planned to optimally fulfill orders by leveraging the inventory in its network of stores throughout Canada (ship from store). This initiative includes enhancing inventory visibility and availability across all channels to improve speed of delivery, accuracy of allocation and profitability.	In fiscal 2020, the Company completed the deployment of its retail system upgrades and distribution and handling systems. Under its initiative to optimally fulfill online and in-store orders and minimize split shipments, system improvements to enhance the availability of inventory across all channels was completed in the third quarter of fiscal 2020, while system and process improvements aimed at minimizing split shipments was completed near the end of fiscal 2020.
The Company is committed to deliver best-in-class digital customer experiences. Strategically, the Company has adopted a digital-first approach, to facilitate rapid and sustainable growth in the digital and omnichannel retail environment. This includes continued improvement to the customer's mobile experience along with an initiative to provide a more personalized shopping experience for its customers utilizing improved data quality to deliver a more individualized and relevant product offering.	The Company continues to enhance its core e-commerce platform, evolve its customer relationship management and marketing automation infrastructure and optimize its customer data management capabilities.
With the objective of improving the customer's shopping experience, the Company will replace its current point-of-sale system ("POS") in all stores.	As a consequence of the current economic environment, the rollout of the new POS is being postponed.

OPERATING RESULTS FOR FISCAL 2020 COMPARED TO FISCAL 2019

The poor results from operating activities for fiscal 2020 are primarily attributed to the disappointing results from the plus-size banners. Strategic brand initiatives implemented early in the fiscal year failed to resonate with their customer base. Although a variety of corrective measures were implemented to improve profitability, the implementation of these corrective strategies occurred late in fiscal 2020 and did not have a positive impact on the operating results for fiscal 2020.

				Excluding Impact of IFRS 16[1]		
	Fiscal 2020	**Fiscal 2019**	**$ Change**	**Fiscal 2020**	**Fiscal 2019**	**$ Change**
Sales	**$ 869.5**	$ 923.0	$ (53.5)	**$ 869.5**	$ 923.0	$ (53.5)
Cost of goods sold	**425.1**	413.5	11.6	**425.1**	413.5	11.6
Gross profit	**444.4**	509.5	(65.1)	**444.4**	509.5	(65.1)
Gross profit %	**51.1%**	55.2%		**51.1%**	55.2%	
Selling, distribution and administrative expenses	**484.1**	491.3	(7.2)	**487.4**	491.3	(3.9)
Results from operating activities before impairment of goodwill	**(39.7)**	18.2	(57.9)	**(43.0)**	18.2	(61.2)
Impairment of goodwill	**11.8**	-	11.8	**11.8**	-	11.8
Results from operating activities	**(51.5)**	18.2	(69.7)	**(54.8)**	18.2	(73.0)
Net finance costs	**(13.0)**	(6.0)	(7.0)	**(5.5)**	(6.0)	0.5
(Loss) earnings before income taxes	**(64.5)**	12.2	(76.7)	**(60.3)**	12.2	(72.5)
Income tax expense	**22.9**	5.4	17.5	**24.0**	5.4	18.6
Net (loss) earnings	**$ (87.4)**	$ 6.8	$ (94.2)	**$ (84.3)**	$ 6.8	$(91.1)
Adjusted EBITDA	**$ 63.0**	$ 57.7	$ 5.3	**$ (9.8)**	$ 57.7	$ (67.5)
(Loss) earnings per share:						
Basic	**$ (1.56)**	$ 0.11	$ (1.67)	**$ (1.51)**	$ 0.11	$ (1.62)
Diluted	**(1.56)**	0.11	(1.67)	**(1.51)**	0.11	(1.62)
(Loss) earnings per share excluding impairment of goodwill:						
Basic	**$ (1.35)**	$ 0.11	$ (1.46)	**$ (1.29)**	$ 0.11	$ (1.40)
Diluted	**(1.35)**	0.11	(1.46)	**(1.29)**	0.11	(1.40)

[1] Excluding impact of IFRS 16 assumes the Company continued to report under IAS 17 – *Leases* in fiscal 2020 and did not adopt IFRS 16.

Sales

Sales for fiscal 2020 decreased by $53.5 million or 5.8% to $869.5 million, primarily attributable to lower sales in the plus-size banners, a net reduction of 18 stores and unseasonable weather conditions that were prevalent during the early portion of fiscal 2020. The Company continues to execute on its plan of selling in the omnichannel retail environment by reducing its store presence in select markets while enhancing its e-commerce capabilities.

Comparable sales, which include in-store and e-commerce sales, decreased 1.3%. The decrease was primarily due to store traffic being down by 2.2% for fiscal 2020.The Company continues to experience strong growth through its online channel.

Gross Profit

Gross profit for fiscal 2020 decreased $65.1 million or 12.8%, to $444.4 million as compared with $509.5 million for fiscal 2019 primarily attributable to lower sales and a net reduction of 18 stores. Gross profit as a percentage of sales for fiscal 2020 decreased to 51.1% from 55.2% for fiscal 2019 primarily due to increased promotional activity mainly in the plus-size banners, partially offset by a positive foreign exchange impact on U.S. dollar denominated purchases included in cost of goods sold.

Selling, Distribution and Administrative Expenses

Total selling, distribution and administrative expenses for fiscal 2020 decreased 1.5%, or $7.2 million to $484.1 million. This decrease is primarily attributable to a reduction in store operating costs due to fewer stores, lower non-IFRS 16 related depreciation, amortization and net impairment losses (i.e. excluding depreciation and net impairment losses on right-of-use assets) and decreases in employee performance incentive and termination costs, partially offset by increases in freight and advertising costs.

Total selling, distribution and administrative expenses for fiscal 2020, excluding the impact of IFRS 16, amounted to $487.4 million. IFRS 16 had a favourable impact of $3.3 million, as depreciation expense related to the right-of-use assets is lower than the previous operating lease expenses under IAS 17.

Impairment of Goodwill

Following a review of the profitability of the Addition Elle banner, the Company's impairment testing concluded that the carrying value of goodwill exceeded the recoverable amount (refer to note 9 of the audited consolidated financial statements for fiscal 2020). As a result, the Company recorded a goodwill impairment charge of $11.8 million in fiscal 2020.

Net Finance Costs

Net finance costs were $13.0 million for fiscal 2020 as compared to $6.0 million for fiscal 2019. This change of $7.0 million is primarily attributable to the following:

- an increase of $7.5 million in interest expense on lease liabilities due to the impact of the adoption of IFRS 16;
- a foreign exchange loss of $0.5 million for fiscal 2020 compared to a gain of $1.5 million for fiscal 2019, largely attributable to the foreign exchange impact on U.S. denominated monetary assets and liabilities;
- a $1.6 million decrease in finance income resulting from a $1.1 million decrease in dividend income for fiscal 2020 due to the disposal of the marketable securities portfolio, combined with a $0.5 million decrease in interest income due to lower cash balances held throughout fiscal 2020; partially offset by
- a $4.0 million decrease in finance costs due to the $8.3 million net change in fair value and loss on disposal of marketable securities for fiscal 2020 compared to the $12.3 million net change in fair value and loss on disposal of marketable securities for fiscal 2019;

Excluding the $7.5 million increase in interest expense due to the impact of IFRS 16, net finance costs were $5.5 million for fiscal 2020 as compared to $6.0 million for fiscal 2019.

Income Taxes

The income tax expense for fiscal 2020 amounted to $22.9 million for an effective tax rate of 35.5%. The effective tax rate was negatively impacted by unrecognized deferred tax assets on temporary timing differences, including operating losses carry forward and $8.3 million of capital losses on marketable securities, as well as the impact of the non-deductible goodwill impairment charge of $11.8 million. The Company's effective tax rates include the impact of changes in substantively enacted tax rates in various tax jurisdictions in Canada.

Net Loss

Net loss for fiscal 2020 was $87.4 million ($1.56 basic and diluted loss per share) as compared with $6.8 million net earnings ($0.11 basic and diluted earnings per share) for fiscal 2019. This unfavourable change of $94.2 million included an unfavourable impact of IFRS 16 of $3.1 million. Excluding this $3.1 million impact of IFRS 16, the deterioration in net earnings of $91.1 million is primarily attributable to lower sales, the decrease in gross profit, the goodwill impairment charge and an increase in income tax expense, partially offset by reduced store operating costs.

Excluding the impact of the impairment of goodwill in fiscal 2020, net loss for fiscal 2020 was $75.6 million ($1.35 basic and diluted loss per share) compared to $6.8 million net earnings ($0.11 basic and diluted earnings per share) for fiscal 2019.

Adjusted EBITDA

Adjusted EBITDA for fiscal 2020 was $63.0 million as compared with $57.7 million for fiscal 2019. The increase in adjusted EBITDA includes a favourable impact from the adoption of IFRS 16 of $72.8 million. Excluding this $72.8 million impact of IFRS 16, adjusted EBITDA for fiscal 2020 was ($9.8) million as compared with $57.7 million for fiscal 2019, a decrease of $67.5 million. The decrease is primarily attributable to the decrease in gross profit, as noted above.

OPERATING RESULTS FOR THE FOURTH QUARTER OF 2020 COMPARED TO THE FOURTH QUARTER OF 2019

				Excluding Impact of IFRS 16[(1)]		
	Fiscal 2020	**Fiscal 2019**	**$ Change**	**Fiscal 2020**	**Fiscal 2019**	**$ Change**
Sales	**$ 229.2**	$ 226.9	$ 2.3	**$ 229.2**	$ 226.9	$ 2.3
Cost of goods sold	**125.2**	107.8	17.4	**125.2**	107.8	17.4
Gross profit	**104.0**	119.1	(15.1)	**104.0**	119.1	(15.1)
Gross profit %	**45.4%**	52.5%		**45.4%**	52.5%	
Selling, distribution and administrative expenses	**125.1**	121.0	4.1	**126.5**	121.0	5.5
Results from operating activities	**(21.1)**	(1.9)	(19.2)	**(22.5)**	(1.9)	(20.6)
Net finance (costs) income	**(1.4)**	(7.3)	5.9	**0.4**	(7.3)	7.7
(Loss) earnings before income taxes	**(22.5)**	(9.2)	(13.3)	**(22.1)**	(9.2)	(12.9)
Income tax expense (recovery)	**29.2**	(0.3)	29.5	**29.3**	(0.3)	29.6
Net (loss) earnings	**$ (51.7)**	$ (8.9)	$ (42.8)	**$ (51.4)**	$ (8.9)	$ (42.5)
Adjusted EBITDA	**$ 3.5**	$ 7.0	$ (3.5)	**$ (14.5)**	$ 7.0	$ (21.5)
(Loss) earnings per share:						
Basic	**$ (1.06)**	$ (0.14)	$ (0.92)	**$ (1.06)**	$ (0.14)	$ (0.92)
Diluted	**(1.06)**	(0.14)	(0.92)	**(1.06)**	(0.14)	(0.92)

[1] Excluding impact of IFRS 16 assumes the Company continued to report under IAS 17 – *Leases,* in the fourth quarter of 2020 and did not adopt IFRS 16.

Sales

Sales for the fourth quarter of 2020 increased by $2.3 million or 1.0% to $229.2 million, primarily attributable to sales growth in the Company's e-commerce channel, despite a net reduction of 18 stores. The Company continues to execute against a plan of selling in the omnichannel retail environment by reducing its store presence in select markets while enhancing its e-commerce capabilities.

Comparable sales, which include in-store and e-commerce sales, increased 5.0%. This increase was primarily due to the overall number of transactions increasing by 3.1%. The Company continues to experience strong growth through its online channel.

Gross Profit

Gross profit for the fourth quarter of 2020 decreased $15.1 million or 12.7%, to $104.0 million as compared with $119.1 million for the fourth quarter of 2019. Gross profit as a percentage of sales for the fourth quarter of 2020 decreased to 45.4% from 52.5% for the fourth quarter of 2019 primarily due to increased promotional activity mainly in the plus-size banners, partially offset by a positive foreign exchange on U.S. dollar denominated purchases included in cost of goods sold.

Selling, Distribution and Administrative Expenses

Total selling, distribution and administrative expenses for the fourth quarter of 2020 increased 3.4%, or $4.1 million to $125.1 million. The increase is primarily attributable to increases in freight and advertising costs, partially offset by reductions in store operating costs due to fewer stores. As the Company leveraged the inventory in its network of stores throughout Canada with its ship from store initiative, freight costs increased. The Company's initiative to minimize split shipments was completed near the end of the fourth quarter of 2020.

Total selling, distribution and administrative expenses for the fourth quarter of 2020, excluding the impact of IFRS 16, would have been $126.5 million. IFRS 16 had a favourable impact of $1.4 million, as depreciation expense related to the right-of-use assets is lower than the previous operating lease expenses under IAS 17.

Net Finance Costs

Net finance costs were $1.4 million for the fourth quarter of 2020 as compared to $7.3 million for the fourth quarter of 2019. The decrease in net finance costs is primarily attributable to the following:

- a $8.5 million decrease due to the absence of mark-to-market adjustments in the fourth quarter of 2020 as the marketable securities portfolio was disposed of prior to the fourth quarter of fiscal 2020; partially offset by
- an increase of $1.8 million in interest expense on lease liabilities due to the impact of the adoption of IFRS 16;
- a $1.0 million decrease in finance income resulting from a $0.7 million decrease in dividend income for fiscal 2020 due to the disposal of the marketable securities portfolio prior to the fourth quarter of fiscal 2020, combined with a $0.3 million decrease in interest income due to lower cash balances held throughout the fourth quarter of fiscal 2020.

Excluding the $1.8 million increase in interest expense due to the impact of IFRS 16, net finance income was $0.4 million for the fourth quarter of 2020 as compared to net finance costs of $7.3 million for the fourth quarter of 2019.

Income Taxes

The income tax expense for the fourth quarter of 2020 amounted to $29.2 million and was negatively impacted by unrecognized deferred tax assets on temporary timing differences and operating losses carry forward.

Net Loss

Net loss for the fourth quarter of 2020 was $51.7 million ($1.06 basic and diluted loss per share) as compared with an $8.9 million net loss ($0.14 basic and diluted loss per share) for the fourth quarter of 2019. The unfavourable change of $42.8 million included an unfavourable impact of IFRS 16 of $0.3 million. Excluding this $0.3 million impact of IFRS 16, the deterioration in net earnings of $42.5 million is primarily attributable to the increase in income tax expense, a decrease in gross profit and an increase in selling, distribution and administrative costs, partially offset by a decrease in net finance costs, as noted above.

Adjusted EBITDA

Adjusted EBITDA for the fourth quarter of 2020 was $3.5 million as compared with $7.0 million for the fourth quarter of 2019, a decrease of $3.5 million. The decrease in adjusted EBITDA includes a favourable impact from the adoption of IFRS 16 of $18.0 million. Excluding this $18.0 million impact of IFRS 16, adjusted EBITDA for the fourth quarter of 2020 was ($14.5) million as compared with $7.0 million for the fourth quarter of 2019, a decrease of $21.5 million. The decrease is primarily attributable to the decrease in gross profit, as noted above.

FOREIGN EXCHANGE CONTRACTS

The Company imports a majority of its merchandise purchases from foreign vendors, with lead times in some cases extending twelve months. The Company enters into foreign exchange forward contracts to hedge a significant portion of its exposure to fluctuations in the value of the U.S. dollar, generally up to twelve months in advance. The Company's policy is to satisfy at least 80% of projected U.S. dollar denominated merchandise purchases in any given fiscal year by way of foreign exchange forward hedge contracts, with any additional requirements being met through spot U.S. dollar purchases. In fiscal 2020, merchandise purchases, payable in U.S. dollars, approximated $236 million U.S.

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

	Average Strike Price	Notional Amount in U.S. Dollars	Derivative Financial Asset	Derivative Financial Liability	Net
February 1, 2020	**$ 1.318**	**$ 175.0**	**$ 1.1**	**$ (0.3)**	**$ 0.8**
February 2, 2019	$ 1.299	$ 155.0	$ 1.9	$ (1.0)	$ 0.9

SUMMARY OF QUARTERLY RESULTS

Due to seasonality and the timing of holidays, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year. The table below presents selected consolidated financial data for the eight most recently completed quarters. All references to "2020" are to the Company's fiscal year ended February 1, 2020 and "2019" are to the Company's fiscal year ended February 2, 2019.

	Fourth Quarter		Third Quarter		Second Quarter		First Quarter	
	2020 [1] (13 weeks)	2019 (13 weeks)	2020 [1] (13 weeks)	2019 (13 weeks)	2020 [1] (13 weeks)	2019 (13 weeks)	2020 [1] (13 weeks)	2019 (13 weeks)
Sales	$ 229.2	$ 226.9	$ 222.3	$ 239.7	$ 232.8	$ 248.8	$ 185.2	$ 207.6
Net (loss) earnings	(51.7)	(8.9)	(23.1) [2]	8.9	(0.1)	10.0	(12.6)	(3.2)
(Loss) earnings per share								
Basic	$ (1.06)	$ (0.14)	$ (0.47) [2]	$ 0.14	$ (0.00)	$ 0.16	$ (0.20)	$ (0.05)
Diluted	(1.06)	(0.14)	(0.47) [2]	0.14	(0.00)	0.16	(0.20)	(0.05)
Net (loss) earnings before impairment of goodwill	$ (51.7)	$ (8.9)	$ (11.3)	$ 8.9	$ (0.1)	$ 10.0	$ (12.6)	$ (3.2)
(Loss) earnings per share excluding impairment of goodwill								
Basic	$ (1.06)	$ (0.14)	$ (0.23)	$ 0.14	$ (0.00)	$ 0.16	$ (0.20)	$ (0.05)
Diluted	(1.06)	(0.14)	(0.23)	0.14	(0.00)	0.16	(0.20)	(0.05)

[1] Includes the impact of the adoption of IFRS 16.

[2] Includes the impact of an impairment of goodwill of $11.8 million.

BALANCE SHEET

Selected line items from the Company's balance sheets as at February 1, 2020 and February 2, 2019 are presented below:

	2020	2019	$ Change	% Change
Cash and cash equivalents	**$ 89.4**	$ 112.5	$ (23.1)	(20.5%)
Marketable securities	**-**	49.7	(49.7)	(100.0%)
Trade and other receivables	**6.3**	7.9	(1.6)	(20.3%)
Net derivative financial asset	**0.8**	0.9	(0.1)	(11.1%)
Inventories	**147.4**	146.8	0.6	0.4%
Prepaid expenses	**9.4**	19.8	(10.4)	(52.5%)
Property and equipment & intangible assets	**108.4**	117.6	(9.2)	(7.8%)
Right-of-use assets	**198.1**	-	198.1	-
Goodwill	**-**	11.8	(11.8)	(100.0%)
Deferred income taxes	**-**	24.8	(24.8)	(100.0%)
Trade and other payables (current and long-term)	**109.7**	104.0	5.7	5.5%
Deferred revenue	**15.0**	15.2	(0.2)	(1.3%)
Income taxes payable	**3.2**	4.2	(1.0)	(23.8%)
Pension liability	**24.2**	21.0	3.2	15.2%
Deferred lease credits	**-**	7.8	(7.8)	(100.0%)
Lease liabilities (current and non-current)	**213.9**	-	213.9	-
Share capital	**27.4**	38.4	(11.0)	(28.6%)

Changes in selected line items from the Company's balance sheets at February 1, 2020 as compared to February 2, 2019 were primarily due to the following:

- cash and cash equivalents decreased $23.1 million due to reduction of cash generated from operations primarily from weaker sales performance, payments pursuant to the substantial issuer bid, investments made in property and equipment and dividend payments, partially offset by the receipt of proceeds of $41.4 million from the disposal of the marketable securities portfolio in fiscal 2020;
- the Company disposed of its marketable securities portfolio in fiscal 2020;
- trade and other receivables decreased primarily due to lower wholesale accounts receivable and payments received for an insurance claim for damages relating to in-transit inventories. Trade and other receivables are typically comprised of credit card sales from the last few days of the fiscal quarter, wholesale account receivables and government incentive program receivables;
- the change in the net derivative position is attributable to the impact of mark-to-market adjustments on foreign exchange forwards contracts;
- inventories are comparable and are recognized at the lower of cost and net realizable value;
- prepaid expenses are typically comprised of prepaid maintenance contracts and realty and business taxes. The decrease is primarily due to lease payments of approximately $6.3 million previously recognized as prepaid expenses under IAS 17, which were applied to right-of-use assets under IFRS 16 at February 3, 2019 (see note 3 of the audited consolidated financial statements for fiscal 2020 for additional details),and the timing of payments of other costs related to store leases;
- the Company continues to closely manage its investment in property and equipment and intangible assets. The decrease reflects the reduction in the number of stores. For fiscal 2020, $23.5 million ($26.1 million in fiscal 2019) was invested mainly in digital technology and retail system upgrades, distribution and handling system improvements and existing store renovations and new store builds. Depreciation, amortization and net impairment losses of $33.0 million were recognized in fiscal 2020 ($37.9 million in fiscal 2019);
- right-of-use assets of $212.4 million were recognized with the adoption of IFRS 16 as at February 3, 2019 and mainly represent the right to use the Company's retail stores and certain equipment over their lease terms. Right-of-use assets further increased by $55.7 million due to lease additions during fiscal 2020 offset by depreciation, amortization and net impairment losses on right-of-use assets of $70.0 million recognized in fiscal 2020;
- the reduction of goodwill is attributable to the recognition of an impairment of goodwill of $11.8 million;
- deferred income taxes decreased by $24.8 million largely due to unrecognized deferred tax assets on temporary timing differences as it was not probable that sufficient future taxable income will be available to the Company to utilize the benefits arising from such temporary timing differences;
- trade and other payables, which consist largely of trade payables, personnel liabilities and sales tax liabilities, increased primarily due to timing of payments. Trade and other payables were impacted by approximately $5.5 million arising from deferred rent liabilities and provisions for onerous contracts previously recognized as trade and other payables under IAS 17, which were applied against right-of-use assets under IFRS 16 at February 3, 2019 (see note 3 of the audited consolidated financial statements for fiscal 2020 for additional details);
- deferred revenue was comparable and consists of unredeemed gift cards, loyalty points and awards granted under customer loyalty programs. Revenue is recognized when the gift cards, loyalty points and awards are redeemed;

- income taxes payable consists of estimated tax liabilities, net of installment payments;
- deferred lease credits were applied against right-of-use assets under IFRS 16 at February 3, 2019 (see note 3 of the audited consolidated financial statements for fiscal 2020 for additional details);
- lease liabilities of $220.0 million were recognized with the adoption of IFRS 16 as at February 3, 2019 and represent the present value of the Company's obligations to make lease payments for its store and equipment leases (see note 3 of the audited consolidated financial statements for fiscal 2020 for additional details). In fiscal 2020, lease liabilities further increased by lease additions of $55.7 million and interest expense of $7.5 million, offset by lease payments of $69.3 million;
- pension liability increased largely due to actuarial losses. The pension liability is primarily related to the unfunded Supplemental Executive Retirement Plan ("SERP");
- share capital decreased by $11.0 million as the Company entered into a substantial issuer bid and purchased 14.5 million Class A non-voting shares for an aggregate consideration of $43.7 million, with the excess of $35.4 million (including tax of $2.6 million) being recognized as a reduction to retained earnings in fiscal 2020.

OPERATING RISK MANAGEMENT

Uncertainty about the Company's Ability to Continue as a Going Concern

Based on the Company's liquidity position as of the date of this MD&A, including the termination and reduction in availabilities under the Company's credit facilities, and in light of the uncertainty surrounding the COVID-19 outbreak, management estimates that it will need additional financing to meet its current and future financial obligations. In order to conserve cash to finance its ongoing operations, the Company has suspended the declaration and payment of any dividends, has, subsequent to year end, temporarily laid off 90% of its retail store employees and approximately 30% of its head office employees and is currently minimizing purchases where possible. The Company is actively seeking additional financing and is also exploring various alternatives. The Company is currently in discussions with its banker regarding alternative financing arrangements. Other financing options, such as mortgage financing of the Company's property, are also being considered. However, there is no assurance that financing can be obtained in the limited time period required and in the quantum needed. If the Company is unable to obtain such financing in the limited time period required, it may be unable to continue as a going concern. The Company's ability to continue as a going concern is dependent on its ability to resume normal operations, generate future revenues and profitable operations and obtain additional financing.

Economic Environment

Economic factors that influence consumer-spending patterns could deteriorate or remain unpredictable due to global, national or regional economic volatility. These factors could negatively affect the Company's revenue and margins. Inflationary trends are unpredictable and changes in the rate of inflation or deflation will affect consumer prices, which in turn could negatively affect the financial performance of the Company. The Company closely monitors economic conditions in order to react to consumer spending habits and constraints in developing both its short-term and long-term operating decisions.

Competitive Environment

The retail apparel business in Canada is highly competitive with competitors including department stores, specialty apparel chains and independent retailers. If the Company is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be negatively affected. There is no effective barrier to entry into the Canadian apparel retailing marketplace by any potential competitor, foreign or domestic, as witnessed by the arrival over the past years of a number of foreign-based competitors and additional foreign retailers continuing to expand into the Canadian marketplace. Additionally, Canadian consumers have a significant number of e-commerce shopping alternatives available to them on a global basis. The Company believes that it is well positioned to compete with any competitor. The Company operates multiple banners with product offerings that are diversified as each banner is directed to and focused on a different niche in the Canadian women's apparel market. The Company's stores, located throughout Canada, offer affordable fashions to consumers. The Company also offers an e-commerce alternative for shoppers through each of the banner's websites. The e-commerce retail landscape is highly competitive with both domestic and foreign competition. The Company has invested significantly in its e-commerce websites and social media to drive consumers to the websites and believes that it is positioned well to compete in this environment.

Distribution and Supply Chain

The Company depends on the efficient operation of its sole distribution centre, such that any significant disruption in the operation thereof (e.g. global supply chain delays, natural disaster, system failures, destruction or major damage by fire), could materially delay or impair the Company's ability to replenish its stores on a timely basis or satisfy e-commerce demand causing a loss of sales and potential dissatisfaction amongst its customers, which could have a significant effect on the results of operations.

Loyalty Programs

The Company's loyalty programs are a valuable offering to customers and provide a key marketing tool for the business. The marketing, promotional and other business activities related to possible changes to the loyalty programs must be well managed and coordinated to preserve positive customer perception. Any failure to successfully manage the loyalty programs may negatively affect the Company's reputation and financial performance.

Leases

All of the Company's stores are held under leases, most of which can be renewed for additional terms at the Company's option. Any factor that would have the effect of impeding or affecting, in a material way, the Company's ability to lease prime locations or re-lease and/or renovate existing profitable locations, or delay the Company's ability to close undesirable locations could adversely affect the Company's operations. As a result of the forced closure of all its retail stores, the Company has not paid its April and May 2020 rent obligations to its retail landlords.

Consumer Shopping Patterns

Changes in customer shopping patterns could affect sales. Many of the Company's stores are located in enclosed shopping malls. The ability to sustain or increase the level of sales depends in part on the continued popularity of malls as shopping destinations and the ability of malls, tenants and other attractions to generate a high volume of customer traffic. Many factors that are beyond the control of the Company may decrease mall traffic, including economic downturns, closing of anchor department stores, weather, concerns of terrorist attacks, construction and accessibility, alternative shopping formats such as e-commerce, discount stores and lifestyle centres, among other factors. Any changes in consumer shopping patterns could adversely affect the Company's financial condition and operating results.

Natural Disasters, Adverse Weather, Pandemic Outbreaks, Boycotts and Geopolitical Events

The occurrence of one or more natural disasters, such as earthquakes and hurricanes, unusually adverse weather, pandemic outbreaks, boycotts and geopolitical events, such as civil unrest in countries in which suppliers are located and acts of terrorism, or similar disruptions could materially adversely affect the Company's business and financial results. Furthermore, the impact of any such events on its business and financial results could be exacerbated if they occur during the Company's peak selling seasons.

These events could result in physical damage to one or more of the Company's properties, increases in fuel or other energy prices, the temporary or permanent closure of its distribution centre or of one or more of its stores, delays in opening new stores, the temporary lack of an adequate workforce in a market, the temporary or long-term disruption in the supply of products from some local and overseas suppliers, the temporary disruption in the transportation of goods from overseas, delays in the delivery of goods to the distribution centre or stores, the temporary reduction in the availability of products in stores, the temporary reduction of store traffic and disruption to information systems. These factors could materially adversely affect the Company's business and financial results.

The recent outbreak of the COVID-19 (Pandemic) has caused global travel restrictions and factory closures in China resulting in temporary disruptions to the Company's supply chain, increased merchandise freight costs and merchandise delivery delays. In addition, containment protocols implemented in Canada will have an impact on consumer shopping patterns and behavior that could have further negative consequences to the Company in fiscal 2021.

Information Technology

The Company depends on information systems to manage its operations, including a full range of retail, financial, merchandising and inventory control, planning, forecasting, reporting and distribution systems. The Company continues to undertake investments in new IT systems to improve the operating effectiveness of the organization. Failure to successfully migrate from legacy systems to new IT systems or a significant disruption in the Company's IT systems in general could result in a lack of accurate data to enable management to effectively manage day-to-day operations of the business or achieve its operational objectives, causing significant disruptions to the business and potential financial losses. The Company also depends on relevant and reliable information to operate its business. As the volume of data being generated and reported continues to increase across the Company, data accuracy, quality and governance are required for effective decision-making.

Failure to successfully adopt or implement appropriate processes to support the new IT systems, or failure to effectively leverage or convert data from one system to another, may preclude the Company from optimizing its overall performance and could result in inefficiencies and duplication in processes, which in turn could adversely affect the reputation, operations or financial performance of the Company. Failure to realize the anticipated strategic benefits including revenue growth, anticipated cost savings or operating efficiencies associated with the new IT systems could adversely affect the reputation, operations or financial performance of the Company.

Laws and Regulations

The Company is structured in a manner that management considers most effective to conduct its business. The Company is subject to material and adverse changes in government regulation that might affect income and sales, taxation, duties, quota impositions or re-impositions and other legislated or government regulated matters.

Changes to any of the laws, rules, regulations or policies (collectively, "laws") applicable to the Company's business, including income, capital, property and other taxes, and laws affecting the importation, distribution, packaging and labelling of products, could have an adverse impact on the financial or operational performance of the Company. In the course of complying with such changes, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business. Failure by the Company to comply with applicable laws and orders in a timely manner could subject the Company to civil or regulatory actions or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could negatively affect the reputation, operations and financial performance of the Company.

The Company is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the positions and conclusions taken by the Company in its tax filings or laws could be amended or interpretations of current laws could change, any of which events could lead to reassessments. These reassessments could have a material impact on the Company's financial position, operating results or cash flows in future periods.

Merchandise Sourcing

Virtually all of the Company's merchandise is private label. On an annual basis, the Company directly imports over 90% of its merchandise, largely from Asia. In fiscal 2020, no supplier represented more than 10% of the Company's purchases (in dollars and/or units) and there is a variety of alternative sources (both domestic and international) for virtually all of the Company's merchandise. The Company has good relationships with its suppliers and has no reason to believe that it is exposed to any material risk that would prevent the Company from acquiring, distributing and/or selling merchandise on an ongoing basis. Nevertheless, as evidenced with the recent outbreak of the COVID-19 (Pandemic), factory closures in China has resulted in temporary disruptions to the Company's supply chain, increased merchandise freight costs and merchandise delivery delays. Furthermore, in an effort to conserve cash, the Company has deferred payments, which may have an impact on its relationship with suppliers.

The Company endeavours to be environmentally responsible and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound sustainability management, including environmental stewardship. The Company has adopted sourcing and other business practices to address the environmental concerns of its customers. The Company has established guidelines that require compliance with all applicable environmental laws and regulations. Although the Company requires its suppliers to adhere to these guidelines, there is no guarantee that these suppliers will not take actions that could hurt the Company's reputation, as they are independent third parties that the Company does not control. However, if there is a lack of apparent compliance, it may lead the Company to search for alternative suppliers. This may have an adverse effect on the Company's financial results, by increasing costs and potentially causing delays in delivery.

Cyber Security, Privacy and Protection of Personal Information

The Company is subject to various laws regarding the protection of personal information of its customers, cardholders and employees and has adopted a Privacy Policy setting out guidelines for the handling of personal information. The Company's IT systems contain personal information of customers, cardholders and employees. Any failures or vulnerabilities in these systems or non-compliance with laws or regulations, including those in relation to personal information belonging to the Company's customers and employees, could negatively affect the reputation, operations and financial performance of the Company.

The Company depends on the uninterrupted operation of its IT systems, networks and services including internal and public internet sites, data hosting and processing facilities, cloud-based services and hardware, such as point-of-sale processing at stores, to operate its business. In the ordinary course of business, the Company collects, processes, transmits and retains confidential, sensitive and personal information ("Confidential Information") regarding the Company and its employees, vendors, customers and credit card holders. Some of this Confidential Information is held and managed by third party service providers. As with other large and prominent companies, the Company is regularly subject to cyber attacks and such attempts are occurring more frequently, are constantly evolving in nature and are becoming more sophisticated.

The Company has implemented security measures, including employee training, monitoring and testing, maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access of Confidential Information and to reduce the likelihood of disruptions to its IT systems. The Company also has security processes, protocols and standards that are applicable to its third party service providers. Despite these measures, all of the Company's information systems, including its back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failures due to a variety of reasons, including physical theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events.

The Company or its third party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the Company's security measures or those of our third party service providers' information systems. As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the Company's security measures or those of its third party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the Company's or its third party service providers' security measures, which could result in a breach of employee, customer or credit card holder privacy or Confidential Information.

If the Company does not allocate and effectively manage the resources necessary to build and sustain reliable IT infrastructure, fails to timely identify or appropriately respond to cyber security incidents, or the Company's or its third party service providers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the Company's business could be disrupted and the Company could, among other things, be subject to: transaction errors; processing inefficiencies; the loss of existing customers or failure to attract new customers; the loss of sales; the loss or unauthorized access to Confidential Information or other assets; the loss of or damage to intellectual property or trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

Legal Proceedings

In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings. The proceedings may involve landlords, suppliers, customers, regulators, tax authorities or other persons. The potential outcome of legal proceedings and claims is uncertain and could result in a material adverse effect on the Company's reputation, operations or financial condition or performance.

Merchandising, Electronic Commerce and Disruptive Technologies

The Company may have inventory that customers do not want or need, is not reflective of current trends in customer tastes, habits or regional preferences, is priced at a level customers are not willing to pay or is late in reaching the market. In addition, the Company's operations, specifically inventory levels, sales, volume and product mix, are impacted to some degree by seasonality, including certain holiday periods in the year. If merchandising efforts are not effective or responsive to customer demand, it could adversely affect the Company's financial performance.

Customers expect innovative concepts and a positive customer online experience, including a user-friendly website, safe and reliable processing of payments and a well-executed merchandise pick up or delivery process. If systems are damaged or cease to function properly, capital investment may be required. The Company is also vulnerable to various additional uncertainties associated with e-commerce including website downtime and other technical failures, changes in applicable federal and provincial regulations, security breaches, and consumer privacy concerns. If these technology-based systems do not function effectively, the Company's ability to grow its e-commerce business could be adversely affected. The Company has increased its investment in improving the digital customer experience, but there can be no assurances that the Company will be able to recover the costs incurred to date.

The retail landscape demands an efficient and seamless digitally influenced shopping experience. The emergence of disruptive technologies and the effect of increasing digital advances could have an impact on the physical space requirements of retail businesses. Although the importance of a retailer's physical presence has been demonstrated, the size requirements and locations may be subject to further disruption. Any failure to adapt the business models to recognize and manage this shift in a timely manner could adversely affect the Company's operations or financial performance.

Key Management and Ability to Attract and/or Retain Key Personnel

The Company's success depends upon the continued contributions of key management, some of whom have unique talents and experience and would be difficult to replace in the short term. The loss or interruption of the services of a key executive could have a negative effect on the Company during the transitional period that would be required for a successor to assume the responsibilities of the key management position. The Company's success will also depend on the ability to attract and retain other key personnel. The Company may not be able to attract or retain these employees, which could negatively affect the business.

FINANCIAL RISK MANAGEMENT

The Company is exposed to a number of financial risks, including those associated with financial instruments, which have the potential to affect its operating and financial performance. The Company uses derivative instruments to offset certain of these risks. The Company's policies and guidelines prohibit the use of any derivative instrument for trading or speculative purposes. The fair value of derivative instruments is subject to changing market conditions that could adversely affect the financial performance of the Company.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Disclosures relating to the Company's exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, trade and other receivables and foreign currency forwards exchange contracts. The Company limits its exposure to credit risk with respect to cash and cash equivalents and foreign currency forwards contracts by dealing with major Canadian financial institutions. The Company's trade and other receivables consist primarily of credit card receivables from the last few days of the fiscal year, which are settled within the first days of the next fiscal year. Due to the nature of the Company's activities and the low credit risk of the Company's trade and other receivables as at February 1, 2020 and February 2, 2019, expected credit loss on these financial assets is not significant.

As at February 1, 2020, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	$	89.4
Trade and other receivables		6.3
Derivative financial asset		1.1
	$	**96.8**

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of trade and other payables is within twelve months. In addition, payments on lease liabilities occur mainly at the beginning of each calendar month. As at February 1, 2020, the Company's liquidity position consisted of $89.4 million (February 2, 2019 - $112.5 million) in cash and cash equivalents. In addition, as at February 1, 2020 the Company had unsecured demand credit facilities of $65.0 million (or its U.S. dollar equivalent), which was comprised of a maximum overdraft protection of $25.0 million and $40.0 million was restricted to securing letters of credit (February 2, 2019- $75.0 million of which a maximum $35.0 million was for overdraft protection and $40.0 million was for securing letters of credit). Subsequent to the end of fiscal 2020, the demand credit facilities for overdraft protection were terminated by the banks and the credit facilities to secure letters of credit were reduced to a maximum of $1.0 million. As indicated in section "Current Developments" of this MD&A, the Company is currently in discussions with its banker regarding alternative financing arrangements. Other financing options, such as mortgage financing of the Company's property, are also being considered.

Foreign Currency Risk

The Company purchases a significant amount of its merchandise with U.S. dollars and as such significant volatility in the U.S. dollar vis-à-vis the Canadian dollar can have an adverse impact on the Company's gross profit. The Company has a variety of alternatives that it considers to manage its foreign currency exposure on cash flows related to these purchases. These include, but are not limited to, various styles of foreign currency option or forward contracts, normally not to exceed twelve months, and spot rate purchases. A foreign currency option contract represents an option or obligation to buy a foreign currency from a counterparty. A foreign currency forward contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. The Company enters into certain qualifying foreign exchange contracts that it designated as cash flow hedging instruments. This has resulted in mark-to-market foreign exchange adjustments, for qualifying hedged instruments, being recorded as a component of other comprehensive income. The foreign exchange contracts that were settled during fiscal 2020 were designated as cash flow hedges and qualified for hedge accounting. The underlying risk of the foreign exchange contracts is identical to the hedged risk, and accordingly the Company established a ratio of 1:1 for all foreign exchange hedges.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash and cash equivalents of $9.0 million U.S., trade receivables of $0.5 million U.S. and trade payables of $41.4 million U.S. to determine how a change in the U.S. dollar exchange rate would affect net earnings. On February 1, 2020, a 10% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a $5.7 million increase or decrease, respectively, in the Company's net earnings for fiscal 2020.

The Company has performed a sensitivity analysis on its derivative financial instruments (which are all designated as cash flow hedges), to determine how a change in the U.S. dollar exchange rate would affect other comprehensive income. On February 1, 2020, a 10% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in a $15.4 million decrease or $16.5 million increase, respectively, in the Company's other comprehensive income for fiscal 2020.

Interest Rate Risk

Interest rate risk exists in relation to the Company's cash and cash equivalents. Market fluctuations in interest rates impacts the Company's earnings with respect to interest earned on cash and cash equivalents that are invested mainly with major Canadian financial institutions. As at February 1, 2020, the Company had unsecured demand credit facilities available up to an amount of $65 million (or its U.S. dollar equivalent), which was comprised of a maximum overdraft protection of $25.0 million and $40.0 million was restricted to securing letters of credit (February 2, 2019 - $75.0 million of which a maximum $35.0 million was for overdraft protection and $40.0 million was for securing letters of credit). Subsequent to the end of fiscal 2020, the demand credit facilities for overdraft protection were terminated by the banks and the credit facilities to secure letters of credit were reduced to a maximum of $1.0 million. As indicated in section "current developments" of this MD&A, the Company is currently in discussions with its banker regarding alternative financing arrangements. Other financing options, such as mortgage financing of the Company's property, are also being considered.

The Company has performed a sensitivity analysis on interest rate risk at February 1, 2020 to determine how a change in interest rates would affect net earnings. For fiscal 2020, the Company earned interest income of $1.7 million on its cash and cash equivalents. An increase or decrease of 100 basis points in the average interest rate earned during the year would have increased or decreased net earnings by $1.0 million, respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

The Company primarily uses funds for working capital requirements and capital expenditures. Shareholders' equity as at February 1, 2020 amounted to $193.8 million or $3.97 per share (February 2, 2019 - $339.6 million or $5.36 per share). As at February 1, 2020, the Company had cash and cash equivalents of $89.4 million (February 2, 2019 - $112.5 million) and no long-term financing debt (other than its lease liabilities). Cash and cash equivalents are held in interest bearing accounts mainly with major Canadian financial institutions. The Company closely monitors its risk with respect to cash investments. Subsequent to the end of fiscal 2020, and at the date of this MD&A the Company's cash reserves had decreased to approximately half of what they were as at February 1, 2020 and it had no operating lines of credit facilities with the bank other than $1.0 million for use in securing letters of credit. The Company is currently in discussions with its banker regarding alternative financing arrangements. Other financing options, such as mortgage financing of the Company's property, are also being considered. The Company has also taken measures to preserve cash to the extent possible, including reducing headcount through temporary layoffs, reducing discretionary expenditures, deferring payments, suspending the quarterly dividend and deferring capital expenditures as discussed below.

The Company purchases insurance coverage from financially stable third-party insurance companies. The Company maintains comprehensive internal security and loss prevention programs aimed at mitigating the financial impact of theft.

The Company paid $0.15 dividends per share in fiscal 2020 totalling $8.8 million, compared to $0.20 per share in fiscal 2019 totalling $12.7 million. In order to conserve cash, the Board of Directors has suspended the quarterly dividend, due to the Company's current operating performance.

In fiscal 2020, the Company invested $23.5 million in capital expenditures, on a cash basis, primarily in digital technology and retail system upgrades, distribution and handling system improvements and existing store renovations and new store builds. Under the current economic conditions, the Company has cancelled or delayed significant investments in capital expenditures for the remainder of fiscal 2021.

FINANCIAL COMMITMENTS

The following table sets forth the Company's financial commitments, excluding trade and other payables, as at February 1, 2020:

Contractual Obligations	**Total**	**Within 1 year**	**2 to 4 years**	**5 years and over**
Lease obligations[1]	$ 232.5	$ 68.6	$ 118.6	$ 45.3
Purchase obligations[2]	130.8	122.1	8.6	0.1
Other service contracts	1.6	1.2	0.4	-
Total contractual obligations	**$ 364.9**	**$ 191.9**	**$ 127.6**	**$ 45.4**

[1] Represents the minimum lease payments for leases of retail locations and office equipment recognized on the consolidated balance sheet as lease liabilities under IFRS 16.

[2] Includes amounts pertaining to agreements to purchase goods or services that are enforceable and legally binding on the Company.

As at February 1, 2020, the Company's pension liability has not been included in the table above as the timing and amount of future payments are uncertain. Refer to note 13 in the audited consolidated financial statements for fiscal 2020.

OUTSTANDING SHARE DATA

On June 17, 2019, the Company announced the terms of a substantial issuer bid (the "Offer") to purchase for cancellation up to 15,000,000 of its issued and outstanding Class A non-voting shares at a price of $3.00 per share. The Offer commenced on June 20, 2019 and expired on July 26, 2019. The Offer resulted in the Company purchasing 14,462,944 Class A non-voting shares, which were subsequently cancelled, for an aggregate consideration of $43.7 million including related transaction costs of $0.3 million.

At May 1, 2020, 13,440,000 Common shares and 35,427,322 Class A non-voting shares of the Company were issued and outstanding. Each Common share entitles the holder thereof to one vote at meetings of shareholders of the Company. The Company has 1,727,000 share options outstanding at an average exercise price of $8.24. Each share option entitles the holder to purchase one Class A non-voting share of the Company at an exercise price established based on the market price of the shares at the date the option was granted.

OFF-BALANCE SHEET ARRANGEMENTS

Derivative Financial Instruments

The Company in its normal course of business must make long lead-time commitments for a significant portion of its merchandise purchases, in some cases as long as twelve months. Most of these purchases must be paid for in U.S. dollars. The Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar long-term commitments, including spot rate purchases and foreign currency forward hedge contracts with maturities generally not exceeding twelve months.

Details of the foreign currency contracts outstanding as at February 1, 2020 are included in the "Foreign Exchange Contracts" section of this MD&A.

A forward foreign exchange contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. Credit risks exist in the event of failure by a counterparty to fulfill its obligations. The Company reduces this risk by dealing only with highly-rated counterparties, normally major Canadian chartered banks. The Company does not use derivative financial instruments for speculative purposes.

RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Key management personnel are those persons (both executive and non-executive) who have the authority and responsibility for planning, directing and controlling the activities of the entity - directly or indirectly. The Board of Directors (which includes the Chief Executive Officer and President) has the responsibility for planning, directing and controlling the activities of the Company and are considered key management personnel. The members of the Board of Directors participate in the share option plan, as described in note 15 to the audited consolidated financial statements for fiscal 2020.

Compensation expense for key management personnel is as follows:

	Fiscal 2020	Fiscal 2019
Salaries, Directors' fees and short-term benefits	**$ 1.6**	$ 1.6
Share-based compensation costs	**-**	0.1
	$ 1.6	$ 1.7

Other Related-Party Transactions

The Company incurred $0.4 million in fiscal 2020 (fiscal 2019 - $0.3 million) for consulting fees paid to a director of the Company and legal services rendered by a law firm connected to certain members of the Board of Directors.

These transactions are recorded at the amount of consideration paid as established and agreed to by the related parties.

FINANCIAL INSTRUMENTS

The Company uses its cash resources to fund ongoing working capital needs along with capital expenditures. Financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, trade and other receivables and foreign currency contracts. The Company reduces this risk by dealing only with highly-rated counterparties, normally major Canadian financial institutions. The Company closely monitors its risk with respect to short-term cash investments.

The volatility of the U.S. dollar vis-à-vis the Canadian dollar impacts earnings and while the Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar commitments, such as spot rate purchases and foreign exchange contracts, this volatility can result in exposure to risk.

For further disclosure of the Company's financial instruments, their classification, their impact on financial statements, and determination of fair value refer to note 23 of the audited consolidated financial statements for fiscal 2020.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. These estimates and assumptions are based on historical experience, other relevant factors and expectations of the future and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Following are the most important accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

Key Sources of Estimation Uncertainty

Pension Plans

The cost of defined benefit pension plans is determined by means of actuarial valuations, which involve making assumptions about discount rates, future salary increases and mortality rates. Because of the long-term nature of the plans, such estimates are subject to a high degree of uncertainty.

Gift Cards / Loyalty Points and Awards

Gift cards sold are recorded as deferred revenue and revenue is recognized when the gift cards are redeemed. If the Company expects to be entitled to a breakage amount for the gift cards, it recognizes the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer. Breakage is an estimate of the amount of gift cards that will never be redeemed. The breakage rate is reviewed on an ongoing basis and is estimated based on historical redemption patterns. Loyalty points and awards granted under customer loyalty award programs are recorded as deferred revenue until the loyalty points and awards are redeemed by the customer. The allocation of revenue that is deferred in relation to its customer loyalty award programs is allocated between the loyalty program awards and the goods on which the awards were earned, based on their relative stand-alone selling prices. The estimated stand-alone selling prices of the loyalty points are determined based on the various program reward thresholds.

Inventories

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess inventory are made. The Company has set up provisions for merchandise in inventory that may have to be sold below cost. The Company has developed assumptions regarding the quantity of merchandise to be sold below cost based on historical patterns of sales. In addition, as part of inventory valuations, provisions are accrued for inventory shrinkage for lost or stolen items based on historical trends from actual physical inventory counts.

Asset Impairment

The Company must assess the possibility that the carrying amounts of tangible and intangible assets (including goodwill) may not be recoverable. Impairment testing is performed whenever there is an indication of impairment, except for goodwill and intangible assets with indefinite useful lives for which impairment testing is performed at least once per year. Significant management estimates are required to determine the recoverable amount of the cash-generating unit ("CGU") including estimates of fair value, selling costs or the discounted future cash flows related to the CGU. Differences in estimates could affect whether tangible and intangible assets (including goodwill) are in fact impaired and the dollar amount of that impairment.

Leases

In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset if the interest rate implicit in the lease is not readily determinable. Management determines the incremental borrowing rate of each leased asset by incorporating the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates in. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

Critical Judgments in Applying Accounting Policies

Operating Segments

The Company uses judgment in assessing the criteria used to determine the aggregation of operating segments. In order to identify the Company's reportable segments, the Company uses the process outlined in IFRS 8, Operating Segments, which includes the identification of the Chief Operating Decision Maker ("CODM"), being the Chief Executive Officer, the identification of operating segments and the aggregation of operating segments. The Company's operating segments, before aggregation, have been identified as the Company's five banners: Reitmans, Penningtons, Addition Elle, RW & CO. and Thyme Maternity. Each operating segment is reviewed by the CODM in reviewing their profitability so that the information can be used to ensure adequate resources are allocated to that part of the Company's operations. The CODM reviews the profitability of the banner as a whole, which includes both the store and online channels. This is consistent with the omnichannel strategy adopted by the Company whereby customers can shop seamlessly in retail stores and online. The Company has aggregated its operating segments into one reportable segment because of their similar economic characteristics, customers (mainly female) and nature of products (mainly women's specialty apparel). The similarity in economic characteristics reflects the fact that the Company's operating segments operate mainly in the women apparel business, primarily in Canada and are therefore subject to the same economic market pressures. The Company's operating segments are subject to similar competitive pressures such as price and product innovation and assortment from existing competitors and new entrants into the marketplace. The operating segments also share centralized, common functions such as distribution and information technology.

Leases

Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option, including investments in major leaseholds and store performances. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew.

Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may impact management's assessment of lease term, and any changes in management's estimate of lease terms may have a material impact on the Company's consolidated balance sheet and consolidated statement of earnings.

Deferred tax assets

Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether there will be sufficient taxable profits available against which they can be utilized.

NEW ACCOUNTING POLICIES ADOPTED IN FISCAL 2020

The new accounting policies set out below have been adopted in the audited consolidated financial statements for fiscal 2020:

- IFRS 16 – Leases
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

Further information on these new accounting policies can be found in note 3 of the audited consolidated financial statements for fiscal 2020.

DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

As required by National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have caused the effectiveness of the disclosure controls and procedures to be evaluated. Based on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures were effective as at February 1, 2020 in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

As required by NI 52-109, the CEO and the CFO have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework established in ‘Internal Control – Integrated Framework (COSO Framework)’ published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013. Based on that evaluation, they have concluded that the design and operation of the Company’s internal controls over financial reporting were effective as at February 1, 2020 in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

As reported previously, the Company has selected a lease accounting software to gather its lease information and to quantify the required components of IFRS 16. The Company finalized the process of implementing this lease accounting software and finalized the development of new reports to capture information required for presentation and disclosure under IFRS 16 during the first quarter of fiscal 2020. Accordingly, internal controls processes and procedures have been put in place and updated in order to ensure proper internal controls over financial reporting, and disclosure controls and procedures have been updated to capture information required for presentation and disclosure under IFRS 16.

During the fourth quarter of 2020, there were no changes in the Company’s internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

OUTLOOK

The disappointing operating results in fiscal 2020 are primarily attributed to the Company's plus-size banners. Sales and the operating results from the plus-size banners were well below expectations as the strategic initiatives implemented early in the fiscal year in these banners failed to resonate with their customer base. A variety of measures were implemented late in fiscal 2020 to improve profitability, including new leadership focused on enhancing the product offerings and improving the customer experience both in stores and online to meet customer demands. Despite these efforts, the Company, the retail industry and the economy in general, are facing some significant headwinds in fiscal 2021. The impact of COVID-19 is significant. Containment protocols, including a complete closure of retail stores, job losses and social distancing have influenced consumer shopping behavior and consumer demand.

The financial fallout of these events has been extremely difficult for the Company. As revenue streams continue to decrease significantly during this time, it is expected that the Company's cost-curtailment efforts will not be sufficient to enable the Company to self-fund its operations. The Company must obtain financing to meet its current and future financial obligations in the normal course of business and is also exploring various alternatives.

This an evolving situation. The Company continues to work on strategies to address the challenges brought about from COVID-19 requirements. Workforce protection, supply-chain stabilization and consumer communication are priorities. Business contingency processes and protocols have been put in place within the organization to assist in the curtailment of the virus and to deliver the necessary support to our employees and customers. The Company's procurement team is driving supply-chain efforts while minimizing merchandise purchases where possible. The Company's sales and marketing teams are working on customer communications, currently through its e-commerce channel, and the Company as a whole is focused on the health and safety of our employees.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Reitmans (Canada) Limited;

Opinion

We have audited the consolidated financial statements of Reitmans (Canada) Limited (the "Entity"), which comprise:

- the consolidated balance sheets as at February 1, 2020 and February 2, 2019
- the consolidated statements of earnings for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at February 1, 2020 and February 2, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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 **"*Auditors' Responsibilities for the Audit of the Financial Statements*"** section of our auditors' report.

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2b) in the financial statements which indicates that the Entity incurred a net loss of $87.4 million for the year ended February 1, 2020 and that, based on its current liquidity position and in light of the uncertainty surrounding the COVID-19 outbreak, management estimates that the Entity will need additional funding to meet its current and future financial obligations.

As stated in Note 2b) in the financial statements, these events or conditions, along with other matters as set forth in Note 2b) in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Emphasis of Matter - Prospective Change in Accounting Policy

We draw attention to Note 3 a) to the financial statements which indicates that the Entity has changed its accounting policy for leases and has applied that change prospectively.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprise the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors’ report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors’ report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity’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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ 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 the 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the 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 auditors’ report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Giuseppe Funiciello.

KPMG LLP*

Montréal, Canada

May 1, 2020

*CPA auditor, CA, public accountancy permit No. A122264

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF EARNINGS
For the years ended February 1, 2020 and February 2, 2019
(in thousands of Canadian dollars except per share amounts)

	Notes	2020	2019
Sales		**$ 869,497**	$ 923,018
Cost of goods sold	5	**425,106**	413,505
Gross profit		**444,391**	509,513
Selling and distribution expenses		**438,838**	446,856
Administrative expenses		**45,149**	44,415
Impairment of goodwill	9	**11,843**	-
Results from operating activities		**(51,439)**	18,242
Finance income	17	**3,173**	6,232
Finance costs	17	**16,218**	12,304
(Loss) earnings before income taxes		**(64,484)**	12,170
Income tax expense	10	**22,942**	5,405
Net (loss) earnings		**$ (87,426)**	$ 6,765
(Loss) earnings per share:	18		
Basic		**$ (1.56)**	$ 0.11
Diluted		**(1.56)**	0.11

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

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended February 1, 2020 and February 2, 2019
(in thousands of Canadian dollars)

	Notes	2020	2019
Net (loss) earnings		**$ (87,426)**	$ 6,765
Other comprehensive (loss) income			
Items that may be reclassified subsequently to net earnings:			
Cash flow hedges (net of tax of $401; 2019 - $1,677)	14	**1,106**	4,571
Foreign currency translation differences	14	**(49)**	(274)
		1,057	4,297
Items that will not be reclassified to net earnings:			
Actuarial loss on defined benefit plan (net of tax of $1,227; 2019 - $334)	13	**(4,325)**	(912)
Total other comprehensive (loss) income		**(3,268)**	3,385
Total comprehensive (loss) income		**$ (90,694)**	$ 10,150

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

REITMANS (CANADA) LIMITED
CONSOLIDATED BALANCE SHEETS
As at February 1, 2020 and February 2, 2019
(in thousands of Canadian dollars)

	Notes	2020	2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	**$ 89,410**	$ 112,518
Marketable securities	23	**-**	49,690
Trade and other receivables		**6,313**	7,897
Derivative financial asset	23	**1,124**	1,900
Inventories	5	**147,428**	146,809
Prepaid expenses		**9,441**	19,771
Total Current Assets		**253,716**	338,585
NON-CURRENT ASSETS			
Property and equipment	6	**88,090**	95,921
Intangible assets	7	**20,267**	21,639
Right-of-use assets	8	**198,097**	-
Goodwill	9	**-**	11,843
Deferred income taxes	10	**-**	24,829
Total Non-Current Assets		**306,454**	154,232
TOTAL ASSETS		**$ 560,170**	$ 492,817
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables	11	**$ 109,479**	$ 98,842
Derivative financial liability	23	**348**	966
Deferred revenue	12	**15,042**	15,209
Income taxes payable		**3,207**	4,201
Current portion of lease liabilities	8	**61,618**	-
Total Current Liabilities		**189,694**	119,218
NON-CURRENT LIABILITIES			
Trade and other payables	11	**195**	5,170
Deferred lease credits		**-**	7,789
Lease liabilities	8	**152,251**	-
Pension liability	13	**24,213**	21,043
Total Non-Current Liabilities		**176,659**	34,002
SHAREHOLDERS' EQUITY			
Share capital	14	**27,406**	38,397
Contributed surplus		**10,283**	10,245
Retained earnings		**156,355**	292,239
Accumulated other comprehensive loss	14	**(227)**	(1,284)
Total Shareholders' Equity		**193,817**	339,597
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 560,170**	$ 492,817

Going concern (note 2(b)), Commitments (note 16) and Subsequent events (note 26)

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

On behalf of the Board,

(signed) Stephen F. Reitman, Director

(signed) Bruce J. Guerriero, Director

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended February 1, 2020 and February 2, 2019
(in thousands of Canadian dollars)

	Notes	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance as at February 3, 2019		**$ 38,397**	**$ 10,245**	**$ 292,239**	**$ (1,284)**	**$ 339,597**
IFRS 16 adoption adjustment (net of tax)	3a	**-**	**-**	**56**	**-**	**56**
Restated balance as at February 3, 2019		**38,397**	**10,245**	**292,295**	**(1,284)**	**339,653**
Net loss		**-**	**-**	**(87,426)**	**-**	**(87,426)**
Total other comprehensive (loss) income	13,14	**-**	**-**	**(4,325)**	**1,057**	**(3,268)**
Total comprehensive (loss) income for the year		**-**	**-**	**(91,751)**	**1,057**	**(90,694)**
Share-based compensation costs	15	**-**	**38**	**-**	**-**	**38**
Dividends	14	**-**	**-**	**(8,776)**	**-**	**(8,776)**
Purchase of Class A non-voting shares pursuant to substantial issuer bid	14	**(10,991)**	**-**	**-**	**-**	**(10,991)**
Excess of purchase price of Class A non-voting shares over carrying amount (including tax of $2,693)	14	**-**	**-**	**(35,413)**	**-**	**(35,413)**
Total (distributions to) contributions by owners of the Company		**(10,991)**	**38**	**(44,189)**	**-**	**(55,142)**
Balance as at February 1, 2020		**$ 27,406**	**$ 10,283**	**$ 156,355**	**$ (227)**	**$ 193,817**
Balance as at February 4, 2018		$ 38,397	$ 10,119	$ 297,895	$ (5,581)	$ 340,830
IFRS 15 adoption adjustment (net of tax)		-	-	1,157	-	1,157
Restated balance as at February 4, 2018		38,397	10,119	299,052	(5,581)	341,987
Net earnings		-	-	6,765	-	6,765
Total other comprehensive (loss) income	13,14	-	-	(912)	4,297	3,385
Total comprehensive income for the year		-	-	5,853	4,297	10,150
Share-based compensation costs	15	-	126	-	-	126
Dividends	14	-	-	(12,666)	-	(12,666)
Total contributions by (distributions to) owners of the Company		-	126	(12,666)	-	(12,540)
Balance as at February 2, 2019		$ 38,397	$ 10,245	$ 292,239	$ (1,284)	$ 339,597

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

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended February 1, 2020 and February 2, 2019
(in thousands of Canadian dollars)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) earnings		**$ (87,426)**	$ 6,765
Adjustments for:			
Depreciation, amortization and net impairment losses	6,7,8	**102,969**	37,920
Impairment of goodwill	9	**11,843**	-
Share-based compensation costs	15	**(51)**	215
Net change in fair value and loss on disposal of marketable securities	17	**8,264**	12,304
Net change in transfer of realized loss (gain) on cash flow hedges to inventory		**1,665**	(4,394)
Foreign exchange gain		**(3,597)**	(4,811)
Interest on lease liabilities	8,17	**7,479**	-
Interest and dividend income, net	17	**(3,173)**	(4,691)
Income tax expense	10	**22,942**	5,405
		60,915	48,713
Changes in:			
Trade and other receivables		**1,930**	(2,905)
Inventories		**(619)**	(9,704)
Prepaid expenses		**4,078**	(584)
Trade and other payables		**11,013**	1,904
Pension liability	13	**71**	561
Deferred lease credits		**-**	1,339
Deferred revenue		**(167)**	(4,785)
		77,221	34,539
Interest received		**1,820**	2,015
Dividends received		**1,582**	2,564
Income taxes received		**633**	2,891
Income taxes paid		**(4,080)**	(4)
Net cash flows from operating activities		**77,176**	42,005
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Additions to property and equipment and intangible assets, net	6,7,22	**(23,475)**	(26,045)
Purchases of marketable securities		**-**	(7,505)
Proceeds on sale of marketable securities	17	**41,425**	7,536
Cash flows from (used in) investing activities		**17,950**	(26,014)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid	14	**(8,776)**	(12,666)
Payment of lease liabilities	8,22	**(69,296)**	-
Purchase of Class A non-voting shares for cancellation	14	**(43,711)**	-
Cash flows used in financing activities		**(121,783)**	(12,666)
FOREIGN EXCHANGE GAIN ON CASH HELD IN FOREIGN CURRENCY		**3,549**	4,537
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(23,108)**	7,862
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR		**112,518**	104,656
CASH AND CASH EQUIVALENTS, END OF THE YEAR		**$ 89,410**	$ 112,518

Supplementary cash flow information (note 22)
The accompanying notes are an integral part of these consolidated financial statements.

1. REPORTING ENTITY

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

2. BASIS OF PRESENTATION

a) Fiscal Year

The Company's fiscal year ends on the Saturday closest to the end of January. All references to 2020 and 2019 represent the 52 weeks ended February 1, 2020 and February 2, 2019, respectively.

b) Going Concern

The outbreak of the coronavirus disease (COVID-19) (the "outbreak"), which was declared a pandemic on March 11, 2020 by the *World Health Organization*, is having significant impacts for the Company. The measures adopted by the Federal and provincial governments in order to mitigate the spread of the outbreak required the Company to close all of its retail locations across the country effective March 17, 2020 until further notice. From March 18, 2020, the Company's only sales are derived from its e-commerce channel. The duration and impact of the outbreak is unknown and may influence consumer shopping behavior and consumer demand including online shopping. Given all the uncertainty surrounding the outbreak, the Company is currently unable to predict when it will reopen its retail locations. In addition, recent temporary factory closures in China have resulted in disruptions to the Company's supply chain with delays in the delivery of merchandise and increased freight costs.

For the year ended February 1, 2020, the Company incurred a net loss of $87.4 million. The Company's current liabilities total $189.7 million as at February 1, 2020 and are comprised primarily of trade payables for the purchase of merchandise and lease liability payments to landlords for rent of retail locations. As at February 1, 2020, the Company held liquid current assets of $89.4 million comprised of cash and cash equivalents. However, based on the Company's liquidity position as of the date of the approval of these consolidated financial statements, including the termination and reduction in availabilities under the Company's credit facilities detailed in note 26, and in light of the uncertainty surrounding the outbreak, management estimates that it will need additional financing to meet its current and future financial obligations. In order to conserve cash to finance its ongoing operations, the Company has suspended the declaration and payment of any dividends, has, subsequent to year end, temporarily laid off 90% of its retail store employees and approximately 30% of its head office employees and is currently minimizing purchases where possible. The Company is actively seeking additional financing and is also exploring various alternatives. The Company is currently in discussions with its banker regarding alternative financing arrangements. Other financing options, such as mortgage financing of the Company's property, are also being considered. However, there is no assurance that financing can be obtained in the limited time period required and in the quantum needed. If the Company is unable to obtain such financing in the limited time period required, it may be unable to continue as a going concern. The Company's ability to continue as a going concern is dependent on its ability to resume normal operations, generate future revenues and profitable operations and obtain additional financing. As a result, these events and conditions indicate a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern and, therefore, realize its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These consolidated financial statements as at and for the year ended February 1, 2020 do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate. Such adjustments could be material.

c) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on May 1, 2020.

d) Basis of Measurement

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

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

e) Functional and Presentation Currency

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

f) Estimates, Judgments and Assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. These estimates and assumptions are based on historical experience, other relevant factors and expectations of the future and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Following are the most important accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

Key Sources of Estimation Uncertainty

(i) Pension Plans

The cost of defined benefit pension plans is determined by means of actuarial valuations, which involve making assumptions about discount rates, future salary increases and mortality rates. Because of the long-term nature of the plans, such estimates are subject to a high degree of uncertainty.

(ii) Gift Cards and Customer Loyalty Awards Programs

Gift cards sold are recorded as deferred revenue and revenue is recognized when the gift cards are redeemed. If the Company expects to be entitled to a breakage amount for the gift cards, it recognizes the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer. Breakage is an estimate of the amount of gift cards that will never be redeemed. The breakage rate is reviewed on an ongoing basis and is estimated based on historical redemption patterns.

Loyalty points and awards granted under customer loyalty award programs are recorded as deferred revenue until the loyalty points and awards are redeemed by the customer. The allocation of revenue that is deferred in relation to its customer loyalty award programs is allocated between the loyalty program awards and the goods on which the awards were earned, based on their relative stand-alone selling prices. The estimated stand-alone selling prices of the loyalty points are determined based on the various program reward thresholds.

(iii) Inventories

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess inventory are made. The Company has set up provisions for merchandise in inventory that may have to be sold below cost. The Company has developed assumptions regarding the quantity of merchandise to be sold below cost based on historical pattern of sales.

(iv) Asset Impairment

The Company must assess the possibility that the carrying amounts of tangible and intangible assets (including goodwill) may not be recoverable. Impairment testing is performed whenever there is an indication of impairment, except for goodwill and intangible assets with indefinite useful lives for which impairment testing is performed at least once per year. Significant management estimates are required to determine the recoverable amount of the cash-generating unit ("CGU") including estimates of fair value, selling costs or the discounted future cash flows related to the CGU. Differences in estimates could affect whether tangible and intangible assets (including goodwill) are in fact impaired and the dollar amount of that impairment.

(v) Leases

In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset if the interest rate implicit in the lease is not readily determinable. Management determines the incremental borrowing rate of each leased asset by incorporating the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates in. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

Critical Judgments in Applying Accounting Policies

(i) Operating Segments

The Company uses judgment in assessing the criteria used to determine the aggregation of operating segments. In order to identify the Company's reportable segments, the Company uses the process outlined in IFRS 8, *Operating Segments*, which includes the identification of the Chief Operating Decision Maker ("CODM"), being the Chief Executive Officer, the identification of operating segments and the aggregation of operating segments. The Company's operating segments, before aggregation, have been identified as the Company's five banners: Reitmans, Penningtons, Addition Elle, RW & CO. and Thyme Maternity. Each operating segment is reviewed by the CODM in reviewing their profitability so that the information can be used to ensure adequate resources are allocated to that part of the Company's operations. The CODM reviews the profitability of the banner as a whole which includes both the store and online channels. This is consistent with the omni-channel strategy adopted by the Company whereby customers can shop seamlessly in retail stores and online. The Company has aggregated its operating segments into one reportable segment because of their similar economic characteristics, customers (mainly female) and nature of products (mainly women's specialty apparel). The similarity in economic characteristics reflects the fact that the Company's operating segments operate mainly in the women apparel business, primarily in Canada and are therefore subject to the same economic market pressures. The Company's operating segments are subject to similar competitive pressures such as price and product innovation and assortment from existing competitors and new entrants into the marketplace. The operating segments also share centralized, common functions such as distribution and information technology.

(ii) Leases

Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option, including investments in major leaseholds and store performances. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew.

Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may influence management's assessment of lease term, and any changes in management's estimate of lease terms may have a material impact on the Company's consolidated balance sheet and consolidated statement of earnings.

(iii) Deferred tax assets

Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether there will be sufficient taxable profits available against which they can be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as described below for the adoption of new accounting policies:

a) Adoption of New Accounting Policies

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"), replacing IAS 17, *Leases* and related interpretations. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as finance and operating leases. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. IFRS 16 became effective for annual periods beginning on or after January 1, 2019.

The Company adopted the standard for the annual period beginning February 3, 2019 and applied the requirements of the standard using the modified retrospective approach with the cumulative effects of initial application recorded in opening retained earnings as at February 3, 2019 with no restatements of the comparative period. Under the modified retrospective approach, the Company has elected to use the following practical expedients permitted on adoption of IFRS 16:

- the Company did not reassess whether a contract is, or contains, a lease at the date of initial application and instead applied IFRS 16 to contracts that were previously identified as leases applying IAS 17, *Leases*;
- the Company relied on the assessment of the onerous lease provisions under IAS 37, *Provisions, contingent liabilities and contingent assets,* instead of performing an impairment review;
- the Company excluded initial direct costs in the measurement of the right-of-use assets at the date of initial application; and
- the Company used hindsight in determining the lease term at the date of initial application.

The following table summarizes the impact of adopting IFRS 16 on certain items on the Company's consolidated balance sheet as at February 3, 2019:

	As at February 2, 2019	Transition adjustments	As at February 3, 2019
Current assets			
Trade and other receivables	$ 7,897	$ 575	$ 8,472
Prepaid expenses	19,771	(6,252)	13,519
Non-current assets			
Right-of-use assets	-	212,413	212,413
Deferred income taxes	24,829	(20)	24,809
Current liabilities			
Trade and other payables	98,842	(1,719)	97,123
Current portion of lease liabilities	-	58,272	58,272
Non-current liabilities			
Trade and other payables	5,170	(3,792)	1,378
Deferred lease credits	7,789	(7,789)	-
Lease liabilities	-	161,688	161,688
Shareholders' equity			
Retained earnings	292,239	56	292,295

The Company used its incremental borrowing rates as at February 3, 2019 to measure its lease liabilities. The weighted average incremental borrowing rate was 3.51% at date of adoption.

The following table reconciles the operating lease commitments disclosed under IAS 17 as at February 2, 2019 and the lease liabilities recognized on February 3, 2019:

Store and office operating lease commitments	$ 244,024
Other operating lease commitments	6,452
Total operating lease commitments disclosed as at February 2, 2019	250,476
Other service contracts	(2,532)
Variable lease payments that do not depend on an index or rate	(1,311)
Operating lease commitments of leases commencing on or after February 3, 2019	(2,870)
Extension options reasonable certain to be exercised	1,783
Recognition exemption due to low-value leases	(33)
Lease liabilities recognized as at February 3, 2019 – undiscounted	$ 245,513
Discounted using the incremental borrowing rate as at February 3, 2019	$ 219,960
Current portion of lease liabilities	$ 58,272
Non-current portion of lease liabilities	161,688
Total lease liabilities	$ 219,960

As a result of the adoption of IFRS 16, the Company updated its accounting policy for leases as described in Note 3i).

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On February 7, 2018, the IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments apply for plan amendments, curtailments or settlements that occur on or after January 1, 2019, or the date on which they are first applied (earlier application is permitted).

The amendments to IAS 19 clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan.

The Company adopted the amendments to IAS 19 in its financial statements for the annual period beginning on February 3, 2019. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control exists when the Company has existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company reassesses control on an ongoing basis. Subsidiaries are consolidated from the date on which the Company obtains control until the date that such control ceases. The financial statements of subsidiaries are prepared as at the same reporting period of the Company. The accounting policies of subsidiaries are aligned with the policies of the Company. All significant inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, have been eliminated in preparing the consolidated financial statements. The Company has no subsidiaries representing individually more than 10% of the total consolidated assets and 10% of the consolidated net sales of the Company as at and for the fiscal year ended February 1, 2020.

c) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Other balance sheet items denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the respective transaction dates. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at average rates of exchange prevailing during the period. The resulting gains or losses on translation are included in the determination of net earnings.

d) Foreign Operations

The assets and liabilities of foreign operations are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short-term deposits with original maturities of three months or less.

f) Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation is recognized in net earnings on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Land is not depreciated. Assets not in service include expenditures incurred to-date for equipment not yet available for use. Depreciation of assets not in service begins when they are ready for their intended use. Depreciation is calculated on the cost of an asset, less its residual value.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings 10 to 50 years
- Fixtures and equipment 3 to 20 years

Leasehold improvements are depreciated over the lesser of the estimated useful life of the asset and the lease term.

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted prospectively, if appropriate.

Disposals of property and equipment include write-offs from store closures and for fully depreciated items. Gains and losses on disposal of items of property and equipment are recognized in net earnings.

g) Goodwill

Goodwill is measured at the acquisition date as the fair value of the consideration transferred less the net identifiable assets of the acquired company or business activities. Goodwill is not amortized and is carried at cost less accumulated impairment losses.

h) Intangible Assets

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated on the cost of the asset less its residual value. Amortization is recognized in net earnings on a straight-line basis over the estimated useful lives of the intangible assets. Amortization of intangible assets not in service begins when they are ready for their intended use. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The estimated useful lives for the current and comparative periods are as follows:

Software 3 to 5 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted prospectively, if appropriate.

Disposals of intangible assets include write-offs for fully depreciated items.

Intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment annually or more frequently if events or changes in circumstances indicate the asset may be impaired. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

i) Leases

The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. The lease payments include fixed and in-substance fixed payments and variable lease payments that depend on an index or rate, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate. Generally, the Company uses the lessee's incremental borrowing rate for its present value calculations. Lease payments are discounted over the lease term, which includes the fixed term and renewal options that the Company is reasonably certain to exercise. Lease payments are allocated between the lease liability and a finance cost, which is recognized in finance costs over the lease term in the consolidated statement of earnings.

When a contract contains both lease and non-lease components, the Company will allocate the consideration in the contract to each of the components on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Relative stand-alone prices are determined by maximizing the most observable prices for a similar asset and/or service.

Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate are recognized in selling, distribution and administrative expenses as incurred. Lease incentives received for variable payment leases are deferred and amortized as a reduction in recognized variable rent expenses over the term of the related leases.

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any re-measurement of lease liabilities. Cost is calculated as the initial measurement of the lease liability plus any initial direct costs and any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life.

In sublease arrangements where the Company is the intermediate lessor, it determines whether the sublease is finance or operating by reference to the right-of-use asset. A sublease is a finance sublease if substantially all of the risks and rewards of the head lease right-of-use asset have been transferred to the sub-lessee and the Company accounts for the sublease as two separate contracts. The Company derecognizes the right-of-use asset corresponding to the head lease and records a net investment in the finance sublease with corresponding interest income recognized in finance income in the consolidated statement of earnings and a net investment receivable recognized in trade and other receivables in the consolidated balance sheet.

j) Inventories

Merchandise inventories are measured at the lower of cost, determined on an average-cost-basis, and net realizable value. Costs include the cost of purchase, transportation costs that are directly incurred to bring inventories to their present location and condition, and certain distribution center costs related to inventories. The Company estimates net realizable value as the amount that inventories are expected to be sold, in the ordinary course of business, less the estimated costs necessary to make the sale, taking into consideration fluctuations of retail prices due to seasonality.

k) Impairment

(i) Non-Financial Assets

All non-financial assets are reviewed at each reporting date for indications that the carrying amount may not be recoverable. When there is evidence of impairment, an impairment test is carried out. Goodwill is tested for impairment at least annually at the year-end reporting date, and whenever there is an indication that the asset may be impaired. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (defined as "cash-generating unit" or "CGU"). Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets in the CGU.

An impairment loss is recognized in net earnings if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell. The value in use is the present value of estimated future cash flows, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The fair value less costs to sell is the amount for which an asset or CGU can be sold in a transaction under normal market conditions between knowledgeable and willing contracting parties, less costs to sell.

For the purpose of impairment testing of property and equipment and right-of-use assets, each store is managed at the corporate level, with internal reporting organized to measure performance of each retail store. Management has determined that its cash generating units are identifiable at the individual retail store level since the assets devoted to and cash inflows generated by each store are separately identifiable and independent of each other.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the combination. This allocation reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. Corporate assets are tested for impairment at the minimum grouping of CGUs to which the corporate assets can be reasonably and consistently allocated. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGUs to which the corporate asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

l) Employee Benefits

(i) Pension Benefit Plans

The Company maintains a contributory defined benefit plan ("Plan") that provides benefits to Reitmans (Canada) Limited (the "Employer") executive employees based on length of service and average earnings in the best five consecutive years of employment. Contributions are made by the Plan members and Employer. A Pension Committee, as appointed under the provisions of the Plan, is responsible for the administration of the Plan. All the investments of the Plan are deposited with RBC Investors Services Trust, which acts as the custodian of the assets entrusted to it. The investment manager of the Plan's investments is SEI Investments Canada Company. The Company also sponsors a Supplemental Executive Retirement Plan ("SERP") for certain senior executives, which is neither registered nor pre-funded. The costs of these retirement benefit plans are determined periodically by independent actuaries.

Benefits are also given to employees through defined contribution plans administered by the Federal and Québec governments. Company contributions to these plans are recognized in the periods when the services are rendered.

The Company's net liability in respect of defined benefits is calculated separately for each plan by estimating the amount of future benefits that Plan members have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Defined benefit obligations are actuarially calculated annually by a qualified actuary as at the reporting date. The actuarial valuations are determined based on management's best estimate of the discount rate, the rate of compensation increase, retirement rates, termination rates and mortality rates. The discount rate used to value the net defined benefit obligation for accounting purposes is based on the yield on a portfolio of Corporate AA bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit plan obligations.

The fair value of plan assets is deducted from the defined benefit obligation to arrive at the net liability. Plan assets are measured at fair value as at the reporting date. Past service costs arising from plan amendments are recognized in net earnings in the period that they arise.

Remeasurements of the net defined benefit liability, which comprise actuarial gains or losses, the return on plan assets, excluding interest, and the effect of the asset ceiling, if any, are recognized in other comprehensive income in the period in which they arise and subsequently reclassified from accumulated other comprehensive income to retained earnings.

Pension expense consists of the following:

- the cost of pension benefits provided in exchange for Plan members' services rendered in the period;
- net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the net defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments;
- past service costs; and
- gains or losses on settlements or curtailments.

Expenses related to defined contribution plans are recognized in net earnings in the periods in which the services are rendered.

(ii) Short-Term Employee Benefits

Short-term employee benefits obligations, which include wages, salaries, compensated absences and bonuses, are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Termination Benefits

Termination benefits are recognized as an expense at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. Benefits payable are discounted to their present value when the effect of the time value of money is material.

(iv) Share-Based Compensation

Share options (equity-settled)

Share options are equity settled share based payments. The fair value of each tranche of options granted is measured separately at the grant date using a Black-Scholes option pricing model. Estimating fair value requires determining the most appropriate inputs to the valuation model including making assumptions for the expected life, volatility, risk-free interest rate and dividend yield. Compensation cost is expensed over the award's respective vesting period which is normally up to four or five years. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met. Compensation expense is recognized in net earnings with a corresponding increase in contributed surplus. Any consideration paid by plan participants on the exercise of share options is credited to share capital. Upon the exercise of share options, the corresponding amounts previously credited to contributed surplus are transferred to share capital.

Share Appreciation Rights (cash-settled)

The Company’s share option plan includes a Share Appreciation Rights (“SARs”) plan that entitles key management and employees to a cash payment based on the increase in the share price of the Company’s Class A non-voting shares from the grant date to the vesting date. A liability is recognized for the services acquired and is recorded at the fair value of the SARs in other non-current payables, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in selling and distribution and/or administrative expenses, over the period that the employees become unconditionally entitled to the payment. The fair value of the employee benefits expense of the SARs is measured using the Black-Scholes pricing model. Estimating fair value requires determining the most appropriate inputs to the valuation model including making assumptions for the expected life of the SARs, volatility, risk-free interest rate and dividend yield. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated statements of earnings for the period.

Performance Share Units (cash-settled)

The Company has a Performance Share Units ("PSUs") plan entitling executives and key management to a cash payment. A liability is recognized for the services acquired and is recorded at fair value based on the share price of the Company's Common shares in other non-current payables, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in employee benefits expense in selling and distribution and/or administrative expenses. The amount recognized as an expense is adjusted to reflect the number of units for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the units of awards that meet the related service and non-market performance conditions at the vesting date. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated statements of earnings for the period.

m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the unwinding of the discount is recognized as finance cost.

An onerous contract provision is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected cost of continuing with the contract. Before an onerous contract provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

n) Revenue

Sale of merchandise

The Company recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which the Company expects to be entitled to, including variable consideration to the extent that it is highly probable that a significant reversal will not occur.

Customer loyalty award programs

Revenue is allocated between the customer loyalty award programs and the goods on which the awards were earned based on their relative stand-alone selling prices. Loyalty points and awards granted under customer loyalty award programs are recorded as deferred revenue until the loyalty points and awards are redeemed by the customer.

Gift cards

Gift cards sold are recorded as deferred revenue and revenue is recognized when the gift cards are redeemed. If the Company expects to be entitled to a breakage amount for the gift cards, it recognizes the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer.

Sales with a right of return

The Company grants rights of return on goods sold to customers. Revenue is reduced by the amount of expected returns, which is determined based on historical patterns of returns, and a related refund liability is recorded within “Trade and other payables”. In addition, the Company recognizes a related asset for the right to recover returned goods within “Inventories”.

o) Finance Income and Finance Costs

Finance income comprises interest and dividend income, net gains from changes in the fair value of marketable securities, as well as foreign exchange gains. Finance costs comprise interest expense, net losses from changes in the fair value of marketable securities, as well as foreign exchange losses. Interest income is recognized on an accrual basis and interest expense is recorded using the effective interest method. Dividend income is recognized when the right to receive payment is established. Foreign exchange gains and losses are reported on a net basis.

p) Income Tax

Income tax expense comprises current and deferred taxes. Current income taxes and deferred income taxes are recognized in net earnings except for items recognized directly in equity or in other comprehensive income.

The Company’s income tax expense is based on tax rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities. Current income tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years. The Company’s estimates of current income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as for changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the income tax expense and in measuring current income tax assets and liabilities.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is included in net earnings in the period that includes the enactment date, except to the extent that it relates to an item recognized either in other comprehensive income or directly in equity in the current or in a previous period.

The Company only offsets income tax assets and liabilities if it has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are recognized on the consolidated balance sheets under non-current assets or liabilities, irrespective of the expected date of realization or settlement.

Current and deferred taxes attributable to amounts recognized directly in equity are also recognized directly in equity.

q) Earnings per Share

The Company presents basic and diluted earnings per share ("EPS") data for its shares.

Basic EPS is calculated by dividing the net earnings of the Company by the weighted average number of Class A non-voting and Common shares outstanding during the period.

Diluted EPS is determined by adjusting the weighted average number of shares outstanding to include additional shares issued from the assumed exercise of share options, if dilutive. The number of additional shares is calculated by assuming that the proceeds from such exercises, as well as the amount of unrecognized share-based compensation, are used to purchase Class A non-voting shares at the average market share price during the period.

r) Share Capital

Class A non-voting shares and Common shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognized as a deduction from equity, net of any tax effects.

When share capital recognized as equity is purchased for cancellation, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. The excess of the purchase price over the carrying amount of the shares is charged to retained earnings.

s) Financial Instruments

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination.

(i) Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Company currently classifies its cash and cash equivalents and trade and other receivables as assets measured at amortized cost.

(ii) Financial assets measured at fair value through other comprehensive income (“OCI”)

A financial asset is measured at fair value through OCI if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company currently has no financial assets measured at fair value through OCI.

(iii) Impairment of financial assets

The Company uses the “expected credit loss” model for calculating impairment and recognizes expected credit losses as a loss allowance in the consolidated balance sheets if they relate to a financial asset measured at amortized cost. The Company’s trade and other receivables, typically short-term receivables with payments received within a 12-month period, do not have a significant financing component. Therefore, the Company recognizes impairment and measures expected credit losses as lifetime expected credit losses. The carrying amount of these assets in the consolidated balance sheets is stated net of any loss allowance.

(iv) Financial assets measured at fair value through profit or loss

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss. Marketable securities are measured at fair value with changes in fair value recognized in profit or loss.

(v) Financial liabilities are classified into the following categories

Financial liabilities measured at amortized cost:

The Company classifies non-derivative financial liabilities as measured at amortized cost. Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. The Company currently classifies trade and other payables as financial liabilities measured at amortized cost.

Financial liabilities measured at fair value through profit or loss:

Financial liabilities measured at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in profit or loss. The Company currently has no financial liabilities measured at fair value.

(vi) Non-hedge derivative financial instruments measured at fair value

Non-hedge derivative financial instruments, including foreign exchange contracts, are recorded as either assets or liabilities measured initially at their fair value. Attributable transaction costs are recognized in profit or loss as incurred. All derivative financial instruments not designated in a hedge relationship are classified as financial instruments at fair value through profit and loss. Any subsequent change in the fair value of non-hedge foreign exchange contracts are accounted for in cost of goods sold for the period in which it arises.

(vii) Hedging relationships

The Company enters into derivative financial instruments to hedge its foreign exchange risk exposures of part of its purchases in U.S. dollars. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings. The time value component of options designated as cash flow hedges is excluded from the hedging relationships and recorded in other comprehensive income as a cost of hedging and, presented separately when significant.

Derivatives used for hedging are recognized initially at fair value, and attributable transaction costs are recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity. The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statements of earnings and comprehensive income as the hedged item, in the same period that the hedged cash flows affect net earnings. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income remains in accumulated other comprehensive income until the forecasted transaction affects profit or loss. If the forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in net earnings.

When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred directly to the initial cost of that asset.

t) Fair Value Measurement

When measuring the fair value of an asset or liability the Company uses observable market data whenever available. Fair values are classified within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value estimates are made at a specific point in time, using available information about the asset or liability. These estimates are subjective in nature and often cannot be determined with precision. There was no change in the valuation techniques applied to financial instruments during the current year. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Financial Assets

The Company has determined that the carrying amount of its short-term financial assets approximates fair value at the reporting date due to the short-term maturity of these instruments. The fair value of the Company's marketable securities is determined by reference to their quoted closing prices in active markets at the reporting date, which is considered a Level 1 input in the fair value hierarchy.

(ii) Derivative Financial Instruments

The fair value of foreign currency option contracts is determined through a standard option valuation technique used by the counterparty based on Level 2 inputs.

4. CASH AND CASH EQUIVALENTS

	February 1, 2020	February 2, 2019
Cash	**$ 86,432**	$ 107,801
Short-term deposits	**2,978**	4,717
	$ 89,410	$ 112,518

The Company's cash held with banks bears interest at variable rates. Short-term deposits at February 1, 2020 were bearing interest at 0.5% (February 2, 2019 – 1.1%).

5. INVENTORIES

During the year ended February 1, 2020, inventories recognized as cost of goods sold amounted to $413,817 (February 2, 2019 - $402,559). In addition, the Company recorded $11,289 (February 2, 2019 - $10,946) of inventory write-downs as a result of net realizable value being lower than cost which were recognized in cost of goods sold, and no inventory write-downs recognized in previous periods were reversed.

Included in inventories is a return asset for the right to recover returned goods in the amount of $1,898 as at February 1, 2020 (February 2, 2019 - $1,248).

6. PROPERTY AND EQUIPMENT

	Land	Buildings	Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Balance at February 4, 2018	$ 5,860	$ 37,818	$ 115,280	$ 96,770	$ 255,728
Additions	-	599	9,855	5,643	16,097
Disposals	-	(1,589)	(22,501)	(28,151)	(52,241)
Balance at February 2, 2019	$ 5,860	$ 36,828	$ 102,634	$ 74,262	$ 219,584
Balance at February 3, 2019	**$ 5,860**	**$ 36,828**	**$ 102,634**	**$ 74,262**	**$ 219,584**
Additions	**-**	**1,375**	**9,922**	**5,120**	**16,417**
Disposals	**-**	**(26)**	**(21,751)**	**(30,379)**	**(52,156)**
Balance at February 1, 2020	**$ 5,860**	**$ 38,177**	**$ 90,805**	**$ 49,003**	**$ 183,845**
Accumulated depreciation and impairment losses					
Balance at February 4, 2018	$ -	$ 14,892	$ 63,550	$ 66,994	$ 145,436
Depreciation	-	1,313	15,822	11,953	29,088
Impairment loss	-	-	46	1,667	1,713
Reversal of impairment loss	-	-	-	(409)	(409)
Disposals	-	(1,589)	(22,445)	(28,131)	(52,165)
Balance at February 2, 2019	$ -	$ 14,616	$ 56,973	$ 52,074	$ 123,663
Balance at February 3, 2019	**$ -**	**$ 14,616**	**$ 56,973**	**$ 52,074**	**$ 123,663**
Depreciation	**-**	**1,266**	**13,630**	**7,437**	**22,333**
Impairment loss	**-**	**-**	**-**	**1,906**	**1,906**
Disposals	**-**	**(26)**	**(21,742)**	**(30,379)**	**(52,147)**
Balance at February 1, 2020	**$ -**	**$ 15,856**	**$ 48,861**	**$ 31,038**	**$ 95,755**
Net carrying amounts					
At February 2, 2019	$ 5,860	$ 22,212	$ 45,661	$ 22,188	$ 95,921
At February 1, 2020	**$ 5,860**	**$ 22,321**	**$ 41,944**	**$ 17,965**	**$ 88,090**

Management has determined that its CGUs are identifiable at the individual retail store level since the assets devoted to and cash inflows generated by each store are separately identifiable and independent of each other. During the year ended February 1, 2020, the Company tested for impairment certain CGUs for which there were indications that their carrying amounts may not be recoverable. This resulted in an impairment loss related to property and equipment of $1,906 (February 2, 2019 - $1,713) and to right-of-use assets of $1,418 (note 8). The impairment related to the property and equipment and right-of-use assets is due to the reduction in profitability of CGUs such that the estimated recoverable amount falls below the carrying amount of the CGU.

A reversal of impairment occurs when previously impaired individual retail store locations see increased profitability. When determining the value in use of a retail location, the Company develops a discounted cash flow model for each CGU. The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant asset within the CGU. Sales forecasts for cash flows are based on actual operating results, industry's expected growth rates and management's experiences. The recoverable amounts of the CGUs tested for impairment were based on their value in use which was determined using a pre-tax discount rate of 13.0% (February 2, 2019 - 14.5%). During the year ended February 1, 2020, no asset impairment losses were reversed following an improvement in the profitability of certain CGUs (February 2, 2019 - $409).

Depreciation expense and net impairment losses for the year related to property and equipment have been recorded in selling and distribution expenses for an amount of $23,040 (February 2, 2019 - $29,334) and in administrative expenses for an amount of $1,199 (February 2, 2019 - $1,058) in the consolidated statements of earnings.

Fixtures and equipment and leasehold improvements includes an amount of $1,639 (February 2, 2019 - $1,279) that is not being depreciated. Depreciation will begin when the assets are available for use.

7. INTANGIBLE ASSETS

Intangible assets consist of software as follows:

	February 1, 2020	**February 2, 2019**
Cost		
Balance at beginning of the year	**$ 39,167**	$ 33,750
Additions	**7,316**	9,734
Disposals	**(8,684)**	(4,317)
Balance at end of the year	**$ 37,799**	$ 39,167
Accumulated amortization and impairment losses		
Balance at beginning of the year	**$ 17,528**	$ 14,317
Amortization	**8,688**	7,528
Disposals	**(8,684)**	(4,317)
Balance at end of the year	**$ 17,532**	$ 17,528
Net carrying amounts	**$ 20,267**	$ 21,639

The amortization of intangibles has been recorded in selling and distribution expenses for an amount of $6,750 (February 2, 2019 - $6,546) and in administrative expenses for an amount of $1,938 (February 2, 2019 - $982) in the consolidated statements of earnings.

Software includes an amount of $3,334 (February 2, 2019 - $4,158) that is not being amortized. Amortization will begin when the software is available for use.

8. LEASES

The Company leases all of its retail locations and certain office equipment. Retail locations typically have a fixed lease term with additional renewal options available to exercise. The Company has included renewal options in the measurement of its right-of-use assets and lease liabilities when it is reasonably certain to exercise the options.

Right-of-use assets

	Retail locations	Office equipment	Total
Balance as at February 3, 2019 (note 3a)	**$ 208,745**	**$ 3,668**	**$ 212,413**
Additions	**55,597**	**129**	**55,726**
Depreciation	**(67,030)**	**(1,594)**	**(68,624)**
Impairment loss (note 6)	**(1,418)**	**-**	**(1,418)**
Balance as at February 1, 2020	**$ 195,894**	**$ 2,203**	**$ 198,097**

Depreciation expense and net impairment losses for the year related to right-of-use assets have been recorded in selling and distribution expenses for an amount of $68,759 and in administrative expenses for an amount of $1,283 in the consolidated statements of earnings.

Lease liabilities

Balance as at February 3, 2019 (note 3a)	**$ 219,960**
Additions	**55,726**
Payment of lease liabilities	**(69,296)**
Interest expense on lease liabilities (note 17)	**7,479**
Balance as at February 1, 2020	**$ 213,869**
Current portion of lease liabilities	**$ 61,618**
Non-current portion of lease liabilities	**152,251**
Total lease liabilities	**$ 213,869**

The following table presents a maturity analysis of future contractual undiscounted cash flows from lease liabilities by fiscal year:

2021	**$ 68,639**
2022	**54,826**
2023	**39,425**
2024	**24,311**
2025	**15,218**
Thereafter	**30,094**
Total undiscounted lease liabilities	**$ 232,513**

The Company has certain retail locations where portions of the lease payments are contingent on a percentage of sales or where lease payments are made with no fixed term. During the year ended February 1, 2020, the Company recognized $2,834 of variable lease payments and $1,542 of lease payments with no fixed term recorded in selling and distribution expenses.

During the year ended February 1, 2020, expenses relating to short-term leases were $78 and leases of low-value assets were $45 recorded in selling and distribution expenses.

As at February 1, 2020, approximately $89 million of undiscounted future lease payments are related to extension options that were not deemed to be reasonably certain to be exercised and were not included in lease liabilities.

9. GOODWILL

For the purpose of impairment testing, goodwill had been allocated to one of the groups of cash-generating units ("CGUs"), the Addition Elle banner.

Goodwill is tested for impairment annually as at the year-end reporting date or more frequently if events or changes in circumstances indicate that they may be impaired. In assessing whether goodwill is impaired, the carrying amount of the Addition Elle CGU was compared to its recoverable amount. The recoverable amount is based on the higher of the value in use and fair value less costs to sell.

Given the decline in profitability of the Addition Elle banner as compared to forecasts and prior periods, the Company concluded that an impairment test at November 2, 2019 was required. As at November 2, 2019, the recoverable amount of the Addition Elle banner CGU was based on value in use and was determined by discounting the future cash flows generated from continuing use. Cash flow projections over a three-year period were used along with a terminal value. Cash flows for fiscal 2021 were projected based on past experience as well as actual operating results and a sales growth rate of 1% was used for fiscal 2022 and fiscal 2023. The terminal value was based on the long-term average growth rate for the industry, which was estimated to be 1%. Projected cash flows were discounted using an after-tax discount rate of 13.5%. The discount rate was estimated based on a weighted average cost of capital (WACC) which was based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on corporate bond yields and the capital structure of the Company.

As a result of the impairment test, the Company recorded a goodwill impairment loss of $11,843 in the year ended February 1, 2020 reducing the carrying amount to nil.

As at February 2, 2019, the recoverable amount of the Addition Elle banner CGU was based on its value in use and was determined by discounting the future cash flows expected to be generated from the continuing use. Cash flow projections over a three-year period were used along with a terminal value. Cash flows from fiscal 2020 to fiscal 2022 were projected based on past experience, actual operating results and budget projections with a sales growth rate for fiscal 2020 based on budget, and 1% for subsequent fiscal years. Projected cash flows were discounted using an after-tax discount rate of 14%. The discount rate was estimated based on a weighted average cost of capital (WACC) which was based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on corporate bond yields and the capital structure of the Company. Based on the impairment test performed, no impairment was recorded as at February 2, 2019.

10. INCOME TAX

Income tax expense

The Company's income tax expense is comprised as follows:

	For the years ended February 1, 2020	For the years ended February 2, 2019
Current tax (recovery) expense		
Current year	**$ 22**	$ 2,397
Adjustment in respect of prior years	**(261)**	1,165
Current tax (recovery) expense	**(239)**	3,562
Deferred tax expense		
Origination and reversal of temporary differences	**22,704**	2,989
Changes in tax rates	**477**	(2)
Adjustment in respect of prior years	**-**	(1,144)
Deferred tax expense	**23,181**	1,843
Total income tax expense	**$ 22,942**	$ 5,405

Income tax recognized in other comprehensive income

	For the years ended February 1, 2020			February 2, 2019		
	Before tax	Tax (expense) recovery	Net of tax	Before tax	Tax recovery (expense)	Net of tax
Cash flow hedges	**$ 1,507**	**$ (401)**	**$ 1,106**	$ 6,248	$ (1,677)	$ 4,571
Defined benefit plan actuarial (losses) gains	**(3,098)**	**(1,227)**	**(4,325)**	(1,246)	334	(912)
	$ (1,591)	**$ (1,628)**	**$ (3,219)**	$ 5,002	$ (1,343)	$ 3,659

Reconciliation of effective tax rate

	For the years ended February 1, 2020		February 2, 2019	
(Loss) earnings before income taxes	**$ (64,483)**		$ 12,170	
Income tax (recovery) expense using the Company's statutory tax rate	**(17,302)**	**26.83%**	3,277	26.93%
Changes in tax rates	**477**	**(0.74%)**	(2)	(0.02%)
Non-deductible expenses and other adjustments	**1,456**	**(2.26%)**	1,954	16.06%
Goodwill impairment	**3,173**	**(4.92%)**	-	-
Change in unrecognized deferred tax assets	**36,508**	**(56.61%)**	1,647	13.53%
Tax exempt income	**(429)**	**0.67%**	(694)	(5.70%)
Effect of tax in foreign jurisdictions	**(680)**	**1.05%**	(798)	(6.56%)
Adjustment in respect of prior years	**(261)**	**0.40%**	21	0.17%
Income tax expense	**$ 22,942**	**(35.58%)**	$ 5,405	44.41%

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	February 1, 2020	February 2, 2019	February 1, 2020	February 2, 2019	February 1, 2020	February 2, 2019
Lease liabilities	**$ 51,771**	$ -	**$ -**	$ -	**$ 51,771**	$ -
Right-of-use assets	**-**	-	**51,771**	-	**(51,771)**	-
Property, equipment and intangible assets	**2,219**	15,819	**-**	-	**2,219**	15,819
Inventories	**-**	-	**1,947**	1,420	**(1,947)**	(1,420)
Trade and other payables	**-**	2,696	**-**	-	**-**	2,696
Derivative financial asset and liability	**-**	129	**272**	-	**(272)**	129
Pension liability	**-**	5,649	**-**	-	**-**	5,649
Tax benefit of non-capital losses carried forward	**-**	1,932	**-**	-	**-**	1,932
Other	**-**	24	**-**	-	**-**	24
	$ 53,990	$ 26,249	**$ 53,990**	$ 1,420	**$ -**	$ 24,829

Changes in deferred tax balances during the year

	Balance February 3, 2018	Recognized in Net Earnings	Recognized in Other Comprehensive Income	Balance February 2, 2019	Recognized in Net Earnings	Recognized in Retained Earnings	Recognized in Other Comprehensive Income	Balance February 1, 2020
Lease liabilities	$ -	$ -	$ -	$ -	$51,771	$ -	$ -	**$51,771**
Right-of-use assets	-	-	-	-	(51,771)	-	-	**(51,771)**
Property, equipment and intangible assets	16,711	(892)	-	15,819	(13,600)	-	-	**2,219**
Inventories	(1,402)	(18)	-	(1,420)	(527)	-	-	**(1,947)**
Trade and other payables	2,830	(134)	-	2,696	(2,676)	(20)	-	**-**
Derivative financial liability (asset)	1,807	(1)	(1,677)	129	-	-	(401)	**(272)**
Pension liability	5,165	150	334	5,649	(4,422)	-	(1,227)	**-**
Tax benefit of non-capital losses carried forward	2,399	(467)	-	1,932	(1,932)	-	-	**-**
Other	505	(481)	-	24	(24)	-	-	**-**
	$28,015	$ (1,843)	$ (1,343)	$24,829	$(23,181)	$ (20)	$ (1,628)	**$ -**

As a result of the uncertainties related to the Company's ability to generate future profitable operations, the Company has determined that it is not probable that future taxable profits will be available against which deferred tax assets can be utilized. Accordingly, no deferred tax assets have been recognized in the consolidated financial statements.

Unrecognized deferred tax assets

Deferred income tax assets were not recognized on the consolidated balance sheets in respect of the following items:

	February 1, 2020	February 2, 2019
Non-capital losses carry-forward	**$ 20,745**	$ -
Deductible temporary differences	**19,282**	-
Allowable capital losses carry-forward	**3,134**	2,067
Unrecognized deferred tax assets	**$ 43,161**	$ 2,067

The non-capital losses carry-forward expire between 2034 and 2040. The deductible temporary differences and allowable capital losses carry-forward do not expire under current income tax legislation. Deferred income tax assets were not recognized in respect of these items because, as at February 1, 2020, it was not probable that sufficient future taxable income will be available to the Company to utilize the benefits.

11. TRADE AND OTHER PAYABLES

	February 1, 2020	February 2, 2019
Trade payables	**$ 75,132**	$ 73,776
Personnel liabilities	**20,441**	20,276
Other non-trade payables	**9,367**	499
Refund liability	**3,489**	2,746
Deferred rent and payables relating to premises	**1,245**	6,715
	109,674	104,012
Less non-current portion	**195**	5,170
	$ 109,479	$ 98,842

The non-current portion includes the following amounts:

	February 1, 2020	February 2, 2019
Deferred rent and payables relating to premises	**$ 195**	$ 5,081
Performance Share Units (note 15)	**-**	89
Total non-current portion	**$ 195**	$ 5,170

12. DEFERRED REVENUE

	February 1, 2020	February 2, 2019
Loyalty points and awards granted under loyalty programs	**$ 847**	$ 1,360
Unredeemed gift cards	**14,195**	13,849
	$ 15,042	$ 15,209

13. PENSION LIABILITY

The following tables present reconciliations of the pension obligations, the plan assets and the funded status of the retirement benefit plans:

Funded Status

	Fair value of plan assets	Defined benefit obligation	Pension liability
As at February 1, 2020			
Plan	**$ 23,627**	**$ 26,737**	**$ (3,110)**
SERP	**-**	**21,103**	**(21,103)**
Total	**$ 23,627**	**$ 47,840**	**$ (24,213)**
As at February 2, 2019			
Plan	$ 22,980	$ 23,880	$ (900)
SERP	-	20,143	(20,143)
Total	$ 22,980	$ 44,023	$ (21,043)

	For the years ended					
	February 1, 2020			February 2, 2019		
	Plan	**SERP**	**Total**	**Plan**	**SERP**	**Total**
Movement in the present value of the defined benefit obligation						
Defined benefit obligation, beginning of year	**$ 23,880**	**$ 20,143**	**$ 44,023**	$ 25,232	$ 19,850	$ 45,082
Current service cost	**1,440**	**(49)**	**1,391**	1,409	(48)	1,361
Interest cost	**884**	**721**	**1,605**	878	679	1,557
Employee contributions	**165**	**-**	**165**	170	-	170
Actuarial (gain) loss - experience	**(300)**	**(931)**	**(1,231)**	142	776	918
Actuarial loss - demographic assumptions	**-**	**-**	**-**	202	152	354
Actuarial loss (gain) - financial assumptions	**3,841**	**2,364**	**6,205**	(654)	(435)	(1,089)
Benefits paid from plan assets	**(3,173)**	**-**	**(3,173)**	(3,499)	-	(3,499)
Benefits paid directly by the Company	**-**	**(1,145)**	**(1,145)**	-	(831)	(831)
Defined benefit obligation, end of year	**$ 26,737**	**$ 21,103**	**$ 47,840**	$ 23,880	$ 20,143	$ 44,023
Movement in the fair value of plan assets						
Fair value of plan assets, beginning of year	**$ 22,980**	**$ -**	**$ 22,980**	$ 25,846	$ -	$ 25,846
Return on plan assets	**1,876**	**-**	**1,876**	(1,063)	-	(1,063)
Interest income on plan assets	**812**	**-**	**812**	859	-	859
Employer contributions	**1,115**	**1,145**	**2,260**	947	831	1,778
Employee contributions	**165**	**-**	**165**	170	-	170
Benefits paid	**(3,173)**	**(1,145)**	**(4,318)**	(3,499)	(831)	(4,330)
Plan administration costs	**(148)**	**-**	**(148)**	(280)	-	(280)
Fair value of plan assets, end of year	**$ 23,627**	**$ -**	**$ 23,627**	$ 22,980	$ -	$ 22,980

For the year ended February 1, 2020, the net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants 7% (2019 - 7%)
- Retired plan members 89% (2019 - 89%)
- Deferred plan participants 4% (2019 - 4%)

The defined benefit pension plan assets are held in trust and consisted of the following assets categories, which are not based on quoted market prices in an active market:

	February 1, 2020		February 2, 2019	
Equity securities				
Canadian – pooled funds	**$ 7,901**	**33%**	$ 7,453	32%
Canadian – real estate fund	**1,150**	**5%**	-	-
Foreign – pooled funds	**4,192**	**18%**	6,082	27%
Total equity securities	**13,243**	**56%**	13,535	59%
Debt securities – fixed income pooled funds	**10,100**	**43%**	8,719	38%
Cash and cash equivalents	**284**	**1%**	726	3%
Total	**$ 23,627**	**100%**	$ 22,980	100%

The Company's pension expense was as follows:

	For the years ended					
	February 1, 2020			February 2, 2019		
	Plan	SERP	Total	Plan	SERP	Total
Pension costs recognized in net earnings						
Current service cost	**$ 1,440**	**$ (49)**	**$ 1,391**	$ 1,409	$ (48)	$ 1,361
Net interest cost on net pension liability	**72**	**721**	**793**	19	679	698
Plan administration costs	**148**	**-**	**148**	280	-	280
Pension expense	**$ 1,660**	**$ 672**	**$ 2,332**	$ 1,708	$ 631	$ 2,339

Pension expense for the year ended February 1, 2020, has been recorded in selling and distribution expenses for an amount of $1,207 (February 2, 2019 - $1,375) and in administrative expenses for an amount of $1,125 (February 2, 2019 - $964) in the consolidated statements of earnings.

The following table presents the change in the actuarial gains and losses recognized in other comprehensive income and subsequently reclassified from accumulated other comprehensive income to retained earnings:

	For the years ended					
	February 1, 2020			February 2, 2019		
	Plan	**SERP**	**Total**	**Plan**	**SERP**	**Total**
Cumulative loss (gain) in retained earnings at the beginning of the year	**$ 469**	**$ 4,101**	**$ 4,570**	$ (284)	$ 3,608	$ 3,324
Loss recognized during the year	**1,665**	**1,433**	**3,098**	753	493	1,246
Cumulative loss in retained earnings at the end of the year	**$ 2,134**	**$ 5,534**	**$ 7,668**	$ 469	$ 4,101	$ 4,570
Loss recognized during the year, net of tax			**$ 4,325**			$ 912

Actuarial assumptions

Principal actuarial assumptions used were as follows:

	For the years ended	
	February 1, 2020	**February 2, 2019**
Accrued benefit obligation:		
Discount rate	**2.60%**	3.70%
Salary increase	**4.00%**	4.00%
Mortality	2014 Private Sector Canadian Pensioner's Mortality Table, projected generationally using Scale MI-2017, adjusted for pension size	2014 Private Sector Canadian Pensioner's Mortality Table, projected generationally using Scale MI-2017, adjusted for pension size
Employee benefit expense:		
Discount rate	**3.70%**	3.50%
Salary increase	**4.00%**	4.00%

Sensitivity of Key Actuarial Assumptions

The following table outlines the key assumptions for the years ended February 1, 2020 and February 2, 2019 and the sensitivity of a 1% change in each of these assumptions on the defined benefit plan obligations and the net defined benefit plan costs.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	For the years ended					
	February 1, 2020			February 2, 2019		
	Plan	**SERP**	**Total**	**Plan**	**SERP**	**Total**
(Decrease) increase in defined benefit obligation						
Discount rate						
Impact of increase of 1%	**$ (3,504)**	**$ (2,160)**	**$ (5,664)**	$ (2,991)	$ (2,040)	$ (5,031)
Impact of decrease of 1%	**$ 4,032**	**$ 2,406**	**$ 6,438**	$ 3,420	$ 2,269	$ 5,689
Salary increase or decrease						
Impact of increase of 1%	**$ 619**	**$ (12)**	**$ 607**	$ 601	$ 1	$ 602
Impact of decrease of 1%	**$ (605)**	**$ 12**	**$ (593)**	$ (587)	$ (1)	$ (588)
Lifetime expectancy						
Impact of increase of 1 year in expected lifetime of plan members	**$ 700**	**$ 617**	**$ 1,317**	$ 607	$ 531	$ 1,138

Overall return in the capital markets and the level of interest rates affect the funded status of the Company's pension plans. Adverse changes with respect to pension plan returns and the level of interest rates from the date of the last actuarial valuation may have an adverse effect on the funded status of the retirement benefit plans and on the Company's results of operations.

The Company expects $904 in employer contributions to be paid to the Plan and $1,146 to the SERP in the year ending January 30, 2021. The weighted average durations of the Plan and SERP are approximately 14 and 11 years, respectively, as at February 1, 2020 (February 2, 2019 - 13 and 11 years).

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes at year-end. The most recent actuarial valuation for funding purposes was as of December 31, 2018 and the next required valuation will be as of December 31, 2021.

14. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

The change in share capital for each of the years listed was as follows:

	For the years ended			
	February 1, 2020		February 2, 2019	
	Number of shares (in 000's)	**Carrying amount**	**Number of shares (in 000's)**	**Carrying amount**
Common shares				
Balance at beginning and end of the year	**13,440**	**$ 482**	13,440	$ 482
Class A non-voting shares				
Balance at beginning of the year	**49,890**	**37,915**	49,890	37,915
Purchase of shares under substantial issuer bid	**(14,463)**	**(10,991)**	-	-
Balance at end of year	**35,427**	**26,924**	49,890	37,915
Total share capital	**48,867**	**$ 27,406**	63,330	$ 38,397

Authorized Share Capital

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

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

Purchase of shares under a substantial issuer bid

On June 17, 2019, the Company announced the terms to its substantial issuer bid (the "Offer") to purchase for cancellation up to 15,000,000 of its issued and outstanding Class A non-voting shares at a price of $3.00 per share. The Offer commenced on June 20, 2019 and expired on July 26, 2019. The Offer resulted in the Company purchasing 14,462,944 Class A non-voting shares having a carrying amount of $10,991, for an aggregate consideration of $43,711 (including related transaction costs of $322), which were subsequently cancelled.

The excess of the purchase price over the carrying amount of the shares of $35,413 (including tax of $2,693) was recognized as a reduction to retained earnings.

Accumulated Other Comprehensive Income ("AOCI")

AOCI is comprised of the following:

	Cash Flow Hedges	Foreign Currency Translation Differences	Total AOCI
Balance at February 3, 2019	**$ (352)**	**$ (932)**	**$ (1,284)**
Net change in fair value of cash flow hedges (net of tax of $582)	**1,609**	**-**	**1,609**
Transfer of realized gain on cash flow hedges to inventory (net of tax of $181)	**(503)**	**-**	**(503)**
Change in foreign currency translation differences	**-**	**(49)**	**(49)**
Balance at February 1, 2020	**$ 754**	**$ (981)**	**$ (227)**
Balance at February 4, 2018	$ (4,923)	$ (658)	$ (5,581)
Net change in fair value of cash flow hedges (net of tax of $557)	(1,519)	-	(1,519)
Transfer of realized loss on cash flow hedges to inventory (net of tax of $2,234)	6,090	-	6,090
Change in foreign currency translation differences	-	(274)	(274)
Balance at February 2, 2019	$ (352)	$ (932)	$ (1,284)

Dividends

The following dividends were declared and paid by the Company:

	For the years ended	
	February 1, 2020	**February 2, 2019**
Common shares and Class A non-voting shares	**$ 8,776**	$ 12,666
Dividends per share	**$ 0.15**	$ 0.20

During the year ended February 1, 2020, the Board of Directors suspended the quarterly dividend declaration.

15. SHARE-BASED PAYMENTS

Share Option Plan

Under the share option plan, the Company can, at its sole discretion, grant share options and/or Share Appreciation Rights ("SARs"). The share option plan provides that up to 10% of the Class A non-voting shares outstanding, from time to time, may be issued pursuant to the exercise of options granted under the plan to key management and employees. Under the plan, the granting of options and the related vesting period, which is normally up to 4 years, are at the discretion of the Board of Directors and the options have a maximum term of up to 7 years. The exercise price payable for each Class A non-voting share covered by a share option is determined by the Board of Directors at the date of grant, but may not be less than the closing price of the Company's shares on the trading day immediately preceding the effective date of the grant. The SARs entitle key management and employees to a cash payment based on the increase in the share price of the Company's Class A non-voting shares from the grant date to the vesting date. No SARs have been granted or are outstanding.

The changes in outstanding share options were as follows:

	For the years ended			
	February 1, 2020		**February 2, 2019**	
	Options (in 000's)	**Weighted Average Exercise Price**	**Options (in 000's)**	**Weighted Average Exercise Price**
Outstanding, at beginning of year	**1,938**	**$ 8.06**	2,401	$ 7.81
Forfeited	**(179)**	**6.66**	(463)	6.79
Outstanding, at end of year	**1,759**	**$ 8.20**	1,938	$ 8.06
Options exercisable, at end of year	**1,727**	**$ 8.23**	1,711	$ 8.28

No share option awards were granted or exercised during the years ended February 1, 2020 and February 2, 2019. The cost of granted options are expensed over their vesting period based on their estimated fair values on the date of the grant, determined using the Black Scholes option pricing model.

The following table summarizes information about share options outstanding at February 1, 2020:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number Outstanding (in 000's)**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**Number Exercisable (in 000's)**	**Weighted Average Exercise Price**
$4.40 - $6.00	595	4.06 years	$ 5.76	595	$ 5.76
$6.31 - $6.75	739	4.73	6.70	707	6.72
$11.68 - $18.26	425	2.00	14.22	425	14.22
	1,759	**3.84 years**	**$ 8.20**	**1,727**	**$ 8.23**

For the year ended February 1, 2020, the Company recognized compensation costs of $38 relating to its share option plan (February 2, 2019 - $126), with a corresponding credit to contributed surplus.

Performance Share Units (cash-settled)

The Company has a performance share unit ("PSUs") plan for its executives and key management that entitles them to a cash payment. The PSUs vest based on non-market performance conditions measured over a three fiscal-year period ("performance period"). The number of PSUs that can vest can be up to 1.5 times the actual number of PSUs awarded if exceptional performance is achieved. Upon settlement of the vested PSUs, the cash payment will be equal to the number of PSUs multiplied by the fair value of the Common shares calculated using the volume weighted average trading price during the five trading days commencing five trading days subsequent to the release of the Company's financial results for the performance period.

On April 10, 2019, the Company granted 440,000 PSUs at a weighted average share price of $3.23 (481,000 PSUs at a weighted average share price of $4.06 for year ended February 2, 2019).

The changes in outstanding PSUs were as follows:

	For the years ended	
	February 1, 2020	**February 2, 2019**
	PSUs (in 000's)	**PSUs (in 000's)**
Outstanding, at beginning of year	**770**	546
Granted	**440**	481
Forfeited	**(267)**	(257)
Expired	**(183)**	-
Outstanding, at end of year	**760**	770

As at February 1, 2020, the Company did not expect to meet the minimum non-market performance conditions required for all issued PSUs to vest. The Company recognized a recovery of share-based compensation costs related to PSUs of $66 in selling and distribution expenses and $23 in administrative expenses for the year ended February 1, 2020 (expense of $66 in selling and distribution expenses and $23 in administrative expenses for the year ended February 2, 2019) with a corresponding change in other non-current payables.

16. COMMITMENTS

As at February 1, 2020, financial commitments to purchase goods or services that are enforceable and legally binding on the Company, exclusive of additional amounts based on sales, taxes and other costs are payable as follows:

	Purchase Obligations	**Other Service Contracts**	**Total**
Within 1 year	$ 122,142	$ 4,612	$ 126,754
Within 2 years	4,997	3,818	8,815
Within 3 years	2,957	3,523	6,480
Within 4 years	678	1,151	1,829
Within 5 years	53	-	53
Subsequent years	-	-	-
Total	**$ 130,827**	**$ 13,104**	**$ 143,931**

For the timing of payments under lease obligations, refer to note 8.

17. FINANCE INCOME AND FINANCE COSTS

	For the years ended	
	February 1, 2020	**February 2, 2019**
Dividend income from marketable securities	**$ 1,427**	$ 2,489
Interest income	**1,746**	2,202
Foreign exchange gain	**-**	1,541
Finance income	**3,173**	6,232
Interest expense on lease liabilities	**7,479**	-
Net change in fair value and loss on disposal of marketable securities (1)	**8,264**	12,304
Foreign exchange loss	**475**	-
Finance costs	**16,218**	12,304
Net finance costs recognized in net (loss) earnings	**$ (13,045)**	$ (6,072)

(1) During the year ended February 1, 2020, the Company disposed of its portfolio of marketable securities for proceeds of $41,425.

18. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share is based on net loss for the year ended February 1, 2020 of $87,426 (February 2, 2019 - net earnings of $6,765).

The number of shares (in thousands) used in the (loss) earnings per share calculation is as follows:

	For the years ended	
	February 1, 2020	**February 2, 2019**
Weighted average number of shares per basic (loss) earnings per share calculations	**55,980**	63,330
Weighted average number of shares per diluted (loss) earnings per share calculations	**55,980**	63,330

As at February 1, 2020 and February 2, 2019, all share options were excluded from the calculation of diluted (loss) earnings per share as these options were deemed to be anti-dilutive.

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

19. RELATED PARTIES

Transactions with Key Management Personnel

Key management personnel are those persons (both executive and non-executive) who have the authority and responsibility for planning, directing and controlling the activities of the entity - directly or indirectly. The Board of Directors (which includes the Chief Executive Officer and President) has the responsibility for planning, directing and controlling the activities of the Company and are considered key management personnel. The Board of Directors participate in the share option plan, as described in note 15.

Compensation expense for key management personnel is as follows:

	For the years ended	
	February 1, 2020	**February 2, 2019**
Salaries, directors' fees and short-term benefits	$ 1,631	$ 1,558
Share-based compensation costs	8	111
	$ 1,639	$ 1,669

Other Related-Party Transactions

The Company incurred $416 in the year ended February 1, 2020 (February 2, 2019 - $258) for consulting fees paid to a director of the Company and legal services rendered by a law firm connected to certain members of the Board of Directors.

These transactions are recorded at the amount of consideration paid as established and agreed to by the related parties.

20. PERSONNEL EXPENSES

	For the years ended	
	February 1, 2020	**February 2, 2019**
Wages, salaries and employee benefits	**$ 213,814**	$ 223,149
Expenses related to defined benefit plans	**2,332**	2,339
Share-based compensation costs (recovery of)	**(50)**	215
	$ 216,096	$ 225,703

21. CREDIT FACILITY AND GUARANTEES

At February 1, 2020, the Company had unsecured demand operating lines of credit available with Canadian chartered banks to a maximum of $65,000 (or its U.S. dollar equivalent), which is comprised of a maximum overdraft protection of $25,000 and $40,000 is restricted to securing letters of credit (February 2, 2019- $75,000 of which a maximum $35,000 was for overdraft protection and $40,000 was for securing letters of credit). As at February 1, 2020, $2,982 (February 2, 2019 - $4,195) of the demand operating lines of credit were committed for documentary and standby letters of credit. The committed operating lines of credit are recorded when the Company considers it probable that a payment has to be made to the other party of the contract. The Company has recorded no liability with respect to these committed operating lines of credit as the Company does not expect to make any payments for these items. Subsequent to year end as disclosed in note 26, in accordance with the contractual provisions of the credit facilities agreements, the maximum overdraft protection of $25,000 has been terminated by the banks and the facilities available for letters of credit of $40,000 have been reduced to a maximum of $1,000.

22. SUPPLEMENTARY CASH FLOW INFORMATION

	February 1, 2020	**February 2, 2019**
Non-cash transactions:		
Additions to property and equipment and intangible assets included in trade and other payables	**$ 1,382**	$ 1,133

For the year ended February 1, 2020, payments of lease liabilities of $69,296 include interest paid of $7,479.

23. FINANCIAL INSTRUMENTS

Accounting classification and fair values

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

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

	February 2, 2019						
	Carrying Amount				Fair Value		
	Fair Value through Profit or Loss	Fair Value of Hedging Instruments	Amortized Cost	Total	Level 1	Level 2	Total
Financial assets measured at fair value through profit or loss							
Derivative financial asset	$ -	$ 1,900	$ -	$ 1,900	$ -	$ 1,900	$ 1,900
Marketable securities	$ 49,690	$ -	$ -	$ 49,690	$ 49,690	$ -	$ 49,690
Financial liabilities measured at fair value through profit or loss							
Derivative financial liability	$ -	$ 966	$ -	$ 966	$ -	$ 966	$ 966

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

Derivative financial instruments

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

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

	Average Strike Price	Notional Amount in U.S. Dollars	Derivative Financial Asset	Derivative Financial Liability	Net
February 1, 2020	**$ 1.318**	**$ 175,000**	**$ 1,124**	**$ (348)**	**$ 776**
February 2, 2019	$ 1.299	$ 155,000	$ 1,900	$ (966)	$ 934

No ineffectiveness was recognized in net earnings as the change in fair value used to measure the ineffectiveness of hedging instruments was the same or lower than the change in fair value used to measure the ineffectiveness of the hedged items.

24. FINANCIAL RISK MANAGEMENT

The Company may periodically use derivative financial instruments to manage risks related to fluctuations in foreign exchange rates. The use of derivative financial instruments is governed by the Company's risk management policies approved by the Board of Directors. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Disclosures relating to the Company's exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, trade and other receivables and foreign currency forwards contracts. The Company limits its exposure to credit risk with respect to cash and cash equivalents and foreign currency forwards contracts by dealing with major Canadian financial institutions. The Company's trade and other receivables consist primarily of credit card receivables from the last few days of the fiscal year, which are settled within the first days of the next fiscal year. Due to the nature of the Company's activities and the low credit risk of the Company's trade and other receivables as at February 1, 2020 and February 2, 2019, expected credit loss on these financial assets is not significant.

As at February 1, 2020, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	$ 89,410
Trade and other receivables	6,313
Derivative financial asset	1,124
	$ 96,847

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of trade and other payables is within twelve months. As at February 1, 2020, the Company's liquidity position consisted of $89,410 (February 2, 2019 - $112,518) in cash and cash equivalents. In addition, as at February 1, 2020 the Company had unsecured demand credit facilities of $65,000 (or its U.S. dollar equivalent), which was comprised of a maximum overdraft protection of $25,000 and $40,000 was restricted to securing letters of credit (February 2, 2019 - $75,000 of which a maximum $35,000 was for overdraft protection and $40,000 was for securing letters of credit). See subsequent events note 26, which indicates that the demand credit facilities for overdraft protection were terminated by the banks and the credit facilities to secure letters of credit were reduced to a maximum of $1,000, and note 2(b) which indicates that management estimates that it will need additional financing to meet its current and future financial obligations.

Foreign Currency Risk

The Company purchases a significant amount of its merchandise with U.S. dollars and as such significant volatility in the U.S. dollar vis-à-vis the Canadian dollar can have an adverse impact on the Company's gross margin. The Company has a variety of alternatives that it considers to manage its foreign currency exposure on cash flows related to these purchases. These include, but are not limited to, various styles of foreign currency option or forward contracts, normally not to exceed twelve months, and spot rate purchases. A foreign currency option contract represents an option or obligation to buy a foreign currency from a counterparty. A forward foreign exchange contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. The Company enters into certain qualifying foreign exchange contracts that it designated as cash flow hedging instruments. This has resulted in mark-to-market foreign exchange adjustments, for qualifying hedged instruments, being recorded as a component of other comprehensive income. The foreign exchange contracts that were settled during the year ended February 1, 2020 were designated as cash flow hedges and qualified for hedge accounting. The underlying risk of the foreign exchange contracts is identical to the hedged risk, and accordingly the Company established a ratio of 1:1 for all foreign exchange hedges.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash and cash equivalents of $9,008, trade receivables of $454 and trade payables of $41,380 to determine how a change in the U.S. dollar exchange rate would impact net earnings. On February 1, 2020, a 10% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a $5,726 increase or decrease, respectively, in the Company's net earnings for the year ended February 1, 2020.

The Company has performed a sensitivity analysis on its derivative financial instruments (which are all designated as cash flow hedges), to determine how a change in the U.S. dollar exchange rate would impact other comprehensive income. On February 1, 2020, a 10% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in a $15,427 decrease or $16,455 increase, respectively, in the Company's other comprehensive income for the year ended February 1, 2020.

Interest Rate Risk

Interest rate risk exists in relation to the Company's cash and cash equivalents. Market fluctuations in interest rates impacts the Company's earnings with respect to interest earned on cash and cash equivalents that are invested mainly with major Canadian financial institutions. As at February 1, 2020, the Company had unsecured demand facilities available up to an amount of $65,000 (or its U.S. dollar equivalent), which was comprised of a maximum overdraft protection of $25,000 and $40,000 was restricted to securing letters of credit (February 2, 2019- $75,000 of which a maximum $35,000 million was for overdraft protection and $40,000 was for securing letters of credit). See subsequent events note 26.

The Company has performed a sensitivity analysis on interest rate risk at February 1, 2020 to determine how a change in interest rates would impact net earnings. For the year ended February 1, 2020, the Company earned interest income of $1,746 on its cash and cash equivalents. An increase or decrease of 100 basis points in the average interest rate earned during the year would have increased or decreased net earnings by $1,036, respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

25. CAPITAL MANAGEMENT

The Company's objectives in managing capital are:

- to ensure sufficient liquidity to support its operations and to enable the internal financing of capital projects;
- to maintain a strong capital base so as to maintain investor, creditor and market confidence; and
- to provide an adequate return to shareholders.

The Company's capital is composed of shareholders' equity. The Company's primary uses of capital are to finance increases in non-cash working capital along with capital expenditures for new store additions, existing store renovation projects, technology infrastructure including e-commerce, and office and distribution centre improvements. The Company traditionally funded these requirements out of its internally-generated cash flows. The Company does not have any long-term financing debt (other than lease liabilities), therefore, net earnings generated from operations are available for reinvestment in the Company or distribution to the Company's shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable profitable growth. On a quarterly basis, the Board of Directors also reviews the level of dividends paid to the Company's shareholders and monitors any share repurchase program activities. In order to conserve cash to finance its ongoing operations, the Company has suspended the declaration and payment of any dividends. The Company does not have a defined share repurchase plan and decisions are made on a specific transaction basis and depend on market prices and regulatory restrictions. The Company is not subject to any externally imposed capital requirements.

26. SUBSEQUENT EVENTS

Covid-19 outbreak

Subsequent to year end, the outbreak had significant impacts for the Company, leading it to close all of its retail locations as detailed in note 2 b). The Company will continue to actively monitor developments and evaluate the impact on its business. The duration and impact of the outbreak is unknown at this time, as is the efficacy of government interventions. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and financial condition of the Company in future periods.

In fiscal 2021, the Company will take into consideration the most recent developments and impacts of the outbreak including updated assessments of future cash flows. Any additional impacts resulting from the outbreak will be reflected in the financial results of fiscal 2021, if applicable.

Credit facilities

Subsequent to year end, and in accordance with the contractual provisions of the credit facilities agreements, the maximum overdraft protection of $25,000 as described in notes 21 and 24 has been terminated by the banks and the facilities available for letters of credit of $40,000 have been reduced to a maximum of $1,000.