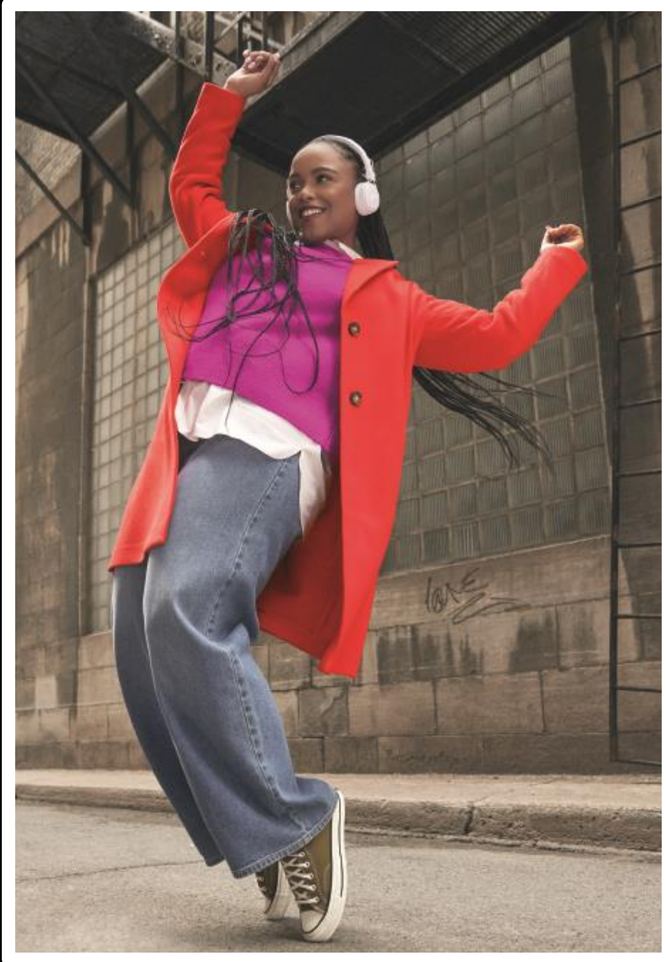
REITMANS

(CANADA) LTÉE / LTD



2023 FINANCIAL RESULTS

REITMANS

(CANADA) LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Reitmans (Canada) Limited and its subsidiaries ("Reitmans" or the "Company") should be read in conjunction with the audited consolidated financial statements of Reitmans as at and for the fiscal years ended January 28, 2023 and January 29, 2022 and the notes thereto which are available on the SEDAR website at www.sedar.com. This MD&A is dated April 13, 2023.

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 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 13, 2023.

Unless otherwise indicated, all comparisons of results for the 13 weeks ended January 28, 2023 ("fourth quarter of 2023") are against results for the 13 weeks ended January 29, 2022 ("fourth quarter of 2022") and all comparisons of results for the 52 weeks ended January 28, 2023 ("fiscal 2023") are against the results for the 52 weeks ended January 29, 2022 ("fiscal 2022"). The Company's fiscal year ends on the Saturday closest to the end of January.

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

Discontinued Operations

During the year ended January 30, 2021, as part of its restructuring plan, the Company closed the Thyme Maternity and Addition Elle brands. The results and cash flows of these brands had been classified as discontinued operations. As the results from discontinued operations are shown for comparable purposes only and no amounts have been presented as discontinued operations in fiscal 2023, this MD&A does not include a discussion of discontinued operations. See Notes 4 and 16 of the audited consolidated financial statements for fiscal 2023.

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:

- foreign currency fluctuations, including high levels of volatility of the Canadian dollar in relation to the US dollar;
- 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 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 disruption of the Company’s supply chain;
- 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 & SUPPLEMENTARY FINANCIAL MEASURES

This MD&A makes reference to certain non-GAAP measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for the Company's analysis of its financial information reported under IFRS.

NON-GAAP FINANCIAL MEASURES

This MD&A discusses the following non-GAAP financial measures: adjusted earnings from continuing operations before interest, taxes, depreciation and amortization ("Adjusted EBITDA from continuing operations"), adjusted results from operating activities ("Adjusted ROA") and working capital. This MD&A also indicates Adjusted EBITDA from continuing operations as a percentage of net sales and is considered a non-GAAP financial ratio. Net sales represent the sale of merchandise less discounts and returns. The intent of presenting Adjusted EBITDA from continuing operations and Adjusted ROA is to provide additional useful information to investors and analysts. Adjusted EBITDA from continuing operations is defined as net earnings before income tax expense/recovery, interest income, interest expense, depreciation, amortization, net impairment of non-financial assets, adjusted for the impact of certain items, including a deduction of interest expense and depreciation relating to leases accounted for under IFRS 16, *Leases,* Federal subsidies, restructuring costs and recoveries and the gain on settlement of liabilities subject to compromise. Management believes that Adjusted EBITDA from continuing operations 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 this metric for this purpose. Management believes that Adjusted EBITDA from continuing operations as a percentage of net sales indicates how much liquidity is generated for each dollar of net sales. The exclusion of interest income and expenses, other than interest expense related to lease liabilities as explained hereafter, eliminates the impact on earnings derived from non-operational activities. The exclusion of depreciation, amortization and net impairment charges, other than depreciation and net impairment charges related to right-of-use assets as explained hereafter, eliminates the non-cash impact, and the exclusion of restructuring items and Federal subsidies presents the results of the on-going business. Under IFRS 16, *Leases*, the characteristics of some leases result in lease payments being recognized in net earnings in the period in which the performance or use occurs while other leases are recorded as right-of-use assets with a corresponding lease liability recognized, which results in depreciation of those assets and interest expense from those liabilities. Management is presenting its Adjusted EBITDA from continuing operations to reflect the payments of its store and equipment lease obligations on a consistent basis. As such, the initial add-back of depreciation of right-of-use assets and interest on lease obligations are removed from the calculation of Adjusted EDITDA from continuing operations, as this better reflects the operational cash flow impact of its leases.

Adjusted ROA is defined as results from operating activities excluding Federal subsidies, restructuring costs and recoveries and the gain on settlement of liabilities subject to compromise. Management believes that Adjusted ROA provides a more relevant indicator in assessing current operational performance. The exclusion of restructuring items, Federal subsidies and the gain on settlement of liabilities subject to compromise presents the on-going operational performance of the business.

Working capital is defined as current assets less current liabilities. Management believes that working capital provides information that is helpful to understand the financial condition of the Company.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The tables below provide a reconciliation of net earnings from continuing operations to Adjusted EBITDA from continuing operations, results from operating activities to Adjusted ROA and the composition of working capital:

	For the fourth quarter of		For fiscal	
	2023	**2022**	**2023**	**2022**
Net earnings from continuing operations	**$ 27.5**	$ 97.2	**$ 77.7**	$ 143.2
Depreciation, amortization and net impairment losses on property and equipment, and intangible assets	**3.9**	6.3	**15.6**	19.7
Depreciation and net impairment losses on right-of-use assets	**7.9**	7.2	**28.9**	29.5
Interest income	**(1.5)**	(0.1)	**(2.0)**	(0.4)
Interest expense on lease liabilities	**1.3**	1.0	**4.9**	4.0
Interest expense on revolving credit facility	**-**	-	**0.4**	-
Income tax recovery	**(31.7)**	-	**(32.1)**	(0.4)
Rent impact from IFRS 16, *Leases*[1]	**(9.2)**	(8.2)	**(33.8)**	(33.5)
Federal subsidies	-	(4.7)	**(1.2)**	(22.7)
Restructuring costs (recoveries), net	**(1.9)**	0.5	**(1.4)**	(12.2)
Gain on settlement of liabilities subject to compromise	**-**	(88.6)	**-**	(88.6)
Adjusted EBITDA from continuing operations[2]	**$ (3.7)**	$ 10.6	**$ 57.0**	$ 38.6
Adjusted EBITDA from continuing operations as % of Net sales	**(1.7)%**	5.6%	**7.1%**	5.8%

[1] Rent Impact from IFRS 16, *Leases* is comprised as follows;

	For the fourth quarter of		For fiscal	
	2023	**2022**	**2023**	**2022**
Depreciation and net impairment losses on right-of use assets	**$ 7.9**	$ 7.2	**$ 28.9**	$ 29.5
Interest expense on lease liabilities	**1.3**	1.0	**4.9**	4.0
Rent impact from IFRS 16, *Leases*	**$ 9.2**	$ 8.2	**$ 33.8**	$ 33.5

[2] As a result of the current definition of Adjusted EBITDA from continuing operations, the comparative figure has been restated to include the rent impact from IFRS 16, *Leases* of $8.2 million for the fourth quarter of 2022 and $33.5 million for fiscal 2022 and to exclude Federal subsidies recognized of $4.7 million for the fourth quarter of 2022 and $22.7 million for fiscal 2022. Management believes that the current definition of Adjusted EBITDA better reflects the operational cash flow of the Company.

	For the fourth quarter of		For fiscal	
	2023	**2022**	**2023**	**2022**
Results from operating activities	**$ (4.4)**	$ 96.1	**$ 48.3**	$ 143.1
Federal subsidies	**-**	(4.7)	**(1.2)**	(22.7)
Restructuring costs (recoveries), net	**(1.9)**	0.5	**(1.4)**	(12.2)
Gain on settlement of liabilities subject to compromise	**-**	(88.6)	**-**	(88.6)
Adjusted ROA	**$ (6.3)**	$ 3.3	**$ 45.7**	$ 19.6

	As at January 28, 2023	As at January 29, 2022
Current assets	**$ 265.9**	$ 194.7
Current liabilities	**122.9**	99.0
Working capital	**$ 143.0**	$ 95.7

SUPPLEMENTARY FINANCIAL MEASURES

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 or to pick up in store, 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 net sales generated by stores that have been continuously open during both of the periods being compared and include e-commerce net sales. The comparable sales metric compares the same calendar days for each period. Although this KPI is expressed as a ratio, it is a supplementary 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 net sales and considers it useful in helping to determine what portion of new net 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.

This MD&A does not include a discussion of the Company's comparable sales in respect of fiscal 2023 as management believes that comparable sales were not representative of the underlying trends of our business due to partial lockdowns and consequently would not provide a meaningful metric in comparisons of year-over-year net sales results. However, it does include a discussion of the Company's comparable sales for the fourth quarter of fiscal 2023 as compared to the fourth quarter of 2022 given that the Company's store network was operating at full capacity in both the fourth quarter of 2023 and 2022.

This MD&A discloses the Company's e-commerce net sales as a percentage of the Company's net sales and is defined as the net sales recognized from its e-commerce channel in relation to the Company's total net sales. This supplementary financial measure does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. Management uses this measure to analyze trends in the customers' cross-channel behaviour for operating and capital expenditure funding allocation decisions.

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, founded in 1926, operates stores averaging 4,700 sq. ft. and is Canada's leading specialty fashion destination. With a strong online presence and store locations across the country, Reitmans customers account for over one-third of Canadian women. Reitmans ambition is to offer a feel-good and inclusive space featuring on-trend styles in the most extensive size range, from 0-22.

PENN.
PENNINGTONS

PENN. is Canada's premiere destination for plus-size fashion, ranging from sizes 14 to 32. Through championing body diversity and size inclusivity, the brand believes that women deserve to experience the freedom that comes with feeling confident in their clothing. PENN. 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 as well as on their e-commerce site. Specializing in menswear and womenswear, the brand delivers versatile, well-crafted collections and exceptional brand experiences to an open and inclusive brand community.

RETAIL BANNERS

	Number of stores at January 29, 2022	**Q1 Openings**	**Q2 Openings**	**Q2 Closings**	**Q3 Openings**	**Q3 Closings**	**Q4 Openings**	**Number of stores at January 28, 2023**
Reitmans	237	-	-	(1)	-	(1)	-	235
Penningtons	90	2	1	(2)	2	(2)	-	91
RW&CO.	77	-	-	-	1	-	2	80
Total stores	**404**	**2**	**1**	**(3)**	**3**	**(3)**	**2**	**406**

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. In most cases when a store is closed, merchandise at that location is sold off in the normal course of business and any unsold merchandise remaining at the closing date is generally transferred to other stores operating under the same banner for sale in the normal course of business.

THREE-YEAR REVIEW OF SELECTED FINANCIAL INFORMATION

	Fiscal 2023	Fiscal 2022	Fiscal 2021
Total stores at end of fiscal year	**406**	404	415
Net sales	**$ 800.6**	$ 662.0	$ 533.4
Gross profit	**448.7**	353.2	246.3
Earnings (loss) before income taxes	**45.6**	142.8	(99.8)
Net earnings (loss) from continuing operations	**77.7**	143.2	(100.0)
Net earnings (loss) from discontinued operations	**-**	15.0	(72.2)
Net earnings (loss)	**77.7**	158.2	(172.2)
Earnings (loss) per share			
Basic	**1.59**	3.24	(3.52)
Diluted	**1.59**	3.24	(3.52)
Earnings (loss) per share, continuing operations			
Basic	**1.59**	2.93	(2.05)
Diluted	**1.59**	2.93	(2.05)
Total current assets	**265.9**	194.7	214.0
Total assets	**444.5**	314.3	397.2
Total current liabilities	**122.9**	99.0	284.5
Total non-current liabilities	**60.8**	31.4	91.0

The Canadian retail marketplace reflects consumers shopping behaviours that include traditional in-store purchases and online shopping. The Company's omnichannel strategy includes investing in both store locations and e-commerce. While most of the Company's capital investments were focused on traditional store locations during fiscal 2023, the Company has invested in and will continue to invest in improvements in e-commerce fulfillment and technology to enhance the customers' online and in-store experiences. 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. In late January 2023, the Company launched its on-line marketplace with third party sellers offering an expanded and curated product array.

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 exchange market risks allows the Company to mitigate any negative impact. As described under the section titled "Foreign Exchange Contracts", early in fiscal 2021, the Company temporarily paused its hedging program and it continues to use spot purchases of U.S. dollars to meet its merchandise commitments.

Net Sales

In fiscal 2021, the reduction in net sales (hereafter referred to as "sales" and represents sale of merchandise less discounts and returns) was primarily due to the reduced number of stores in operation resulting from temporary lockdown measures implemented by governmental health authorities. 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 in certain geographical areas resulted in a majority of the Company's stores being temporarily closed during the fourth quarter of 2021. 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.

In fiscal 2022, the increase in sales was primarily due to the Company's store network operating capacity being closed for far fewer total number of days while under partial lockdowns during fiscal 2022 as compared to a phased store re-opening from full and partial lockdowns during fiscal 2021, resulting in an increase in store traffic and number of transactions, with customers transitioning back to a "brick and mortar" shopping experience and an increase in the Company's e-commerce sales.

In fiscal 2023, there were no government-imposed temporary lockdowns as compared to a partial lockdown of the Company's stores network during a portion of fiscal 2022. Increased customer traffic in stores, higher average transaction value and less markdowns and promotional discounting contributed to the increase in sales.

Gross Profit

Overall, the Company's gross profit and net earnings over the past three fiscal years have been impacted by the value of the Canadian dollar in relation to the U.S. dollar. During fiscal 2023, the weakening of the Canadian dollar had resulted in higher merchandise costs, whereas, during fiscal 2022, the strengthening of the Canadian dollar had resulted in lower merchandise costs, as virtually all merchandise payments are settled in U.S. dollars. 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. In fiscal 2022, in addition to the favorable impact of a stronger Canadian dollar, the Company's gross profit increased due to higher sales and lower promotional activity. This was partially offset by higher merchandise freight costs as the global shipping industry disruption required an increased usage of air freight shipments to meet customer demand. In fiscal 2023, the Company's gross profit increased due to higher sales and lower promotional activity combined with lower overall supply chain costs as the global shipping industry disruption stabilized requiring less air freight shipments to meet customer demand. This was partially offset by an unfavorable foreign exchange impact on U.S. dollar denominated purchases included in cost of goods sold.

Summary

During the past three years, fiscal 2021 was the year most impacted from government mandated temporary store closures. Consequently, during fiscal 2021, the Company filed for Companies' Creditors Arrangement Act ("CCAA") protection. In fiscal 2022, the impact of COVID-19 was still omnipresent, but to a lesser degree as compared to fiscal 2021. In January 2022, the Company successfully exited from CCAA protection and the Company recognized a gain on settlement of liabilities subject to compromise of $88.6 million. In fiscal 2023, as any remaining government temporary restrictions were lifted early on in the fiscal year, the Company leveraged pent-up demand for work and social gathering apparel, and successfully drove compelling marketing campaigns that led to a 47.6% increase in store traffic and an 8.9% increase in e-commerce traffic year over year. In addition, the Company navigated successfully through global supply chain challenges by managing inventory levels to meet customer demand. Despite tough inflationary market conditions, new branding initiatives and a customer-centric product offering also contributed to the improved performance in fiscal 2023.

As at the end of fiscal 2023, the Company increased its working capital[1] position by $47.3 million as compared to the end of fiscal 2022, and the Company had no long-term debt (other than lease liabilities).

[1] This is a Non-GAAP Financial Measure. See section entitled "Non-GAAP Financial Measures & Supplementary Financial Measures" for a reconciliation of this measure.

As at January 28, 2023, included in the Company's current assets is cash of $103.0 million (January 29, 2022 - $25.5 million) and the Company had no balance owing on its secured asset-based revolving credit facility (January 29, 2022 - $29.6 million owing).

As at the end of fiscal 2023, inventory levels were higher as compared to the end of fiscal 2022 due primarily to higher merchandise costs and a higher number of merchandise units in order to meet the anticipated customer demand in the spring selling season. As at the end of fiscal 2022, inventory levels were higher as compared to the end of fiscal 2021 due primarily to having more stores in operation compared to the end of fiscal 2021 where 240 stores of the Company's store network were temporarily closed due to governmental lockdown directives, and in fiscal 2022, the Company accelerated merchandise deliveries to mitigate global shipping industry disruptions. As at the end of fiscal 2021, inventory levels were low 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 (see section entitled "Discontinued Operations").

The Company managed its capital expenditures, which, on a cash basis, were $6.2 million in fiscal 2021, $15.2 million in fiscal 2022 and $10.7 million in fiscal 2023. During fiscal 2021, the Company cancelled or delayed significant investments in capital expenditures, whereas the Company increased its capital spending in fiscal 2022 focusing mainly on store locations. Capital expenditures over the past three fiscal periods are primarily investments related to store renovations and information technology hardware and software.

OPERATING RESULTS FOR FISCAL 2023 COMPARED TO FISCAL 2022

	Fiscal 2023	Fiscal 2022	$ Change	% Change
Net sales	**$ 800.6**	$ 662.0	$ 138.6	20.9%
Cost of goods sold	**351.9**	308.8	43.1	14.0%
Gross profit	**448.7**	353.2	95.5	27.0%
Gross profit %	**56.0%**	53.4%		
Selling, distribution and administrative expenses[1]	**400.4**	298.7	101.7	34.0%
Gain on settlement of liabilities subject to compromise	**-**	(88.6)	(88.6)	n/a
Results from operating activities	**48.3**	143.1	(94.8)	(66.2)%
Net finance costs	**(2.7)**	(0.3)	(2.4)	n/a
Earnings before income taxes	**45.6**	142.8	(97.2)	(68.1)%
Income tax recovery	**32.1**	0.4	31.7	n/a
Net earnings from continuing operations	**77.7**	143.2	(65.5)	(45.7)%
Net earnings from discontinued operations	**-**	15.0	(15.0)	n/a
Net earnings	**$ 77.7**	$ 158.2	$ (80.6)	(50.9)%
Adjusted EBITDA from continuing operations[2]	**$ 57.0**	$ 38.6	$ 18.4	47.7%
Adjusted ROA[2]	**$ 45.7**	$ 19.6	$ 26.1	n/a
Earnings per share:				
Basic	**$ 1.59**	$ 3.24	$ (1.65)	(50.9)%
Diluted	**1.59**	3.24	(1.65)	(50.9)%
Earnings per share, continuing operations:				
Basic	**$ 1.59**	$ 2.93	$ (1.34)	(45.7)%
Diluted	**1.59**	2.93	(1.34)	(45.7)%

[1] Includes $1.4 million of restructuring costs recovery for fiscal 2023 (a restructuring costs recovery of $12.2 million for fiscal 2022).

[2] This is a Non-GAAP Financial Measure. See section entitled “Non-GAAP Financial Measures & Supplementary Financial Measures” for reconciliations of these measures.

Net Sales

Net sales for fiscal 2023 increased by $138.6 million, or 20.9%, to $800.6 million. More of the Company’s stores were open as there were no government-imposed lockdowns during fiscal 2023 as compared to a partial lockdown of the Company’s stores network during a portion of fiscal 2022. Continued strength in the Company’s merchandising assortment, coupled with strong customer traffic, higher average transaction value and less markdowns and promotional discounting contributed to the increase in sales. The Company’s e-commerce net sales continue to be strong representing approximately 28%[1] of the total net sales for fiscal 2023.

[1] This is a supplementary financial measure. See section entitled “Supplementary Financial Measures”.

Gross Profit

Gross profit for fiscal 2023 increased $95.5 million to $448.7 million as compared with $353.2 million for fiscal 2022. Gross profit as a percentage of net sales for fiscal 2023 increased to 56.0% from 53.4% for fiscal 2022. The increase both in gross profit and as a percentage of net sales is primarily attributable to increased net sales and lower markdowns and promotional activity in fiscal 2023 combined with lower overall supply chain costs as the Company effectively managed inventory

shipments, and benefited from stabilized shipping rates in the third quarter of fiscal 2023, partially offset by an unfavorable foreign exchange impact on U.S. dollar denominated purchases included in cost of goods sold.

Selling, Distribution and Administrative Expenses

Total selling, distribution and administrative expenses of $400.4 million for fiscal 2023 increased by $101.7 million, or 34.0%, as compared to fiscal 2022 primarily attributable to the following:

- increased store operating costs due primarily to an increase in store personnel wages, higher digital media advertising spend, higher credit card fees due to the improved sales performance and higher rent expenditures as a result of lease arrangements tied to percentage of sales performance and preferential rent arrangements put in place while under CCAA protection being renewed at current market lease rates;
- a $21.5 million decrease in total combined financial support from Federal subsidy programs which has been recognized as a reduction of selling, distribution and administrative expenses;
- a $10.8 million decrease in restructuring costs recoveries as $1.4 million recovery was realized during fiscal 2023 as compared to a recovery of $12.2 million realized during fiscal 2022 (see Note 16 of the audited consolidated financial statements for fiscal 2023);
- a $19.9 million increase in performance incentive plan expense, which plan expense is based upon the attainment of operating performance targets;
- higher overall freight costs due primarily to higher parcel courier rates during fiscal 2023 and a $1.9 million non-recurring volume rebate received during fiscal 2022;
- higher consulting fees primarily related to the various Company marketing and human resources initiatives;
- higher head office and distribution centre personnel wages primarily as a result of merit increases awarded;

  partially offset by,

- a $4.7 million decrease in depreciation, amortization and net impairment losses due primarily to the Company's controlled spending in property and equipment and intangible assets and the timing of renegotiated leases accounted for as right-of-use assets.

Gain on Settlement of Liabilities Subject to Compromise

In fiscal 2022, as a result of the Company's emergence from the CCAA proceedings and the settlement of all claims, the Company recognized a gain on settlement of liabilities subject to compromise of $88.6 million. See Note 16 of the audited consolidated financial statements for fiscal 2023.

Net Finance Costs

Net finance costs were $2.7 million for fiscal 2023 as compared to $0.3 million for fiscal 2022. The increase of $2.4 million is primarily attributable to the lower foreign exchange gain on U.S. denominated net monetary assets, higher interest expense related to lease liabilities as compared to fiscal 2022 and higher interest expense on borrowings during the first half of fiscal 2023 under the secured asset-based revolving credit facility, partially offset by the higher interest income earned on funds mainly held with a Canadian bank.

Income Taxes

As at January 28, 2023, management's assessment is that the Company has the ability to generate future profitable operations and that it is probable that future taxable profits will be available to utilize the tax benefits. The income tax recovery of $32.1 million for fiscal 2023 is comprised of the recognition of $32.6 million of previously unrecognized deferred tax assets on all temporary differences and operating losses carried forward relating to its Canadian operations, net of the estimated tax expense of $0.5 million related to the operations of a foreign subsidiary.

The income tax recovery of $0.4 million for fiscal 2022 is mainly comprised of adjustments in respect of prior year periods, net of the estimated tax expense related to the operations of a foreign subsidiary. In fiscal 2022, unrecognized deferred tax assets were utilized to eliminate taxable income of the Company's Canadian operations. As at January 29, 2022, as a result of the uncertainties related to the Company's ability to generate future profitable operations and management's assessment that it was not probable that future taxable profits will be available, the Company did not recognize deferred tax assets on all temporary differences and operating losses carried forward relating to its Canadian based operations.

Net Earnings from continuing operations

Net earnings from continuing operations for fiscal 2023 was $77.7 million ($1.59 basic and diluted earnings per share) as compared with $143.2 million ($2.93 basic and diluted earnings per share) for fiscal 2022. The decrease in net earnings of $65.5 million is primarily attributable to the increase in overall operating costs, including performance incentive plan awards, the reduction of Federal subsidies, the lower restructuring recoveries and an increase in net finance costs in fiscal 2023, plus the non-recurring $88.6 million gain on settlement of liabilities subject to compromise that was recognized in fiscal 2022, partially offset by an increase in gross profits and an increase in the income tax recovery arising from the recognition of previously unrecognized deferred tax assets, as noted above.

Adjusted EBITDA from continuing operations

Adjusted EBITDA from continuing operations for fiscal 2023 was $57.0 million as compared to $38.6 million for fiscal 2022. The increase of $18.4 million is primarily attributable to the increase in gross profit, partially offset by an increase in operating costs, as noted above.

Adjusted ROA

Adjusted ROA for the fiscal 2023 was $45.7 million as compared to $19.6 million for the fiscal 2022. The increase of $26.1 million is primarily attributable to the increase in gross profit, partially offset by an increase in operating costs, as noted above.

OPERATING RESULTS FOR THE FOURTH QUARTER OF 2023 COMPARED TO THE FOURTH QUARTER OF 2022

	Fourth Quarter of 2023	Fourth Quarter of 2022[1]	$ Change	% Change
Net sales	**$ 211.9**	$ 190.2	$ 21.7	11.4%
Cost of goods sold	**103.4**	94.0	9.4	10.0%
Gross profit	**108.5**	96.2	12.3	12.8%
Gross profit %	**51.2%**	50.6%		
Selling, distribution and administrative expenses[1]	**112.9**	88.7	24.2	27.3%
Gain on settlement of liabilities subject to compromise	**-**	(88.6)	(88.6)	n/a
Results from operating activities	**(4.4)**	96.1	(100.5)	n/a
Net finance income	**0.2**	1.1	(0.9)	(81.8)%
(Loss) earnings before income taxes	**(4.2)**	97.2	(101.4)	n/a
Income tax recovery	**31.7**	0.0	31.7	n/a
Net earnings from continuing operations	**$ 27.5**	$ 97.2	$ (69.7)	(71.7)%
Adjusted EBITDA from continuing operations[2]	**$ (3.7)**	$ 10.6	$ (14.3)	n/a
Adjusted ROA[2]	**$ (6.3)**	$ 3.3	$ (9.6)	n/a
Earnings per share:				
Basic	**$ 0.56**	$ 1.99	$ (1.43)	(71.9)%
Diluted	**0.56**	1.99	(1.43)	(71.9)%
Earnings per share, continuing operations:				
Basic	**$ 0.56**	$ 1.99	$ (1.43)	(71.9)%
Diluted	**0.56**	1.99	(1.43)	(71.9)%

[1] Includes $1.9 million of restructuring costs recovery for the fourth quarter of 2023 (a restructuring costs of $0.5 million for the fourth quarter of 2022).

[2] This is a Non-GAAP Financial Measure. See section entitled “Non-GAAP Financial Measures & Supplementary Financial Measures” for reconciliations of these measures.

Net Sales

Net sales for the fourth quarter of 2023 increased by $21.7 million, or 11.4%, to $211.9 million. The increase was primarily due to the strong growth in comparable sales. Comparable sales[1], which include e-commerce net sales, increased 12.7% during the fourth quarter of 2023. The increase in comparable sales was primarily due to an increase in store and online traffic and customers’ overall transaction value. The Company’s e-commerce net sales continue to be strong representing approximately 34%[1] of the total net sales for the fourth quarter of 2023.

[1] This is a supplementary financial measure. See section entitled “Supplementary Financial Measures”.

Gross Profit

Gross profit for the fourth quarter of 2023 increased $12.3 million to $108.5 million as compared with $96.2 million for the fourth quarter of 2022. Gross profit as a percentage of net sales for the fourth quarter of 2023 increased to 51.2% from 50.6% for the fourth quarter of 2022. The increase both in gross profit and as a percentage of net sales is primarily attributable to the increase in net sales and lower promotional activity combined with lower overall supply chain costs as global shipping industry disruptions were less prevalent in the fourth quarter of 2023 and required less air freight shipments to meet customer demand, partially offset by an unfavorable foreign exchange impact on U.S. dollar denominated purchases included in cost of goods sold.

Selling, Distribution and Administrative Expenses

Total selling, distribution and administrative expenses of $112.9 million for the fourth quarter of 2023 increased by $24.2 million or 27.3%, as compared to the fourth quarter of 2022 primarily attributable to the following:

- increased store operating costs due primarily to an increase in store personnel wages, higher digital media advertising spend, higher credit card fees due to the improved sales performance and higher rent expenditures as a result of lease arrangements tied to percentage of sales performance and preferential rent arrangements put in place while under CCAA protection being renewed at current market lease rates;
- a $8.6 million increase in performance incentive plan expense, which plan expense is based upon the attainment of operating performance targets;
- a $4.7 million decrease in total combined financial support from Federal subsidy programs which has been recognized as a reduction of selling, distribution and administrative expenses;
- higher overall freight costs primarily due to an increase in the volume of e-commerce shipments combined with higher parcel courier rates during the fourth quarter of 2023;
- higher consulting fees primarily related to various Company marketing and human resources initiatives;
- higher head office and distribution centre personnel wages as a result of merit increases awarded.

  partially offset by,

- a recovery of restructuring costs of $1.9 million realized during the fourth quarter of 2023 as compared to restructuring costs of $0.5 million incurred during the fourth quarter of 2022;
- a $1.7 million decrease in depreciation, amortization and net impairment losses due primarily to the Company's controlled spending in property and equipment and intangible assets.

Gain on Settlement of Liabilities Subject to Compromise

In the fourth quarter of 2022, as a result of the Company's emergence from the CCAA proceedings and the settlement of all claims, the Company recognized a gain on settlement of liabilities subject to compromise of $88.6 million. See Note 16 of the audited consolidated financial statements for fiscal 2023.

Net Finance Income

Net finance income was $0.2 million for the fourth quarter of 2023 as compared to $1.1 million for the fourth quarter of 2022. The change of $0.9 million is primarily attributable to the lower foreign exchange gain on U.S. denominated net monetary assets and the higher interest expense related to lease liabilities as compared to the fourth quarter of 2022, partially offset by the higher interest income earned on funds held with a Canadian bank.

Income Taxes

The income tax recovery of $31.7 million for the fourth quarter of 2023 is mainly comprised of the recognition of previously unrecognized deferred tax assets on all temporary differences and operating losses carried forward relating to its Canadian operations. As at January 28, 2023, management's assessment is that the Company has the ability to generate future profitable operations and that it is probable that future taxable profits will be available to utilize the tax benefits.

There was no income tax expense in the fourth quarter of 2022 as unrecognized deferred tax assets were utilized to eliminate taxable income. As a result of the uncertainties related to the Company's ability to generate future profitable operations and management's assessment that it was not probable that future taxable profits will be available, the Company did not recognize deferred tax assets on all temporary differences and operating losses carried forward relating to its Canadian based operations.

Net Earnings from Continuing Operations

Net earnings from continuing operations for the fourth quarter of 2023 were $27.5 million ($0.56 basic and diluted earnings per share) as compared with $97.2 million ($1.99 basic and diluted earnings per share) for the fourth quarter of 2022. The decrease in net earnings of $69.7 million is primarily attributable to the non-recurring $88.6 million gain on settlement of liabilities subject to compromise recognized in the fourth quarter of 2022, the increase in overall operating costs, including performance incentive plan awards, and the reduction of Federal subsidies, partially offset by an increase in gross profits, lower restructuring costs and an increase in the income tax recovery arising from the recognition of previously unrecognized deferred tax assets, as noted above.

Adjusted EBITDA from Continuing Operations

Adjusted EBITDA from continuing operations for the fourth quarter of 2023 was $(3.7) million as compared to $10.6 million for the fourth quarter of 2022. The decrease of $14.3 million is primarily attributable to an increase in operating costs, partially offset by the increase in gross profits, as noted above.

Adjusted ROA

Adjusted ROA for the fourth quarter of 2023 was $(6.3) million as compared with $3.3 million for the fourth quarter of 2022. The decrease of $9.6 million is primarily attributable to an increase in operating costs, partially offset by the increase in gross profit, as noted above.

FOREIGN EXCHANGE CONTRACTS

The Company imports a majority of its merchandise purchases from foreign vendors, with lead times in some cases extending twelve months. To hedge a portion of its exposure to fluctuations in the value of the U.S. dollar, the Company used to enter into foreign exchange forward contracts. Early in 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 under the now finalized CCAA proceedings. As at January 28, 2023, the Company's hedging program remained temporarily paused. As at the date of this MD&A, no foreign exchange forward contracts have been entered into.

SUMMARY OF QUARTERLY RESULTS

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 “2022” are to the Company’s fiscal year ended January 29, 2022.

	Fourth Quarter		Third Quarter		Second Quarter		First Quarter	
	2023	2022	2023	2022	2023	2022	2023	2022
Net sales	$ 211.9	$ 190.2	$ 205.6	$ 178.2	$ 229.2	$ 172.3	$ 153.9	$ 121.3
Net earnings (loss) from continuing operations	27.5	97.2	14.6	22.0	37.3	23.9	(1.7)	(0.0)
Net earnings from discontinued operations	-	-	-	4.8	-	10.2	-	-
Net earnings (loss)	27.5[1]	97.2[1]	14.6[2]	26.8[2]	37.3[3]	34.1[3]	(1.7)[4]	(0.0)[4]
Earnings (loss) per share								
Basic	$ 0.56[1]	$ 1.99[1]	$ 0.30[2]	$ 0.55[2]	$ 0.76[3]	$ 0.70[3]	$ (0.04)[4]	$ (0.00)[4]
Diluted	0.56[1]	1.99[1]	0.30[2]	0.55[2]	0.76[3]	0.70[3]	(0.04)[4]	(0.00)[4]
Earnings (loss) per share, continuing operations:								
Basic	$ 0.56	$ 1.99	$ 0.30	$ 0.45	$ 0.76	$ 0.49	$ (0.04)	$ (0.00)
Diluted	0.56	1.99	0.30	0.45	0.76	0.49	(0.04)	(0.00)

[1] During the fourth quarter of 2023, net earnings include $1.9 million of restructuring costs recovery. During the fourth quarter of 2022, net earnings include the impact of Federal subsidies totalling $4.7 million, gain on settlement of liabilities subject to compromise of $88.6 million, partially offset by restructuring costs of $0.5 million.

[2] During the third quarter of 2023, net earnings include restructuring costs of $0.1 million. During the third quarter of 2022, net earnings include the impact of Federal subsidies totalling $1.6 million and a restructuring costs recovery of $0.3 million.

[3] During the second quarter of 2023, net earnings include restructuring costs recovery of $0.2 million. During the second quarter of 2022, net earnings include the impact of Federal subsidies totalling $6.2 million and a restructuring costs recovery of $16.1 million.

[4] During the first quarter of 2023, net loss includes restructuring costs of $0.6 million, partially offset by the impact of Federal subsidies totalling $1.2 million. During the first quarter of 2022, net loss includes the impact of Federal subsidies totalling $10.3 million and a restructuring costs recovery of $6.6 million.

BALANCE SHEET

Selected line items from the Company's consolidated balance sheets as at January 28, 2023 and January 29, 2022 are presented below:

	2023	2022	$ Change	% Change
Cash	**$ 103.0**	$ 25.5	$ 77.5	n/a
Trade and other receivables	**3.2**	7.6	(4.4)	(57.9)%
Inventories	**142.3**	119.0	23.3	19.6%
Prepaid expenses and other assets	**14.5**	42.6	(28.1)	(66.0)%
Property and equipment & intangible assets	**66.5**	71.6	(5.1)	(7.1)%
Right-of-use assets	**79.9**	45.0	34.9	77.6%
Deferred income taxes	**32.3**	0.2	32.1	n/a
Revolving credit facility	**-**	29.6	(29.6)	n/a
Trade and other payables	**81.1**	34.5	46.6	n/a
Deferred revenue	**14.1**	13.5	0.6	4.4%
Income taxes payable	**1.0**	0.5	0.5	n/a
Lease liabilities (current and non-current)	**87.5**	52.3	35.2	67.3%

Changes in selected line items from the Company's consolidated balance sheets at January 28, 2023 as compared to January 29, 2022 were primarily due to the following:

- cash increased $77.5 million due to an increase in cash generated from operations, primarily due to improved sales performance, partially offset by the funds repaid under the secured asset-based revolving credit facility and the investments made in property and equipment in fiscal 2023;
- trade and other receivables decreased primarily due to the Company no longer being eligible to receive assistance under government wage and rent subsidy programs;
- inventories are higher primarily due to the normal build-up for the spring selling season and a higher average merchandise purchase cost;
- the decrease of $28.1 million in prepaid expenses and other assets is primarily due to a reduction in deposits with suppliers;
- property and equipment & intangible assets decreased by $5.1 million. During fiscal 2023, $10.5 million had been spent primarily on store renovations and head office hardware and software investments. Depreciation and amortization of $14.5 million and a net impairment of $1.1 million on property and equipment and intangible assets were recognized in fiscal 2023 ($18.1 million of depreciation and amortization and a net impairment of $1.6 million on property and equipment and intangible assets were recognized in fiscal 2022);
- right-of-use assets represent the right-to-use the retail stores and certain equipment over their lease terms. Right-of-use assets increased by $34.9 million primarily due to the Company renegotiating leases subsequent to its exit from CCAA protection and certain of those leases were modified to return to fixed payment leases, resulting in lease additions of $64.5 million in fiscal 2023. Depreciation and amortization of $29.3 million was recognized in fiscal 2023 ($29.5 million of depreciation and amortization was recognized in fiscal 2022);
- deferred tax assets increased by $32.1 million from the recognition of deferred tax assets on all temporary differences and operating losses carried forward relating to its Canadian operations as a result of management's assessment that the Company has the ability to generate future profitable operations and that it is probable that future taxable profits will be available to utilize the tax benefits;
- the revolving credit facility decreased by $29.6 million as amounts borrowed under the facility had been paid during the second quarter of 2023;

- trade and other payables increased by $46.6 million primarily due to the timing of payments related to trade, non-trade payables and personnel related liabilities (including performance incentive plan awards), an increase in sales tax liabilities and an increase in the refund liability related to sales returns as a result of the increase in sales during the fourth quarter of 2023;
- deferred revenue increased by $0.6 million due to the timing of gift card redemptions. Deferred revenue consists of unredeemed gift cards, loyalty points and awards granted under customer loyalty programs;
- income taxes payable consists of estimated net tax liabilities of a foreign subsidiary. The increase of $0.5 million in income taxes payable is primarily due to estimated income tax owing by a foreign subsidiary;
- lease liabilities represent the present value of the Company's obligations to make lease payments for its store and equipment leases. During fiscal 2023, lease liabilities increased by lease additions of $64.6 million and interest expense of $4.9 million, offset by payments of $33.7 million and lease modifications of $0.6 million.

OPERATING RISK MANAGEMENT

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.

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 future pandemic 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.

While government containment protocols were eased at the beginning of fiscal 2023 and global shipping industry disruptions have been stabilized, any future COVID-19 and its variants outbreaks can require governments to re-establish containment protocols in Canada and can have an impact on consumer shopping patterns and behavior that could have further negative consequences to the Company in fiscal 2024.

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.

Environmental, Social, Governance, ("ESG") or Sustainability Responsibilities

Investors, shareholders, customers and employees have focused increasingly on the environmental, social and governance ("ESG") practices of companies, including those associated with climate change. If the Company's ESG practices fall short of stakeholder expectations and as they continue to evolve, our brand, reputation and employee retention may be negatively impacted. As such, the possibility exists that stakeholders may not be satisfied with the Company's ESG practices or the speed of their adoption. The Company could also incur additional costs and require additional resources to monitor, report, and comply with various ESG expectations and requirements. Also, the

Company's failure, or perceived failure to do so could negatively impact our reputation, employee retention, and the willingness of our clients and suppliers to do business with the Company. As a strong supporter of ESG initiatives, from sustainability focused products to diversity and inclusion, the Company has established an ESG team to develop and finalize its ESG strategies.

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 2023, only one supplier represented over 10% of the Company's purchases (in 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 2022, disruptions in the Company's supply chain resulted in an unprecedented increase in containerized cargo demand and reduced vessel capacity, which resulted in merchandise delivery delays, increasing merchandise freight costs and an increased usage of air freight shipments. Future supply chain issues could have negative financial consequences to the Company.

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 and interest rate 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 trade and other receivables. The Company limits its exposure to credit risk with respect to cash 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 28, 2023 and January 29, 2022, expected credit loss on these financial assets is not significant.

As at January 28, 2023, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash	$ 103.0
Trade and other receivables	3.2
	$ 106.2

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. Cash flows provided by operations and funds available from the revolving credit facility will be sufficient to meet the Company's operational requirements and financial obligations. The contractual maturity of the Company's revolving credit facility is January 12, 2025. The majority of trade and other payables are payable within twelve months.

For fiscal 2023, the Company realized net earnings of $77.7 million (including a $32.1 million income tax recovery). As at January 28, 2023, the Company's current assets total $265.9 million and current liabilities total $122.9 million. The Company has a senior secured asset-based revolving credit facility with a Canadian financial institution for an amount of up to $115.0 million ("borrowing base"), or its U.S. dollar equivalent. As of January 28, 2023, the Company's borrowing base was $92.8 million (January 29, 2022 - $90.7 million) and no amount was drawn under the credit facility (January 29, 2022 - $29.6 million). Refer to Note 13 in the audited consolidated financial statements for fiscal 2023.

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 options 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 at January 28, 2023, the Company's hedging program remained temporarily paused and no foreign exchange contracts were outstanding.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash of $22.8 million U.S. and trade payables of $10.6 million U.S. to determine how a change in the U.S. dollar exchange rate would affect net earnings. On January 28, 2023, 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 $1.2 million increase or decrease, respectively, in the Company's net earnings for fiscal 2023.

Interest Rate Risk

Interest rate risk exists in relation to the Company's cash and its revolving credit facility. Market fluctuations in interest rates impacts the Company's earnings with respect to interest earned on cash that are invested mainly with major Canadian financial institutions and interest paid on outstanding balances of the revolving credit facility.

The Company has performed a sensitivity analysis on interest rate risk related to interest income earned on its cash as at January 28, 2023 to determine how a change in interest rates would impact net earnings. For fiscal 2023, the Company earned interest income of $1.9 million on its cash. An increase or decrease of 100 basis points in the average interest rate earned during the year would have resulted in a $0.5 million increase or decrease, respectively, in the Company's net earnings. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The Company has performed a sensitivity analysis on interest rate risk related to interest expense incurred on its revolving credit facility as at January 28, 2023 to determine how a change in interest rates would impact net earnings. For the year ended January 28, 2023, the Company incurred interest expense of $0.4 million on its revolving credit facility. An increase or decrease of 100 basis points in the average interest rate incurred during the year would have decreased or increased net earnings by $0.1 million, respectively.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

The Company primarily uses funds for working capital requirements and capital expenditures. Shareholders' equity as at January 28, 2023 amounts to $260.8 million or $5.34 per share (January 29, 2022 - $183.8 million or $3.76 per share) based on 48.9 million shares being the total of common and Class A non-voting shares as of the end of the fiscal year (January 29, 2022 - 48.9 million shares). As at January 28, 2023, the Company has current assets of $265.9 million (January 29, 2022 - $194.7 million) and current liabilities of $122.9 million (January 29, 2022 - $99.0 million) and no long-term debt (other than lease liabilities). As at January 28, 2023, included in the Company's current assets is cash of $103.0 million (January 29, 2022 - $25.5 million). Cash is held in interest bearing accounts mainly with a major Canadian financial institution.

The Company has a senior secured asset-based revolving credit facility with a Canadian financial institution of up to $115.0 million (or its U.S. dollar equivalent), which matures on January 12, 2025. If and when necessary, this committed facility is used to finance the ongoing operations of the Company. As at January 28, 2023, no amount was drawn under the secured asset-based credit facility (January 29, 2022 - $29.6 million).

In fiscal 2023, the Company invested $10.7 million in capital expenditures, on a cash basis, primarily in store renovations and head office hardware and software additions. Excluding any economic uncertainty, the Company expects to invest approximately $20.0 million in capital expenditures in fiscal 2024 in various areas such as store and facility renovations and equipment related to other corporate initiatives.

FINANCIAL COMMITMENTS

The following table sets forth the Company's financial commitments as at January 28, 2023:

Contractual Obligations	**Total**	**Within 1 year**	**2 to 4 years**	**5 years and over**
Trade and other payables	$ 81.1	$ 81.1	$ -	$ -
Lease obligations[1]	101.4	32.0	54.5	14.9
Purchase obligations[2]	144.6	140.9	3.7	-
Other service contracts	8.1	3.5	4.6	-
Total contractual obligations	**$ 335.2**	**$ 257.5**	**$ 62.8**	**$ 14.9**

[1] Represents the undiscounted minimum lease payments for leases of retail locations and office equipment.

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

OUTSTANDING SHARE DATA

At April 13, 2023, 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 2,597,000 share options outstanding at an average exercise price of $2.63. Each share option entitles the holder to purchase one Class A non-voting share of the Company at an exercise price established based on the market price of the shares at the date the option was granted.

OFF-BALANCE SHEET ARRANGEMENTS

Derivative Financial Instruments

The Company in its normal course of business must make long lead-time commitments for a significant portion of its merchandise purchases, in some cases as long as twelve months. Most of these purchases must be paid for in U.S. dollars. The Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar long-term commitments, including spot rate purchases and foreign currency forward contracts with maturities generally not exceeding twelve months and are normally designated as cash flow hedges. In early fiscal 2021, the Company had temporarily paused its hedging program. As at January 28, 2023, the Company's hedging program remained temporarily paused and there were no foreign exchange contracts outstanding.

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 18 to the audited consolidated financial statements for fiscal 2023.

During fiscal 2023, the Company incurred $1.8 million (fiscal 2022 - $1.8 million) in compensation expenses for key management personnel consisting of salaries, directors' fees and short-term benefits.

Other Related-Party Transactions

The Company incurred $0.1 million in fiscal 2023 (fiscal 2022 - $1.2 million) for legal services rendered by a law firm connected to a member of the Board of Directors.

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

FINANCIAL INSTRUMENTS

The Company uses its cash resources and its credit facilities 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 trade and other receivables. The Company reduces this risk by dealing only with highly-rated counterparties, normally major Canadian financial institutions.

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 26 of the audited consolidated financial statements for fiscal 2023.

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 Company's reported assets, liabilities, revenue and expenses, and on the related disclosures, using estimates and assumptions, which are subject to significant uncertainties. 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 the Company's defined benefit pension plan 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 plan, 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 comprised of finished goods and 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.

Impairment of Non-Financial Assets

The Company must assess the possibility that the carrying amounts of tangible and intangible assets may not be recoverable. Impairment testing is performed whenever there is an indication of impairment. Significant management estimates are required to determine the recoverable amount of the cash-generating unit ("CGU") including estimates of fair value, selling costs or the discounted future cash flows related to the CGU. Differences in estimates could affect whether property and equipment, right-of use assets and intangible assets are in fact impaired and the dollar amount of that impairment.

Leases

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

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 28, 2023, the Company's operating segments, before aggregation, have been identified as the Company's three brands: Reitmans, Penningtons and RW&CO.

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 using significant assumptions, including sales growth rates, as to whether there will be sufficient future taxable profits available against which they can be utilized.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED IN FISCAL 2023

New amendments to standards and interpretations not yet effective for fiscal 2023 for which earlier adoption was permitted have not been applied in preparing the audited consolidated financial statements for fiscal 2023. The amendments to standards and interpretations that are currently under review:

- Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

Further information on these modifications can be found in Note 3 of the audited consolidated financial statements for fiscal 2023.

ADOPTION OF NEW ACCOUNTING POLICY

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The adoption of this amendment to IAS 37 did not have a significant impact on the Company's audited consolidated financial statements for fiscal 2023.

Further information on the adoption of this new policy can be found in Note 3 of the audited consolidated financial statements for fiscal 2023.

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INDEPENDENT AUDITOR'S 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 28, 2023 and January 29, 2022
- 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 28, 2023 and January 29, 2022, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended January 28, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Recognition of Deferred Tax Assets

Description of the matter

We draw attention to Note 2(f)(viii), Note 3(r) and Note 12 in the financial statements. The Entity recognized deferred tax assets of $32,308 thousands in relation to tax benefits of losses carried forward and deductible temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Of this amount, $10,349 thousands is related to non-capital losses available for carry-forward and which can be applied against future taxable profits. The recognition of these previously unrecognized deferred tax assets resulted from the Entity's revision of its estimate of future taxable profits, as the Entity determined it is probable that they will be sufficient to utilize the tax benefits.

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. To assess when those deferred tax assets are likely to reverse and whether there will be sufficient future taxable profits available against which they can be utilized, the Entity determines its future taxable profit using significant judgments and assumptions, including sales growth rates.

Why the matter is a key audit matter

We identified the recognition of deferred tax assets as a key audit matter. This matter represented an area of significant risk of material misstatement due to the high degree of estimation uncertainty in determining future taxable profits. In addition, significant auditor judgement and specialized skills and knowledge were required in evaluating the results of our audit procedures regarding the Entity's significant judgments and assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We compared the Entity's historical budgeted to actual results to assess the Entity's ability to accurately predict budgeted results. We took into account changes in conditions and events affecting the budgeted results to assess the adjustments, or lack of adjustments, made by the Entity in arriving at future taxable profits.

We evaluated the appropriateness of the Entity's significant judgements and assumptions used in the determination of the Entity's future taxable profits by comparing sales growth rates assumptions to (i) the sales growth rates assumptions used in non-financial assets impairment analysis and to (ii) sales growth rates of peer companies per industry research reports.

We involved tax professionals with specialized skills and knowledge who assisted in (i) testing the amount of tax losses carried forward by inspecting tax assessments filed with applicable taxing authorities, in (ii) assessing the tax attribute carry forward periods based on the applicable income tax laws and regulations and in (iii) assessing the temporary differences resulting in deferred tax assets and liabilities by comparing carrying amounts to accounting records and amounts used for taxation purposes to tax computations.

Assessment of the Existence and Accuracy of Inventories

Description of the matter

We draw attention to Note 2(f)(iii), Note 3(l) and Note 7 in the financial statements. As at January 28, 2023, the Entity's inventory balance is $142,302 thousands. Inventories are comprised of finished goods and are measured at the lower of cost, determined on a weighted 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.

Why the matter is a key audit matter

We identified assessment of the existence and accuracy of inventories as a key audit matter given the magnitude of the inventories balance and due to the audit effort involved in testing the inventory that is held in numerous locations.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the design and tested the operating effectiveness of certain controls over the Entity's inventory process, including controls over the physical inventory counts for retail stores and over the weighted average cost.

We tested inventory purchases to validate the existence and accuracy of the inventory cost by using computer assisted techniques to match purchase orders to invoices, to shipping reports and to disbursements.

For a selection of items, we observed the Entity's physical inventory counts at the distribution centre and at a selection of retail stores near year-end and we performed test counts which we compared to the Entity's accounting records.

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 auditor's 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 auditor's 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.

Auditor's 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 auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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.

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

The engagement partner on the audit resulting in this auditor’s report is Marie Valcourt.

Montréal, Canada

April 13, 2023

*CPA auditor, public accountancy permit No. A128528

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF EARNINGS
For the years ended January 28, 2023 and January 29, 2022
(in thousands of Canadian dollars except per share amounts)

	Notes	2023	2022
Net sales	25	**$ 800,627**	$ 661,952
Cost of goods sold	7	**351,979**	308,787
Gross profit		**448,648**	353,165
Selling and distribution expenses		**350,598**	274,064
Administrative expenses		**51,190**	36,817
Restructuring	16	**(1,380)**	(12,249)
Gain on settlement of liabilities subject to compromise	16	**-**	(88,613)
Results from operating activities		**48,240**	143,146
Finance income	20	**2,713**	3,725
Finance costs	20	**5,384**	4,067
Earnings before income taxes		**45,569**	142,804
Income tax recovery	12	**32,098**	420
Net earnings from continuing operations		**77,667**	143,224
Net earnings from discontinued operations	4	**-**	15,032
Net earnings		**$ 77,667**	$ 158,256
Earnings per share:	21		
Basic		**$ 1.59**	$ 3.24
Diluted		**1.59**	3.24
Earnings per share from continuing operations:	21		
Basic		**$ 1.59**	$ 2.93
Diluted		**1.59**	2.93

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

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended January 28, 2023 and January 29, 2022
(in thousands of Canadian dollars)

	Notes	2023	2022
Net earnings		**$ 77,667**	$ 158,256
Other comprehensive (loss) income			
Items that may be reclassified subsequently to net earnings:			
Foreign currency translation differences	17	**(191)**	1
Items that will not be reclassified to net earnings:			
Net actuarial (loss) gain on defined benefit plan (net of tax of $504; 2022 - nil)	11	**(1,054)**	3,886
Total other comprehensive (loss) income		**(1,245)**	3,887
Total comprehensive income		**$ 76,422**	$ 162,143

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

REITMANS (CANADA) LIMITED
CONSOLIDATED BALANCE SHEETS
As at January 28, 2023 and January 29, 2022
(in thousands of Canadian dollars)

	Notes	2023	2022
ASSETS			
CURRENT ASSETS			
Cash	5	**$ 103,004**	$ 25,502
Restricted cash	5	**2,808**	-
Trade and other receivables	6	**3,241**	7,606
Inventories	7	**142,302**	118,972
Prepaid expenses and other assets	19	**14,502**	42,590
Total Current Assets		**265,857**	194,670
NON-CURRENT ASSETS			
Restricted cash	5	**-**	2,757
Property and equipment	8	**63,833**	65,970
Intangible assets	9	**2,638**	5,613
Right-of-use assets	10	**79,894**	44,978
Pension asset	11	**-**	100
Deferred income taxes	12	**32,308**	186
Total Non-Current Assets		**178,673**	119,604
TOTAL ASSETS		**$ 444,530**	$ 314,274
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Revolving credit facility	13	**$ -**	$ 29,634
Trade and other payables	14	**81,087**	34,478
Deferred revenue	15	**14,100**	13,490
Income taxes payable		**1,018**	537
Current portion of lease liabilities	10	**26,741**	20,888
Total Current Liabilities		**122,946**	99,027
NON-CURRENT LIABILITIES			
Lease liabilities	10	**60,758**	31,419
Total Non-Current Liabilities		**60,758**	31,419
SHAREHOLDERS' EQUITY			
Share capital	17	**27,406**	27,406
Contributed surplus		**10,871**	10,295
Retained earnings		**223,593**	146,980
Accumulated other comprehensive loss	17	**(1,044)**	(853)
Total Shareholders' Equity		**260,826**	183,828
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 444,530**	$ 314,274

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 28, 2023 and January 29, 2022
(in thousands of Canadian dollars)

	Notes	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance as at January 30, 2022		**$ 27,406**	**$ 10,295**	**$ 146,980**	**$ (853)**	**$ 183,828**
Net earnings		**-**	**-**	**77,667**	**-**	**77,667**
Total other comprehensive loss	11,17	**-**	**-**	**(1,054)**	**(191)**	**(1,245)**
Total comprehensive income (loss) for the year		**-**	**-**	**76,613**	**(191)**	**76,422**
Share-based compensation costs	18	**-**	**576**	**-**	**-**	**576**
Total contributions by owners of the Company		**-**	**576**	**-**	**-**	**576**
Balance as at January 28, 2023		**$ 27,406**	**$ 10,871**	**$ 223,593**	**$ (1,044)**	**$ 260,826**
Balance as at January 31, 2021		$ 27,406	$ 10,295	$ (15,162)	$ (854)	$ 21,685
Net earnings		-	-	158,256	-	158,256
Total other comprehensive income	11,17	-	-	3,886	1	3,887
Total comprehensive income for the year		-	-	162,142	1	162,143
Balance as at January 29, 2022		$ 27,406	$ 10,295	$ 146,980	$ (853)	$ 183,828

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 28, 2023 and January 29, 2022
(in thousands of Canadian dollars)

	Notes	2023	2022
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net earnings		**$ 77,667**	$ 158,256
Adjustments for:			
Depreciation, amortization and net impairment losses on property and equipment, and intangible assets	8,9	**15,582**	19,725
Depreciation and net impairment losses on right-of-use assets	8,10	**28,902**	29,471
Share-based compensation costs	18	**576**	-
Foreign exchange (gain) loss		**(1,628)**	518
Gain on lease re-measurements due to restructuring	10,16	**-**	(6,732)
Gain on settlement of liabilities subject to compromise	16	**-**	(88,613)
Interest on lease liabilities	10,20	**4,939**	4,026
Interest on revolving credit	20	**445**	41
Interest income	20	**(1,952)**	(353)
Income tax recovery	12	**(32,098)**	(420)
		92,433	115,919
Changes in:			
Trade and other receivables	6	**4,657**	3,059
Inventories	7	**(23,330)**	(22,850)
Prepaid expenses and other assets		**28,088**	(10,490)
Trade and other payables	14	**46,831**	3,272
Liabilities subject to compromise	16	**-**	(114,419)
Pension asset	11	**(450)**	694
Deferred revenue	15	**610**	1,028
Cash from (used in) operating activities		**148,839**	(23,787)
Interest paid		**(486)**	-
Interest received		**1,660**	356
Income taxes paid		**(46)**	(1,298)
Net cash flows from (used in) operating activities		**149,967**	(24,729)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Additions to property and equipment and intangible assets	8,9,24	**(10,651)**	(15,222)
Cash flows used in investing activities		**(10,651)**	(15,222)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Restricted cash	5	**(51)**	(4)
Net changes in revolving credit facility	13	**(29,634)**	29,634
Payment of lease liabilities	10,24	**(33,674)**	(38,822)
Cash flows used in financing activities		**(63,359)**	(9,192)
FOREIGN EXCHANGE GAIN (LOSS) ON CASH HELD IN FOREIGN CURRENCY		**1,545**	(517)
NET INCREASE (DECREASE) IN CASH		**77,502**	(49,660)
CASH, BEGINNING OF THE YEAR		**25,502**	75,162
CASH, END OF THE YEAR		**$ 103,004**	$ 25,502

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 Company's issued and outstanding common and Class A shares are listed on Toronto Stock Venture Exchange under the symbol "RET.V" and "RET-A.V", respectively. 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 2023 and 2022 represent the 52 weeks ended January 28, 2023 and January 29, 2022, respectively.

b) CCAA Proceedings

During the fiscal year ended January 29, 2022, on January 12, 2022, the Company emerged from the restructuring proceedings in connection with the Companies' Creditors Arrangement Act (the "CCAA") under which it obtained an initial order from the Superior Court of Quebec on May 19, 2020.

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 13, 2023.

d) Basis of Measurement

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

- lease liabilities are initially measured at the present value of the lease payments that are not paid at the lease commencement date;
- the pension asset (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. These estimates and assumptions are based on historical experience, other relevant factors and expectations of the future and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

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

Key Sources of Estimation Uncertainty

(i) Pension Plans

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

(ii) Gift Cards

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

(iv) Impairment of Non-Financial Assets

The Company must assess the possibility that the carrying amounts of tangible and intangible assets may not be recoverable. Impairment testing is performed whenever there is an indication of impairment. Significant management estimates are required to determine the recoverable amount of the cash-generating unit ("CGU") including estimates of fair value, selling costs or the discounted future cash flows related to the CGU. Differences in estimates could affect whether property and equipment, right-of-use assets and intangible assets are in fact impaired and the dollar amount of that impairment.

(v) Leases

In determining the carrying amount of right-of-use assets and lease liabilities 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.

Critical Judgments in Applying Accounting Policies

(vi) Operating Segments

The Company uses judgment in assessing the criteria used to determine the aggregation of operating segments. In order to identify the Company's reportable segments, the Company uses the process outlined in IFRS 8, *Operating Segments,* which includes the identification of the Chief Operating Decision Maker ("CODM"), being the Chief Executive Officer, the identification of operating segments and the aggregation of operating segments. The Company's operating segments, before aggregation, have been identified as the Company's three brands: Reitmans, Penningtons and RW & CO.

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 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.

(vii) 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.

(viii) 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 using significant assumptions, including sales growth rates, as to whether there will be sufficient future taxable profits available against which they can be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Adoption of new accounting policies

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

On May 14, 2020, the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*. The amendments are effective for annual periods beginning on or after January 1, 2022 and apply to contracts existing at the date when the amendments are first applied. IAS 37 does not specify which costs are included as a cost of fulfilling a contract when determining whether a contract is onerous. The IASB's amendments address this issue by clarifying the costs of fulfilling a contract.

The adoption of this amendment to IAS 37 did not have a significant impact on the Company's consolidated financial statements.

b) New standards and interpretations not yet adopted

Disclosure initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued *Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)*.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The amendments help companies provide useful accounting policy disclosures. The key amendments include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)*. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

On May 7, 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted. The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The Company does not expect that the adoption of these new standards will have a significant impact on its consolidated financial statements.

c) 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.

d) 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.

e) 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.

f) 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.

g) Cash

Cash consists of cash on hand and bank balances.

h) 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.

i) 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 period are as follows:

- Buildings — 10 to 50 years
- Fixtures and equipment — 3 to 20 years
- Leasehold improvements — over the lesser of estimated useful life 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.

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 period. 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.

Configuration or customization costs incurred under cloud computing agreements that do not meet the criteria for capitalization are recognized as an expense.

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.

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.

l) Inventories

Merchandise inventories are measured at the lower of cost, determined on a weighted 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. 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").

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.

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 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 the 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.

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 pension asset (liability) in respect of defined benefits is calculated 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.

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 pension asset (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 (loss) to retained earnings.

Net defined benefit asset that can be recognized is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of future refunds from the Plan or reductions in future contributions to the Plan (the "asset ceiling"). To calculate the present value of economic benefits, consideration is given to minimum funding requirements that apply to the Plan. Where it is anticipated that the Company will not be able to recover the value of the net defined benefit asset, after considering minimum funding requirements for future services, the net defined benefit asset is reduced to the amount of the asset ceiling. The impact of the asset ceiling is recognized in other comprehensive income.

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 service-condition options granted is measured separately at the grant date using a Black-Scholes option pricing model. Each tranche of service and market conditions share options is measured separately at the grant date using the Monte Carlo model 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 three to 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 the holders of the options 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.

Performance Share Units (cash-settled)

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

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 costs of meeting its obligations. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under the contract and an allocation of other costs directly related to fulfilling the contract. Before an onerous contract provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

p) Revenue

Sales of merchandise

The Company recognizes revenue when control of the merchandise 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.

Net sales represent the sale of merchandise less discounts and returns. Net sales at retail stores are recognized at the point-of-sale when control of the merchandise has been transferred to the customer. Net sales recognized through the e-commerce channel are recognized at the date of delivery to the customer.

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 income and foreign exchange gains. Finance costs comprise interest expense and foreign exchange losses. Interest income is recognized on an accrual basis and interest expense is recorded using the effective interest method. 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. The Company currently has no financial assets measured at fair value through 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 its revolving credit facility and trade and other payables as financial liabilities measured at amortized cost.

Financing costs related to the issuance of the revolving credit facility are classified as a reduction of the revolving credit facility and amortized over the term of the debt using the effective interest method.

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 is 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.

4. DISCONTINUED OPERATIONS

During the fiscal year ended January 30, 2021, the Company closed all retail stores and e-commerce channels of the Thyme Maternity and Addition Elle 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:

Earnings from discontinued operations

	For the years ended January 28, 2023	For the years ended January 29, 2022
Net sales	$ -	$ -
Cost of goods sold	-	-
Gross profit	-	-
Selling and distribution expenses	-	-
Restructuring (note 16)	-	(15,032)
Results from operating activities	-	15,032
Finance costs	-	-
Earnings before income taxes	-	15,032
Income tax expense	-	-
Net earnings from discontinued operations	$ -	$ 15,032
Earnings per share, discontinued operations:		
Basic	$ -	$ 0.31
Diluted	-	0.31

For the fiscal years ended January 28, 2023 and January 29, 2022, discontinued operations had no impact on the consolidated statements of cash flows.

5. CASH AND RESTRICTED CASH

	January 28, 2023	January 29, 2022
Cash [1]	**$ 103,004**	$ 25,502
Restricted cash [2]	**2,808**	2,757
	$ 105,812	$ 28,259

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

(2) Restricted cash represents cash held in trust by a Canadian financial institution as security on a standby letter of credit expiring on July 7, 2023. As at January 29, 2022, restricted cash is presented as non-current on the consolidated balance sheets.

6. TRADE AND OTHER RECEIVABLES

As at January 28, 2023, trade and other receivables include an amount of nil (January 29, 2022 – $4,651) for COVID-19-related government grants receivable under the Tourism and Hospitality Recovery Program through which subsidies for wages and rent were claimed.

The Company recognized grant income of $1,119 from this program as a reduction of selling and distribution expenses and $91 as a reduction of administrative expenses for the year ended January 28, 2023 ($21,063 as a reduction of selling and distribution expenses and $1,658 as a reduction of administrative expenses for the year ended January 29, 2022).

7. INVENTORIES

During the year ended January 28, 2023, inventories recognized as cost of goods sold amounted to $347,831 (January 29, 2022 - $305,212). In addition, for the year ended January 28, 2023, the Company recorded $4,148 (January 29, 2022 - $3,575) 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 $2,100 as at January 28, 2023 (January 29, 2022 - $1,880).

8. PROPERTY AND EQUIPMENT

	Land	Buildings	Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Balance at January 31, 2021	$ 5,860	$ 37,880	$ 71,525	$ 32,643	$ 147,908
Additions	-	2	9,016	3,443	12,461
Derecognition of fully amortized assets	-	(499)	(11,256)	(7,953)	(19,708)
Balance at January 29, 2022	$ 5,860	$ 37,383	$ 69,285	$ 28,133	$ 140,661
Balance at January 30, 2022	**$ 5,860**	**$ 37,383**	**$ 69,285**	**$ 28,133**	**$ 140,661**
Additions	**-**	**-**	**5,272**	**4,500**	**9,772**
Derecognition of fully amortized assets	**-**	**(2,069)**	**(24,513)**	**(6,712)**	**(33,294)**
Balance at January 28, 2023	**$ 5,860**	**$ 35,314**	**$ 50,044**	**$ 25,921**	**$ 117,139**
Accumulated depreciation and impairment losses					
Balance at January 31, 2021	$ -	$ 16,661	$ 41,692	$ 23,443	$ 81,796
Depreciation	-	1,236	8,419	3,328	12,983
Impairment loss (reversal)	-	-	288	(668)	(380)
Derecognition of fully amortized assets	-	(499)	(11,256)	(7,953)	(19,708)
Balance at January 29, 2022	$ -	$ 17,398	$ 39,143	$ 18,150	$ 74,691
Balance at January 30, 2022	**$ -**	**$ 17,398**	**$ 39,143**	**$ 18,150**	**$ 74,691**
Depreciation	**-**	**1,189**	**7,470**	**3,159**	**11,818**
Impairment loss (reversal)	**-**	**-**	**125**	**(34)**	**91**
Derecognition of fully amortized assets	**-**	**(2,069)**	**(24,513)**	**(6,712)**	**(33,294)**
Balance at January 28, 2023	**$ -**	**$ 16,518**	**$ 22,225**	**$ 14,563**	**$ 53,306**
Net carrying amounts					
At January 29, 2022	$ 5,860	$ 19,985	$ 30,142	$ 9,983	$ 65,970
At January 28, 2023	**$ 5,860**	**$ 18,796**	**$ 27,819**	**$ 11,358**	**$ 63,833**

During the years ended January 28, 2023 and January 29, 2022, 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, excluding reversals of impairment, recognized were as follows:

	For the years ended	
	January 28, 2023	**January 29, 2022**
Property and equipment	**$ 1,002**	$ 355
Intangible assets	**998**	1,991
	$ 2,000	$ 2,346

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. As at January 28, 2023, 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 11.0% (January 29, 2022 – 14.0%).

A reversal of impairment occurs when previously impaired individual retail store locations generate increased profitability. During the year ended January 28, 2023, $911 (January 29, 2022 – $735) of property and equipment impairment losses and $350 of right-of-use assets impairment losses (January 29, 2022 – nil) were reversed following an improvement in the profitability of certain CGUs.

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

	For the years ended	
	January 28, 2023	**January 29, 2022**
Selling and distribution expenses	**$ 10,634**	$ 11,835
Administrative expenses	**1,184**	1,148
	$ 11,818	$ 12,983

Property and equipment include an amount of $2,559 (January 29, 2022 - $674) 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 28, 2023	January 29, 2022
Cost		
Balance at beginning of the year	**$ 17,363**	$ 25,450
Additions	**698**	2,404
Derecognition of fully amortized assets	**(7,515)**	(8,500)
Write-offs [(1)]	**(998)**	(1,991)
Balance at end of the year	**$ 9,548**	$ 17,363
Accumulated amortization and impairment losses		
Balance at beginning of the year	**$ 11,750**	$ 15,119
Amortization	**2,675**	5,131
Derecognition of fully amortized assets	**(7,515)**	(8,500)
Balance at end of the year	**$ 6,910**	$ 11,750
Net carrying amounts	**$ 2,638**	$ 5,613

(1) Write-offs relate to unamortized costs for projects that were discontinued. These costs were recognized in impairment of non-financial assets in the consolidated statements of earnings.

Depreciation expense related to intangible assets is presented as follows:

	For the years ended	
	January 28, 2023	January 29, 2022
Selling and distribution expenses	**$ 684**	$ 2,705
Administrative expenses	**1,991**	2,426
	$ 2,675	$ 5,131

Intangible assets include an amount of $63 (January 29, 2022 - $2,210) 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 January 31, 2021	$ 101,969	$ 1,862	$ 103,831
Lease additions	23,304	126	23,430
Lease modifications	(52,736)	(76)	(52,812)
Depreciation	(28,465)	(1,006)	(29,471)
Balance as at January 29, 2022	$ 44,072	$ 906	$ 44,978

	Retail locations	Office equipment	Total
Balance as at January 30, 2022	**$ 44,072**	**$ 906**	**$ 44,978**
Lease additions	**64,092**	**443**	**64,535**
Lease modifications	**(649)**	**(68)**	**(717)**
Depreciation	**(28,907)**	**(345)**	**(29,252)**
Reversal of impairment loss (note 8)	**350**	**-**	**350**
Balance as at January 28, 2023	**$ 78,958**	**$ 936**	**$ 79,894**

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

	For the years ended January 28, 2023	January 29, 2022
Selling and distribution expenses	**$ 29,228**	$ 29,113
Administrative expenses	**24**	358
	$ 29,252	$ 29,471

During the year ended January 29, 2022, right-of-use assets were reduced by $52,736 and lease liabilities were reduced by $59,468. A corresponding gain of $6,732 was recognized in restructuring costs for continuing operations as lease modifications in connection with leases that were disclaimed as part of the CCAA proceedings (note 16).

Lease liabilities

	January 28, 2023	January 29, 2022
Balance at the beginning of the year	**$ 52,307**	$ 123,217
Lease additions	**64,603**	23,430
Lease modifications	**(676)**	(59,544)
Payment of lease liabilities	**(33,674)**	(38,822)
Interest expense on lease liabilities (note 20)	**4,939**	4,026
Balance at the end of the year	**$ 87,499**	$ 52,307
Current portion of lease liabilities	**$ 26,741**	$ 20,888
Non-current portion of lease liabilities	**60,758**	31,419
Total lease liabilities	**$ 87,499**	$ 52,307

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

2024	**$ 32,035**
2025	**22,403**
2026	**17,301**
2027	**14,833**
2028	**7,147**
Thereafter	**7,729**
Total undiscounted lease liabilities	**$ 101,448**

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 28, 2023, the Company recognized $14,494 (January 29, 2022 - $7,705) of variable lease payments and $4,651 (January 29, 2022 - $1,156) of lease payments with no fixed term recorded in selling and distribution expenses.

During the year ended January 28, 2023, the Company recognized expenses relating to short-term leases of nil (January 29, 2022 - $161).

As at January 28, 2023, $23,162 (January 29, 2022 - $32,980) 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. PENSION ASSET

The following tables present reconciliations of the pension obligation, the Plan assets and the funded status of the Plan.

Funded Status

	January 28, 2023	January 29, 2022
Fair value of plan assets	**$ 20,933**	$ 23,019
Defined benefit obligation	**19,834**	22,919
Funded status	**1,099**	100
Effect of asset ceiling	**(1,099)**	-
Pension asset	**$ -**	$ 100

	For the years ended	
	January 28, 2023	January 29, 2022
Movement in the present value of the defined benefit obligation		
Defined benefit obligation, beginning of year	**$ 22,919**	$ 25,768
Current service cost	**983**	1,152
Interest cost	**780**	677
Employee contributions	**110**	109
Actuarial loss (gain) - experience	**749**	(113)
Actuarial (gain) loss - financial assumptions	**(3,550)**	(2,671)
Benefits paid from plan assets	**(2,157)**	(2,003)
Defined benefit obligation, end of year	**$ 19,834**	$ 22,919
Movement in the fair value of plan assets		
Fair value of plan assets, beginning of year	**$ 23,019**	$ 22,676
Return on plan assets	**(2,251)**	1,102
Interest income on plan assets	**772**	571
Employer contributions	**1,602**	701
Employee contributions	**110**	109
Benefits paid	**(2,157)**	(2,003)
Plan administration costs	**(162)**	(137)
Fair value of plan assets, end of year	**$ 20,933**	$ 23,019

For the year ended January 28, 2023, the net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants 39% (2022 - 39%)
- Retired plan members 57% (2022 - 57%)
- Deferred and other plan participants 4% (2022 - 4%)

The 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 28, 2023		January 29, 2022	
Equity securities				
Canadian – pooled funds	**$ 6,641**	**31%**	$ 7,236	31%
Canadian – real estate fund	**1,410**	**7%**	1,284	6%
Foreign – pooled funds	**4,739**	**23%**	5,147	22%
Total equity securities	**12,790**	**61%**	13,667	59%
Debt securities – fixed income pooled funds	**7,757**	**37%**	8,974	39%
Cash and cash equivalents	**386**	**2%**	378	2%
Total	**$ 20,933**	**100%**	$ 23,019	100%

The Company's pension expense was as follows:

	For the years ended	
	January 28, 2023	January 29, 2022
Pension costs recognized in net earnings		
Current service cost	**$ 983**	$ 1,152
Net interest cost on net pension asset	**8**	106
Plan administration costs	**162**	137
Pension expense	**$ 1,153**	$ 1,395

During the year ended January 28, 2023, the Company recognized pension expense of $703 (January 29, 2022 - $774) in selling and distribution expenses and $450 (January 29, 2022 - $621) in administrative expenses in the consolidated statements of earnings.

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

	For the years ended	
	January 28, 2023	January 29, 2022
Cumulative (gain) loss in retained earnings at the beginning of the year	**$ (2,452)**	$ 1,434
Loss (gain) recognized during the year (net of tax of $504; 2022 - nil)	**1,054**	(3,886)
Cumulative gain in retained earnings at the end of the year	**$ (1,398)**	$ (2,452)

Actuarial assumptions

Principal actuarial assumptions used were as follows:

	For the years ended	
	January 28, 2023	**January 29, 2022**
Accrued benefit obligation:		
Discount rate	**4.70%**	3.40%
Salary increase	**4.00%**	4.00%
Mortality	2014 Private Sector Canadian Pensioner's Mortality Table, projected generationally using Scale MI-2017, adjusted for pension size	2014 Private Sector Canadian Pensioner's Mortality Table, projected generationally using Scale MI-2017, adjusted for pension size
Employee benefit expense:		
Discount rate	**3.40%**	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 28, 2023 and January 29, 2022 and the sensitivity of a 1% change in each of these assumptions on the Plan's defined benefit obligations and the Plan's net defined benefit 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 28, 2023	**January 29, 2022**
(Decrease) increase in defined benefit obligation of the Plan		
Discount rate		
Impact of increase of 1%	**$ (2,157)**	$ (2,737)
Impact of decrease of 1%	**$ 2,641**	$ 3,444
Salary increase or decrease		
Impact of increase of 1%	**$ 472**	$ 604
Impact of decrease of 1%	**$ (423)**	$ (501)
Lifetime expectancy		
Impact of increase of 1 year in expected lifetime of plan members	**$ 451**	$ 598

Overall return in the capital markets and the level of interest rates affect the funded status of the Plan. Adverse changes with respect to the Plan's 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 Plan and on the Company's results of operations.

The Company expects $1,078 in employer contributions to be paid to the Plan in the year ending February 3, 2024. The weighted average duration of the Plan is approximately 11.7 years as at January 28, 2023 (January 29, 2022 – 13.3 years).

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes at year-end. The most recent actuarial valuation for funding purposes was as of December 31, 2021 and the next required valuation will be as of December 31, 2024.

12. INCOME TAX

Income tax recovery

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

	For the years ended	
	January 28, 2023	**January 29, 2022**
Current tax expense (recovery)		
Current year	**$ 530**	$ 376
Adjustment in respect of prior years	**(2)**	(761)
Current tax expense (recovery)	**528**	(385)
Deferred tax recovery		
Recognition and reversal of temporary differences	**11,373**	76
Changes in tax rates	**3**	(111)
Changes in unrecognized deferred tax asset	**(43,152)**	-
Adjustment in respect of prior years	**(850)**	-
Deferred tax recovery	**(32,626)**	(35)
Total tax recovery	**$ (32,098)**	$ (420)

Income tax recognized in other comprehensive income

	For the years ended					
	January 28, 2023			**January 29, 2022**		
	Before tax	**Tax expense**	**Net of tax**	**Before tax**	**Tax expense**	**Net of tax**
Defined benefit plan actuarial (losses) gains	**$ (550)**	**$ (504)**	**(1,054)**	$ 3,886	$ -	$ 3,886

Reconciliation of effective tax rate

	For the years ended			
	January 28, 2023		January 29, 2022	
Earnings before income taxes	**$ 45,569**		$ 142,804	
Income tax expense using the Company's statutory tax rate	**12,075**	**26.50%**	37,846	26.50%
Changes in tax rates	**3**	**0.00%**	(111)	(0.08%)
Non-deductible expenses and other adjustments	**211**	**0.46%**	16	0.01%
Change in unrecognized deferred tax assets	**(43,152)**	**(94.69%)**	(37,161)	(26.02%)
Effect of tax in foreign jurisdictions	**(383)**	**(0.84%)**	(249)	(0.17%)
Adjustment in respect of prior years	**(852)**	**(1.87%)**	(761)	(0.53%)
Income tax recovery	**$ (32,098)**	**(70.44%)**	$ (420)	(0.29%)

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	January 28, 2023	January 29, 2022	**January 28, 2023**	January 29, 2022	**January 28, 2023**	January 29, 2022
Lease liabilities	**$ 22,641**	$ 11,685	**$ -**	$ -	**$ 22,641**	$ 11,685
Right-of-use assets	**-**	-	**20,626**	11,685	**(20,626)**	(11,685)
Property, equipment and intangible assets	**15,091**	3,009	**-**	-	**15,091**	3,009
Inventories	**-**	-	**1,780**	1,637	**(1,780)**	(1,637)
Pension asset	**504**	-	**504**	676	**-**	(676)
Accounting reserves	**6,491**	-	**-**	-	**6,491**	-
Tax benefit of losses carried forward	**10,349**	-	**-**	-	**10,349**	-
Other	**142**	-	**-**	510	**142**	(510)
	$ 55,218	$ 14,694	**$ 22,910**	$14,508	**$ 32,308**	$ 186

Changes in deferred tax balances during the year

	Balance January 30, 2021	Recognized in net earnings	Balance January 29, 2022	**Recognized in net earnings**	**Recognized in other comprehensive income**	**Balance January 28, 2023**
Lease liabilities	$ 27,026	$ (15,341)	$ 11,685	**$ 10,956**	**$ -**	**$ 22,641**
Right-of-use assets	(27,026)	15,341	(11,685)	**(8,941)**	**-**	**(20,626)**
Property, equipment and intangible assets	2,309	700	3,009	**12,082**	**-**	**15,091**
Inventories	(1,621)	(16)	(1,637)	**(143)**	**-**	**(1,780)**
Pension asset	-	(676)	(676)	**1,180**	**(504)**	**-**
Accounting reserves	-	-	-	**6,491**	**-**	**6,491**
Tax benefit of losses carried forward	-	-	-	**10,349**	**-**	**10,349**
Other	(537)	27	(510)	**652**	**-**	**142**
	$ 151	$ 35	$ 186	**$ 32,626**	**$ (504)**	**$ 32,308**

Unrecognized deferred tax assets

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

	January 28, 2023	January 29, 2022
Non-capital losses carry-forward	**$ -**	$ 20,700
Deductible temporary differences	**-**	23,078
Allowable capital losses carry-forward	**3,144**	3,168
Unrecognized deferred tax assets	**$ 3,144**	$ 46,946

As at January 28, 2023, management revised its estimates of future taxable profits, based on several factors including the Company's exit from CCAA, its strong results for the year ended January 28, 2023 and its going forward business model. This resulted in the recognition of $43,778 of previously unrecognized deferred tax assets as it is probable that sufficient future taxable profits will be available from the Canadian operations to utilize the benefits. The non-capital losses carry-forward expire between 2034 and 2042. The allowable capital losses carry-forward do not expire under current income tax legislation.

As at January 28, 2023, deferred income tax assets relating to allowable capital losses were not recognized as it was not probable that sufficient future taxable capital gains will be available from the Canadian operations to utilize the benefits.

13. REVOLVING CREDIT FACILITY

The Company has access to a senior secured asset-based revolving facility with a Canadian financial institution for an amount of up to $115,000 ("Borrowing Base"), or its US dollar equivalent, which matures on January 12, 2025. The revolving credit facility is classified as a current liability in the consolidated balance sheets as it is being managed and expected to be settled by the Company in its normal operating cycle. The Borrowing Base is dependent on certain factors including, but not limited to, the level of the Company's inventory, credit card receivables and the statutory amount payables to governmental authorities. As at January 28, 2023, the Company's Borrowing Base was $92,762 (January 29, 2022 – $90,708).

The Company can borrow funds in Canadian or US dollars at prime, base, the Canadian Dollar Offered Rate ("CDOR") or the Secured Overnight Financing Rate ("SOFR"). The facility bears interest at the prime or base rate, plus 0.50% or 0.75%, up to 2.00%, and at the CDOR or SOFR rate, plus 1.75% or 2.00%, based on the average excess availability of the credit facility per the Borrowing Base. Up to $35,000 (or its U.S. dollar equivalent) of the facility can be withdrawn through secured letters of credit.

As at January 28, 2023, no amount (January 29, 2022 – $29,634) was drawn under the revolving credit facility and $2,000 was committed for secured letters of credit (January 29, 2022 – nil).

The facility is secured by certain of the Company's assets including trade receivables, inventories and property and equipment. The Company is required to maintain certain financial covenants related to this revolving credit facility. As at January 28, 2023 and January 29, 2022, the Company was in compliance of all financial covenants.

14. TRADE AND OTHER PAYABLES

	January 28, 2023	January 29, 2022
Trade payables	**$ 18,282**	$ 1,280
Personnel liabilities	**37,027**	13,049
Other non-trade payables	**20,683**	16,406
Refund liability	**4,024**	3,181
Deferred rent and payables relating to premises	**1,071**	562
	$ 81,087	$ 34,478

15. DEFERRED REVENUE

	January 28, 2023	January 29, 2022
Loyalty points and awards granted under loyalty programs	**$ 242**	$ 248
Unredeemed gift cards	**13,858**	13,242
	$ 14,100	$ 13,490

16. LIABILITIES SUBJECT TO COMPROMISE AND RESTRUCTURING

During the year ended January 29, 2022, the Company emerged from CCAA proceedings and made an aggregate payment of $95,000 as the final settlement for unsecured liabilities subject to compromise of $183,613. The Company recognized a gain on settlement of liabilities subject to compromise of $88,613 in the consolidated statement of earnings for the year ended January 29, 2022.

Restructuring costs

In connection with the restructuring plan and the CCAA proceedings, the following restructuring costs (recoveries) were recognized:

	For the year ended			
	January 28, 2023	January 29, 2022		
	Continuing	Combined	Continuing	Discontinued
Rent & occupancy costs recovered on lease re-negotiations	**$ -**	$ (10,493)	$ (10,493)	$ -
Recovery for disclaimed leases [1]	**-**	(19,330)	(4,298)	(15,032)
Gain on lease modifications on lease re-negotiations (note 10)	**-**	(6,732)	(6,732)	-
Legal and other fees	**1,084**	4,210	4,210	-
Termination benefits	**-**	1,206	1,206	-
Bank fees	**-**	253	253	-
Other (recoveries) expenses	**(2,464)**	3,605	3,605	-
	$ (1,380)	$ (27,281)	$ (12,249)	$ (15,032)

(1) During the year ended January 29, 2022, the provision for disclaimed leases was adjusted to reflect settlement discussions with certain landlords.

17. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

Share capital for each of the years listed was as follows:

	For the years ended			
	January 28, 2023		January 29, 2022	
	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 and end of the 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.

Accumulated Other Comprehensive Income ("AOCI")

AOCI is comprised of the following:

	Foreign Currency Translation Differences
Balance at January 30, 2022	**$ (853)**
Change in foreign currency translation differences	**(191)**
Balance at January 28, 2023	**$ (1,044)**
Balance at January 31, 2021	$ (854)
Change in foreign currency translation differences	1
Balance at January 29, 2022	$ (853)

Dividends

No dividends were declared or paid during years ended January 28, 2023 and January 29, 2022.

18. SHARE-BASED PAYMENTS

Share Option Plan

Under the share option plan, and in compliance with the policies of the TSX Venture Exchange, the Company is limited to issue 3,500,000 Class A non-voting shares pursuant to the exercise of options. 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 Class A non-voting shares on the trading day immediately preceding the effective date of the grant.

Service-based share options

During the year ended January 28, 2023, the Company granted 940,000 share options to certain executives, for which service conditions are expected to be satisfied. Options will vest in equal tranches over the first three years after the grant date and will expire three years and a month after the grant date. Estimated fair values of options on the grant date were determined using the Black Scholes option pricing model based on the following assumptions (amounts in dollars):

	940,000 Share Options Granted April 26, 2022
Expected share option life	2.5 years
Risk-free interest rate	2.46%
Expected share price volatility	71.90%
Dividend yield	-
Share price at grant date	$1.40
Exercise price	$1.50

The expected volatility is based on the historical volatility of comparable companies traded in the industry. The average fair value of stock options granted was $0.60 per option.

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

	For the years ended			
	January 28, 2023		**January 29, 2022**	
	Options (in 000's)	**Weighted Average Exercise Price**	**Options (in 000's)**	**Weighted Average Exercise Price**
Outstanding, at beginning of year	**1,126**	**$ 8.56**	1,357	$ 8.84
Granted	**940**	**1.50**	-	-
Forfeited	**(431)**	**11.85**	(231)	10.24
Outstanding, at end of year	**1,635**	**$ 3.63**	1,126	$ 8.56
Options exercisable, at end of year	**720**	**$ 6.34**	1,116	$ 8.57

Information about service-based share options outstanding at January 28, 2023:

	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
$1.50 - $4.39	915	2.32 years	$ 1.50	-	$ -
$4.40 - $6.75	720	1.38	6.34	720	6.34
	1,635	**2.08 years**	**$ 3.63**	**720**	**$ 6.34**

During the year ended January 28, 2023, the Company recognized $221 of compensation costs related to the Company's service-based share options with a corresponding credit to contributed surplus (January 29, 2022 - nil).

Market-condition share options

The Company also granted 1,110,000 share options to certain executives for which service and market conditions exist and will expire three years and a month after the grant date. The performance condition attached to those share options are Class A non-voting share price targets being met. The fair value of options was estimated at the grant date using the Monte Carlo pricing model based on the following assumptions (amounts in dollars):

	1,110,000 Share Options Granted April 26, 2022
Expected share option life	2.6 years
Risk-free interest rate	2.48%
Expected share price volatility	71.90%
Dividend yield	-
Share price at grant date	$1.40
Exercise price	$1.50

The expected volatility is based on the historical volatility of comparable companies traded in the industry. The average fair value of stock options granted was $0.57 per option.

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

	For the year ended January 28, 2023		
	Options (in 000's)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding, at beginning of year	-	$ -	-
Granted	1,110	1.50	2.32 years
Outstanding, at end of year	1,110	$ 1.50	2.32 years
Options exercisable, at end of year	344	$ 1.50	2.32 years

During the year ended January 28, 2023, the Company recognized $355 of compensation costs related to the Company's market-condition share options with a corresponding credit to contributed surplus (January 29, 2022 - nil).

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 years ended January 28, 2023 and January 29, 2022.

The changes in outstanding PSUs were as follows:

	For the years ended	
	January 28, 2023	**January 29, 2022**
	PSUs (in 000's)	**PSUs (in 000's)**
Outstanding, at beginning of year	**240**	450
Forfeited	**(240)**	(210)
Outstanding, at end of year	**-**	240

The Company did not recognize share-based compensation costs related to PSUs for the years ended January 28, 2023 and January 29, 2022.

19. COMMITMENTS

As at January 28, 2023, 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	$ 140,951	$ 3,463	$ 144,414
Within 2 years	3,029	3,275	6,304
Within 3 years	634	1,353	1,987
Within 4 years	-	10	10
Within 5 years	-	-	-
Subsequent years	-	-	-
Total	**$ 144,614**	**$ 8,101**	**$ 152,715**

Included in prepaid expenses and other assets as at January 28, 2023 is an amount of $4,390 (January 29, 2022 - $32,221) representing deposits to vendors for ordered merchandise.

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

20. FINANCE INCOME AND FINANCE COSTS

	For the years ended	
	January 28, 2023	**January 29, 2022**
Interest income	**$ 1,952**	$ 353
Foreign exchange gain	**761**	3,372
Finance income	**2,713**	3,725
Interest expense on lease liabilities	**4,939**	4,026
Interest expense on revolving credit facility	**445**	41
Finance costs	**5,384**	4,067
Net finance costs recognized in net earnings	**$ (2,671)**	$ (342)

21. EARNINGS PER SHARE

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

	For the years ended	
	January 28, 2023	**January 29, 2022**
Weighted average number of shares – basic and diluted	**48,867**	48,867

As at January 28, 2023, 720,000 (January 29, 2022 – 1,126,000) share options were excluded from the calculation of diluted earnings per share as these options were deemed to be anti-dilutive.

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

22. 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 18.

During the year ended January 28, 2023, the Company incurred $1,825 (January 29, 2022 - $1,810) in compensation expenses for key management personnel consisting of salaries, directors' fees and short-term benefits.

Other Related-Party Transactions

During the year ended January 28, 2023, the Company incurred $133 (January 29, 2022 - $1,156) for legal services rendered by a law firm connected to a member of the Board of Directors. These transactions are recorded at the amount of consideration paid as established and agreed to by the related parties.

23. PERSONNEL EXPENSES

	For the years ended	
	January 28, 2023	January 29, 2022
Wages, salaries and employee benefits, net of government assistance	**$ 194,161**	$ 132,767
Expenses related to defined benefit plan	**1,153**	1,395
Share-based compensation costs	**576**	-
	$ 195,890	$ 134,162

24. SUPPLEMENTARY CASH FLOW INFORMATION

	For the years ended	
	January 28, 2023	January 29, 2022
Non-cash transactions:		
Additions to property and equipment and intangible assets included in trade and other payables	**$ 1,336**	$ 1,517

For the year ended January 28, 2023, payments of lease liabilities of $33,674 include interest of $4,939 (payments of lease liabilities of $38,822 include interest of $4,026 for the year ended January 29, 2022).

25. NET SALES

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

	For the years ended	
	January 28, 2023	January 29, 2022
Retail stores	**$ 573,739**	$ 427,407
E-commerce	**226,888**	234,545
Net sales	**$ 800,627**	$ 661,952

26. FINANCIAL INSTRUMENTS

Accounting classification and fair values

The Company has determined that the fair value of its current financial assets and liabilities at January 28, 2023 and January 29, 2022 (other than liabilities subject to compromise) approximates their respective carrying amounts as at the reporting dates because of the short-term nature of those financial instruments.

27. 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 and interest rate 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 trade and other receivables. The Company limits its exposure to credit risk with respect to cash 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 28, 2023 and January 29, 2022, expected credit loss on these financial assets is not significant.

As at January 28, 2023, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash	$ 103,004
Trade and other receivables	3,241
	$ 106,245

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 Company believes that future cash flows provided by operations and funds available from the revolving credit facility will be sufficient to meet the Company's operational requirements and financial obligations.

The contractual maturity of the Company's revolving credit facility is January 12, 2025. The majority of trade and other payables are payable within twelve months.

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 options 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 at January 28, 2023, no foreign exchange contracts were outstanding.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash of $22,754 and trade payables of $10,609 to determine how a change in the U.S. dollar exchange rate would impact net earnings. On January 28, 2023, 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 $1,188 increase or decrease, respectively, in the Company's net earnings for the year ended January 28, 2023.

Interest Rate Risk

Interest rate risk exists in relation to the Company's cash and its revolving credit facility. Market fluctuations in interest rates impacts the Company's earnings with respect to interest earned on cash that are invested mainly with major Canadian financial institutions and interest paid on outstanding balances of the revolving credit facility. See note 13 for credit facility details.

The Company has performed a sensitivity analysis on interest rate risk related to interest income earned on its cash as at January 28, 2023 to determine how a change in interest rates would impact net earnings. For the year ended January 28, 2023, the Company earned interest income of $1,952 on its cash. An increase or decrease of 100 basis points in the average interest rate earned during the year would have increased net earnings by $486 or decreased net earnings by $443. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The Company has performed a sensitivity analysis on interest rate risk related to interest incurred on its revolving credit facility as at January 28, 2023 to determine how a change in interest rates would impact net earnings. For the year ended January 28, 2023, the Company incurred interest expense of $445 on its revolving credit facility. An increase or decrease of 100 basis points in the average interest rate during the year would have decreased or increased net earnings by $102.

28. 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 ensure all financial obligations under the revolving credit facility are met;
- 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 13. 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 center improvements. The Company funds these requirements out of its internally-generated cash flows and its access to credit facilities. The Company does not have any long-term financing debt (other than lease liabilities).

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, if any, 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.