REITMANS

(CANADA) LIMITED

Management's Discussion and Analysis
and
Consolidated Financial Statements

Years ended January 30, 2021 and February 1, 2020

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 January 30, 2021 and February 1, 2020 and the notes thereto which are available on the SEDAR website at www.sedar.com. This MD&A is dated April 19, 2021.

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 April 19, 2021.

Unless otherwise indicated, all comparisons of results for the 13 weeks ended January 30, 2021 ("fourth quarter of 2021") are against results for the 13 weeks ended February 1, 2020 ("fourth quarter of 2020") and all comparisons of results for the 52 weeks ended January 30, 2021 ("fiscal 2021") are against the results for the 52 weeks ended February 1, 2020 ("fiscal 2020"). The Company's fiscal year ends on the Saturday closest to the end of January. Consolidated results presented (including restated comparative figures) exclude the Addition Elle and Thyme Maternity banners which have been presented as discontinued operations.

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

Key Business Developments and Subsequent Events

Since the coronavirus disease (COVID-19) was declared a pandemic on March 11, 2020 by the World Health Organization, there have been significant impacts for the Company. The measures adopted by the Federal and provincial governments in order to mitigate the spread of the pandemic required the Company to temporarily close all of its retail locations across the country effective March 17, 2020. During the period of closure, the Company's only sales were derived from its e-commerce channel; its distribution and fulfillment center remained open while the Company leveraged its ship-from-store capabilities. In late May 2020, and in accordance with the laws and regulations of each applicable region and province, the Company began to reopen its retail locations. By the end of June 2020, all of the Company's stores were open for business. Shopping behaviour however has not returned to pre-pandemic levels as consumers shifted their spending habits from non-essential items (including apparel goods) to essential items and other product categories that help consumers work, learn and entertain from the comfort of their home. Since September 2020, with the number of daily cases continuing to increase, provincial governments enacted a variety of measures, ranging from limiting the number of people allowed in retail stores at the same time to temporarily closing stores. During the fourth quarter of 2021, as restrictions continued to increase across Canada, temporary store closures grew to approximately 62% (at its highest point) of the Company's total retail store network. As at January 30, 2021, the Company had 240 out of its 415 stores (58%) closed as a consequence of governmental lockdown directives.

Subsequent to fiscal 2021, the Company has further experienced some temporary retail location closures. While stores remained closed in certain markets, the Company continued to fulfill e-commerce orders though sales were not sufficient to offset the lost sales due to the closures. The extent to which COVID-19 will continue to impact the Company's business, including its supply chain, consumer shopping behavior and consumer demand, including online shopping, will depend on future developments, which are highly uncertain and cannot be predicted at this time. As the Company navigates through the challenges caused by COVID-19, its focus will be to adapt to customers' changing product preferences, closely monitor its cash position and control its spending, while managing its inventory levels in line with the unprecedented change in demand behavior since COVID-19 started. Current financial information may not necessarily be indicative of future operating results. The Company had taken many measures to protect its financial position during this challenging situation. Such measures included:

- Furloughing a substantial number of store and head office employees;
- All other employees collectively contributing to on-going cost-cutting initiatives through temporary salary reductions;
- Cancelling or delaying significant investments in capital expenditures for fiscal 2021;
- Adjusting inventory levels by cancelling or delaying many orders;
- Reducing all non-payroll discretionary expenses, including marketing and travel; and
- Extending payment terms and asking for temporary price concessions for both merchandise and non-merchandise vendor invoices.

Such measures partially mitigated the impact of COVID-19 on the Company's business. However, with the deterioration in the Company's financial performance and its financial position since the end of the fiscal 2020, the continued uncertainty surrounding the pandemic, and after evaluating all its strategic options, on May 19, 2020 the Company obtained an initial order (the "Order") from the Superior Court of Québec (the "Court") to seek protection from creditors under the Companies' Creditors Arrangement Act (the "CCAA") and Ernst & Young Inc. was appointed as the Monitor. Since its initial filing on May 19, 2020 the Company obtained extensions of the Order, with the most recent extension obtained until May 28, 2021. The CCAA process allows the Company to implement an operational and commercial restructuring plan to re-position the Company for long-term success (the "restructuring plan"). On June 1, 2020, the Company announced that, as part of its restructuring plan and as approved by the Monitor, it was closing the Thyme Maternity and Addition Elle banners. The restructuring plan led to the closure of all retail stores and e-commerce websites for both banners and to the termination of approximately 1,600 employees in its retail locations and head office. See section entitled "Discontinued Operations".

In September 2020, the Monitor commenced the claims process for the identification, resolution and barring of amounts owing to creditors as at May 19, 2020. Creditors had to file their proof of claim and former employees had to file the appropriate notice of dispute document with the Monitor on or before October 21, 2020. The Monitor is currently working on reviewing the claims filed and has been contacting claimants where discrepant claims exist between the Company's records and amounts claimed. Once all claims filed have been reconciled, settlement thereof will then be addressed in a Plan of Arrangement to be filed and communicated at a later date.

In accordance with the policies of the Toronto Stock Exchange (the "TSX"), trading in Reitmans' Common shares and Class A non-voting shares was suspended on May 19, 2020 and the Company's shares were delisted from the TSX effective at the close of business on July 29, 2020. The Company worked on a transition plan to allow trading of its shares on the TSX Venture Exchange (the "TSX–V") and, on September 3, 2020, its shares began trading on the TSX-V. The trading symbol of the Company's Common shares and Class A shares remained "RET" and "RET-A", respectively.

For fiscal 2021, the Company incurred a net loss of $172.2 million. As at January 30, 2021, the Company's current liabilities of $284.5 million exceed current assets of $216.8 million. On August 5, 2020, the Company secured interim financing ("DIP Loan") up to a maximum amount of $60.0 million, including facilities available for securing letters of credit of up to $5.0 million, with a Canadian financial institution. As of January 30, 2021, the Company has not drawn funds from the DIP Loan facility, other than for the issuance of letters of credit totalling $0.4 million. With the uncertainties surrounding the impact of COVID-19 going forward, the Company cannot guarantee that such DIP Loan will not be utilized in the future.

These factors and conditions, combined with the unpredictability of the outcome of the matters arising from the CCAA proceedings, indicate that 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. In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, management must take into account all available information about the future, including estimated future cash flows, for a period of at least twelve months following the end of the reporting period. The audited consolidated financial statements as at and for the year ended January 30, 2021 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 COVID-19 and the impact on the financial results and financial condition of the Company in future periods. The Company will take into consideration the most recent developments and impacts of the pandemic, including updated assessments of future cash flows and any additional impacts resulting from COVID-19 will be reflected in the financial results of the current fiscal year, if applicable.

Discontinued Operations

As part of its restructuring plan, the Company closed the Thyme Maternity and Addition Elle banners and, as a result, their results and cash flows have been classified as discontinued operations. IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* requires that the comparative statements of earnings and comprehensive income (loss) be presented as if the operations were discontinued from the start of the comparative year. As a result, discontinued operations are excluded from the loss from continuing operations and are presented as earnings (loss) from discontinued operations, net of tax, as a separate line item in the consolidated statements of earnings (loss).

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, including statements regarding the impact of COVID-19 on the Company's business, financial position and operations, and are based on several assumptions which give rise to the possibility that actual results could differ materially from the Company's expectations expressed in or implied by such forward-looking statements and that the objectives, plans, strategic priorities and business outlook may not be achieved. Consequently, the Company cannot guarantee that any forward-looking statement will materialize, or if any of them do, what benefits the Company will derive from them. Forward-looking statements are provided in this MD&A for the purpose of giving information about management's current expectations and plans as of the date of this MD&A, and allowing investors and others to get a better understanding of the Company's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose. 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, expectations, 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:

- the ability to continue as a going concern;
- the outcome of the CCAA proceedings and their impact upon supplier relationships and customer behavior;
- foreign currency fluctuations, including high levels of volatility with respect to the US dollar reflecting uncertainties relating to COVID-19;
- 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 COVID-19) that influence sanitary measures (such as confinement and store closures), consumer demand and hamper the ability to get merchandise on a timely basis;
- changes in product costs and supply channels, including disruption of the Company's supply chain resulting from COVID-19;
- 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; and
- 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, depreciation, amortization, impairment of non-financial assets and restructuring costs. The Company updated its definition of Adjusted EBITDA to exclude the restructuring costs which have been incurred as a result of the restructuring plan. With the classification of the Addition Elle and Thyme Maternity businesses as discontinued operations, Adjusted EBITDA has also been modified to exclude discontinued operations.

The following table reconciles the most comparable GAAP measure, net earnings or loss from continuing operations, 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 and the exclusion of restructuring costs and discontinued operations presents the results of the on-going businesses. 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 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 behavior, 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. 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.

As highlighted in the section entitled "Key Business Developments and Subsequent Events", at various times throughout fiscal 2021, the Company was required to temporary close its retail stores. As at the end of fiscal 2021, 240 out of the Company's 415-store network temporarily closed due to government mandated restrictions. Due to the unprecedented nature of COVID-19 and its significant impact on consumers and our ability to service our customers, management believes that comparable sales are not currently representative of the underlying trends of our business and consequently would not provide a meaningful metric in comparisons of year-over-year sales results. Accordingly, this MD&A does not include a discussion of the Company's comparable sales in respect of the fourth quarter of and fiscal 2021. Management will continue to monitor and evaluate the effects of COVID-19 and will resume the evaluation of comparable sales when year-over-year results are more representative.

The following table reconciles net loss from continuing operations to Adjusted EBITDA from continuing operations:

	For the fourth quarter of		For fiscal	
	2021	**2020**[1]	**2021**	**2020**[1]
Net loss from continuing operations	**$ (10.9)**	$ (47.2)	**$ (100.0)**	$ (73.2)
Depreciation and amortization	**13.7**	23.9	**52.5**	85.9
Impairment of non-financial assets	**3.8**	0.2	**16.5**	2.6
Dividend income	**-**	-	**-**	(1.4)
Interest income	**(0.1)**	(0.4)	**(0.4)**	(1.7)
Net change in fair value and loss on disposal of marketable securities	**-**	-	**-**	8.3
Interest expense on lease liabilities	**1.4**	1.4	**5.7**	6.0
Income tax (recovery) expense	**(0.5)**	30.9	**0.2**	23.8
Restructuring costs	**(0.8)**	-	**26.5**	-
Adjusted EBITDA from continuing operations	**$ 6.6**	$ 8.8	**$ 1.0**	$ 50.3
Adjusted EBITDA from continuing operations as % of Sales	**4.6%**	4.8%	**0.2%**	7.1%

[1]Comparative figures have been restated to conform to the current definition, which excludes the effect of discontinued operations.

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 4,700 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.

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.

RETAIL BANNERS

	Number of stores at February 1, 2020	Q1 Closings	Q2 Closings	Q3 Openings	Q3 Closings	Q4 Closings	Number of stores at January 30, 2021
Reitmans	260	(1)	(4)	2	(10)	(2)	245
Penningtons	111	(5)	(1)	4	(17)	-	92
RW&CO.	80	-	-	-	(1)	(1)	78
Total stores from continuing operations[1]	**451**	**(6)**	**(5)**	**6**	**(28)**	**(3)**	**415**

[1] All Addition Elle and Thyme Maternity stores have been closed in connection with the restructuring plan and their results and cash flows have been classified as discontinued operations.

Individual 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. Out of the 36 store closures in the second to the fourth quarter of 2021, approximately 94% represent store closures associated with disclaimed leases under the Company's restructuring plan for its continuing operations. 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. With respect to the discontinued operations of Thyme Maternity and Addition Elle, the merchandise was liquidated through the Company's retail network, with minimal quantities written off upon closure of the banners.

THREE-YEAR REVIEW OF SELECTED FINANCIAL INFORMATION

	Fiscal 2021	Fiscal 2020 [1]	Fiscal 2019 [1,2]
Total stores at end of fiscal year	**415**	451	461
Sales	**$ 533.4**	$ 705.5	$ 728.5
Gross profit	**246.3**	363.9	401.4
(Loss) earnings before income taxes	**(99.8)**	(49.3)	1.4
Net loss from continuing operations	**(100.0)**	(73.2)	(1.1)
(Loss) earnings from discontinued operations, net of tax	**(72.2)**	(14.3)	7.9
Net (loss) earnings	**(172.2)**	(87.5)	6.8
(Loss) earnings per share			
Basic	**(3.52)**	(1.56)	0.11
Diluted	**(3.52)**	(1.56)	0.11
(Loss) earnings per share, continuing operations			
Basic	**(2.05)**	(1.31)	(0.01)
Diluted	**(2.05)**	(1.31)	(0.01)
Total assets	**397.2**	560.2	492.8
Total non-current liabilities	**91.0**	176.5	34.0
Dividends per share	**$ -**	$ 0.15	$ 0.20

1 Comparative figures have been restated to separately present continuing and discontinued operations.

2 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 have not been restated and continue to be reported under IAS 17.

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 2019, the Company continued its execution of an optimal mix in an omnichannel retail landscape and invested 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 was primarily due to lower sales performance in the Company's plus-size banner and the reduced number of stores. Strategic brand initiatives in the plus-size banner implemented early in the 2020 fiscal year failed to resonate with their customer base, negatively affecting sales. Although a variety of corrective measures were implemented, the implementation of these corrective strategies occurred late in fiscal 2020 and did not have a positive impact for 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.

In fiscal 2021, the reduction in sales was primarily due to the COVID-19 outbreak as temporary lockdown measures were implemented by governmental health authorities and the reduced number of stores. Government mandated temporary closures of the Company's entire store network occurred from mid-March 2020 with stores fully reopened by the end of June 2020. Shopping behaviour however did not return to pre-pandemic levels. Further governmental measures to mitigate the spread of the virus in certain affected areas resulted in a majority of the Company's stores being temporarily closed during the fourth quarter of 2021 (see section entitled "Key Business Developments and Subsequent Events"). In fiscal 2021, the reduction in the Company's store sales was partially offset by an increase in e-commerce sales as consumers shifted to online shopping habits. The Company's prior investments in its omnichannel strategy, including its ship from store capabilities, were a major contributor in its ability to handle the increase in e-commerce orders.

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. 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 banner despite a positive foreign exchange impact on U.S. dollar denominated purchases included in cost of goods sold. In fiscal 2021, the Company's gross profit declined primarily due to lower sales and higher promotional activity as a result of the unprecedented negative impact from the COVID-19 pandemic, as well as a negative foreign exchange impact on U.S. dollar denominated purchases included in cost of goods sold.

Summary

As at January 30, 2021, the Company's liquidity position consisted of $77.9 million (February 1, 2020 - $89.4 million) in cash and cash equivalents, a negative working capital position and no long-term debt (other than its lease liabilities). The negative working capital position consists of current liabilities of $284.5 million (including liabilities subject to compromise of $204.1 million) exceeding current assets of $216.8 million. As at the end of fiscal 2021, inventory levels were lower as compared to the end of fiscal 2020 due in part to the Company's restructuring plan to optimize its retail footprint through a reduction in the number of its stores and from the closures of the Addition Elle and Thyme Maternity banners; inventory levels at the end of fiscal 2020 were approximately the same as compared to the end of fiscal 2019. The Company managed its capital expenditures, which were $26.1 million in fiscal 2019, $23.5 million in fiscal 2020 and $6.2 million in fiscal 2021. As highlighted in the section entitled "Key Business Developments and Subsequent Events"), the Company cancelled or delayed significant investments in capital expenditures in fiscal 2021. 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.

The Company, as part of its restructuring plan, closed the Thyme Maternity and Addition Elle banners. The financial information presented within discontinued operations is directly attributable to both banners. All administrative expenses and various selling and distribution expenses from shared, centralized and common functions of the Company are excluded from the determination of net (loss) earnings from discontinued operations.

OPERATING RESULTS FOR FISCAL 2021 COMPARED TO FISCAL 2020

	Fiscal 2021	Fiscal 2020[1]	$ Change	% Change
Sales	**$ 533.4**	$ 705.5	$ (172.1)	(24.4)%
Cost of goods sold	**287.1**	341.6	(54.5)	(16.0)%
Gross profit	**246.3**	363.9	(117.6)	(32.3)%
Gross profit %	**46.2%**	51.6%		
Selling, distribution and administrative expenses[2]	**354.3**	401.7	(47.4)	(11.8)%
Results from operating activities	**(108.0)**	(37.8)	(70.2)	n/a
Net finance income (costs)	**8.2**	(11.6)	19.8	n/a
Loss before income taxes	**(99.8)**	(49.4)	(50.4)	n/a
Income tax expense	**0.2**	23.8	(23.6)	(99.2)%
Net loss from continuing operations	**(100.0)**	(73.2)	(26.8)	(36.6)%
Loss from discontinued operations, net of tax	**(72.2)**	(14.3)	(57.9)	n/a
Net loss	**$ (172.2)**	$ (87.5)	$ (84.7)	(96.8)%
Adjusted EBITDA from continuing operations	**$ 1.0**	$ 50.3	$ (49.3)	(98.0)%
Loss per share:				
Basic	**$ (3.52)**	$ (1.56)	$ (1.96)	n/a
Diluted	**(3.52)**	(1.56)	(1.96)	n/a
Loss per share, continuing operations:				
Basic	**$ (2.05)**	$ (1.31)	$ (0.74)	(56.5)%
Diluted	**(2.05)**	(1.31)	(0.74)	(56.5)%

[1] Comparative figures have been restated to separately present continuing and discontinued operations.
[2] Includes impairment of non-financial assets and restructuring costs of $16.5 million and $26.5 million, respectively, for fiscal 2021 ($2.6 million and nil, respectively, for fiscal 2020).

Sales

Sales for fiscal 2021 decreased by $172.1 million, or 24.4%, to $533.4 million as compared with $705.5 million for fiscal 2020, primarily due to the impact from temporary store closures, store traffic trends that were below pre-pandemic levels during the second to the fourth quarter of 2021 (see section entitled “Key Business Developments and Subsequent Events”) and an overall net reduction of 36 stores, partially offset by an increase in e-commerce sales.

Gross Profit

Gross profit for fiscal 2021 decreased $117.6 million, or 32.3%, to $246.3 million as compared with $363.9 million for fiscal 2020. Gross profit as a percentage of sales for fiscal 2021 decreased to 46.2% from 51.6% for fiscal 2020. The decrease both in gross profit and as a percentage of sales is primarily attributable to the Company’s merchandise selling at larger discounts than usual as customer preferences and habits changed upon the transition to working from home during the pandemic, lower turnover of merchandise as a result of the temporary store closures during a portion of fiscal 2021 as well as store traffic trends that were below pre-pandemic levels, combined with a negative foreign exchange impact in U.S. dollar denominated purchases included in cost of goods sold.

Selling, Distribution and Administrative Expenses

Total selling, distribution and administrative expenses of $354.3 million for fiscal 2021 decreased by $47.4 million or 11.8% as compared to fiscal 2020, while sales have decreased 24.4%. The decrease in these expenses is primarily attributable to the following:

- decreased store operating and head office wage costs as a result of the measures taken by the Company under its restructuring plan to mitigate the financial impact from COVID-19, temporary store closures and fewer stores;
- financial support from the Canada Emergency Wage Subsidy (“CEWS”) and the Canada Emergency Rent Subsidy (“CERS”) programs of $33.9 million and $1.4 million, respectively, that were recognized as a reduction of selling, distribution and administrative expenses;
- a decrease of $33.4 million in depreciation and amortization due primarily to the decrease in the number of stores and associated leases, the reduction of investments in property and equipment and intangible assets since the outbreak of the pandemic, and the associated impact of the increase in impairment of non-financial assets (see below);
- partially offset by,
- $26.5 million of restructuring costs incurred as a result of the Company’s restructuring, primarily related to provisions for disclaimed leases, employee termination costs, inventory cancellation penalties, pre-filing input tax credits claimed by the Company on unpaid invoices attributed to the creditors list and professional fees;
- a $13.9 million increase in impairment of non-financial assets associated mainly with a reduction of the anticipated profitability of certain individual retail store locations; and
- a $15.3 million increase in overall freight costs incurred due to the growth of e-commerce sales.

Net Finance Income (Costs)

Net finance income was $8.2 million for fiscal 2021 as compared to net finance costs of $11.6 million for fiscal 2020. This change is primarily attributable to the following:

- a foreign exchange gain of $13.4 million for fiscal 2021 compared to a loss of $0.5 million for fiscal 2020, largely attributable to a $9.7 million realized gain on the maturity and disposal of foreign exchange forward contracts that were no longer being designated as cash flow hedges and to the foreign exchange impact on U.S. denominated monetary assets and liabilities;

- as all marketable securities had been previously disposed of during fiscal 2020, there was no income or cost related to a change in fair value in fiscal 2021, whereas there was a $8.3 million net decrease in fair value of marketable securities for fiscal 2020;
- interest expense on lease liabilities decreased $0.3 million during fiscal 2021 as compared to the fiscal 2020 due mainly to the Company disclaiming leases under the CCAA proceedings; and
- dividend income decreased $1.4 million for fiscal 2021 due to no longer having any marketable securities, and interest income decreased $1.3 million due to both lower cash balances held throughout the year and as interest rates were lower on cash held with banks in fiscal 2021.

Income Taxes

As a result of the uncertainties related to the Company's ability to generate future profitable operations and management's assessment that it is not probable that future taxable profits will be available in Canada, the income tax expense for fiscal 2021 was impacted by not recognizing deferred tax assets on operating losses carried forward. The tax expense of $0.2 million for fiscal 2021 is mainly comprised of the deferred income tax impact related to the reclassification of the accumulated unrealized gain associated with forward contracts from tax expense in other comprehensive income to net earnings and estimated taxes related to a foreign subsidiary. The income tax expense for fiscal 2020 amounted to $23.8 million as the Company fully unrecognized the deferred tax assets on temporary timing differences and operating losses carried forward as at the end of fiscal 2020.

Net Loss from Continuing Operations

Net loss from continuing operations for fiscal 2021 was $100.0 million ($2.05 basic and diluted loss per share) as compared with a $73.2 million net loss ($1.31 basic and diluted loss per share) for fiscal 2020. The increase in net loss from continued operations of $26.8 million is primarily attributable to the decrease in gross profit and an increase in restructuring costs, partially offset by an increase in net finance income, a decrease in income tax expense and a decrease in overall operating costs, as noted above.

Adjusted EBITDA from Continuing Operations

Adjusted EBITDA from continuing operations for fiscal 2021 was $1.0 million as compared to $50.3 million for fiscal 2020. The decrease of $49.3 million is primarily attributable to the decrease of $117.6 million in gross profit, partially offset by a reduction in operating costs (excluding restructuring costs, depreciation, amortization and impairment of non-financial assets) of $54.4 million and an increase of $13.9 million in foreign exchange gain, as noted above.

Net Loss from Discontinued Operations

As highlighted in the section entitled "Discontinued Operations", the Company, as part of its restructuring plan, closed the Thyme Maternity and Addition Elle banners.

The financial information presented within discontinued operations is directly attributable to both banners. All administrative expenses and various selling and distribution expenses from shared, centralized and common functions of the Company are excluded from the determination of net loss from discontinued operations.

Net loss from discontinued operations for fiscal 2021 was $72.2 million as compared to $14.3 million for fiscal 2020. The increase in net loss of $57.9 million is primarily attributable to $51.7 million in restructuring costs, an increase of $20.7 million in impairment of non-financial assets as a result of the Company's decision to close the banners, and a decrease in gross margin from the liquidation of merchandise as the banners' stores closed, partially offset by reduced operating costs due to temporary store closures and the measures taken by the Company to reduce costs. In addition, there was no goodwill impairment charge in fiscal 2021 compared to the impairment of goodwill of $11.8 million for the Addition Elle banner incurred in fiscal 2020.

Further financial information can be found in Note 4 of the the audited consolidated financial statements as at and for fiscal 2021.

OPERATING RESULTS FOR THE FOURTH QUARTER OF 2021 COMPARED TO THE FOURTH QUARTER OF 2020

	Fourth Quarter of 2021	Fourth Quarter of 2020[1]	$ Change	% Change
Sales	**$ 144.7**	$ 184.4	$ (39.7)	(21.5)%
Cost of goods sold	**79.8**	96.4	(16.6)	(17.2)%
Gross profit	**64.9**	88.0	(23.1)	(26.3)%
Gross profit %	**44.9%**	47.7%		
Selling, distribution and administrative expenses[2]	**76.7**	103.3	(26.6)	(25.8)%
Results from operating activities	**(11.8)**	(15.3)	3.5	22.9%
Net finance income (costs)	**0.4**	(1.0)	1.4	n/a
Loss before income taxes	**(11.4)**	(16.3)	4.9	30.1%
Income tax (recovery) expense	**(0.5)**	30.9	(31.4)	n/a
Net loss from continuing operations	**(10.9)**	(47.2)	36.3	76.9%
Loss from discontinued operations, net of tax	**-**	(4.5)	4.5	100.0%
Net loss	**$ (10.9)**	$ (51.7)	$ 40.8	78.9%
Adjusted EBITDA from continuing operations	**$ 6.6**	$ 8.8	$ (2.2)	(25.0)%
Loss per share:				
Basic	**$ (0.22)**	$ (1.06)	$ 0.84	79.2%
Diluted	**(0.22)**	(1.06)	0.84	79.2%
Loss per share, continuing operations:				
Basic	**$ (0.22)**	$ (0.97)	$ 0.75	77.3%
Diluted	**(0.22)**	(0.97)	0.75	77.3%

[1] Comparative figures have been restated to separately present continuing and discontinued operations.

[2] Includes impairment of non-financial assets and restructuring costs of $3.8 million and recovery of $0.8 million, respectively, for the fourth quarter of 2021 ($0.2 million and nil, respectively, for the fourth quarter of 2020).

Sales

Sales for the fourth quarter of 2021 decreased by $39.7 million, or 21.5%, to $144.7 million as compared with $184.4 million for the fourth quarter of 2020, primarily attributable to temporary store closures (see section entitled “Key Business Developments and Subsequent Events”) and a net reduction of 36 stores in the fourth quarter of 2021, partially offset by an increase in e-commerce sales.

Gross Profit

Gross profit for the fourth quarter of 2021 decreased $23.1 million, or 26.3%, to $64.9 million as compared with $88.0 million for the fourth quarter of 2020, primarily attributable to lower sales and a net reduction of 36 stores. Gross profit as a percentage of sales for the fourth quarter of 2021 decreased to 44.9% from 47.7% for the fourth quarter of 2020. The decrease is primarily attributable to higher promotional activity during the fourth quarter of 2021, particularly with respect to men’s and women’s work wear apparel, as customer preferences and habits quickly changed upon the transition to working from home during the pandemic, combined with a negative foreign exchange impact in U.S. dollar denominated purchases included in cost of goods sold.

Selling, Distribution and Administrative Expenses

Total selling, distribution and administrative expenses of $76.7 million for the fourth quarter of 2021 decreased by $26.6 million or 25.8%, as compared to the same period in the prior year while sales have decreased 21.5%. The decrease in the expenses is primarily attributable to the following:

- decreased store operating and head office wage costs as a result of the measures taken by the Company under its restructuring plan to mitigate the financial impact from COVID-19, temporary store closures and fewer stores;
- financial support from the Canada Emergency Wage Subsidy (“CEWS”) and the Canada Emergency Rent Subsidy (“CERS”) programs of $7.7 million and $1.4 million, respectively, which has been recognized as a reduction of selling, distribution and administrative expenses;
- a decrease of $10.2 million in depreciation and amortization due primarily to the decrease in the number of stores and related right-of-use assets, the reduction of investments in property and equipment and intangible assets since the outbreak of the pandemic, and the associated impact of the increase in impairment of non-financial assets (see below);
- a restructuring costs recovery of $0.8 million due primarily to the net impact of gains on lease re-measurements and professional fees incurred;
- partially offset by,
- a $3.6 million increase in impairment of non-financial assets associated mainly with a reduction of anticipated profitability of certain individual retail store locations; and
- a $3.9 million increase in overall freight costs incurred due mainly to the growth of e-commerce sales.

Net Finance Income (Costs)

Net finance income was $0.4 million for the fourth quarter of 2021 as compared to net finance costs of $1.0 million for the fourth quarter of 2020. This change is primarily attributable to the foreign exchange impact on U.S. denominated monetary assets and liabilities, partially offset by lower interest income earned from cash held with banks.

Income Taxes

As a result of the uncertainties related to the Company’s ability to generate future profitable operations and management’s assessment that it is not probable that future taxable profits will be available in Canada, the income tax recovery for the fourth quarter of 2021 was impacted by not recognizing deferred tax assets on operating losses carried forward. The income tax recovery of $0.5 million for the fourth quarter of 2021 includes the impact of the estimated taxes related to a foreign subsidiary. The income tax expense for the fourth quarter of fiscal 2020 amounted to $30.9 million as the Company fully unrecognized the deferred tax assets on temporary timing differences and operating losses carried forward as at the end of the fourth quarter of 2020.

Net Loss from Continuing Operations

Net loss from continuing operations for the fourth quarter of 2021 was $10.9 million ($0.22 basic and diluted loss per share) as compared with a $47.2 million net loss ($0.97 basic and diluted loss per share) for the fourth quarter of 2020. The decrease in net loss of $36.3 million is primarily attributable to the decrease in income tax expense, a decrease in overall operating costs and a decrease in net finance costs, partially offset by a decrease in gross profit, as noted above.

Adjusted EBITDA from Continuing Operations

Adjusted EBITDA from continuing operations for the fourth quarter of 2021 was $6.6 million as compared with $8.8 million for the fourth quarter of 2020. The decrease of $2.2 million is primarily attributable to the decrease of $23.1 million in gross profit, partially offset by a reduction in operating costs (excluding restructuring costs recovery, depreciation, amortization and impairment of non-financial assets) of $19.2 million and an increase of $1.7 million in foreign exchange gain on U.S. denominated monetary assets and liabilities, as noted above.

Net Earnings (Loss) from Discontinued Operations

As highlighted in the section entitled “Discontinued Operations”, the Company, as part of its restructuring plan, closed the Thyme Maternity and Addition Elle banners.

As the discontinued banners were no longer in operation during the fourth quarter of 2021, there were no earnings to report. Net loss from discontinued operations for the fourth quarter of 2020 was $4.5 million. The financial information presented within discontinued operations is directly attributable to both banners. All administrative expenses and various selling and distribution expenses from shared, centralized and common functions of the Company are excluded from the determination of net earnings (loss) from discontinued operations.

Further financial information can be found in Note 4 of the the audited consolidated financial statements as at and for fiscal 2021.

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 may enter into foreign exchange forward contracts to hedge a significant portion of its exposure to fluctuations in the value of the U.S. dollar. In early fiscal 2021, the Company temporarily paused its hedging program due to the uncertainties surrounding future inventory purchase commitments as a result of COVID-19 and the restructuring plan. Once the uncertainties surrounding COVID-19 cease to exist, the Company will re-evaluate its foreign exchange risk management options, including the use of foreign exchange forward hedge contracts.

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
January 30, 2021	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
February 1, 2020	$ 1.318	$ 175.0	$ 1.1	$ (0.3)	$ 0.8

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 "2021" are to the Company's fiscal year ended January 30, 2021 and "2020" are to the Company's fiscal year ended February 1, 2020.

	Fourth Quarter		Third Quarter		Second Quarter		First Quarter	
	2021	2020[1]	2021	2020[1]	2021	2020[1]	2021	2020[1]
Sales	$ 144.7	$ 184.4	$ 163.4	$ 183.6	$ 144.0	$ 188.2	$ 81.3	$ 149.3
Net loss from continuing operations	(10.9)	(47.2)	(14.9)	(9.4)	(27.4)	(2.4)	(46.7)	(14.2)
(Loss) earnings from discontinued operations, net of tax	-	(4.5)	0.4	(13.7)	(44.6)	2.3	(28.0)	1.6
Net loss	(10.9)[2]	(51.7)	(14.5)[3]	(23.1)	(72.0)[4]	(0.1)	(74.7)[5]	(12.6)
Loss per share								
Basic	$ (0.22)[2]	$ (1.06)	$ (0.30)[3]	$ (0.47)	$ (1.47)[4]	$ (0.00)	$ (1.53)[5]	$ (0.20)
Diluted	(0.22)[2]	(1.06)	(0.30)[3]	(0.47)	(1.47)[4]	(0.00)	(1.53)[5]	(0.20)
Loss per share, continuing operations:								
Basic	$ (0.22)	$ (0.97)	$ (0.31)	$ (0.19)	$ (0.56)	$ (0.04)	$ (0.95)	$ (0.22)
Diluted	(0.22)	(0.97)	(0.31)	(0.19)	(0.56)	(0.04)	(0.95)	(0.22)

[1] Comparative figures have been restated to separately present continuing and discontinued operations.

[2] Includes the impact of wage and rent subsidies totalling $9.1 million, restructuring costs recovery of $0.8 million, partially offset by $3.8 million of an impairment of non-financial assets.

[3] Includes the impact of an impairment of non-financial assets of $5.2 million, restructuring costs of $4.8 million, partially offset by $6.8 million of wage subsidy.

[4] Includes the impact of an impairment of non-financial assets of $9.0 million, restructuring costs of $74.2 million, partially offset by $14.8 million of wage subsidy.

[5] Includes the impact of an impairment of non-financial assets of $20.6 million, additional provision for valuation of inventory of $18.3 million partially offset by $11.6 million of a net unrealized foreign exchange gain on reclassification of foreign contracts and $6.6 million of wage subsidy.

BALANCE SHEET

Selected line items from the Company's balance sheets as at January 30, 2021 and February 1, 2020 are presented below:

	2021	2020	$ Change	% Change
Cash and cash equivalents	**$ 77.9**	$ 89.4	$ (11.5)	(12.9)%
Trade and other receivables	**10.7**	6.3	4.4	69.8%
Net derivative financial asset	**-**	0.8	(0.8)	(100.0)%
Inventories	**96.1**	147.4	(51.3)	(34.8)%
Prepaid expenses	**32.1**	9.4	22.7	n/a
Property and equipment & intangible assets	**76.4**	108.4	(32.0)	(29.5)%
Right-of-use assets	**103.8**	198.1	(94.3)	(47.6)%
Trade and other payables	**31.5**	109.7	(78.2)	(71.3)%
Deferred revenue	**12.5**	15.0	(2.5)	(16.7)%
Income taxes payable	**1.2**	3.2	(2.0)	(34.4)%
Lease liabilities (current and non-current)	**123.2**	213.9	(90.7)	(42.4)%
Liabilities subject to compromise	**204.1**	-	204.1	n/a
Pension Liability	**3.1**	24.2	(21.1)	(87.2)%

Changes in selected line items from the Company's balance sheets at January 30, 2021 as compared to February 1, 2020 were primarily due to the following:

- cash and cash equivalents decreased $11.5 million due to reduction of cash generated from operations primarily caused by the impact from temporary store closures and, when stores were open, customer shopping behaviour not returning to pre-pandemic levels due to COVID-19, partially offset by controlling expenses and the delay of payments to suppliers while under CCAA protection, the financial support received from the CEWS program, the continued suspension of any payment of dividends and lower investments made in property and equipment in fiscal 2021;
- trade and other receivables increased $4.4 million primarily due to Federal wages and rent subsidies of $7.9 million receivable as at January 30, 2021, partially offset by lower credit card trade and wholesale receivables, as well as lower insurance claims and marketing affiliation receivables;
- there was no net derivative financial asset as at end of the fiscal 2021 due to the Company's decision to temporarily pause its hedging program following the uncertainties surrounding future inventory purchase commitments;
- inventories are lower due in part to the Company's restructuring plan to optimize its retail footprint through a reduction in the number of its stores, from the closures of the Addition Elle and Thyme Maternity banners and from an increase in the inventory reserves required on the estimated sell through value of inventory based on customer demand and sales patterns subsequent to fiscal 2021;
- the increase of $22.7 million in prepaid expenses is primarily due to required supplier deposits and prepayments while the Company is under CCAA protection and higher prepaid insurance premiums, partially offset by lower payments of other costs related to store leases and maintenance contracts as a result of the Company's restructuring plan;
- due to the significant reduction in business stemming from COVID-19, the Company cancelled or delayed investments in capital expenditures. For fiscal 2021, $6.2 million was invested mainly on store renovations. Depreciation and amortization of $17.8 million and impairment of $20.8 million on property and equipment and intangible assets were recognized in fiscal 2021 ($30.5 million and $2.5 million respectively, in fiscal 2020);
- right-of-use assets represent the right-to-use the retail stores and certain equipment over their lease terms. Right-of-use assets decreased by $94.3 million, of which $35.2 million was due to the Company disclaiming leases under the CCAA proceedings and $27.0 million was due to lease modifications primarily from the Company's negotiations and the resulting changes to the type of leases (i.e. fixed to variable lease) with some landlords. Right-of-use assets increased by lease additions of $28.9 million in fiscal 2021. Depreciation and amortization of $43.3 million in fiscal 2021 ($68.6 million in fiscal 2020) and impairment charges of $17.7 million on right-of-use assets were recognized in fiscal 2021 ($1.4 million in fiscal 2020). The increase in impairment on right-of-use assets relates to a reduction of the anticipated profitability of certain individual retail store locations and in light of the economic uncertainties caused by COVID-19;
- trade and other payables decreased by $78.2 million primarily due to the reclassification of pre-filing general liabilities under the CCAA process to "liabilities subject to compromise", partially offset by an increase due to the timing of payments. See Note 14 of the audited consolidated financial statements for fiscal 2021;
- deferred revenue 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. Deferred revenue decreased by $2.5 million primarily due to a reduction in both gift cards issued and awards granted by customer loyalty programs as gift card issuances and

awards granted were impacted by stores being temporarily closed at various times throughout fiscal 2021 and by the closures of the Addition Elle and Thyme Maternity banners;

- income taxes payable consists of estimated tax liabilities. The decrease of $2.0 million in income taxes payable is primarily due to payments made for prior years' taxes during fiscal 2021;
- lease liabilities represent the present value of the Company's obligations to make lease payments for its store and equipment leases. During fiscal 2021, lease liabilities decreased by $90.7 million, of which $41.5 million was due to the Company disclaiming leases under the CCAA proceedings and $9.3 million was reclassified to liabilities subject to compromise. In addition, during fiscal 2021, lease liabilities decreased by lease payments of $46.8 million and lease modifications of $28.2 million, offset by lease additions of $28.9 million and interest expense of $6.2 million;
- liabilities subject to compromise consist mainly of amounts owed to creditors (including landlords), ex-employees and beneficiaries of the Company's Supplementary Employee Retirement Pension ("SERP") plan. The amounts are subject to the provisions of the CCAA and are expected to be settled through a future Plan of Arrangement to be approved by the Monitor and the Court. Liabilities subject to compromise represent the Company's best estimate of liabilities that will ultimately be subject to the Plan of Arrangement and compromise with the Company's creditors. See Notes 2 f) (v) and 14 of the audited consolidated financial statements as at and for fiscal 2021;
- pension liability decreased by $21.1 million primarily as the pre-petition portion of the pension liability relating to the SERP, which is neither registered nor pre-funded, was reclassified to liabilities subject to compromise, as discussed above.

OPERATING RISK MANAGEMENT

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

The deterioration of the Company's financial position since the beginning of fiscal 2021, the Company's liquidity position as of the date of this MD&A and the unpredictability of the outcome of the matters arising from the CCAA proceedings, indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. The Company's restructuring plan has implemented measures to conserve cash to fund its ongoing operations, including reductions in both staffing levels and discretionary spending and has suspended the payment of dividends. However, the Company's ability to continue as a going concern is dependent on obtaining creditor acceptance of a yet to be filed and proposed Plan of Arrangement for claims submitted to the Monitor under the CCAA process, and its ability to resume normal operations, generate future revenues and profitable operations.

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, cost-efficient 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. Any rent obligations unpaid prior to the date of the Company's initial CCAA filing on May 19, 2020 and any additional amounts claimed by retail landlords with respect to disclaimed leases under the Company's restructuring plan, will be subject to a Plan of Arrangement, for which a date to be submitted to the Court has yet to be determined.

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, restrictions on customer capacity in stores resulting from continued COVID-19 health protocols, 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 fallout from COVID-19 has caused a global shipping industry disruption resulting in increased merchandise freight costs and merchandise delivery delays. In addition, containment protocols implemented in Canada has had an impact on consumer shopping patterns and behavior that could have further negative consequences to the Company in fiscal 2022.

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 or the hacking of the Company's IT systems in general could result in a lack of accurate data or the inability of 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 2021, 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. In fiscal 2021, the outbreak of COVID-19 caused disruptions in the Company's supply chain. An unprecedented increase in containerized cargo demand and reduced vessel capacity has resulted in merchandise delivery delays and increasing merchandise freight costs that could have negative financial consequences to the Company in fiscal 2022.

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's omnichannel strategy entails digital customer experience investments, but there can be no assurances that the Company will be able to recover the related costs incurred.

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 may periodically use 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 government assistance receivable and 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 January 30, 2021 and February 1, 2020, expected credit loss on these financial assets is not significant.

As at January 30, 2021, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	$	77.9
Trade and other receivables		10.7
	$	**88.6**

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.

For fiscal 2021, the Company incurred a net loss of $172.2 million. As at January 30, 2021, the Company's current liabilities total $284.5 million (of which $204.1 million is subject to compromise in connection with CCAA proceedings) and current liquid assets consisting of cash and cash equivalents total $77.9 million. During fiscal 2021, the Company's lenders terminated the maximum overdraft protection of $25 million, and the facilities available for letters of credit of $40 million had been reduced to a maximum of $1 million. Given the deterioration in the Company's financial position during fiscal 2021, the effective elimination of its previous credit facilities and the continued uncertainty surrounding COVID-19, on May 19, 2020, the Company obtained an initial order (the "Order") to seek protection from creditors under the CCAA. On August 5, 2020, the Company secured interim ("DIP Loan") financing with a Canadian financial institution up to a maximum amount of $60 million, including facilities available for securing letters of credit of up to $5.0 million. Refer to Note 23 in the audited consolidated financial statements for fiscal 2021.

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 U.S. dollar 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 may enter into certain qualifying foreign exchange contracts that it designated as cash flow hedging instruments. This results in mark-to-market foreign exchange adjustments, for qualifying hedged instruments, being recorded as a component of other comprehensive income. As described in Note 25 in the audited consolidated financial statements for fiscal 2021, the uncertainty surrounding COVID-19 and the outcome of the CCAA proceedings have reduced future purchases for which foreign exchange contracts were designated as cash flow hedges are no longer expected to occur. Consequently, foreign exchange gains and losses on merchandise purchases are recorded in net earnings instead of in other comprehensive income.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash and cash equivalents of $39.8 million U.S. and trade payables of $53.9 million U.S. to determine how a change in the U.S. dollar exchange rate would affect net earnings. On January 30, 2021, 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 $1.8 million increase or decrease, respectively, in the Company's net earnings for fiscal 2021.

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 January 30, 2021, the Company has a DIP loan facility of up to $60.0 million, including facilities available for securing letters of credit of up to $5.0 million. The DIP Loan bears interest at the lender's prime rate plus 5.0% per annum on the outstanding principal amount of the DIP Loan. As at January 30, 2021, the Company has not drawn funds from the DIP Loan facility, other than for the issuance of letters of credit totalling $0.4 million.

The Company has performed a sensitivity analysis on interest rate risk at January 30, 2021 to determine how a change in interest rates would affect net earnings. For fiscal 2021, the Company earned interest income of $0.4 million on its cash and cash equivalents. An increase or decrease of 50 basis points in the average interest rate earned during the year would have increased or decreased net earnings by $0.3 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 January 30, 2021 amounts to $21.7 million or $0.44 per share (February 1, 2020 - $193.8 million or $3.97 per share). As at January 30, 2021, the Company has current liabilities of $284.5 million (including liabilities subject to compromise of $204.1 million) (February 1, 2020 - $189.9 million) and cash and cash equivalents of $77.9 million (February 1, 2020 - $89.4 million) and no long-term debt (other than lease liabilities). Cash and cash equivalents are held in interest bearing accounts mainly with a major Canadian financial institution.

On August 5, 2020, with the approval of the Court, the Company secured interim financing, also referred to as a DIP Loan, with a Canadian financial institution consisting of a revolving credit facility of up to $60.0 million, including facilities available for securing letters of credit of up to $5.0 million. The DIP Loan bears interest at the lender's prime rate plus 5.0% per annum on the outstanding principal amount of the DIP Loan. As at January 30, 2021, the Company has not used the DIP Loan facility, other than for the issuance of letters of credit totalling $0.4 million. The Company has taken measures to preserve cash to the extent possible, including reducing headcount through layoffs, reducing discretionary expenditures, and deferring capital expenditures, as described below. In order to conserve cash, the Board of Directors of the Company has continued the suspension of the quarterly dividend.

In fiscal 2021, the Company had cancelled or delayed significant investments due to the economic uncertainty with approximately $6.2 million in capital expenditures, on a cash basis, primarily in store renovations. Excluding any extended economic uncertainty impact from COVID-19, the Company expects to invest approximately $14.0 million in capital expenditures in fiscal 2022 in various areas such as store renovations, visual capacity projects, customer service engagement and other corporate initiatives.

FINANCIAL COMMITMENTS

The following table sets forth the Company's financial commitments, excluding trade and other payables, as at January 30, 2021:

Contractual Obligations	**Total**	**Within 1 year**	**2 to 4 years**	**5 years and over**
Lease obligations[1]	$ 130.0	$ 43.6	$ 60.0	$ 26.4
Purchase obligations[2]	112.0	103.0	9.0	-
Other service contracts	12.4	3.8	7.7	0.9
Total contractual obligations	**$ 254.4**	**$ 150.4**	**$ 76.7**	**$ 27.3**

[1] Represents the undiscounted minimum lease payments for leases of retail locations and office equipment. Disclaimed leases that are included in liabilities subject to compromise as part of the CCA process are excluded. Refer to Note 10 and 14 in the audited consolidated financial statements for fiscal 2021.

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

As at January 30, 2021, 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 15 in the audited consolidated financial statements for fiscal 2021.

OUTSTANDING SHARE DATA

At April 19, 2021, 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 1,357,000 share options outstanding at an average exercise price of $8.84. 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 considered 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 contracts with maturities generally not exceeding twelve months and are normally designated as cash flow hedges. Future U.S. dollar denominated purchases, hedged by outstanding forward contracts were no longer expected to occur as a result of the Company's effort to reduce future inventory purchases in response to the uncertainty surrounding COVID-19 and the restructuring plan. As a result, the Company had initially reclassified the accumulated unrealized gain associated with these forward contracts from other comprehensive income to net earnings. During fiscal 2021, such forward contracts with a notional amount of $15.0 million U.S. dollars matured and the Company disposed of all remaining forward contracts with a notional amount of $115.0 million U.S. dollars, resulting in a realized foreign exchange gain of $9.7 million for fiscal 2021.

The Company has temporarily paused its hedging program due to the uncertainties surrounding future inventory purchase commitments as a result of COVID-19 and the restructuring plan. There are no foreign exchange contracts outstanding as at January 30, 2021, as previously described 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 was reducing this risk by dealing only with highly-rated counterparties, normally major Canadian chartered banks.

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 17 to the audited consolidated financial statements for fiscal 2021.

Compensation expense for key management personnel is as follows:

	Fiscal 2021	Fiscal 2020
Salaries, Directors' fees and short-term benefits	**$ 1.3**	$ 1.6
Share-based compensation costs	**-**	-
	$ 1.3	$ 1.6

Other Related-Party Transactions

The Company incurred $1.3 million in fiscal 2021 (fiscal 2020 - $0.4 million) for 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.

Liabilities subject to compromise includes pension liabilities in the amount of $7.2 million payable to the Company's President and Chief Executive Officer and Chief Financial Officer.

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. With the Company temporarily pausing its hedging program, the exposure to risk is augmented subject to the U.S. dollar appreciating in value.

For further disclosure of the Company's financial instruments, their classification, their impact on financial statements, and determination of fair value refer to Note 25 of the audited consolidated financial statements for fiscal 2021.

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. Management has made significant judgments in connection with the potential impact of COVID-19 on the Company's reported assets, liabilities, revenue and expenses, and on the related disclosures, using estimates and assumptions, which are subject to significant uncertainties. The extent to which COVID-19 will continue to impact the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted at this time. These future developments include the speed of COVID-19 vaccination rollouts across Canada, the measures taken by various government authorities to contain the virus and its variants' spread for potential future waves as well as future customer shopping behavior including online sales. Accordingly, actual results could differ materially from those estimates and assumptions made by management.

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

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.

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. 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.

COVID-19 increases the risk of uncertainty related to these estimates because they are normally based on a historical pattern of sales. The unprecedented impact of COVID-19 required management to apply a higher degree of judgement in determining the estimates to set up provisions for merchandise in inventory that may have to be sold below cost.

Impairment of Non-Financial Assets

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. COVID-19 increases the risk of uncertainty surrounding management's estimates. Differences in estimates could affect whether property and equipment, right-of use assets and intangible assets are in fact impaired and the dollar amount of that impairment.

Liabilities Subject to Compromise

On August 20, 2020, the Court rendered a claims process order establishing the rules for the creditors to submit a proof of claim. This order allowed creditors to submit their claims from September 10, 2020 until October 21, 2020 ("claims bar date"). All claims are determined as at May 19, 2020, the date of the Initial Order and therefore, the beginning of the CCAA process. The Monitor initiated the process for the identification, resolution and barring of claims in connection with the CCAA proceedings. As of the date of the approval of these consolidated financial statements, it is currently not possible to determine the quantum of the claims that will ultimately be allowed by the Court, as the Monitor's claims identification, resolution and barring process is not completed and may take considerable time to resolve. Therefore, amounts identified as liabilities subject to compromise were based on the information available, which management believes to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Liabilities subject to compromise represent the Company's best estimate of liabilities that will ultimately be subject to the plan of arrangement and compromise to the Company's creditors.

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. As at January 30, 2021, the Company's operating segments, before aggregation, have been identified as the Company's three brands: Reitmans, Penningtons and RW & CO. During fiscal 2021, the Company announced, as part of its restructuring plan, the closure of the Thyme Maternity and Addition Elle brands. For fiscal 2021, the operating results directly attributable to both brands are presented as discontinued operations.

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 e-commerce 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.

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 sheets and consolidated statements of earnings (loss).

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 STANDARDS AND INTERPRETATIONS NOT YET ADOPTED IN FISCAL 2021

A new amendment to standards and interpretations entitled *COVID-19-Related Rent Concessions (Amendment to IFRS 16)* for which earlier adoption was permitted was not applied in preparing the audited consolidated financial statements for fiscal 2021.

Further information on this amendment can be found in Note 3 a) of the audited consolidated financial statements for fiscal 2021.

CORPORATE GOVERNANCE DISCLOSURE

The following information is provided in accordance with *Form 58-101F1 – Statement of Corporate Governance Disclosure* ("Form 58-101F1") under National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (in Québec, *Regulation 58-101 respecting Disclosure of Corporate Governance Practices*) ("NI 58-101"), and provides details of the corporate governance practices of Reitmans (Canada) Limited (the "Corporation"), the Board of Directors of the Corporation (the "Board") and various committees of the Board.

The Corporation is a "venture issuer" within the meaning of NI 58-101 since July 30, 2020. Under NI 58-101, venture issuers are subject to more streamlined disclosure on their corporate governance practices. However, the Corporation elected to include the disclosure required by Form 58-101F1, which is applicable to non-venture issuers only, (i) given the legacy of the Corporation as a corporation listed on the Toronto Stock Exchange, and (ii) to provide more information to its shareholders on its corporate governance practices.

CORPORATE GOVERNANCE

The governance practices of the Corporation are largely consistent with the guidelines set out in National Policy 58-201 – *Corporate Governance Guidelines* (in Québec, Policy Statement 58-201 – *Corporate Governance Guidelines*) adopted by the Canadian Securities Administrators (the "Guidelines") and the divergences from the Guidelines are set forth below.

The Guidelines (which are not mandatory) deal with the constitution of boards and committees, their functions, their independence from management and other means of ensuring sound corporate governance. The Board has reviewed its practices and, upon the recommendation of its Governance Committee, approved the following disclosure.

Board of Directors

The Guidelines recommend that a board of directors should have a majority of independent directors (i.e. directors that do not have any relationships that could reasonably be expected to interfere with the exercise of their independent judgment). The Board is currently composed of eight directors. Based on information provided by directors as to their individual circumstances, the Board has determined that a majority of directors are "independent", within the meaning of the Guidelines.

Mr. Stephen F. Reitman, President and Chief Executive Officer of the Corporation, is not considered an "independent" director because he is a member of management.

The remaining directors of the Corporation, namely, Messrs. Bruce J. Guerriero, David J. Kassie, Samuel Minzberg, Daniel Rabinowicz, Howard Stotland, Robert S. Vineberg and Ms. Terry Yanofsky are considered "independent". While Mr. Robert S. Vineberg is a partner of a law firm that provides services to the Corporation, and while Mr. Daniel Rabinowicz also provides services to the Corporation in his capacity as an independent consultant, in light of the nature of the services that each of Mr. Vineberg and Mr. Rabinowicz is providing and the fees related thereto, the Board is of the opinion that neither of their respective circumstances gives rise to a material relationship that could interfere with the exercise of their respective independent judgment.

Mr. Stephen F. Reitman is a director of Michael Kors Holdings Limited, listed on the New York Stock Exchange (the "NYSE"). Mr. David J. Kassie is Chairman of Canaccord Genuity Group Inc., listed on the Toronto Stock Exchange (the "TSX"). Mr. Daniel Rabinowicz is a director of Alimentation Couche-Tard Inc., listed on the TSX. Ms. Terry Yanofsky is a director of Goodfood Market Corp., listed on the TSX, and Canopy Growth Corporation, listed on the TSX and the NYSE. No members of the Board serve together on the boards of other public companies.

The independent directors hold meetings at which members of management are not in attendance and at which non-independent directors are not present or are in the minority. In fiscal 2021, four such meetings were held.

Mr. Daniel Rabinowicz, is currently serving as Chairman of the Board and is considered an “independent” director.

A record of attendance of each director at meetings of the Board held in the fiscal year ended January 30, 2021 is included below:

Directors	**Attendance**
Bruce J. Guerriero	7/7
David J. Kassie	7/7
Samuel Minzberg	7/7
Daniel Rabinowicz	7/7
Stephen F. Reitman	7/7
Howard Stotland	6/7
Robert S. Vineberg	7/7
Terry Yanofsky	7/7

Board Mandate

The Board has adopted a mandate in which it explicitly acknowledges responsibility for the stewardship of the Corporation. The Mandate of the Board can be found on the Corporation’s website at www.reitmanscanadalimited.com under “Governance – Corporate Governance Documents”.

Position Descriptions

The Board has adopted written position descriptions for the Chairman of the Board and Chief Executive Officer and the lead director of the Corporation (where the Chairman of the Board is not considered independent), outlining the roles and responsibilities of each such office.

Orientation and Continuing Education

The Guidelines recommend that a reporting issuer have a process to orient new directors regarding (a) the role of the board, its committees and directors and (b) the nature and operation of the issuer’s business. The Guidelines also recommend that a reporting issuer have a continuing education process, to ensure directors maintain the skill and knowledge necessary to fulfill their obligations. Due to the size of the Board and the low turnover of directors, the need for these formal processes is diminished because effective communication can be readily achieved. Nevertheless, the

Governance Committee of the Corporation has the responsibility for developing such processes as may be necessary and appropriate from time to time.

Ethical Business Conduct

The Corporation has adopted a Code of Conduct and Conflict of Interest Policy (the "Code of Conduct"), which is available under the Corporation's profile on SEDAR at www.sedar.com.

On an annual basis, all employees are expected to review the Code of Conduct and certify that they have done so by signing the Annual Certificate of Understanding of the Code of Conduct. The Corporation implemented an Employee Ethics hotline, where any employee of the Corporation can submit any concern over possible conflict of interest and/or breach of the Code of Conduct without fear of dismissal or retaliation of any kind.

The Board has not granted any waiver from the Code of Conduct in favour of any director or officer of the Corporation.

The Code of Conduct has specific provisions dealing with conflicts of interest and provides that no employee should be subject, or even appear to be subject, to influences, interests or relationships which conflict with the best interests of the Corporation. Each employee is expected to avoid any investment, interest or association which interferes, might interfere or might be thought to interfere with the independent exercise of his/her judgment in the Corporation's best interest.

Disclosures of personal interests or of other circumstances which might be thought to cause actual or potential conflicts of interest are to be made promptly by the employee to the Vice-President Human Resources. Such disclosures will be held in confidence to the fullest extent consistent with the circumstances. In the event a conflict is found to be present, an arrangement will be made for resolution in a manner best suited to the interests of the Corporation and the employee.

No director votes or participates in a discussion on a matter in respect of which a director has a material interest and the Board may also appoint a special committee of independent directors if as and when may be necessary or appropriate from time to time.

Nomination of Directors and Corporate Governance

The Governance Committee has the responsibility to identify suitable candidates for nominees as directors and, when and if required, does so after discussing candidacies with the President and Chief Executive Officer. The Governance Committee consists of Messrs. Daniel Rabinowicz (Chairman) and Bruce Guerriero, and Ms. Terry Yanofsky, all of whom are considered independent. All the members of the Governance Committee have competencies in the corporate governance processes, procedures and relations by which the Corporation is controlled and directed due to the experience they acquire through their current positions or directorships, or those they have held in the past, or due to their training.

The Board has adopted a charter of the Governance Committee which establishes the Governance Committee's purpose, responsibilities, member qualifications, appointment and removal, structure, operations and manner of reporting to the Board. The charter also provides authority to the Governance Committee to retain outside counsel and any other advisors as the Governance Committee may deem appropriate with the approval of the Audit Committee.

The Corporation does not currently have a policy regarding time limits for directors and does not consider time limits necessary to ensure that the Board is comprised of strong, qualified directors in light of the mandate of the Governance Committee.

The Governance Committee is responsible for examining the size of the Board from time to time in order to ensure effective decision-making and assessing the performance and effectiveness of the directors, the committees of the Board and the contributions of individual directors.

Assessments

The Governance Committee is responsible for providing oversight of the evaluation of the performance and effectiveness of the Board as a whole, its committees and the individual directors. Although no formal evaluation process is in place, all directors are free to make comments and suggestions on improvement of the practices, performance and effectiveness of the Board, its committees and individual directors at any time and are encouraged to do so.

The Governance Committee is also responsible for assessing and making recommendations with respect to all aspects of the Corporation's corporate governance and monitoring compliance with the Code of Conduct.

Compensation

The Human Resources and Compensation Committee is, notably, responsible for the oversight of executive and director compensation. The Human Resources and Compensation Committee consists of Messrs. Daniel Rabinowicz (Chairman), Bruce J. Guerriero, David J. Kassie and Howard Stotland, all of whom are considered independent. All of the members of the Human Resources and Compensation Committee have competencies in human resources, compensation and risk management due to the experience they acquire through their current positions or directorships, or those they have held in the past, or due to their training.

The Board has adopted a charter of the Human Resources and Compensation Committee which establishes the Human Resources and Compensation Committee's purpose, responsibilities, member qualifications, appointment and removal, structure, operations and manner of reporting to the Board. The charter also provides authority to the Human Resources and Compensation Committee to retain outside counsel and any other advisors as the Human Resources and Compensation Committee may deem appropriate with the approval of the Audit Committee.

The Human Resources and Compensation Committee is responsible for reviewing and recommending to the Board compensation for directors, reviewing and approving compensation of the President and Chief Executive Officer and the compensation of other senior executives, as well as advising and making recommendations to the Board with respect to incentive-based compensation plans and equity-based plans.

The Human Resources and Compensation Committee is also responsible for reviewing executive compensation disclosures in public documents.

Strategic Planning

The Corporation formed the Strategic Planning Committee on July 30, 2020 to assist the President and Chief Executive Officer of the Corporation and the Board in setting the strategic plan for the Corporation and to monitor the progress in achieving that plan. The Strategic Planning Committee consists of Ms. Terry Yanofsky (Chairperson), Mr. Bruce J. Guerriero and Mr. Daniel Rabinowicz, all of whom are considered independent.

The Strategic Planning Committee is notably responsible for (i) ensuring that the management of the Corporation has established an effective strategic planning process, including the development of a vision and mission and a three-year strategic plan for each brand of the Corporation as well as the Corporation overall, with measurable goals and time targets, (ii) focusing on critical strategic and financial issues facing the Corporation and assisting in the analysis of alternative strategic options, (iii) making recommendations to the Board related to the Corporation's mission, vision, strategic initiatives, major programs and services, (iv) assisting the President and Chief Executive Officer of the Corporation by acting as a sounding board on major organizational changes, (v) meeting with the management of the Corporation periodically to monitor the Corporation's progress against its strategic goals, and (vi) ensuring the Board is regularly apprised of the Corporation's progress with respect to implementation of any approved strategy.

Other Board Committees

The Board has no standing committees other than the Audit Committee, the Governance Committee, the Human Resources and Compensation Committee and the Strategic Planning Committee.

Additional disclosure in respect of the Audit Committee can be found under "Audit Committee and Accountant's Fees and Services".

Communications, Insider Trading, Confidential Information and Disclosure Policies

The Board is committed to an effective communications policy with all stakeholders including shareholders, suppliers, employees, agents and members of the investment community. The Corporation is also committed to complying with all laws, regulations and policies which are applicable to it, as well as to industry practices in the field. This commitment is evidenced, notably, by the adoption by the Corporation of a Trading Policy, which provides guidelines to the directors, officers and relevant employees of the Corporation on trading of the Corporation's securities. Among other things, the trading policy prohibits any trading of the Corporation's securities until material undisclosed information has been generally disclosed and a reasonable period of time has passed for the information to be widely disseminated to the marketplace.

The Audit Committee and the Board review in advance all press releases which disclose financial results. Other continuous disclosure documents, including, without limitation, quarterly and annual financial statements, management discussion & analysis and proxy materials are reviewed by members of the Corporation's management and, where appropriate, the Board and applicable committees thereof and, where required, these documents are also approved by the Board.

DIVERSITY

Employment Equity and Diversity Policy

The Board has not adopted a distinct, formal employment equity policy, however, principles of employment equity are entrenched in the language of the Conduct of Conduct. The Code of Conduct provides that all decisions regarding the recruiting, hiring, training, compensation, evaluation, promotion, assignment, termination, and other terms and conditions of employment, will be made fairly, without unlawful discrimination on the basis of any prohibited grounds such as race, colour, sex, gender, pregnancy, sexual orientation, civil status, age (except as provided by law), religion, political conviction, language, ethnic or national origin, social condition, disability or any other factor that the law protects. All employment decisions are made in accordance with Federal and Provincial Laws.

The Board has not adopted a distinct, formal diversity policy, however, the Corporation strives to foster an inclusive culture, accepting and encouraging diversity within its workforce, and strongly believes that in order to benefit from the deepest available pools of employees, a diverse range of candidates should be considered for any available positions.

The Corporation seeks to retain, promote and hire the best people it can, focusing on actual and potential contribution in terms of their performance, competence, collaboration and professional accountability. Employment-related decisions are based on principles of individual merit and achievement such as job performance, skills, knowledge and abilities relevant to specific positions and not on factors unrelated to a person's performance or ability to do the job.

Policies Regarding the Representation of Women, Indigenous Peoples, Members of Visible Minorities and Persons with Disabilities on the Board

Effective January 1, 2020, corporations governed by the *Canada Business Corporations Act (the "CBCA")* with publicly traded securities, such as the Corporation, are required to provide shareholders with information on the corporation's policies and practices related to diversity on the board of directors and within senior management and the number and percentage of members of the board and of senior management who are women, Indigenous peoples (First Nations, Inuit and Métis) ("Indigenous peoples"), members of visible minorities and persons with disabilities (collectively, the "CBCA Diversity Information") [1].

The Board has not adopted a specific policy relating to the identification and nomination of women, Indigenous peoples, members of visible minorities and persons with disabilities as directors of the Corporation.

Consideration of the Representation of Women, Indigenous Peoples, Members of Visible Minorities and Persons with Disabilities in the Director Identification and Selection Process

The Board does not specifically consider the level of representation of women, Indigenous peoples, members of visible minorities and persons with disabilities on the Board in identifying and nominating candidates for election or re-election to the Board. In identifying and nominating candidates for election or re-election to the Board, the Board focuses on actual and potential contribution in terms of performance, competence, collaboration and professional accountability. However, the Corporation's view is that a diverse range of candidates should always be considered and there are no biases that might discriminate against or for any candidates.

Consideration Given to the Representation of Women, Indigenous Peoples, Members of Visible Minorities and Persons with Disabilities in Executive Officers Appointments

The Board does not specifically consider the level of representation of women, Indigenous peoples, members of visible minorities and persons with disabilities in executive officer positions when making executive officer appointments. The Corporation focuses on actual and potential contribution in terms of performance, competence, collaboration and professional accountability. However, in order to garner the full benefits of diversity, including the availability of the widest pool of available talent, hiring practices are reviewed to ensure they are appropriately structured so that a diverse range of candidates are considered and that there are no biases that might discriminate against or for any candidates.

Issuer's Targets Regarding the Representation of Women, Indigenous Peoples, Members of Visible Minorities and Persons with Disabilities on the Board and in Executive Officer Positions

The Corporation has not adopted targets regarding women, Indigenous peoples, members of visible minorities and persons with disabilities on the Board or in its executive officer positions.

[1] The Corporation has elected to provide the CBCA Diversity Information in this corporate governance disclosure notwithstanding that it is not sending a notice of meeting and management information circular in connection with an annual general meeting of its shareholders, as at the date of this filing.

Number of Women, Indigenous Peoples, Members of Visible Minorities and Persons with Disabilities on the Board and in Executive Officer Positions

As at April 19, 2021, there is one woman (12.5%) on the Board and no Indigenous peoples, members of visible minorities or persons with disabilities.

As at April 19, 2021, there are 23 executive officers of the Corporation (including presidents of divisions and vice-presidents of different functions), of which 13 are women (56.5%), including one of the two divisional Presidents (50.0%).

As at As at April 19, 2021, there are no Indigenous peoples, members of visible minorities and persons with disabilities (0.0%) in senior executive positions.

AUDIT COMMITTEE AND ACCOUNTANT'S FEES AND SERVICES

The Charter of the Audit Committee may be found at www.reitmanscanadalimited.com under the section entitled "Governance/Corporate Governance Documents."

The mandate of the Audit Committee includes assisting the Board of Directors of the Corporation oversight by (i) monitoring the integrity of the Corporation's financial statements, (ii) reviewing the Corporation's compliance with certain legal and regulatory requirements; (iii) evaluating the external auditor's qualifications and independence; and (iv) monitoring the performance of the external auditors.

(a) Composition of the Audit Committee

The Audit Committee is currently composed of Bruce J. Guerriero, CPA, CA (Chairman), David J. Kassie, and Howard Stotland, each of whom is (i) independent and (ii) financially literate, each within the meaning of National Instrument 52-110 – *Audit Committees*.

(b) Relevant Education and Experience

The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Committee.

BRUCE J. GUERRIERO graduated from Concordia University in 1976 with a Bachelor of Commerce (Honours with Distinction) degree. He received a Diploma in Public Accountancy from McGill University and in 1978 obtained his designation as a Chartered Professional Accountant. Before retiring in September 2014, he was a senior audit partner of KPMG LLP and served as the lead audit engagement partner for public companies in different industry segments including consumer markets and retail. Mr. Guerriero served on KPMG Canada's Partnership Board from 2003 to 2010. Since 2015, he has been a corporate director and business advisor. Mr. Guerriero served on the Board of Directors of DAVIDsTEA Inc. as Chair of the Audit Committee until June 9, 2016. Mr. Guerriero is certified by the Institute of Corporate Directors.

DAVID J. KASSIE graduated from McGill University in 1977 with a Bachelor of Commerce degree. He received a Master of Business Administration from the University of Western Ontario in 1979 with Honours in Economics. Prior to 2004, Mr. Kassie was Chairman and Chief Executive Officer of CIBC World Markets Inc. and the Vice Chairman of the CIBC. Mr. Kassie was Principal, Chairman and Chief Executive Officer of Genuity Capital Markets ("Genuity") from November 2004 to May 2010 at which time Genuity was acquired by Canaccord Financial. Mr. Kassie is currently Chairman of Canaccord Genuity Group Inc. Mr. Kassie has extensive experience as an advisor, underwriter and principal. He sits on a number of corporate boards.

HOWARD STOTLAND graduated from McGill University in 1966 with a degree in Civil Engineering. He received a master's degree in engineering from the Massachusetts Institute of Technology in 1968. From 1972 to 2002, he was the Chief Executive Officer of STS Systems, a manufacturer of retail technology systems. From 2002 to the present, he has served as a business consultant.

Messrs. Guerriero, Kassie and Stotland all have the ability to read and understand financial statements that present a breadth and complexity of accounting issues comparable to the breadth and complexity of the issues raised by the Corporation's own financial statements, understand the accounting principles the Corporation uses to prepare its financial statements and have the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves.

All members of the Audit Committee have an understanding of internal controls and procedures for financial reporting.

(c) Pre-Approval Policies and Procedures

The Audit Committee pre-approves every engagement by KPMG LLP ("KPMG") to render audit or non-audit services. All of the services described below were approved by the Audit Committee.

(d) External Auditor Services Fees

KPMG, the Corporation's external auditors, provided services and billed the Corporation the following fees in each of Fiscal 2021 and Fiscal 2020:

Audit Fees

The following sets forth the aggregate fees billed by KPMG for the audit of the annual consolidated financial statements, quarterly reviews of the Corporation's interim consolidated financial statements and for services normally provided by the external auditor, such as services in connection with statutory and regulatory filings.

Fiscal 2021	$569,457
Fiscal 2020	$410,988

Audit Related Fees

The following sets forth the aggregate fees billed for assurance and related services by KPMG that are reasonably related to the performance of the audit or review of the financial statements and are not reported under "Audit Fees", such as consultations related to accounting and reporting matters and translation services related to annual and interim consolidated financial statements:

Fiscal 2021	$86,758
Fiscal 2020	$88,850

Non-Audit and Tax Fees

The following sets forth the aggregate fees billed in each of the last two fiscal periods for professional services rendered by KPMG for tax compliance, tax advice and consultation on sales taxes, tax planning and other general matters:

Fiscal 2021	$61,937
Fiscal 2020	$113,499

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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 January 30, 2021 and February 1, 2020
- 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 January 30, 2021 and February 1, 2020, 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 2(b) in the financial statements which indicates that the Entity obtained, during the year, an initial order from the Superior Court of Quebec to seek protection from creditors under the *Companies' Creditors Arrangement Act*. In addition, the Entity incurred a net loss of $172.2 million for the year ended January 30, 2021, and the Entity's current liabilities of $284.5 million as at January 30, 2021 exceeded current assets of $216.8 million.

As stated in Note 2(b) in the financial statements, these events or conditions, along with other matters as set forth in Note 2(b) 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.

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 Marie Valcourt.

KPMG LLP*

Montréal, Canada

April 19, 2021

*CPA auditor, CA, public accountancy permit No. A128528

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
For the years ended January 30, 2021 and February 1, 2020
(in thousands of Canadian dollars except per share amounts)

	Notes	2021	2020(1)
Sales		**$ 533,362**	$ 705,460
Cost of goods sold	7	**287,108**	341,610
Gross profit		**246,254**	363,850
Selling and distribution expenses		**278,870**	353,848
Administrative expenses		**32,342**	45,149
Impairment of non-financial assets	8,9,10	**16,524**	2,579
Restructuring costs	14	**26,516**	-
Results from operating activities		**(107,998)**	(37,726)
Finance income	19	**13,897**	3,173
Finance costs	19	**5,744**	14,780
Loss before income taxes		**(99,845)**	(49,333)
Income tax expense	11	**191**	23,829
Net loss from continuing operations		**(100,036)**	(73,162)
Loss from discontinued operations, net of tax	4	**(72,181)**	(14,264)
Net loss		**$ (172,217)**	$ (87,426)
Loss per share:	20		
Basic		**$ (3.52)**	$ (1.56)
Diluted		**(3.52)**	(1.56)
Loss per share from continuing operations:	20		
Basic		**$ (2.05)**	$ (1.31)
Diluted		**(2.05)**	(1.31)

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

(1) Comparative figures have been restated to separately present the results of continuing and discontinued operations. See note 4.

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended January 30, 2021 and February 1, 2020
(in thousands of Canadian dollars)

	Notes	2021	2020
Net loss		**$ (172,217)**	$ (87,426)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to net earnings:			
Cash flow hedges (net of tax of $273; 2020 - $401)	16	**(754)**	1,106
Foreign currency translation differences	16	**127**	(49)
		(627)	1,057
Items that will not be reclassified to net earnings:			
Actuarial gain (loss) on defined benefit plan (net of tax of $nil; 2020 - $1,227)	15	**700**	(4,325)
Total other comprehensive income (loss)		**73**	(3,268)
Total comprehensive loss		**$ (172,144)**	$ (90,694)

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

REITMANS (CANADA) LIMITED
CONSOLIDATED BALANCE SHEETS
As at January 30, 2021 and February 1, 2020
(in thousands of Canadian dollars)

	Notes	2021	2020
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**$ 77,915**	$ 89,410
Trade and other receivables	6	**10,668**	6,313
Derivative financial asset	25	**-**	1,124
Inventories	7	**96,122**	147,428
Prepaid expenses	12	**32,100**	9,441
Total Current Assets		**216,805**	253,716
NON-CURRENT ASSETS			
Property and equipment	8	**66,112**	88,090
Intangible assets	9	**10,331**	20,267
Right-of-use assets	10	**103,831**	198,097
Deferred income taxes	11	**151**	-
Total Non-Current Assets		**180,425**	306,454
TOTAL ASSETS		**$ 397,230**	$ 560,170
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables	12	**$ 31,522**	$ 109,674
Derivative financial liability	25	**-**	348
Deferred revenue	13	**12,462**	15,042
Income taxes payable		**1,169**	3,207
Current portion of lease liabilities	10	**35,303**	61,618
Liabilities subject to compromise	14	**204,083**	-
Total Current Liabilities		**284,539**	189,889
NON-CURRENT LIABILITIES			
Lease liabilities	10	**87,914**	152,251
Pension liability	15	**3,092**	24,213
Total Non-Current Liabilities		**91,006**	176,464
SHAREHOLDERS' EQUITY			
Share capital	16	**27,406**	27,406
Contributed surplus		**10,295**	10,283
(Deficit) Retained earnings		**(15,162)**	156,355
Accumulated other comprehensive loss	16	**(854)**	(227)
Total Shareholders' Equity		**21,685**	193,817
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 397,230**	$ 560,170

Going concern, impact of COVID-19 and CCAA proceedings (note 2(b))
Subsequent events (note 28)

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 January 30, 2021 and February 1, 2020
(in thousands of Canadian dollars)

	Notes	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance as at February 2, 2020		**$ 27,406**	**$ 10,283**	**$ 156,355**	**$ (227)**	**$ 193,817**
Net loss		**-**	**-**	**(172,217)**	**-**	**(172,217)**
Total other comprehensive income (loss)	15,16	**-**	**-**	**700**	**(627)**	**73**
Total comprehensive loss for the year		**-**	**-**	**(171,517)**	**(627)**	**(172,144)**
Share-based compensation costs	17	**-**	**12**	**-**	**-**	**12**
Total contributions by owners of the Company		**-**	**12**	**-**	**-**	**12**
Balance as at January 30, 2021		**$ 27,406**	**$ 10,295**	**$ (15,162)**	**$ (854)**	**$ 21,685**
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	15,16	-	-	(4,325)	1,057	(3,268)
Total comprehensive (loss) income for the year		-	-	(91,751)	1,057	(90,694)
Share-based compensation costs	17	-	38	-	-	38
Dividends	16	-	-	(8,776)	-	(8,776)
Purchase of Class A non-voting shares pursuant to substantial issuer bid	16	(10,991)	-	-	-	(10,991)
Excess of purchase price of Class A non-voting shares over carrying amount (including tax of $2,693)	16	-	-	(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

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

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended January 30, 2021 and February 1, 2020
(in thousands of Canadian dollars)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		**$ (172,217)**	$ (87,426)
Adjustments for:			
Depreciation and amortization	8,9,10	**61,031**	99,076
Impairment of non-financial assets	8,9,10	**38,542**	3,893
Impairment of goodwill	4	**-**	11,843
Share-based compensation costs	17	**12**	(51)
Net change in fair value of marketable securities	19	**-**	8,264
Net change in transfer of realized (gain) loss on cash flow hedges to inventory		**(250)**	1,665
Foreign exchange gain		**(436)**	(3,597)
Gain on lease re-measurements due to restructuring	10,14	**(8,216)**	-
Interest on lease liabilities	10,19	**6,202**	7,479
Interest and dividend income, net	19	**(436)**	(3,173)
Income tax expense	11	**271**	22,942
		(75,497)	60,915
Changes in:			
Trade and other receivables		**(4,510)**	1,930
Inventories		**51,306**	(619)
Prepaid expenses		**(22,659)**	4,078
Trade and other payables		**(78,644)**	11,013
Liabilities subject to compromise	14	**194,615**	-
Pension liability	15	**(20,421)**	71
Deferred revenue		**(2,580)**	(167)
Cash from operating activities		**41,610**	77,221
Interest received		**591**	1,820
Dividends received		**-**	1,582
Income taxes received		**133**	633
Income taxes paid		**(2,139)**	(4,080)
Net cash flows from operating activities		**40,195**	77,176
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES			
Additions to property and equipment and intangible assets, net	8,9,24	**(6,164)**	(23,475)
Proceeds on sale of marketable securities	19	**-**	41,425
Cash flows (used in) from investing activities		**(6,164)**	17,950
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid	16	**-**	(8,776)
Payment of lease liabilities	10,24	**(46,818)**	(69,296)
Purchase of Class A non-voting shares for cancellation	16	**-**	(43,711)
Cash flows used in financing activities		**(46,818)**	(121,783)
FOREIGN EXCHANGE GAIN ON CASH HELD IN FOREIGN CURRENCY		**1,292**	3,549
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(11,495)**	(23,108)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF THE YEAR		**89,410**	112,518
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF THE YEAR		**$ 77,915**	$ 89,410

Supplementary cash flow information (note 24)
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 2021 and 2020 represent the 52 weeks ended January 30, 2021 and February 1, 2020, respectively.

b) Going Concern, impact of COVID-19 and CCAA Proceedings

Since the coronavirus disease (COVID-19) was declared a pandemic on March 11, 2020 by the *World Health Organization*, there have been significant impacts for the Company. The measures adopted by the Federal and Provincial governments in order to mitigate the spread of COVID-19 required the Company to close all of its retail locations across the country effective March 17, 2020. During the period of closure, the Company's only sales were derived from its e-commerce channel. At the end of May 2020, the Company began re-opening its retail stores across Canada in accordance with Federal, Provincial and Municipal regulations surrounding de-confinement.

During the months of December 2020 and January 2021, certain provinces mandated renewed lockdown measures to mitigate the spread of COVID-19 forcing the temporary closure of retail stores in these provinces. The Company continued to sell through its e-commerce channel to customers during the applicable periods of closure. Subsequent to year-end, these lockdown measures were lifted and the third wave of COVID-19 mandated new temporary store closures in certain regions and provinces. See note 28.

In addition, the Company was eligible and received government assistance during the year, primarily from the Canada Emergency Wage Subsidy (CEWS), from programs introduced as a result of COVID-19. In total, the Company recognized $37,369, of which $35,390 was recognized as a reduction of personnel costs and rent related expenses in continuing operations and $1,979 was recognized in discontinued operations. See notes 4 and 6.

CCAA Proceedings

On May 19, 2020, the Company obtained an initial order (the "Order") from the Superior Court of Quebec (the "Court") to seek protection from creditors under the Companies' Creditors Arrangement Act (the "CCAA"). Under the terms of the Order, Ernst & Young Inc. has been appointed as the monitor (the "Monitor"). The CCAA process allows the Company to implement an operational and commercial restructuring plan to re-position the Company for long-term success (the "restructuring plan"). See note 14.

On May 29, 2020, the Company obtained an extension of the Order from the Court for an additional stay period to July 27, 2020. On July 27, 2020, the Court ordered a first extension of the stay period to October

16, 2020. On October 16, 2020, the Court ordered a second extension of the stay period to January 22, 2021. On January 22, 2021, the Court ordered a third extension of the stay period to May 28, 2021.

On August 20, 2020, a claims process order (the "claims process") was approved by the Court. The claims process was initiated on September 10, 2020 and ended October 21, 2020 ("claims bar date") as described in note 2(f)(v).

Restructuring Plan

On June 1, 2020, the Company announced, as part of its restructuring plan and as approved by the Monitor, the closure of the Thyme Maternity and Addition Elle brands. The restructuring plan led to the closure of all retail stores and e-commerce for both brands and to the termination of approximately 1,600 employees in its retail locations and head office. See notes 4 and 14.

In accordance with the policies of the Toronto Stock Exchange (the "TSX"), trading in the Company's Common shares and Class A non-voting shares was suspended on May 19, 2020 and the Company's shares were delisted from the TSX effective at the close of business on July 29, 2020. On September 3, 2020, the Company's shares began trading on the TSX Venture Exchange.

Going Concern

For the year ended January 30, 2021, the Company incurred a net loss of $172,217. The Company's current liabilities total $284,539 and exceed current assets of $216,805 as at January 30, 2021. On August 5, 2020 the Company secured interim financing ("DIP Loan") of up to $60,000 with a Canadian financial institution, as described in note 23.

The deterioration in the Company's financial position since the beginning of the fiscal year, the Company's liquidity position as of the date of the approval of these consolidated financial statements and the unpredictability of the outcome of the matters arising from the CCAA proceedings, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, management must take into account all available information about the future, including estimated future cash flows, for a period of at least twelve months following the end of the reporting period. These consolidated financial statements as at and for the year ended January 30, 2021 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 April 19, 2021.

d) Basis of Measurement

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

- 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 and strike price 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. Management has made significant judgments in connection with the potential impact of COVID-19 on the Company's reported assets, liabilities, revenue and expenses, and on the related disclosures, using estimates and assumptions, which are subject to significant uncertainties. The extent to which COVID-19 will continue to impact the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted at this time. These future developments include the speed of COVID-19 vaccination rollouts across Canada, the measures taken by various government authorities to contain the virus and its variants' spread for potential future waves as well as future customer shopping behavior including online sales. Accordingly, actual results could differ materially from those estimates and assumptions made by management.

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

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.

(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.

COVID-19 increases the risk of uncertainty related to these estimates because they are normally based on a historical pattern of sales. The impact of COVID-19 required management to apply a higher degree of judgement in determining the estimates to set up provisions for merchandise in inventory that may have to be sold below cost.

(iv) Impairment of Non-Financial Assets

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. COVID-19 increases the risk of uncertainty surrounding management's estimates. Differences in estimates could affect whether property and equipment, right-of use assets and intangible assets are in fact impaired and the dollar amount of that impairment.

(v) Liabilities subject to compromise

On August 20, 2020, the Court rendered a claims process order establishing the rules for the creditors to submit a proof of claim. This order allowed creditors to submit their claims from September 10, 2020 until October 21, 2020 ("claims bar date"). All claims are determined as at May 19, 2020, the date of the Initial Order and therefore, the beginning of the CCAA process. The Monitor initiated the process for the identification, resolution and barring of claims in connection with the CCAA proceedings. As of the date of the approval of these consolidated financial statements, it is currently not possible to determine the quantum of the claims that will ultimately be allowed by the Court, as the Monitor's claims identification, resolution and barring process is not completed and may take considerable time to resolve. Therefore, amounts identified as liabilities subject to compromise were based on the information available, which management believes to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Liabilities subject to compromise represent the Company's best estimate of liabilities that will ultimately be subject to the plan of arrangement and compromise to the Company's creditors.

(vi) Leases

In determining the carrying amount of right-of-use assets and lease liabilities at lease inception and for lease modifications, 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. 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. As at January 30, 2021, the Company's operating segments, before aggregation, have been identified as the Company's three brands: Reitmans, Penningtons and RW & CO. During the year ended January 30, 2021, the Company announced as part of its restructuring plan the closure of the Thyme Maternity and Addition Elle brands. As at and for the year ended January 30, 2021, the operating results directly attributable to both brands are presented as discontinued operations. See notes 4 and 14.

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 e-commerce 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 sheets and consolidated statements of earnings (loss).

(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) New Standards and Interpretations not yet Adopted

COVID-19-Related Rent Concessions

On May 28, 2020, the IASB issued *COVID-19-Related Rent Concessions (Amendment to IFRS 16).* The amendment is effective for annual periods beginning on or after June 1, 2020. Early adoption is permitted. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. In April 2021, the IASB extended the relief to cover rent concessions that reduce lease payments due on or before June 30, 2022. Rent concessions granted from landlords during the year ended January 30, 2021 following re-negotiation of certain leases did not meet the criteria required from *COVID-19-Related Rent Concessions (Amendment to IFRS 16).* As a result, the practical expedient was not applied, and the amended contracts were accounted for as modified leases. See note 10.

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 January 30, 2021.

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) Discontinued operations

A discontinued operation is a component of the Company's activities that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. When an operation is classified as a discontinued operation, the comparative consolidated statements of earnings (loss) are restated as if the operation had been discontinued from the start of the comparative year. The results from discontinued operations are excluded from the results of continuing operations and are presented as a single amount net of tax as earnings (loss) from discontinued operations in the consolidated statements of earnings (loss).

f) 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.

g) Government assistance

Government assistance is recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program and the Company is reasonably certain based on management’s judgment that the government grant will be received. Government assistance, including grants, related to operating expenses is accounted for as a reduction to the related expenses. Government assistance, including monetary and nonmonetary grants related to the acquisition of property and equipment, is accounted for as a reduction of the cost of the related property and equipment, and is recognized in net earnings using the same methods, periods and rates as for the related property and equipment.

h) 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.

i) 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.

j) 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.

Intangible assets consist of software with estimated useful lives of 3 to 5 years for the current and comparative periods. 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.

k) 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 statements of earnings (loss).

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 statements of earnings (loss) and a net investment receivable recognized in trade and other receivables in the consolidated balance sheets.

l) 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.

m) Impairment of 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.

n) 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 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 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 (loss) 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 (loss) for the period.

o) 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.

p) 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".

q) 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.

r) 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.

s) 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.

t) 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.

u) 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 may enter 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 (loss) 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.

v) 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.

(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. DISCONTINUED OPERATIONS

On June 1, 2020, the Company announced, as part of its restructuring plan and as approved by the Monitor, the closure of the Thyme Maternity and Addition Elle brands. This announcement led to the planned closure of all retail stores and e-commerce channels related to these brands.

The financial information presented below is directly attributable to both brands. All administrative expenses and various selling and distribution expenses from shared, centralized and common functions of the Company are excluded from the determination of discontinued operations.

The operating results are presented as discontinued operations and the prior year has been restated:

Loss from discontinued operations

	For the years ended January 30, 2021	February 1, 2020
Sales	**$ 74,086**	$ 164,037
Cost of goods sold(1)	**51,684**	83,496
Gross profit	**22,402**	80,541
Selling and distribution expenses(2)	**20,307**	81,097
Impairment of non-financial assets(3)	**22,018**	1,314
Restructuring costs (note 14)(4)	**51,720**	-
Impairment of goodwill(5)	**-**	11,843
Results from operating activities	**(71,643)**	(13,713)
Finance costs (6)	**458**	1,438
Loss before income taxes	**(72,101)**	(15,151)
Income tax expense (recovery)	**80**	(887)
Net loss income from discontinued operations	**$ (72,181)**	$ (14,264)
Loss per share, discontinued operations :		
Basic	**$ (1.48)**	$ (0.25)
Diluted	**(1.48)**	(0.25)

(1) During the year ended January 30, 2021, inventories recognized as cost of goods sold amounted to $50,168 ($81,292 for the year ended February 1, 2020). In addition, for the year ended January 30, 2021, the Company recorded a loss of $1,516 ($2,204 for year ended February 1, 2020) on write-downs of inventories as a result of net realizable value being lower than cost which were recognized in cost of goods sold.

(2) The Company recognized grant income in connection with the Canada Emergency Wage Subsidy of $1,979 as a reduction of selling and distribution expenses for the year ended January 30, 2021 (nil for the year ended February 1, 2020).

(3) As a result of the adverse impact of COVID-19 and as part of the restructuring plan resulting in the closure of Addition Elle and Thyme Maternity, the Company performed an impairment test for its non-financial assets. The test resulted in the recognition of impairment losses of $8,826 related to right-of-use assets, $10,102 related to property and equipment and $3,090 related to intangible assets for the year ended January 30, 2021 (impairment losses of $454 related to right-of-use assets and $860 related to property and equipment for the year ended February 1, 2020). See note 8 for methodology and assumptions used in the impairment test.

(4) See note 14 for details of restructuring costs included in discontinued operations. During the year ended January 30, 2021, right-of-use assets were reduced by $28,455 and lease liabilities were reduced by $31,478. A corresponding gain of $3,023 was recognized in restructuring costs for the year ended January 30, 2021 as lease modifications in connection with leases that were disclaimed as part of the CCAA proceedings (nil for the year ended February 1, 2020).

(5) During the year ended February 1, 2020, goodwill was allocated to one of the groups of cash-generating units ("CGUs"), the Addition Elle banner. 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. As a result of the decline in Addition Elle profitability and an impairment test of goodwill, the Company recorded a goodwill impairment loss of $11,843 in the year ended February 1, 2020 reducing the carrying amount of goodwill to nil.

(6) Finance costs represent interest expense on lease liabilities.

The following table presents the effect of discontinued operations on the consolidated statements of cash flows:

Net cash flows (used in) from discontinued operations

	For the years ended	
	January 30, 2021	**February 1, 2020**
Net cash flow (used in) from operating activities	**$ (28,077)**	$ 11,580
Net cash flow used in investing activities	**(762)**	(3,490)
Net cash flow used in financing activities	**(5,903)**	(15,025)
Net cash flow for the period	**$ (34,742)**	$ (6,935)

5. CASH AND CASH EQUIVALENTS

	January 30, 2021	**February 1, 2020**
Cash	**$ 75,162**	$ 86,432
Short-term deposits (1)	**-**	2,978
Restricted cash (2)	**2,753**	-
	$ 77,915	$ 89,410

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

(2) Restricted cash represents cash held in trust by a Canadian financial institution as security held on a standby letter of credit.

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables include an amount of $7,922 related to government grants receivable. The Government of Canada made available to businesses affected by COVID-19 the Canada Emergency Wage Subsidy ("CEWS"), which allows companies to claim a portion of employee wages and the Canada Emergency Rent Subsidy ("CERS"), which allows companies to claim a portion of rent and occupancy costs when eligibility requirements are met. As at January 30, 2021, the Company qualified to receive both the CEWS and CERS and that there was reasonable assurance that the amount would be received from the government. The Company also intends to apply for the CEWS and CERS in subsequent application periods, where the qualification criteria continues to be met.

For the year ended January 30, 2021, the Company recognized grant income of $31,038 related to the CEWS and $1,448 related to the CERS as a reduction of selling and distribution expenses, and $2,904 related to the CEWS as a reduction of administrative expenses.

7. INVENTORIES

During the year ended January 30, 2021, inventories recognized as cost of goods sold amounted to $272,689 (February 1, 2020 - $332,525). In addition, for the year ended January 30, 2021, the Company recorded $14,419 (February 1, 2020 - $9,085) 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 $2,484 as at January 30, 2021 (February 1, 2020 - $1,898).

8. PROPERTY AND EQUIPMENT

	Land	Buildings	Fixtures and Equipment	Leasehold Improvements	Total
Cost					
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
Balance at February 2, 2020	**$ 5,860**	**$ 38,177**	**$ 90,805**	**$ 49,003**	**$ 183,845**
Additions	**-**	**326**	**3,541**	**2,124**	**5,991**
Disposals	**-**	**(623)**	**(22,821)**	**(18,484)**	**(41,928)**
Balance at January 30, 2021	**$ 5,860**	**$ 37,880**	**$ 71,525**	**$ 32,643**	**$ 147,908**
Accumulated depreciation and impairment losses					
Balance at February 3, 2019	$ -	$ 14,616	$ 56,973	$ 52,074	$ 123,663
Depreciation	-	1,266	13,280	7,218	21,764
Impairment loss	-	-	350	2,125	2,475
Disposals	-	(26)	(21,742)	(30,379)	(52,147)
Balance at February 1, 2020	$ -	$ 15,856	$ 48,861	$ 31,038	$ 95,755
Balance at February 2, 2020	**$ -**	**$ 15,856**	**$ 48,861**	**$ 31,038**	**$ 95,755**
Depreciation	**-**	**1,295**	**7,344**	**2,923**	**11,562**
Impairment loss	**-**	**133**	**8,255**	**7,958**	**16,346**
Disposals	**-**	**(623)**	**(22,768)**	**(18,476)**	**(41,867)**
Balance at January 30, 2021	**$ -**	**$ 16,661**	**$ 41,692**	**$ 23,443**	**$ 81,796**
Net carrying amounts					
At February 1, 2020	$ 5,860	$ 22,321	$ 41,944	$ 17,965	$ 88,090
At January 30, 2021	**$ 5,860**	**$ 21,219**	**$ 29,833**	**$ 9,200**	**$ 66,112**

During the year ended January 30, 2021, the Company tested for impairment certain CGUs for which there were indications that their carrying amounts may not be recoverable. The impairment related to the property and equipment, intangible assets 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.

Impairment losses recognized as follows:

	For the year ended January 30, 2021			For the year ended February 1, 2020		
	Combined	**Continuing**	**Discontinued**	Combined	Continuing	Discontinued
Property and equipment	**$ 16,346**	**$ 6,244**	**$ 10,102**	$ 2,475	$ 1,615	$ 860
Intangible assets	**4,456**	**1,366**	**3,090**	-	-	-
Right-of-use assets	**17,740**	**8,914**	**8,826**	1,418	964	454
	$ 38,542	**$ 16,524**	**$ 22,018**	$ 3,893	$ 2,579	$ 1,314

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 19.0% (February 1, 2020 - 13.0%). During the years ended January 30, 2021 and February 1, 2020, no asset impairment losses were reversed following an improvement in the profitability of certain CGUs.

Depreciation expense related to property and equipment is presented as follows:

	For the year ended January 30, 2021			For the year ended February 1, 2020		
	Combined	**Continuing**	**Discontinued**	Combined	Continuing	Discontinued
Selling and distribution expenses	**$ 10,373**	**$ 9,223**	**$ 1,150**	$ 20,565	$ 17,711	$ 2,854
Administrative expenses	**1,189**	**1,189**	**-**	1,199	1,199	-
	$ 11,562	**$ 10,412**	**$ 1,150**	$ 21,764	$ 18,910	$ 2,854

Property and equipment includes an amount of $120 (February 1, 2020 - $1,639) that is not being depreciated. Depreciation will begin when the assets are available for use.

9. INTANGIBLE ASSETS

Intangible assets consist of software as follows:

	January 30, 2021	February 1, 2020
Cost		
Balance at beginning of the year	**$ 37,799**	$ 39,167
Additions	**726**	7,316
Disposals	**(13,075)**	(8,684)
Balance at end of the year	**$ 25,450**	$ 37,799
Accumulated amortization and impairment losses		
Balance at beginning of the year	**$ 17,532**	$ 17,528
Amortization	**6,206**	8,688
Impairment loss (note 8)	**4,456**	-
Disposals	**(13,075)**	(8,684)
Balance at end of the year	**$ 15,119**	$ 17,532
Net carrying amounts	**$ 10,331**	$ 20,267

Depreciation expense related to intangible assets is presented as follows:

	For the year ended January 30, 2021			For the year ended February 1, 2020		
	Combined	**Continuing**	**Discontinued**	Combined	Continuing	Discontinued
Selling and distribution expenses	**$ 3,777**	**$ 3,496**	**$ 281**	$ 6,750	$ 6,342	$ 408
Administrative expenses	**2,429**	**2,429**	**-**	1,938	1,938	-
	$ 6,206	**$ 5,925**	**$ 281**	$ 8,688	$ 8,280	$ 408

Intangible assets include an amount of $2,570 (February 1, 2020 - $3,334) that is not being amortized. Amortization will begin when the software is available for use.

10. 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	$ 208,745	$ 3,668	$ 212,413
Lease additions	55,597	129	55,726
Depreciation	(67,030)	(1,594)	(68,624)
Impairment loss (note 8)	(1,418)	-	(1,418)
Balance as at February 1, 2020	$ 195,894	$ 2,203	$ 198,097

	Retail locations	Office equipment	Total
Balance as at February 2, 2020	**$ 195,894**	**$ 2,203**	**$ 198,097**
Lease additions	**28,207**	**740**	**28,947**
Lease modifications	**(27,009)**	**-**	**(27,009)**
Disclaimed leases [(1)]	**(35,201)**	**-**	**(35,201)**
Depreciation	**(42,182)**	**(1,081)**	**(43,263)**
Impairment loss (note 8)	**(17,740)**	**-**	**(17,740)**
Balance as at January 30, 2021	**$ 101,969**	**$ 1,862**	**$ 103,831**

(1) Disclaimed leases represent the right-of-use assets related to certain leases terminated as part of the CCAA process. A provision related to these leases was recognized in liabilities subject to compromise. See note 14.

Depreciation expenses related to right-of-use assets presented as follows:

	For the year ended January 30, 2021			For the year ended February 1, 2020		
	Combined	**Continuing**	**Discontinued**	Combined	Continuing	Discontinued
Selling and distribution expenses	**$ 42,726**	**$ 35,652**	**$ 7,074**	$ 67,341	$ 56,960	$ 10,381
Administrative expenses	**537**	**537**	**-**	1,283	1,283	-
	$ 43,263	**$ 36,189**	**$ 7,074**	$ 68,624	$ 58,243	$ 10,381

During the year ended January 30, 2021, right-of-use assets were reduced by $6,746 and lease liabilities were reduced by $10,039. A corresponding gain of $3,293 was recognized in restructuring costs for continuing operations for the year ended January 30, 2021 as lease modifications in connection with leases that were disclaimed as part of the CCAA proceedings (nil for the year ended February 1, 2020).

Lease liabilities

	January 30, 2021	**February 1, 2020**
Balance at the beginning of the year	**$ 213,869**	$ 219,960
Lease additions	**28,947**	55,726
Lease modifications	**(28,182)**	-
Disclaimed leases [(1)]	**(41,517)**	-
Payment of lease liabilities	**(46,818)**	(69,296)
Interest expense on lease liabilities (note 19)	**6,201**	7,479
Lease liabilities subject to compromise (note 14)	**(9,283)**	-
Balance at the end of the year	**$ 123,217**	$ 213,869
Current portion of lease liabilities	**$ 35,303**	$ 61,618
Non-current portion of lease liabilities	**87,914**	152,251
Total lease liabilities	**$ 123,217**	$ 213,869

(1) Disclaimed leases represent the lease liabilities related to certain leases terminated as part of the CCAA process. A provision related to these leases was recognized in liabilities subject to compromise. See note 14.

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

2022	**$ 43,600**
2023	**28,483**
2024	**18,722**
2025	**12,777**
2026	**8,000**
Thereafter	**18,392**
Total undiscounted lease liabilities	**$ 129,974**

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 January 30, 2021, the Company recognized $2,052 (February 1, 2020 - $2,402) of variable lease payments and $1,310 (February 1, 2020 - $1,011) of lease payments with no fixed term recorded in selling and distribution expenses.

During the year ended January 30, 2021, the Company recognized expenses relating to short-term leases of $1,650 (February 1, 2020 - $78) and leases of low-value assets were nil (February 1, 2020 - $45) recorded in selling and distribution expenses.

As at January 30, 2021, $45,437 (February 1, 2020 - $88,872) 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.

11. INCOME TAX

Income tax expense

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

	For the years ended	
	January 30, 2021	**February 1, 2020**
Current tax expense (recovery)		
Current year	**$ 173**	$ 22
Adjustment in respect of prior years	**(23)**	(261)
Current tax expense from continuing operations	**150**	(239)
Deferred tax expense		
Origination and reversal of temporary differences	**(115)**	23,591
Changes in tax rates	**156**	477
Deferred tax expense from continuing operations	**41**	24,068
Total tax expense from continuing operations	**$ 191**	$ 23,829
Deferred tax expense (recovery) from discontinued operations	**80**	(887)
Total tax expense	**$ 271**	$ 22,942

Income tax recognized in other comprehensive income

	For the years ended					
	January 30, 2021			February 1, 2020		
	Before tax	Tax recovery (expense)	Net of tax	Before tax	Tax recovery (expense)	Net of tax
Cash flow hedges	**$ (1,027)**	**$ 272**	**$ (755)**	$ 1,507	$ (401)	$ 1,106
Defined benefit plan actuarial gains (losses)	**700**	**-**	**700**	(3,098)	(1,227)	(4,325)
	$ (327)	**$ 272**	**$ (55)**	$ (1,591)	$ (1,628)	$ (3,219)

Reconciliation of effective tax rate

	For the years ended			
	January 30, 2021		February 1, 2020	
Loss before income taxes	**$(99,845)**		$(49,333)	
Income tax recovery using the Company's statutory tax rate	**(26,525)**	**26.57%**	(13,236)	26.83%
Changes in tax rates	**156**	**(0.16%)**	477	(0.97%)
Non-deductible expenses and other adjustments	**221**	**(0.22%)**	1,456	(2.95%)
Change in unrecognized deferred tax assets	**26,564**	**(26.60%)**	36,502	(73.99%)
Tax exempt income	**-**	**-**	(429)	0.87%
Effect of tax in foreign jurisdictions	**(202)**	**0.20%**	(680)	1.38%
Adjustment in respect of prior years	**(23)**	**0.02%**	(261)	0.53%
Income tax expense	**$ 191**	**(0.19%)**	$ 23,829	(48.30%)

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	January 30, 2021	February 1, 2020	January 30, 2021	February 1, 2020	January 30, 2021	February 1, 2020
Lease liabilities	**$ 27,026**	$ 51,771	**$ -**	$ -	**$ 27,026**	$ 51,771
Right-of-use assets	**-**	-	**27,026**	51,771	**(27,026)**	(51,771)
Property, equipment and intangible assets	**2,309**	2,219		-	**2,309**	2,219
Inventories	**-**	-	**1,621**	1,947	**(1,621)**	(1,947)
Derivative financial asset and liability	**-**	-	**-**	272	**-**	(272)
Other	**-**	-	**537**	-	**(537)**	-
	$ 29,335	$ 53,990	**$ 29,184**	$53,990	**$ 151**	$ -

Changes in deferred tax balances during the year

	Balance February 2, 2019	Recognized in Net Earnings	Recognized in Retained Earnings	Recognized in Other Comprehensive Income	Balance February 1, 2020	Recognized in Net Earnings	Recognized in Other Comprehensive Income	Balance January 30, 2021
Lease liabilities	$ -	$51,771	$ -	$ -	$ 51,771	$ (24,745)	$ -	**$ 27,026**
Right-of-use assets	-	(51,771)	-	-	(51,771)	24,745	-	**(27,026)**
Property, equipment and intangible assets	15,819	(13,600)	-	-	2,219	90	-	**2,309**
Inventories	(1,420)	(527)	-	-	(1,947)	326	-	**(1,621)**
Trade and other payables	2,696	(2,676)	(20)	-	-	-	-	**-**
Derivative financial liability (asset)	129	-	-	(401)	(272)	-	272	**-**
Pension liability	5,649	(4,422)	-	(1,227)	-	-	-	**-**
Tax benefit of non-capital losses carried forward	1,932	(1,932)	-	-	-	-	-	**-**
Other	24	(24)	-	-	-	(537)	-	**(537)**
	$ 24,829	$(23,181)	$ (20)	$ (1,628)	$ -	$ (121)	$ 272	**$ 151**

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 in Canada against which deferred tax assets can be utilized. Accordingly, no deferred tax assets have been recognized for the Canadian operations.

Unrecognized deferred tax assets

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

	January 30, 2021	February 1, 2020
Non-capital losses carry-forward	**$ 20,460**	$ 20,745
Deductible temporary differences	**65,450**	19,282
Allowable capital losses carry-forward	**3,133**	3,134
Unrecognized deferred tax assets	**$ 89,043**	$ 43,161

The non-capital losses carry-forward expire between 2034 and 2041. 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 January 30, 2021, it was not probable that sufficient future taxable income will be available from the Canadian operations to utilize the benefits.

12. TRADE AND OTHER PAYABLES

	January 30, 2021	February 1, 2020
Trade payables	**$ 2,098**	$ 75,132
Personnel liabilities	**10,898**	20,441
Other non-trade payables	**12,687**	9,367
Refund liability	**4,439**	3,489
Deferred rent and payables relating to premises	**1,400**	1,245
	$ 31,522	$ 109,674

Included in prepaid expenses as at January 30, 2021 is an amount of $18,382 (nil as at February 1, 2020) representing deposits to vendors for ordered merchandise.

13. DEFERRED REVENUE

	January 30, 2021	February 1, 2020
Loyalty points and awards granted under loyalty programs	**$ 209**	$ 847
Unredeemed gift cards	**12,253**	14,195
	$ 12,462	$ 15,042

14. LIABILITIES SUBJECT TO COMPROMISE AND RESTRUCTURING COSTS

As at January 30, 2021, in connection with the CCAA proceedings, the Company identified the following unsecured liabilities subject to compromise:

Trade payables and accruals	**$ 74,823**
Lease liabilities	**9,283**
Provision for disclaimed leases	**51,905**
Pension liabilities (note 15)	**21,014**
Termination benefit liabilities	**12,786**
Sales and income taxes payable	**6,404**
Other non-trade payables	**27,868**
	$ 204,083

The liabilities that are not subject to the CCAA proceedings are excluded from the liabilities subject to compromise.

Restructuring costs

As described in note 2(b), as part of its restructuring plan and as approved by the Monitor, the Company closed all retail stores and e-commerce for Thyme Maternity and Addition Elle and terminated approximately 1,600 employees at its retail locations and head office. In connection with the restructuring plan and the CCAA proceedings, the following restructuring costs were recognized:

	For the year ended January 30, 2021		
	Combined	**Continuing**	**Discontinued**
Provision for disclaimed leases	**$ 52,455**	**$ 9,726**	**$ 42,729**
Gain on lease modifications and disclaimed leases (notes 4 and 10)	**(8,216)**	**(5,193)**	**(3,023)**
Termination benefits	**12,786**	**7,365**	**5,421**
Inventory purchases cancellation costs and other expenses	**15,725**	**9,132**	**6,593**
Legal, Monitor and other consulting fees	**4,875**	**4,875**	**-**
DIP lender fees	**611**	**611**	**-**
	$ 78,236	**$ 26,516**	**$ 51,720**

15. PENSION LIABILITY

The following tables present reconciliations of the pension obligations, the plan assets and the funded status of the retirement benefit plans. In connection with CCAA proceedings, the pre-petition portion of the pension liability related to the SERP of $21,014, for which the fair value of plan assets is $nil, has been reclassified to liabilities subject to compromise and the SERP is expected to be terminated effective with the settlement of these liabilities through the plan of arrangement to be entered into under CCAA. See note 2(f)(v) and 14.

Funded Status

	Fair value of plan assets	**Defined benefit obligation**	**Pension liability**
As at January 30, 2021			
Plan	**$ 22,676**	**$ 25,768**	**$ (3,092)**
As at February 1, 2020			
Plan	$ 23,627	$ 26,737	$ (3,110)
SERP	-	21,103	(21,103)
Total	$ 23,627	$ 47,840	$ (24,213)

	For the years ended					
	January 30, 2021			February 1, 2020		
	Plan	**SERP**	**Total**	**Plan**	**SERP**	**Total**
Movement in the present value of the defined benefit obligation						
Defined benefit obligation, beginning of year	**$ 26,737**	**$ 21,103**	**$ 47,840**	$ 23,880	$ 20,143	$ 44,023
Current service cost	**1,503**	**394**	**1,897**	1,440	(49)	1,391
Interest cost	**694**	**-**	**694**	884	721	1,605
Employee contributions	**109**	**-**	**109**	165	-	165
Actuarial gain - experience	**(166)**	**-**	**(166)**	(300)	(931)	(1,231)
Actuarial loss - financial assumptions	**173**	**-**	**173**	3,841	2,364	6,205
Benefits paid from plan assets	**(3,282)**	**-**	**(3,282)**	(3,173)	-	(3,173)
Benefits paid directly by the Company	**-**	**(483)**	**(483)**	-	(1,145)	(1,145)
SERP pension liability reclassified to liabilities subject to compromise	**-**	**(21,014)**	**(21,014)**	-	-	-
Defined benefit obligation, end of year	**$ 25,768**	**$ -**	**$ 25,768**	$ 26,737	$ 21,103	$ 47,840
Movement in the fair value of plan assets						
Fair value of plan assets, beginning of year	**$ 23,627**	**$ -**	**$ 23,627**	$ 22,980	$ -	$ 22,980
Return on plan assets	**707**	**-**	**707**	1,876	-	1,876
Interest income on plan assets	**584**	**-**	**584**	812	-	812
Employer contributions	**1,099**	**483**	**1,582**	1,115	1,145	2,260
Employee contributions	**109**	**-**	**109**	165	-	165
Benefits paid	**(3,281)**	**(483)**	**(3,764)**	(3,173)	(1,145)	(4,318)
Plan administration costs	**(169)**	**-**	**(169)**	(148)	-	(148)
Fair value of plan assets, end of year	**$ 22,676**	**$ -**	**$ 22,676**	$ 23,627	$ -	$ 23,627

For the year ended January 30, 2021, the net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants 37% (2020 - 7%)
- Retired plan members 57% (2020 - 89%)
- Deferred and other plan participants 6% (2020 - 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:

	January 30, 2021		February 1, 2020	
Equity securities				
Canadian – pooled funds	**$ 8,213**	**36%**	$ 7,901	33%
Canadian – real estate fund	**1,118**	**5%**	1,150	5%
Foreign – pooled funds	**4,049**	**18%**	4,192	18%
Total equity securities	**13,380**	**59%**	13,243	56%
Debt securities – fixed income pooled funds	**9,030**	**40%**	10,100	43%
Cash and cash equivalents	**266**	**1%**	284	1%
Total	**$ 22,676**	**100%**	$ 23,627	100%

The Company's pension expense was as follows:

	For the years ended					
	January 30, 2021			February 1, 2020		
	Plan	**SERP**	**Total**	**Plan**	**SERP**	**Total**
Pension costs recognized in net earnings						
Current service cost	**$ 1,503**	**$ 394**	**$ 1,897**	$ 1,440	$ (49)	$ 1,391
Net interest cost on net pension liability	**110**	**-**	**110**	72	721	793
Plan administration costs	**169**	**-**	**169**	148	-	148
Pension expense	**$ 1,782**	**$ 394**	**$ 2,176**	$ 1,660	$ 672	$ 2,332

Pension expense for the year ended January 30, 2021, has been recorded in selling and distribution expenses for an amount of $1,207 (February 1, 2020 - $1,207) and in administrative expenses for an amount of $969 (February 1, 2020 - $1,125) in the consolidated statements of earnings (loss).

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					
	January 30, 2021			February 1, 2020		
	Plan	**SERP**	**Total**	**Plan**	**SERP**	**Total**
Cumulative loss in retained earnings at the beginning of the year	**$ 2,134**	**$ 5,534**	**$ 7,668**	$ 469	$ 4,101	$ 4,570
(Gain) loss recognized during the year	**(700)**	**-**	**(700)**	1,665	1,433	3,098
Cumulative loss in retained earnings at the end of the year	**$ 1,434**	**$ 5,534**	**$ 6,968**	$ 2,134	$ 5,534	$ 7,668
(Gain) loss recognized during the year, net of tax			**$ (700)**			$ 4,325

Actuarial assumptions

Principal actuarial assumptions used were as follows:

	For the years ended	
	January 30, 2021	**February 1, 2020**
Accrued benefit obligation:		
Discount rate	**2.60%**	2.60%
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	**2.60%**	2.60%
Salary increase	**4.00%**	4.00%

Sensitivity of Key Actuarial Assumptions

The following table outlines the key assumptions for the years ended January 30, 2021 and February 1, 2020 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			
	January 30, 2021	**February 1, 2020**		
	Plan	**Plan**	**SERP**	**Total**
(Decrease) increase in defined benefit obligation				
Discount rate				
Impact of increase of 1%	**$ (3,593)**	$ (3,504)	$ (2,160)	$ (5,664)
Impact of decrease of 1%	**$ 4,176**	$ 4,032	$ 2,406	$ 6,438
Salary increase or decrease				
Impact of increase of 1%	**$ 650**	$ 619	$ (12)	$ 607
Impact of decrease of 1%	**$ (634)**	$ (605)	$ 12	$ (593)
Lifetime expectancy				
Impact of increase of 1 year in expected lifetime of plan members	**$ 689**	$ 700	$ 617	$ 1,317

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 $647 in employer contributions to be paid to the Plan in the year ending January 29, 2022. The weighted average durations of the Plan is approximately 14 years as at January 30, 2021 (February 1, 2020 - 14 and 11 years, respectively, for the Plan and SERP).

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.

16. 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			
	January 30, 2021		February 1, 2020	
	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	**35,427**	**26,924**	49,890	37,915
Purchase of shares under substantial issuer bid	**-**	**-**	(14,463)	(10,991)
Balance at end of year	**35,427**	**26,924**	35,427	26,924
Total share capital	**48,867**	**$ 27,406**	48,867	$ 27,406

Authorized Share Capital

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

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

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 2, 2020	**$**	**754**	**$**	**(981)**	**$**	**(227)**
Net change in fair value of cash flow hedges (net of tax of $3,229)		**8,815**		**-**		**8,815**
Transfer of realized gain on cash flow hedges to inventory (net of tax of $79)		**218**		**-**		**218**
Reclassification of cash flow hedges from OCI to foreign exchange gain within finance income (net of tax of $3,583) (note 25)		**(9,787)**		**-**		**(9,787)**
Change in foreign currency translation differences		**-**		**127**		**127**
Balance at January 30, 2021	**$**	**-**	**$**	**(854)**	**$**	**(854)**
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)

Dividends

The following dividends were declared and paid by the Company:

	For the years ended			
	January 30, 2021		February 1, 2020	
Common shares and Class A non-voting shares	**$**	**-**	$	8,776
Dividends per share	**$**	**-**	$	0.15

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

17. 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. Subsequent to year-end, the share option plan was amended to terminate the SARs program. The change had no impact to these consolidated financial statements.

The changes in outstanding share options were as follows:

	For the years ended			
	January 30, 2021		February 1, 2020	
	Options (in 000's)	**Weighted Average Exercise Price**	**Options (in 000's)**	**Weighted Average Exercise Price**
Outstanding, at beginning of year	**1,759**	**$ 8.20**	1,938	$ 8.06
Forfeited	**(402)**	**6.03**	(179)	6.66
Outstanding, at end of year	**1,357**	**$ 8.84**	1,759	$ 8.20
Options exercisable, at end of year	**1,325**	**$ 8.90**	1,727	$ 8.23

No share option awards were granted or exercised during the years ended January 30, 2021 and February 1, 2020. 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 January 30, 2021:

	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	357	3.18 years	$ 5.91	357	$ 5.91
$6.31 - $6.75	575	3.65	6.69	543	6.71
$11.68 - $15.00	425	1.00	14.22	425	14.22
	1,357	**2.70 years**	**$ 8.84**	**1,325**	**$ 8.90**

For the year ended January 30, 2021, the Company recognized compensation costs of $12 relating to its share option plan (February 1, 2020 - $38), 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.

No PSUs were granted during the year ended January 30, 2021 (440,000 PSUs at a weighted average share price of $3.23 for the year ended February 1, 2020).

The changes in outstanding PSUs were as follows:

	For the years ended	
	January 30, 2021	February 1, 2020
	PSUs (in 000's)	PSUs (in 000's)
Outstanding, at beginning of year	**760**	770
Granted	**-**	440
Forfeited	**(172)**	(267)
Expired	**(138)**	(183)
Outstanding, at end of year	**450**	760

As at January 30, 2021, the Company did not expect to meet the minimum non-market performance conditions required for all issued PSUs to vest. As a result, the Company did not recognize share-based compensation costs related to PSUs for the year ended January 30, 2021 (recovery of $66 in selling and distribution expenses and $23 in administrative expenses for the year ended February 1, 2020).

18. COMMITMENTS

As at January 30, 2021, 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	$ 102,915	$ 3,812	$ 106,727
Within 2 years	5,421	3,561	8,982
Within 3 years	3,462	2,559	6,021
Within 4 years	105	1,544	1,649
Within 5 years	-	901	901
Subsequent years	-	-	-
Total	**$ 111,903**	**$ 12,377**	**$ 124,280**

For the timing of payments under lease obligations, refer to note 10.

19. FINANCE INCOME AND FINANCE COSTS

	For the years ended	
	January 30, 2021	**February 1, 2020**
Dividend income from marketable securities	**$ -**	$ 1,427
Interest income	**436**	1,746
Foreign exchange gain (1)	**13,461**	-
Finance income	**13,897**	3,173
Interest expense on lease liabilities	**5,744**	6,041
Net change in fair value and loss on disposal of marketable securities (2)	**-**	8,264
Foreign exchange loss	**-**	475
Finance costs	**5,744**	14,780
Net finance income (costs) recognized in net loss	**$ 8,153**	$ (11,607)

(1) Included in foreign exchange gain for the year ended January 30, 2021, is a realized gain of $9,741 on maturity and disposal of foreign exchange contracts (nil for the year ended February 1, 2020). See note 25.

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

20. LOSS PER SHARE

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

	For the years ended	
	January 30, 2021	**February 1, 2020**
Weighted average number of shares per basic loss per share calculations	48,867	55,980
Weighted average number of shares per diluted loss per share calculations	48,867	55,980

As at January 30, 2021 and February 1, 2020, all share options were excluded from the calculation of diluted loss 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.

21. 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 Board of Directors participate in the share option plan, as described in note 17.

Compensation expense for key management personnel is as follows:

	For the years ended	
	January 30, 2021	**February 1, 2020**
Salaries, directors' fees and short-term benefits	**$ 1,336**	$ 1,631
Share-based compensation costs	**8**	8
	$ 1,344	$ 1,639

Other Related-Party Transactions

During the year ended January 30, 2021, the Company incurred $1,262 (February 1, 2020 - $416) for 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.

Liabilities subject to compromise include pension liabilities related to the SERP of $7,194 payable to the Company's President and Chief Executive Officer and Chief Financial Officer. See notes 14 and 15.

22. PERSONNEL EXPENSES

	For the years ended	
	January 30, 2021	**February 1, 2020**
Wages, salaries and employee benefits	**$ 104,469**	$ 191,917
Expenses related to defined benefit plans	**2,176**	2,205
Share-based compensation costs (recovery of)	**12**	(50)
	$ 106,657	$ 194,072

23. CREDIT FACILITY AND GUARANTEES

At January 30, 2021, the Company had interim ("DIP Loan") financing with a Canadian financial institution consisting of a revolving credit facility of up to $60,000 ($65,000 at February 1, 2020 comprised of maximum overdraft protection of $25,000 and $40,000 restricted to securing letters of credit, see note 26) and the facilities available for securing letters of credit of up to $5,000 (or its U.S. dollar equivalent). As at January 30, 2021, $396 (February 1, 2020 - $2,982) 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. The DIP Loan bears interest at the lender's prime rate plus 5.00% per annum on the outstanding principal amount of the DIP Loan. As at January 30, 2021, no amount was drawn down on the DIP Loan. The Company secured this DIP Loan subsequent to obtaining the Order from the Court to seek protection from its creditors under CCAA as described in note 2(b).

24. SUPPLEMENTARY CASH FLOW INFORMATION

	For the years ended	
	January 30, 2021	**February 1, 2020**
Non-cash transactions:		
Additions to property and equipment and intangible assets included in trade and other payables	**$ 1,874**	$ 1,382
Lease liabilities included in liabilities subject to compromise	**9,283**	-
Income taxes payable included in liabilities subject to compromise	**184**	-

For the year ended January 30, 2021, payments of lease liabilities of $46,818 include interest of $6,201 (payments of lease liabilities of $69,296 including interest of $7,479 for the year ended February 1, 2020).

25. 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

There were no transfers between levels of the fair value hierarchy for the year ended February 1, 2020.

Derivative financial instruments

The Company had entered into forward contracts with its banks on the U.S. dollar. These foreign exchange contracts extended over a period normally not exceeding twelve months and were normally designated as cash flow hedges to mitigate foreign exchange risk that is part of its U.S. dollar purchases. The Company determined that it no longer met the criteria for these purchases as a result of the Company's effort to reduce future inventory purchases in response to the uncertainty surrounding COVID-19 and the restructuring plan (notes 2(b) and 14). During the year ended January 30, 2021, $130,000 of future U.S. dollar denominated purchases, hedged by outstanding forward contracts with an accumulated gain of $9,787 (net of tax of $3,583), were no longer expected to occur. As a result, the Company is no longer designating these forward contracts for hedge accounting and has reclassified the accumulated unrealized gain associated with these forward contracts from other comprehensive income to net earnings as part of finance income (notes 16 and 19) during the year ended January 30, 2021.

During the year ended January 30, 2021, the Company has temporarily paused its hedging program due to the uncertainties surrounding future inventory purchase commitments as a result of COVID-19 and the restructuring plan (notes 2(b) and 14). During the year ended January 30, 2021, forward contracts with a notional amount of $60,000 U.S. dollars matured and the Company disposed of all remaining outstanding forward contracts with a notional amount of $115,000 U.S. dollars, resulting in a foreign exchange gain of $9,741 recognized directly to net earnings as part of finance income. See note 19.

Details of the foreign exchange contracts outstanding:

	Average Strike Price	Notional Amount in U.S. Dollars	Derivative Financial Asset	Derivative Financial Liability	Net
January 30, 2021	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
February 1, 2020	$ 1.318	$ 175,000	$ 1,124	$ (348)	$ 776

26. 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 government assistance receivable and 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 January 30, 2021 and February 1, 2020, expected credit loss on these financial assets is not significant.

As at January 30, 2021, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	$ 77,915
Trade and other receivables	10,668
	$ 88,583

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 January 30, 2021, the Company's current liabilities total $284,539 (of which $204,083 is subject to compromise in connection with CCAA proceedings (note 14)) and current liquid assets consisting of cash and cash equivalents total $77,915. During the year ended January 30, 2021, the Company's lenders terminated the maximum overdraft protection of $25,000 and the facilities available for letters of credit of $40,000 had been reduced to a maximum of $1,000. Given the deterioration in the Company's financial position during the year ended January 30, 2021, the effective elimination of its previous credit facilities and the continued uncertainty surrounding COVID-19, on May 19, 2020, the Company obtained an initial order (the "Order") to seek protection from creditors under the CCAA (notes 2(b)). On August 5, 2020, the Company secured interim ("DIP Loan") financing with a Canadian financial institution. See note 23.

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 U.S. dollar 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 may enter into certain qualifying foreign exchange contracts that it designated as cash flow hedging instruments. This results in mark-to-market foreign exchange adjustments, for qualifying hedged instruments, being recorded as a component of other comprehensive income. As described in note 25, the uncertainty surrounding COVID-19 and the outcome of the CCAA proceedings, future purchases for which foreign exchange contracts were designated as cash flow hedges are no longer expected to occur. Consequently, foreign exchange gains and losses on merchandise purchases are recorded in net earnings instead of in other comprehensive income.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash and cash equivalents of $39,849 and trade payables of $53,874 to determine how a change in the U.S. dollar exchange rate would impact net earnings. On January 30, 2021, 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 $1,791 increase or decrease, respectively, in the Company's net earnings for the year ended January 30, 2021.

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. See note 23 for credit facility details.

The Company has performed a sensitivity analysis on interest rate risk at January 30, 2021 to determine how a change in interest rates would impact net earnings. For the year ended January 30, 2021, the Company earned interest income of $436 on its cash and cash equivalents. An increase or decrease of 50 basis points in the average interest rate earned during the year would have increased net earnings by $309 or decreased net earnings by $259. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

27. 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 and its access to credit facilities described in note 23. 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). As at January 30, 2021, the Company recognized $204,083 of liabilities subject to compromise as current liabilities as part of the CCAA claims process described in note 2(b). The timing and quantum of claims that will be allowed by the Court and ultimately paid to the Company's creditors is currently not possible to determine as described in note 2(f)(v). During the CCAA process, the Monitor oversees the Company's cash flow and capital management.

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.

28. SUBSEQUENT EVENTS

Temporary store closures

Subsequent to year-end, during February 2021, the mandated lockdown measures in certain regions and provinces mentioned in note 2(b) were lifted and the Company's stores affected by these measures were re-opened. In March and April 2021, a third wave of COVID-19 and its variants have forced additional mandated lockdown measures in certain regions and provinces and the Company experienced further temporary store closures. The Company can continue to sell through its e-commerce channel to customers during the applicable periods of closure until further extensions or changes are announced and will continue to follow all local government and health organization guidelines.