

# REITMANS

(CANADA) LIMITED

**Management's Discussion and Analysis  
and  
Consolidated Financial Statements**

**Years ended February 3, 2024 and January 28, 2023**

# REITMANS

(CANADA) LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Reitmans (Canada) Limited and its subsidiaries ("Reitmans" or the "Company") should be read in conjunction with the audited consolidated financial statements of Reitmans as at and for the fiscal years ended February 3, 2024 and January 28, 2023 and the notes thereto which are available on the SEDAR+ website at [www.sedarplus.ca](http://www.sedarplus.ca). This MD&A is dated April 18, 2024.

All financial information contained in this MD&A and Reitmans' audited consolidated financial statements has been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") also referred to as Generally Accepted Accounting Principles ("GAAP"). 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 18, 2024.

Unless otherwise indicated, all comparisons of results for the 14 weeks ended February 3, 2024 ("fourth quarter of 2024") are against results for the 13 weeks ended January 28, 2023 ("fourth quarter of 2023") and all comparisons of results for the 53 weeks ended February 3, 2024 ("fiscal 2024") are against the results for the 52 weeks ended January 28, 2023 ("fiscal 2023"). Selected information is provided 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. Fiscal 2024 includes 53 weeks instead of the normal 52 weeks. The fourth quarter of 2024 includes 14 weeks as compared to fourth quarter of 2023 which includes 13 weeks. The inclusion of an extra week occurs every fifth or sixth fiscal year due to the Company's floating year-end date.

Additional information about Reitmans is available on the Company's website at [www.reitmanscanadalimited.com](http://www.reitmanscanadalimited.com) or on the SEDAR+ website at [www.sedarplus.ca](http://www.sedarplus.ca).

## 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 Company's 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 and Financial Risk Management" section 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 more e-commerce, online retailing and the introduction of new technologies;
- seasonality, weather and the Company's ineffectiveness in responding to consumer trends;
- 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 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 before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), adjusted results from operating activities ("Adjusted ROA") and working capital. This MD&A also indicates Adjusted EBITDA as a percentage of net revenues and is considered a non-GAAP financial ratio. Net revenues represent the sale of merchandise less discounts and returns ("net sales"), and includes shipping fees charged to customers on e-commerce orders. The intent of presenting Adjusted EBITDA and Adjusted ROA is to provide additional useful information to investors and analysts. Adjusted EBITDA is currently defined as net earnings before income tax expense/recovery, interest income, interest expense, loss on foreign currency translation differences reclassified to net earnings, pension curtailment gain, 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 and restructuring recoveries/costs. Management believes that Adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund working capital needs and fund capital expenditures and uses this metric for this purpose. Management believes that Adjusted EBITDA as a percentage of net revenues indicates how much liquidity is generated for each dollar of net revenues. 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 related to right-of-use assets as explained hereafter, eliminates the non-cash impact, and the exclusion of restructuring recoveries/costs, Federal subsidies, loss on foreign currency translation differences reclassified to net earnings and pension curtailment gain 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 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 EBITDA, 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 recoveries/costs and pension curtailment gain. Management believes that Adjusted ROA provides a more relevant indicator in assessing current operational performance. The exclusion of restructuring recoveries/costs, pension curtailment gain and Federal subsidies 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. Due to the seasonality of the Company's business, it is more relevant to compare the working capital position at the same point in time.

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

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

	For the fourth quarter of		Year to date fiscal	
	2024	2023	2024	2023
<b>Net earnings</b>	\$ 0.0	\$ 27.5	\$ 14.8	\$ 77.7
Depreciation, amortization and net impairment losses on property and equipment, and intangible assets	3.9	3.9	14.2	15.6
Depreciation on right-of-use assets	9.9	7.9	34.3	28.9
Interest expense on lease liabilities	2.4	1.3	7.6	4.9
Interest income	(1.9)	(1.5)	(5.2)	(2.0)
Interest expense on revolving credit facility	-	-	-	0.4
Income tax (recovery) expense	(0.3)	(31.7)	5.3	(32.1)
Loss on foreign currency translation differences reclassified to net earnings	-	-	1.0	-
Pension curtailment gain	-	-	(0.9)	-
Rent impact from IFRS 16, <i>Leases</i> <sup>1</sup>	(12.3)	(9.2)	(41.9)	(33.8)
Federal subsidies	-	-	-	(1.2)
Restructuring costs, net	-	(1.9)	-	(1.4)
<b>Adjusted EBITDA</b>	\$ 1.7	\$ (3.7)	\$ 29.2	\$ 57.0
<b>Adjusted EBITDA as % of Net Revenues</b>	0.8%	(1.7)%	3.7%	7.1%

<sup>1</sup> Rent Impact from IFRS 16, *Leases* is comprised as follows;

	For the fourth quarter of		Year to date fiscal	
	2024	2023	2024	2023
Depreciation on right-of-use assets	\$ 9.9	\$ 7.9	\$ 34.3	\$ 28.9
Interest expense on lease liabilities	2.4	1.3	7.6	4.9
<b>Rent impact from IFRS 16, <i>Leases</i></b>	\$ 12.3	\$ 9.2	\$ 41.9	\$ 33.8

	For the fourth quarter of		Year to date fiscal	
	2024	2023	2024	2023
<b>Results from operating activities</b>	\$ 0.5	\$ (4.4)	\$ 22.9	\$ 48.3
Pension curtailment gain	-	-	(0.9)	-
Federal subsidies	-	-	-	(1.2)
Restructuring costs, net	-	(1.9)	-	(1.4)
<b>Adjusted ROA</b>	\$ 0.5	\$ (6.3)	\$ 22.0	\$ 45.7

	As at February 3, 2024	As at January 28, 2023
Current assets	\$259.9	\$265.9
Current liabilities	105.5	122.9
<b>Working capital</b>	\$154.4	\$143.0

## 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.

## 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 5,800 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 28, 2023	Q1 Openings	Q1 Closings	Q2 Openings	Q2 Closings	Q3 Closings	Q4 Openings	Q4 Closings	Number of stores at February 3, 2024
Reitmans	235	1	(1)	2	(2)	(4)	1	(6)	226
PENN.	91	1	(1)	1	(2)	-	-	(4)	86
RW&CO.	80	-	-	-	-	-	1	-	81
<b>Total stores</b>	<b>406</b>	<b>2</b>	<b>(2)</b>	<b>3</b>	<b>(4)</b>	<b>(4)</b>	<b>2</b>	<b>(10)</b>	<b>393</b>

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 2024	Fiscal 2023	Fiscal 2022
Total stores at end of fiscal year	<b>393</b>	406	404
Net revenues <sup>1</sup>	<b>\$ 794.7</b>	\$ 803.3	\$ 664.3
Gross profit	<b>431.0</b>	451.4	355.5
Earnings before income taxes	<b>20.1</b>	45.6	142.8
Net earnings from continuing operations	<b>14.8</b>	77.7	143.2
Net earnings from discontinued operations	-	-	15.0
Net earnings	<b>14.8</b>	77.7	158.2
Earnings per share			
Basic	<b>0.30</b>	1.59	3.24
Diluted	<b>0.30</b>	1.59	3.24
Earnings per share, continuing operations			
Basic	<b>0.30</b>	1.59	2.93
Diluted	<b>0.30</b>	1.59	2.93
Total current assets	<b>259.9</b>	265.9	194.7
Total assets	<b>490.8</b>	444.5	314.3
Total current liabilities	<b>105.5</b>	122.9	99.0
Total non-current liabilities	<b>106.3</b>	60.8	31.4

<sup>1</sup> For fiscal 2023 and fiscal 2022, shipping revenues of \$2.6 million and \$2.2 million, respectively, were reclassified from selling, distribution and administrative expenses to net revenues. See Notes 3 and 23 of the audited consolidated financial statements for fiscal 2024.

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 2024, the Company has invested in and will continue to invest in improvements in its distribution centre and 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.

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", after temporarily pausing its hedging program in fiscal 2021, in June 2023, the Company began entering into foreign exchange forward contracts to hedge a portion of its exposure to fluctuations in the value of the U.S. dollar, generally up to twelve months in advance and it continues to use spot purchases of U.S. dollars to meet its merchandise commitments.

### **Net Revenues**

In fiscal 2022, the increase in net revenues 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 net revenues. In fiscal 2023, net revenues were exceptional as the Company leveraged pent-up demand for work and social gathering apparel and successfully drove compelling marketing campaigns.

In fiscal 2024, the Company believes that higher interest rates and inflation overall compared to fiscal 2023 negatively impacted consumer spending during fiscal 2024. Decreased customer traffic both in stores and on-line, lower average transaction values and increased markdowns and promotional discounting contributed to the decrease in net revenues.

### **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 2024, gross profit decreased compared to fiscal 2023 due to higher markdowns and promotional activity combined with the continued weakness of the Canadian dollar resulting in higher merchandise costs as virtually all merchandise payments are settled in U.S. dollars, whereas, during fiscal 2023, the comparable strength of the Canadian dollar had resulted in lower merchandise costs. In fiscal 2023, the Company’s gross profit increased over fiscal 2022 due to higher sales, lower promotional discounting and lower overall supply chain costs, partially offset by an unfavorable 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.

### **Summary**

During the past three years, despite the tough inflationary and interest rate market conditions, the Company’s net revenues increased from \$664.3 million in fiscal 2022 to \$794.8 million in fiscal 2024. In fiscal 2022, the Company successfully exited from creditor protection and the Company recognized a gain on settlement of liabilities subject to compromise of \$88.6 million. In fiscal 2023, as 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. In fiscal 2024, higher interest rates and inflation overall compared to fiscal 2023 negatively impacted consumer spending. Despite tough economic and market conditions, the Company generated earnings before income taxes of \$20.1 million in fiscal 2024 (\$45.6 million in fiscal 2023).

The Company increased its working capital<sup>1</sup> position by \$11.4 million, from \$143.0 million as at the end of fiscal 2023 to \$154.4 million as at the end of fiscal 2024. The Company had no long-term debt (other than lease liabilities). As at February 3, 2024, included in the Company’s current assets is cash of \$116.7 million (January 28, 2023 - \$103.0 million) and the Company had no drawings on its secured asset-based revolving credit facility for the past two fiscal years.

<sup>1</sup> 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 the end of fiscal 2024, inventory levels were lower as compared to the end of fiscal 2023 due primarily to a lower number of stores in the Company's store network as compared to the end of the prior year, improved supply chain conditions as compared to the end of fiscal 2023 requiring less in-transit spring merchandise, and a lower number of merchandise units on hand compared to the end of fiscal 2023. 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 when 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.

The Company's capital expenditures, on a cash basis, were \$15.2 million in fiscal 2022, \$10.7 million in fiscal 2023 and \$17.7 million in fiscal 2024. In fiscal 2024, the Company' increased its spending primarily on new stores, store renovations and corporate hardware and software investments.

## OPERATING RESULTS FOR FISCAL 2024 COMPARED TO FISCAL 2023

	<b>Fiscal 2024</b>	<b>Fiscal 2023</b>	<b>\$ Change</b>	<b>% Change</b>
Net revenues <sup>1</sup>	\$ 794.7	\$ 803.3	\$ (8.6)	(1.1)%
Cost of goods sold	363.7	351.9	11.8	3.4%
Gross profit	431.0	451.4	(20.4)	(4.5)%
Gross profit %	54.2%	56.2%		
Selling, distribution and administrative expenses <sup>1</sup>	408.1	403.1	5.0	1.2%
Results from operating activities	22.9	48.3	(25.4)	(52.6)%
Net finance costs	(2.8)	(2.7)	(0.1)	(3.7)%
Earnings before income taxes	20.1	45.6	(25.5)	(55.9)%
Income tax (expense) recovery	(5.3)	32.1	(37.4)	n/a
Net earnings	\$ 14.8	\$ 77.7	\$ (62.9)	(81.0)%
Adjusted EBITDA <sup>2</sup>	\$ 29.2	\$ 57.0	\$ (27.8)	(48.8)%
Adjusted ROA <sup>2</sup>	\$ 22.0	\$ 45.7	\$ (23.7)	(51.9)%
Earnings per share:				
Basic	\$ 0.30	\$ 1.59	\$ (1.29)	(81.1)%
Diluted	0.30	1.59	(1.29)	(81.1)%

<sup>1</sup> For fiscal 2023, shipping revenues of \$2.6 million were reclassified from selling, distribution and administrative expenses to net revenues. See Notes 3 and 23 of the audited consolidated financial statements for fiscal 2024. In addition, selling, distribution and administrative expenses includes \$0.9 million of pension curtailment gain for fiscal 2024 and \$1.4 million of restructuring costs recovery for fiscal 2023.

<sup>2</sup> This is a Non-GAAP Financial Measure. See section entitled "Non-GAAP Financial Measures and Supplementary Financial Measures" for reconciliations of these measures.

### Net Revenues

Net revenues for fiscal 2024 decreased by \$8.6 million, or 1.1%, to \$794.7 million, despite an additional week of net revenues of \$10.0 million in fiscal 2024. Comparable sales<sup>1</sup>, which include e-commerce net sales, decreased 3.2% during the fiscal 2024. The decrease in net revenues and comparable sales was primarily due to lower average transaction values and higher promotional activity. We believe that comparatively higher interest rates and inflation overall compared to fiscal 2023 negatively impacted consumer spending during fiscal 2024. In fiscal 2023, following the lifting of pandemic restrictions, net revenues of \$803.3 million were exceptional, as the Company leveraged pent-up demand for work and social gathering apparel, and successfully drove compelling marketing campaigns that led to an increase in store and e-commerce traffic, all with lower promotional activity.

The breakdown of net revenues was as follows:

	<b>Fiscal 2024</b>		<b>Fiscal 2023</b>		<b>\$ Change</b>	<b>% Change</b>
Retail stores	\$ 576.9	72.6%	\$ 573.7	71.4%	\$ 3.2	0.6%
E-commerce	217.8	27.4%	229.6	28.6%	(11.8)	(5.1)%
Net revenues	\$ 794.7	100.0%	\$ 803.3	100.0%	\$ (8.6)	(1.1)%

<sup>1</sup> This is a supplementary financial measure. See section entitled "Supplementary Financial Measures".

### Gross Profit

Gross profit for fiscal 2024 decreased \$20.4 million to \$431.0 million as compared with \$451.4 million for fiscal 2023, despite the inclusion of a 53<sup>rd</sup> week (instead of the normal 52 weeks) in fiscal 2024 of \$5.5 million. Gross profit as a percentage of net revenues for fiscal 2024 decreased to 54.2% from

56.2% for fiscal 2023. The decrease both in gross profit and as a percentage of net revenues is primarily attributable to higher markdowns and promotional activity in fiscal 2024 combined with an unfavourable foreign exchange impact of approximately \$14.0 million on U.S. dollar denominated purchases included in cost of goods sold, partially offset by lower supply chain costs in fiscal 2024.

### ***Selling, Distribution and Administrative Expenses***

Total selling, distribution and administrative expenses of \$408.1 million for fiscal 2024 increased by \$5.0 million or 1.2%, as compared to fiscal 2023 primarily attributable to the following:

- although the number of stores in the Company's store network decreased in fiscal 2024, store operating costs increased due primarily to higher store personnel costs and higher advertising expenditures;
- the Company continues to renew previous preferential rent arrangements at terms near market lease rates. Rent expense increased by approximately 21% in fiscal 2023 following the expiration of preferential lease arrangements entered into during the COVID pandemic in fiscal 2022 and while the Company was under creditor protection. Rent increases in fiscal 2024 were approximately 5% over fiscal 2023. Rent expense should stabilize as the Company has secured long-term lease arrangements. The Company continues to benefit from excellent relationships with its landlords;
- a \$1.2 million decrease in financial support from Federal subsidy programs that ended in the earlier portion of fiscal 2023;
- higher head office and distribution centre personnel costs due to wage increases and to support growth areas of the business;
- increased software expenses as a result of the Company's investment in cloud service providers and e-commerce initiatives;
- increased selling, distribution and administrative expenses of \$4.4 million attributed to the additional week of operations included in fiscal 2024;

partially offset by,

- a \$21.7 million decrease in performance incentive plan expense as operating performance targets were not met in fiscal 2024;
- a decrease in e-commerce shipping costs due primarily to a decrease in online orders fulfilled during fiscal 2024;
- a \$0.9 million curtailment gain recognized in fiscal 2024, as a result of the Company's decision to wind-up its defined benefit pension plan effective as at June 30, 2024;
- a \$1.4 million decrease in depreciation, amortization and net impairment losses due primarily to the Company's controlled spending in property and equipment and a \$1.0 million write-off of intangible assets in fiscal 2023 that did not occur in fiscal 2024.

### ***Net Finance Costs***

Net finance costs were \$2.8 million for fiscal 2024 as compared to \$2.7 million for fiscal 2023. The increase of \$0.1 million is primarily attributable to higher interest expense of \$2.6 million related to lease liabilities and a \$1.0 million loss on foreign currency translation differences from the wind-up of a foreign operation, partially offset by a \$3.2 million of higher interest income earned on funds held with a Canadian bank and no interest expense incurred on the revolving credit facility in fiscal 2024 as compared to \$0.4 million incurred in fiscal 2023.

### ***Income Taxes***

Income tax expense for fiscal 2024 amounted to \$5.3 million for an effective tax rate of 26.4%. The effective tax rate for fiscal 2024 was primarily impacted by the difference in tax rate related to the operations of a foreign subsidiary, a non-deductible foreign currency translation loss reclassified to net earnings due to the wind-up of a foreign operation of \$1.0 million and non-deductible permanent differences.

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 the Canadian operations, net of the estimated tax expense of \$0.5 million related to the operations of a foreign subsidiary.

### ***Net Earnings***

Net earnings for fiscal 2024 was \$14.8 million (\$0.30 basic and diluted earnings per share) as compared with \$77.7 million (\$1.59 basic and diluted earnings per share) for fiscal 2023. The decrease in net earnings of \$62.9 million is primarily attributable to the Company's recognition of deferred income tax assets in fiscal 2023, as well as the decrease in gross profit and the increase in operating costs in fiscal 2024, as noted above.

### ***Adjusted EBITDA***

Adjusted EBITDA for the fiscal 2024 was \$29.2 million as compared to \$57.0 million for fiscal 2023. The decrease of \$27.8 million is primarily attributable to the decrease in gross profit and the increase in operating costs, as noted above.

### ***Adjusted ROA***

Adjusted ROA for fiscal 2024 was \$22.0 million as compared to \$45.7 million for fiscal 2023. The decrease of \$23.7 million is primarily attributable to the decrease in gross profit and the increase in operating costs, as noted above.

## OPERATING RESULTS FOR THE FOURTH QUARTER OF 2024 COMPARED TO THE FOURTH QUARTER OF 2023

	Fourth Quarter of 2024	Fourth Quarter of 2023	\$ Change	% Change
Net revenues <sup>1</sup>	\$ 221.0	\$ 212.9	\$ 8.1	3.8%
Cost of goods sold	106.1	103.4	2.7	2.6%
Gross profit	114.9	109.5	5.4	4.9%
Gross profit %	52.0%	51.4%		
Selling, distribution and administrative expenses <sup>1</sup>	114.4	113.9	0.5	0.4%
Results from operating activities	0.5	(4.4)	4.9	n/a
Net finance (costs) income	(0.7)	0.2	(0.9)	n/a
Loss before income taxes	(0.2)	(4.2)	4.0	(95.2)%
Income tax recovery	0.2	31.7	(31.5)	(99.4)%
Net earnings	\$ 0.0	\$ 27.5	\$ (27.5)	(100.0)%
Adjusted EBITDA <sup>2</sup>	\$ 1.7	\$ (3.7)	\$ 5.4	n/a
Adjusted ROA <sup>2</sup>	\$ 0.5	\$ (6.3)	\$ 6.8	n/a
Earnings per share:				
Basic	\$ 0.00	\$ 0.56	\$ (0.56)	(100.0)%
Diluted	0.00	0.56	(0.56)	(100.0)%

<sup>1</sup> For the fourth quarter of 2023, shipping revenues of \$1.0 million were reclassified from selling, distribution and administrative expenses to net revenues. See Notes 3 and 23 of the audited consolidated financial statements for fiscal 2024. In addition, selling, distribution and administrative expenses includes \$1.9 million of restructuring costs recovery for the fourth quarter of 2023.

<sup>2</sup> This is a Non-GAAP Financial Measure. See section entitled "Non-GAAP Financial Measures and Supplementary Financial Measures" for reconciliations of these measures.

### Net Revenues

Net revenues for the fourth quarter of 2024, which includes an additional week of net revenues of \$10.0 million, increased by \$8.1 million, or 3.8%, to \$221.0 million compared to the fourth quarter of fiscal 2023. Comparable sales<sup>1</sup>, which include e-commerce net sales, decreased 1.6% during the fourth quarter of 2024. The decrease in comparable sales was primarily due to lower average transaction values and higher promotional activity. We believe that comparatively higher interest rates and inflation overall compared to the corresponding period last year negatively impacted consumer spending during the fourth quarter of 2024.

The breakdown of net revenues was as follows:

	Fourth Quarter of 2024		Fourth Quarter of 2023		\$ Change	% Change
Retail stores	\$ 150.3	68.0%	\$ 140.4	65.9%	\$ 9.9	7.1%
E-commerce	70.7	32.0%	72.5	34.1%	(1.8)	(2.5)%
Net revenues	\$ 221.0	100.0%	\$ 212.9	100.0%	\$ 8.1	3.8%

<sup>1</sup> This is a supplementary financial measure. See section entitled "Supplementary Financial Measures".

### Gross Profit

Gross profit for the fourth quarter of 2024 increased \$5.4 million to \$114.9 million as compared with \$109.5 million for the fourth quarter of 2023. Gross profit as a percentage of net revenues for the fourth quarter of 2024 increased to 52.0% from 51.4% for the fourth quarter of 2023. The improvement in gross profit and the increase in gross profit as a percentage of net revenues was

primarily a result of the impact of inclusion of a 14<sup>th</sup> week (instead of the normal 13 weeks) of \$5.5 million, lower supply chain costs in the fourth quarter of 2024 as global shipping industry disruptions were prevalent in the fourth quarter of 2023, partially offset by an unfavorable foreign exchange impact of approximately \$2.6 million on U.S. dollar denominated purchases in the fourth quarter of 2024.

### ***Selling, Distribution and Administrative Expenses***

Total selling, distribution and administrative expenses of \$114.4 million for the fourth quarter of 2024 increased by \$0.5 million or 0.4%, as compared to the fourth quarter of 2023, primarily attributable to the following:

- although the number of stores in the Company's store network decreased in the fourth quarter of fiscal 2024, store operating costs increased due primarily to higher store personnel costs and higher advertising expenditures;
- the Company continued to renew previous preferential rent arrangements at terms near market lease rates. Rent expense increased by approximately 25% in the fourth quarter of fiscal 2023. Rent increases in the fourth quarter of fiscal 2024 were approximately 6% over the fourth quarter of fiscal 2023. Rent expense should stabilize as the Company has secured long-term lease arrangements. The Company continues to benefit from excellent relationships with its landlords;
- higher head office and distribution centre personnel costs due to wage increases and to support targeted growth areas of the business;
- increased software expenses as a result of the Company's investment in cloud service providers and e-commerce initiatives;
- a recovery of restructuring costs of \$1.9 million realized in the fourth quarter of fiscal 2023;
- increased selling, distribution and administrative expenses of \$4.4 million attributed to the additional week of operations included in the fourth quarter of fiscal 2024;

partially offset by,

- a \$10.4 million decrease in performance incentive plan expense as operating performance targets were not met for fiscal 2024;
- a decrease in e-commerce shipping costs due primarily to a decrease in online orders fulfilled during the fourth quarter of 2024.

### ***Net Finance (Costs) Income***

Net finance costs was \$0.7 million for the fourth quarter of 2024 as compared to net finance income of \$0.2 million for the fourth quarter of 2023. The increase of \$0.9 million in net finance costs is primarily attributable to higher interest expense of \$1.0 million related to lease liabilities and a higher foreign exchange loss of \$0.3 million on U.S. denominated net monetary assets, partially offset by higher interest earned of \$0.4 million earned on funds held with a Canadian bank as compared to the fourth quarter of 2023.

### ***Income Taxes***

Income tax recovery for the fourth quarter of 2024 amounted to \$0.2 million. The effective tax rate for the fourth quarter of 2024 was primarily impacted by the difference in tax rate related to the operations of a foreign subsidiary and by non-deductible permanent differences.

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 relating to the Canadian operations.

## **Net Earnings**

The Company had net earnings of nil for the fourth quarter of 2024 (\$0.00 basic and diluted earnings per share) as compared with net earnings of \$27.5 million (\$0.56 basic and diluted earnings per share) for the fourth quarter of 2023. The decrease in net earnings of \$27.5 million is primarily attributable to the recognition of previously unrecognized tax assets in fiscal 2023, as well as to the increase in operating costs in fiscal 2024, partially offset by the increase in gross profit in fiscal 2024, as noted above.

## **Adjusted EBITDA**

Adjusted EBITDA for the fourth quarter of 2024 was \$1.7 million as compared to \$(3.7) million for the fourth quarter of 2023. The increase of \$5.4 million is primarily attributable to the increase in gross profit, as noted above.

## **Adjusted ROA**

Adjusted ROA for the fourth quarter of 2024 was \$0.5 million as compared with \$(6.3) million for the fourth quarter of 2023. The increase of \$6.8 million is primarily attributable to 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. In June 2023, the Company began entering into foreign exchange forward contracts to hedge a portion of its exposure to fluctuations in the value of the U.S. dollar, generally up to twelve months in advance. The Company's policy is to satisfy up to 80% of projected U.S. dollar denominated merchandise purchases in any given fiscal year by way of foreign exchange forward contracts, with any additional requirements being met through spot U.S. dollar purchases.

Details of the foreign exchange contracts outstanding as at February 3, 2024, all of which are designated as cash flow hedges, are as follows:

	<b>Average Strike Price</b>	<b>Notional Amount in U.S. Dollars</b>	<b>Derivative Financial Asset</b>	<b>Derivative Financial Liability</b>	<b>Net</b>
Foreign exchange forward contracts	<b>\$ 1.328</b>	<b>\$ 90.0</b>	<b>\$ 1.4</b>	<b>\$ -</b>	<b>\$ 1.4</b>

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



## 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 “2024” are to the Company’s fiscal year ended February 3, 2024 and “2023” are to the Company’s fiscal year ended January 28, 2023.

	Fourth Quarter		Third Quarter		Second Quarter		First Quarter	
	2024	2023	2024	2023	2024	2023	2024	2023
Net revenues <sup>5</sup>	\$ 221.0	\$ 212.9	\$ 193.4	\$ 206.2	\$ 214.5	\$ 229.9	\$ 165.7	\$ 154.3
Net earnings	0.0	27.5 <sup>1</sup>	5.3	14.6 <sup>2</sup>	13.4 <sup>3</sup>	37.3 <sup>3</sup>	(3.8)	(1.7) <sup>4</sup>
Earnings per share								
Basic	\$ 0.00	\$ 0.56 <sup>1</sup>	\$ 0.11	\$ 0.30 <sup>2</sup>	\$ 0.27 <sup>3</sup>	\$ 0.76 <sup>3</sup>	\$ (0.08)	\$ (0.04) <sup>4</sup>
Diluted	0.00	0.56 <sup>1</sup>	0.11	0.30 <sup>2</sup>	0.27 <sup>3</sup>	0.76 <sup>3</sup>	(0.08)	(0.04) <sup>4</sup>

<sup>1</sup> During the fourth quarter of 2023, net earnings include \$1.9 million of restructuring costs recovery.

<sup>2</sup> During the third quarter of 2023, net earnings include restructuring costs of \$0.1 million.

<sup>3</sup> During the second quarter of 2024, net earnings includes a pension curtailment gain of \$0.9 million. During the second quarter of 2023, net earnings includes restructuring costs recovery of \$0.2 million.

<sup>4</sup> 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.

<sup>5</sup> Net revenues includes shipping revenues which have been reclassified from selling, distribution and administrative expenses. See Notes 3 and 23 of the audited consolidated financial statements for fiscal 2024. Due to this reclassification, net revenues for the fourth quarter of 2023 have been increased by \$1.0 million, net revenues for the third quarter of 2023 have been increased by \$0.6 million, net revenues for the second quarter of 2023 have been increased by \$0.7 million and net revenues for the first quarter of 2023 have been increased by \$0.4 million.

## BALANCE SHEET

Selected line items from the Company's consolidated balance sheets as at February 3, 2024 and January 28, 2023 are presented below:

	<b>2024</b>	<b>2023</b>	<b>\$ Change</b>	<b>% Change</b>
Cash	<b>\$ 116.7</b>	\$ 103.0	\$ 13.7	13.3%
Trade and other receivables	<b>3.5</b>	3.2	0.3	9.4%
Derivative financial asset	<b>1.4</b>	-	1.4	n/a
Inventories	<b>122.0</b>	142.3	(20.3)	(14.3)%
Prepaid expenses and other assets	<b>16.3</b>	14.5	1.8	12.4%
Property and equipment & intangible assets	<b>71.2</b>	66.5	4.7	7.1%
Right-of-use assets	<b>131.5</b>	79.9	51.6	64.6%
Pension asset	<b>1.1</b>	-	1.1	n/a
Deferred income taxes	<b>27.0</b>	32.3	(5.3)	(16.4)%
Trade and other payables	<b>61.8</b>	81.1	(19.3)	(23.8)%
Deferred revenue	<b>11.9</b>	14.1	(2.2)	(15.6)%
Income taxes payable	<b>0.4</b>	1.0	(0.6)	(60.0)%
Lease liabilities (current and non-current)	<b>137.6</b>	87.5	50.1	57.3%

Changes at February 3, 2024 as compared to January 28, 2023 were primarily due to the following:

- cash increased \$13.7 million primarily due to the cash generated from operations and \$2.8 million previously held in trust by a Canadian financial institution, partially offset by the payment of the fiscal 2023 performance incentive plan awards and the investments made in property and equipment;
- trade and other receivables increased primarily due to higher credit card receivables as at February 3, 2024 as compared to as at January 28, 2023;
- the derivative financial asset is the mark-to-market adjustment on foreign exchange forward contracts outstanding as at the end of fourth quarter of 2024 that were entered into after January 28, 2023;
- inventories are lower primarily as a result of fewer stores, improved supply chain conditions requiring less in-transit spring merchandise and a focus on tighter inventory management in response to customer spending trends and patterns;
- the increase of \$1.8 million in prepaid expenses and other assets is primarily due to the timing of payments related to rent not accounted for as lease liabilities and service contracts, partially offset by a reduction of supplier deposits;
- property and equipment & intangible assets increased by \$4.7 million. During fiscal 2024, \$17.7 million had been spent primarily on new stores, store renovations and corporate hardware and software investments. Depreciation and amortization of \$13.2 million and a net impairment of \$1.0 million on property and equipment and intangible assets were recognized in fiscal 2024 (\$14.5 million of depreciation and amortization and a net impairment of \$1.1 million on property and equipment and intangible assets were recognized in fiscal 2023);
- 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 a net \$51.6 million primarily due to lease renewals signed during fiscal 2024. Depreciation and amortization of \$34.3 million was recognized in fiscal 2024 (\$29.3 million of depreciation and amortization and an impairment reversal of \$0.4 million were recognized in fiscal 2023). No impairment charges were recognized in fiscal 2024;
- pension asset increased by \$1.1 million primarily due to a pension curtailment gain of \$0.9 million in fiscal 2024. On May 19, 2023, the Company's Board of Directors had approved the dissolution

of the defined benefit pension plan (“Plan”). The effective date of the windup for the Plan is June 30, 2024;

- deferred tax assets decreased by \$5.3 million primarily due to the net reversal of deductible temporary differences;
- trade and other payables decreased by \$19.3 million primarily due to the timing of payments related to trade, sales tax and personnel-related liabilities (including performance incentive plan awards);
- deferred revenue decreased by \$2.2 million largely due to a higher estimated gift card breakage rate based on the Company’s historical redemption patterns;
- income taxes payable consists of estimated net tax liabilities of a foreign subsidiary. The decrease of \$0.6 million in income taxes payable is primarily due to payments, partially offset by estimated income tax for fiscal 2024;
- lease liabilities represent the present value of the Company’s obligations to make lease payments for its store and equipment leases. During fiscal 2024, lease liabilities increased by lease additions of \$86.4 million and interest expense of \$7.6 million, offset by payments of \$43.4 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 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 continues to invest 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.

Outbreaks of pandemics in the future can have an impact on consumer shopping patterns and behaviors, cause supply chain disruptions and result in government-imposed containment protocols that would have negative consequences to the Company.

## 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 production of raw materials and the manufacturing of merchandise by our suppliers, 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 and other audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, authorities may disagree with the positions and conclusions taken by the Company. Laws could be amended or interpretations of current laws could change, any of which events could lead to penalties and reassessments, which 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. The Company has established an ESG team to develop 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. Although most of the raw material used in the manufacturing of our merchandise is sourced from China, there is a variety of alternative international manufacturing sources for virtually all of the Company's merchandise and, in fiscal 2024, no supplier represented more than 10% of the Company's purchases (in dollars or units). 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. Future supply chain issues could have negative financial consequences to the Company.

The Company is committed towards responsible business standards and ethical sourcing principles. The Company continues to make efforts to conduct its business in accordance with ethical business practices and in compliance with the laws of the countries in which its suppliers operate. The Company has sourcing guidelines and other business practices to help ensure that its suppliers do not engage in child or forced labour practices and that they comply with applicable laws and regulations. However, as independent third parties are not under the control of the Company, there is no guarantee that Company's suppliers will not undertake actions in violation of the Company's guidelines, or applicable laws and regulations, that may adversely impact the Company's reputation. Consequently, the Company reserves the right to terminate its relationship with any supplier, and will not initiate a relationship with any prospective supplier where material social and labour compliance risks have been identified. When instances of non-compliance are identified with its suppliers, the Company requires that immediate action be taken to correct the situation; otherwise, the supplier will be prohibited from doing business with the Company. 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 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 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 February 3, 2024 and January 28, 2023, expected credit loss on these financial assets is not significant.



As at February 3, 2024, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash	\$ 116.7
Trade and other receivables	3.5
	<u>\$ 120.2</u>

### 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 2024, the Company realized net earnings of \$14.8 million. As at February 3, 2024, the Company's current assets total \$259.9 million and current liabilities total \$105.5 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 February 3, 2024, the Company's borrowing base was \$92.0 million (January 28, 2023 - \$92.8 million) and no amount was drawn under the credit facility (January 28, 2023 - nil). Refer to Note 11 in the audited consolidated financial statements for fiscal 2024.

### 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 forward contracts, normally not to exceed twelve months, and U.S. dollar spot rate purchases. A forward foreign exchange contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. The Company enters into certain qualifying foreign exchange contracts that it designated as cash flow hedging instruments. This results in the effective portion of the changes in fair value for qualifying hedging instruments, being recorded as a component of other comprehensive income, until it is recognized as a cost of inventory or reclassified to net earnings upon transfer from Accumulated Other Comprehensive Income.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash of U.S.\$45.5 million, trade and other receivables of U.S.\$0.3 million and trade payables of U.S. \$3.4 million to determine how a change in the U.S. dollar exchange rate would affect net earnings. On February 3, 2024, 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 \$4.2 million increase or decrease, respectively, in the Company's net earnings for fiscal 2024.

The Company has performed a sensitivity analysis on its derivative financial instruments (which are all designated as cash flow hedges), to determine how a change in the U.S. dollar exchange rate would impact other comprehensive income. On February 3, 2024, a 5% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in a \$4.4 million decrease or increase, respectively, in the Company's other comprehensive income for fiscal 2024.

## 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 February 3, 2024 to determine how a change in interest rates would impact net earnings. For fiscal 2024, the Company earned interest income of \$5.2 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 \$0.7 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 did not incur interest expense on its revolving credit facility for fiscal 2024.

## LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

The Company primarily uses funds for working capital requirements and capital expenditures. As at February 3, 2024, compared to January 28, 2023, the Company increased its working capital<sup>1</sup> position by \$11.4 million with current assets of \$259.9 million (January 28, 2023 - \$265.9 million) and current liabilities of \$105.5 million (January 28, 2023 - \$122.9 million) and no long-term debt (other than lease liabilities). As at February 3, 2024, included in the Company's current assets is cash of \$116.7 million (January 28, 2023 - \$103.0 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. No amount was drawn under the secured asset-based credit facility as at February 3, 2024 and January 28, 2023.

In fiscal 2024, the Company invested \$17.7 million in capital expenditures. The Company expects to invest approximately \$32.0 million in capital expenditures in fiscal 2025, including an amount of \$12.0 million investment in the Company's distribution centre fulfillment operations. The Company's capital allocation strategy focuses on three main investment areas:

1. Investment in store renovations to ensure the existing fleet of stores remains current and relevant and in new stores as suitable locations are identified;
2. Technology, continuing to upgrade systems including migrating legacy systems to cloud service providers and omnichannel network, including in-store and ecommerce digital capabilities;
3. Distribution improvements, including optimizing and further automating distribution capabilities and upgrading existing distribution.

<sup>1</sup> This is a Non-GAAP Financial Measure. See section entitled "Non-GAAP Financial Measures & Supplementary Financial Measures" for a reconciliation of this measure.

## FINANCIAL COMMITMENTS

The following table sets forth the Company's financial commitments as at February 3, 2024:

<b>Contractual Obligations</b>	<b>Total</b>	<b>Within 1 year</b>	<b>2 to 4 years</b>	<b>5 years and over</b>
Trade and other payables	\$ 61.8	\$ 61.8	\$ -	\$ -
Lease obligations <sup>1</sup>	171.4	41.6	102.6	27.2
Purchase obligations <sup>2</sup>	136.3	127.9	7.5	0.9
Other service contracts	8.4	4.2	4.1	0.1
<b>Total contractual obligations</b>	<b>\$ 377.9</b>	<b>\$ 235.5</b>	<b>\$ 114.2</b>	<b>\$ 28.2</b>

<sup>1</sup> Represents the undiscounted minimum lease payments for leases of retail locations and office equipment.

<sup>2</sup> Includes amounts pertaining to agreements to purchase goods or services that are enforceable and legally binding on the Company.

## OUTSTANDING SHARE DATA

At April 18, 2024, 13,440,000 Common shares and 35,856,322 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. As at April 18, 2024, the Company has a total of 2,526,869 share options outstanding at a weighted average exercise price of \$2.88. 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.

Details of the foreign exchange contracts outstanding as at February 3, 2024 and January 28, 2023 are included in the "Foreign Exchange Contracts" section of this MD&A.

## 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 16 to the audited consolidated financial statements for fiscal 2024.

During fiscal 2024, the Company incurred \$2.6 million (fiscal 2023 - \$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 \$0.3 million in fiscal 2024 (fiscal 2023 - \$0.1 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.

For further disclosure of the Company's financial instruments, their classification, their impact on financial statements, and determination of fair value refer to Note 24 of the audited consolidated financial statements for fiscal 2024.

## 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 plans, such estimates are subject to a high degree of uncertainty.

## Gift Cards

Gift cards sold are recorded as deferred revenue and revenue is recognized when the gift cards are redeemed. Breakage is an estimate of the amount of gift cards that will never be 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. 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 February 3, 2024, 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 2024

New amendments to standards and interpretations not yet effective for fiscal 2024 for which earlier adoption was permitted have not been applied in preparing the audited consolidated financial statements for fiscal 2024. The amendments to standards and interpretations that are currently under review:

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

Further information on this modification can be found in Note 3 of the audited consolidated financial statements for fiscal 2024.

#### ADOPTION OF NEW ACCOUNTING POLICIES

The new accounting policies set out below have been adopted in the audited consolidated financial statements for fiscal 2024:

- 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 new accounting policies can be found in Note 3 of the audited consolidated financial statements for fiscal 2024.



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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 February 3, 2024 and January 28, 2023
- 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 material accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at February 3, 2024 and January 28, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### ***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 February 3, 2024. 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.

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

### ***Assessment of the Existence and Accuracy of Inventories***

#### ***Description of the matter***

We draw attention to Note 2 (e)(iii), Note 3 (g) and Note 5 in the financial statements. As at February 3, 2024, the Company's inventory balance is \$122,025 thousand. 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 cycle 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.





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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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.



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We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Montréal, Canada

April 18, 2024

**REITMANS (CANADA) LIMITED**  
**CONSOLIDATED STATEMENTS OF EARNINGS**

For the years ended February 3, 2024 (53 weeks) and January 28, 2023 (52 weeks)  
(in thousands of Canadian dollars except per share amounts)

	Notes	<u>2024</u>	<u>2023<sup>(1)</sup></u>
Net revenues	23	\$ 794,688	\$ 803,273
Cost of goods sold	5	<u>363,684</u>	<u>351,979</u>
Gross profit		431,004	451,294
Selling and distribution expenses		357,772	353,244
Administrative expenses		50,307	51,190
Restructuring	14	<u>-</u>	<u>(1,380)</u>
Results from operating activities		22,925	48,240
Finance income	18	5,820	2,713
Finance costs	18	<u>(8,606)</u>	<u>(5,384)</u>
Earnings before income taxes		20,139	45,569
Income tax (expense) recovery	10	<u>(5,324)</u>	<u>32,098</u>
Net earnings		<u>\$ 14,815</u>	<u>\$ 77,667</u>
Earnings per share:	19		
Basic		\$ 0.30	\$ 1.59
Diluted		0.30	1.59

(1) For year ended January 28, 2023, shipping revenues of \$2,646 were reclassified from selling and distribution expenses to net revenues. The adjustments had no effect on results from operating activities or on net earnings. See note 23.

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

**REITMANS (CANADA) LIMITED****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the years ended February 3, 2024 (53 weeks) and January 28, 2023 (52 weeks)

(in thousands of Canadian dollars)

	Notes	<u>2024</u>	<u>2023</u>
Net earnings		\$ 14,815	\$ 77,667
Other comprehensive income (loss)			
Items that may be reclassified subsequently to net earnings:			
Cash flow hedges (net of tax of \$307)	15	851	-
Loss on foreign currency translation differences reclassified to net earnings	15,18	1,044	-
Foreign currency translation differences	15	-	(191)
Items that will not be reclassified to net earnings:			
Net actuarial gain (loss) on defined benefit plan (net of tax of \$94; 2023 - \$504)	9	260	(1,054)
Total other comprehensive income (loss)		<u>2,155</u>	<u>(1,245)</u>
Total comprehensive income		<u>\$ 16,970</u>	<u>\$ 76,422</u>

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

**REITMANS (CANADA) LIMITED**  
**CONSOLIDATED BALANCE SHEETS**

As at February 3, 2024 and January 28, 2023  
(in thousands of Canadian dollars)

	Notes	2024	2023
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	4	\$ 116,653	\$ 103,004
Restricted cash	4	-	2,808
Trade and other receivables		3,542	3,241
Derivative financial asset	24	1,382	-
Inventories	5	122,025	142,302
Prepaid expenses and other assets		16,341	14,502
Total Current Assets		<u>259,943</u>	<u>265,857</u>
<b>NON-CURRENT ASSETS</b>			
Property and equipment	6	69,609	63,833
Intangible assets	7	1,566	2,638
Right-of-use assets	8	131,457	79,894
Pension asset	9	1,149	-
Deferred income taxes	10	27,026	32,308
Total Non-Current Assets		<u>230,807</u>	<u>178,673</u>
<b>TOTAL ASSETS</b>		<u>\$ 490,750</u>	<u>\$ 444,530</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	\$ 61,754	\$ 81,087
Deferred revenue	13	11,939	14,100
Income taxes payable		445	1,018
Current portion of lease liabilities	8	31,329	26,741
Total Current Liabilities		<u>105,467</u>	<u>122,946</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	8	106,265	60,758
Total Non-Current Liabilities		<u>106,265</u>	<u>60,758</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	15	28,292	27,406
Contributed surplus		11,207	10,871
Retained earnings		238,668	223,593
Accumulated other comprehensive income (loss)	15	851	(1,044)
Total Shareholders' Equity		<u>279,018</u>	<u>260,826</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>\$ 490,750</u>	<u>\$ 444,530</u>

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

On behalf of the Board,

(signed) Stephen F. Reitman, Director

(signed) Bruce J. Guerriero, Director

**REITMANS (CANADA) LIMITED****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the years ended February 3, 2024 (53 weeks) and January 28, 2023 (52 weeks)

(in thousands of Canadian dollars)

	Notes	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
<b>Balance as at January 29, 2023</b>		<b>\$ 27,406</b>	<b>\$ 10,871</b>	<b>\$ 223,593</b>	<b>\$ (1,044)</b>	<b>\$ 260,826</b>
Net earnings		-	-	14,815	-	14,815
Total other comprehensive income	9,15	-	-	260	1,895	2,155
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>15,075</b>	<b>1,895</b>	<b>16,970</b>
Share options exercised	15	886	(243)	-	-	643
Share-based compensation costs	16	-	579	-	-	579
<b>Total contributions by owners of the Company</b>		<b>886</b>	<b>336</b>	<b>-</b>	<b>-</b>	<b>1,222</b>
<b>Balance as at February 3, 2024</b>		<b>\$ 28,292</b>	<b>\$ 11,207</b>	<b>\$ 238,668</b>	<b>\$ 851</b>	<b>\$ 279,018</b>
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	9,15	-	-	(1,054)	(191)	(1,245)
Total comprehensive income (loss) for the year		-	-	76,613	(191)	76,422
Share-based compensation costs	16	-	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

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

**REITMANS (CANADA) LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended February 3, 2024 (53 weeks) and January 28, 2023 (52 weeks)  
(in thousands of Canadian dollars)

	Notes	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net earnings		\$ 14,815	\$ 77,667
Adjustments for:			
Depreciation, amortization and net impairment losses on property and equipment, and intangible assets	6,7	14,203	15,582
Depreciation and net impairment losses on right-of-use assets	6,8	34,314	28,902
Share-based compensation costs	16	579	576
Net change in transfer of realized gain on cash flow hedges to inventory		(224)	-
Foreign exchange gain		(1,714)	(1,628)
Loss on foreign currency translation differences reclassified to net earnings	15,18	1,044	-
Interest on lease liabilities	8,18	7,562	4,939
Interest on revolving credit	18	-	445
Interest income	18	(5,200)	(1,952)
Income tax expense (recovery)	10	5,324	(32,098)
		70,703	92,433
Changes in:			
Trade and other receivables		126	4,657
Inventories	5	20,277	(23,330)
Prepaid expenses and other assets		(1,839)	28,088
Trade and other payables	12	(20,539)	46,831
Pension asset	9	(795)	(450)
Deferred revenue	13	(2,161)	610
		65,772	148,839
Interest paid		-	(486)
Interest received		4,773	1,660
Income taxes paid		(1,017)	(46)
Net cash flows from operating activities		69,528	149,967
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Additions to property and equipment and intangible assets	6,7,22	(17,702)	(10,651)
Cash flows used in investing activities		(17,702)	(10,651)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Release of restricted cash	4	2,808	(51)
Net repayment of revolving credit facility	11	-	(29,634)
Payment of lease liabilities	8,22	(43,352)	(33,674)
Proceeds from issuance of share capital	15	643	-
Cash flows used in financing activities		(39,901)	(63,359)
<b>FOREIGN EXCHANGE GAIN ON CASH HELD IN FOREIGN CURRENCY</b>			
		1,724	1,545
<b>NET INCREASE IN CASH</b>		<b>13,649</b>	<b>77,502</b>
<b>CASH, BEGINNING OF THE YEAR</b>		<b>103,004</b>	<b>25,502</b>
<b>CASH, END OF THE YEAR</b>		<b>\$ 116,653</b>	<b>\$ 103,004</b>

Supplementary cash flow information (note 22)

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



## **REITMANS (CANADA) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended February 3, 2024 (53 weeks) and January 28, 2023 (52 weeks)

(all amounts in thousands of Canadian dollars except per share amounts)

#### **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, 40<sup>th</sup> 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. Under an accounting convention common in the retail industry, the Company follows a 52-week reporting cycle, which periodically necessitates a fiscal year of 53 weeks. The year ended February 3, 2024 includes 53 weeks instead of the normal 52 weeks. The inclusion of an extra week occurs every fifth or sixth fiscal year due to the Company’s floating year-end date. All references to 2024 and 2023 represent the 53 weeks ended February 3, 2024 and 52 weeks ended January 28, 2023, respectively.

##### **b) Statement of Compliance**

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

These consolidated financial statements were authorized for issue by the Board of Directors on April 18, 2024.

##### **c) 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;
- liabilities for cash-settled share-based payment arrangements are measured in accordance with IFRS 2, *Share-Based Payment*; and
- derivative financial instruments measured at fair value.

#### **d) 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.

#### **e) 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 Plan**

The cost of the 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 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. Breakage is an estimate of the amount of gift cards that will never be 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. 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. MATERIAL ACCOUNTING POLICIES**

The material 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**

*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. 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. 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. 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 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 adoption of these amendments did not have a significant impact on the Company's consolidated financial statements.

**b) New standards and interpretations not yet adopted**

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

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

**c) Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. 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) Property and Equipment**

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. 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.

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.

#### **e) Intangible Assets**

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.

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

#### **f) 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.

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.

#### **g) 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.

## **h) 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.

## **i) Employee Benefits**

### **(i) Pension Plans**

#### *Defined Benefit Plan*

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.

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 Canadian dollars, which is the currency that the benefits are 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.

#### *Defined Contribution Plans*

The Company maintains a defined contribution plan for certain eligible employees whereby the Company contributes fixed amounts into a registered plan. 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.



**(ii) 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 up to four 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.

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

Shipping fees charged to customers are recorded as e-commerce net revenues.

### *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".

## **k) 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.

## **1) 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.

## **m) Financial Instruments**

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. The Company has no financial assets measured at fair value through other comprehensive income or through profit and loss.

### *(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 trade and other receivables as assets measured at amortized cost.

### *(ii) 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.

### *(iii) Financial liabilities*

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 trade and other payables as financial liabilities measured at amortized cost.

### *(iv) 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.

(v) *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.

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.

## n) 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. CASH AND RESTRICTED CASH

	<u>February 3, 2024</u>	<u>January 28, 2023</u>
Cash <sup>(1)</sup>	\$ 116,653	\$ 103,004
Restricted cash <sup>(2)</sup>	-	2,808
	<u>\$ 116,653</u>	<u>\$ 105,812</u>

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

(2) Restricted cash represented cash held in trust by a Canadian financial institution as security on a standby letter of credit, which expired during the year ended February 3, 2024. The cash bore interest at variable rates.

## 5. INVENTORIES

During the year ended February 3, 2024, inventories recognized as cost of goods sold amounted to \$357,917 (January 28, 2023 - \$347,831). In addition, for the year ended February 3, 2024, the Company recorded \$5,767 (January 28, 2023 - \$4,148) of inventory write-downs as a result of net realizable value being lower than cost which were recognized in cost of goods sold, and no inventory write-downs recognized in previous periods were reversed.

Included in inventories is a return asset for the right to recover returned goods in the amount of \$1,703 as at February 3, 2024 (January 28, 2023 - \$2,100).

## 6. PROPERTY AND EQUIPMENT

	<b>Land</b>	<b>Buildings</b>	<b>Fixtures and Equipment</b>	<b>Leasehold Improvements</b>	<b>Total</b>
<b>Cost</b>					
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)	(14,513) <sup>(1)</sup>	(6,712)	(23,294)
Balance at January 28, 2023	<b>\$ 5,860</b>	<b>\$ 35,314</b>	<b>\$ 60,044</b>	<b>\$ 25,921</b>	<b>\$ 127,139</b>
Balance at January 29, 2023	<b>\$ 5,860</b>	<b>\$ 35,314</b>	<b>\$ 60,044</b>	<b>\$ 25,921</b>	<b>\$ 127,139</b>
Additions	-	13	11,222	7,156	18,391
Derecognition of fully amortized assets	-	(174)	(6,412)	(4,374)	(10,960)
Balance at February 3, 2024	<b>\$ 5,860</b>	<b>\$ 35,153</b>	<b>\$ 64,854</b>	<b>\$ 28,703</b>	<b>\$ 134,570</b>
<b>Accumulated depreciation and impairment losses</b>					
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), net	-	-	125	(34)	91
Derecognition of fully amortized assets	-	(2,069)	(14,513) <sup>(1)</sup>	(6,712)	(23,294)
Balance at January 28, 2023	<b>\$ -</b>	<b>\$ 16,518</b>	<b>\$ 32,225</b>	<b>\$ 14,563</b>	<b>\$ 63,306</b>
Balance at January 29, 2023	<b>\$ -</b>	<b>\$ 16,518</b>	<b>\$ 32,225</b>	<b>\$ 14,563</b>	<b>\$ 63,306</b>
Depreciation	-	1,099	7,030	3,507	11,636
Impairment loss	-	-	342	637	979
Derecognition of fully amortized assets	-	(174)	(6,412)	(4,374)	(10,960)
Balance at February 3, 2024	<b>\$ -</b>	<b>\$ 17,443</b>	<b>\$ 33,185</b>	<b>\$ 14,333</b>	<b>\$ 64,961</b>
<b>Net carrying amounts</b>					
At January 28, 2023	\$ 5,860	\$ 18,796	\$ 27,819	\$ 11,358	\$ 63,833
At February 3, 2024	<b>\$ 5,860</b>	<b>\$ 17,710</b>	<b>\$ 31,669</b>	<b>\$ 14,370</b>	<b>\$ 69,609</b>

(1) The comparative information for the year ended January 28, 2023, related to the derecognition of fully amortized fixtures and equipment, were recast from \$24,513 to \$14,513 to reflect the correct presentation between cost and accumulated depreciation. This adjustment had no effect on the net carrying amounts of fixtures and equipment as at January 28, 2023.

During the years ended February 3, 2024 and January 28, 2023, 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:

	<b>For the years ended</b>	
	<b>February 3, 2024</b>	<b>January 28, 2023</b>
Property and equipment	\$ 979	\$ 1,002
Intangible assets	-	998
	<b>\$ 979</b>	<b>\$ 2,000</b>

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 February 3, 2024, 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 28, 2023 – 11.0%).

A reversal of impairment occurs when previously impaired individual retail store locations generate increased profitability. During the year ended February 3, 2024, no impairment losses related to property and equipment (January 28, 2023 – \$911) and no impairment losses related to right-of-use assets (January 28, 2023 – \$350) were reversed.

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

	<b>For the years ended</b>	
	<b>February 3, 2024</b>	<b>January 28, 2023</b>
Selling and distribution expenses	\$ 10,132	\$ 10,634
Administrative expenses	1,504	1,184
	<b>\$ 11,636</b>	<b>\$ 11,818</b>

Property and equipment include an amount of \$4,345 (January 28, 2023 - \$2,559) that is not being depreciated. Depreciation will begin when the assets are available for use.



## 7. INTANGIBLE ASSETS

Intangible assets consist of software as follows:

	<u>February 3, 2024</u>	<u>January 28, 2023</u>
<b>Cost</b>		
Balance at beginning of the year	\$ 9,548	\$ 17,363
Additions	516	698
Derecognition of fully amortized assets	(5,401)	(7,515)
Write-offs <sup>(1)</sup>	-	(998)
Balance at end of the year	<u>\$ 4,663</u>	<u>\$ 9,548</u>
<b>Accumulated amortization and impairment losses</b>		
Balance at beginning of the year	\$ 6,910	\$ 11,750
Amortization	1,588	2,675
Derecognition of fully amortized assets	(5,401)	(7,515)
Balance at end of the year	<u>\$ 3,097</u>	<u>\$ 6,910</u>
<b>Net carrying amounts</b>	<b>\$ 1,566</b>	<b>\$ 2,638</b>

(1) Write-offs related to unamortized costs for projects that were discontinued. These costs were recognized in impairment of non-financial assets in the consolidated statements of earnings for the year ended January 28, 2023.

Depreciation expense related to intangible assets is presented as follows:

	<u>For the years ended</u>	
	<u>February 3, 2024</u>	<u>January 28, 2023</u>
Selling and distribution expenses	\$ 638	\$ 684
Administrative expenses	950	1,991
	<u>\$ 1,588</u>	<u>\$ 2,675</u>

Intangible assets include an amount of \$185 (January 28, 2023 - \$63) that is not being amortized. Amortization will begin when the software is available for use.

## 8. LEASES

The Company leases all of its retail locations and certain office equipment.

### Right-of-use assets

	<b>Retail locations</b>	<b>Office equipment</b>	<b>Total</b>
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 6)	350	-	350
Balance as at January 28, 2023	<u>\$ 78,958</u>	<u>\$ 936</u>	<u>\$ 79,894</u>
	<b>Retail locations</b>	<b>Office equipment</b>	<b>Total</b>
Balance as at January 29, 2023	\$ 78,958	\$ 936	\$ 79,894
Lease additions	86,116	330	86,446
Lease modifications	(569)	-	(569)
Depreciation	(33,947)	(367)	(34,314)
Balance as at February 3, 2024	<u>\$ 130,558</u>	<u>\$ 899</u>	<u>\$ 131,457</u>

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

	<b>For the years ended</b>	
	<b>February 3, 2024</b>	<b>January 28, 2023</b>
Selling and distribution expenses	\$ 34,268	\$ 29,228
Administrative expenses	46	24
	<u>\$ 34,314</u>	<u>\$ 29,252</u>

## Lease liabilities

	<u>February 3, 2024</u>	<u>January 28, 2023</u>
Balance at the beginning of the year	\$ 87,499	\$ 52,307
Lease additions	86,446	64,603
Lease modifications	(561)	(676)
Payment of lease liabilities	(43,352)	(33,674)
Interest expense on lease liabilities (note 18)	7,562	4,939
Balance at the end of the year	<u>\$ 137,594</u>	<u>\$ 87,499</u>
Current portion of lease liabilities	\$ 31,329	\$ 26,741
Non-current portion of lease liabilities	106,265	60,758
Total lease liabilities	<u>\$ 137,594</u>	<u>\$ 87,499</u>

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

2025	\$ 41,637
2026	34,476
2027	31,235
2028	22,738
2029	14,185
Thereafter	<u>27,153</u>
Total undiscounted lease liabilities	<u>\$ 171,424</u>

The Company has certain retail locations where portions of the lease payments are contingent on a percentage of sales or where lease payments are made with no fixed term. During the year ended February 3, 2024, the Company recognized \$7,446 (January 28, 2023 - \$14,494) of variable lease payments and \$4,945 (January 28, 2023 - \$4,651) of lease payments with no fixed term recorded in selling and distribution expenses. The Company recognized no expenses related to short-term leases for the years ended February 3, 2024 and January 28, 2023.

As at February 3, 2024, \$15,355 (January 28, 2023 - \$23,162) of undiscounted future lease payments are related to extension options that were not deemed to be reasonably certain to be exercised and were not included in lease liabilities.

## 9. PENSION

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

### Funded Status

	<u>February 3, 2024</u>	<u>January 28, 2023</u>
Fair value of plan assets	\$ 21,198	\$ 20,933
Defined benefit obligation	<u>20,049</u>	19,834
Funded status	1,149	1,099
Effect of asset ceiling	-	(1,099)
Pension asset	<u>\$ 1,149</u>	<u>\$ -</u>

	<u>For the years ended</u>	
	<u>February 3, 2024</u>	<u>January 28, 2023</u>
<b>Movement in the present value of the defined benefit obligation</b>		
Defined benefit obligation, beginning of year	\$ 19,834	\$ 22,919
Current service cost	897	983
Past service (gain) cost - curtailments	(919)	-
Interest cost	967	780
Employee contributions	117	110
Actuarial loss - experience	383	749
Actuarial loss - demographic assumptions	261	-
Actuarial gain - financial assumptions	(478)	(3,550)
Benefits paid from plan assets	(1,013)	(2,157)
Defined benefit obligation, end of year	<u>\$ 20,049</u>	<u>\$ 19,834</u>
<b>Movement in the fair value of plan assets</b>		
Fair value of plan assets, beginning of year	\$ 20,933	\$ 23,019
Return on plan assets	(579)	(2,251)
Interest income on plan assets	1,011	772
Employer contributions	1,015	1,602
Employee contributions	117	110
Benefits paid	(1,013)	(2,157)
Plan administration costs	(286)	(162)
Fair value of plan assets, end of year	<u>\$ 21,198</u>	<u>\$ 20,933</u>

For the year ended February 3, 2024, the net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants 42% (2023 - 39%)
- Retired plan members 54% (2023 - 57%)
- Deferred and other plan participants 4% (2023 - 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:

	February 3, 2024		January 28, 2023	
<b>Equity securities</b>				
Canadian – pooled funds	\$ -	-	\$ 6,641	31%
Canadian – real estate fund	-	-	1,410	7%
Foreign – pooled funds	-	-	4,739	23%
Total equity securities	-	-	12,790	61%
<b>Debt securities – fixed income pooled funds</b>	<b>20,981</b>	<b>99%</b>	7,757	37%
<b>Cash and cash equivalents</b>	<b>217</b>	<b>1%</b>	386	2%
Total	<b>\$ 21,198</b>	<b>100%</b>	\$ 20,933	100%

The Company's pension expense was as follows:

	For the years ended	
	February 3, 2024	January 28, 2023
<b>Pension costs recognized in net earnings</b>		
Current service cost	\$ 897	\$ 983
Past service (gain) cost - curtailments	(919)	-
Net interest cost	(44)	8
Plan administration costs	286	162
Pension expense	<b>\$ 220</b>	\$ 1,153

During the year ended February 3, 2024, the Company recognized a net pension expense of \$243 (January 28, 2023 - \$703) in selling and distribution expenses and a gain of \$23 (January 28, 2023 – costs of \$450) 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	
	February 3, 2024	January 28, 2023
Cumulative gain in retained earnings at the beginning of the year	\$ (1,398)	\$ (2,452)
(Gain) loss recognized in other comprehensive income during the year (net of tax of \$94; 2023 - \$504)	(260)	1,054
Cumulative gain in retained earnings at the end of the year	<b>\$ (1,658)</b>	\$ (1,398)

### Actuarial assumptions

Principal actuarial assumptions used were as follows:

	For the years ended	
	February 3, 2024	January 28, 2023
Accrued benefit obligation:		
Discount rate	4.90%	4.70%
Salary increase	4.00%	4.00%
Mortality	2014 Private Sector Canadian Pensioner's Mortality Table, projected generationally using Scale MI-2017, adjusted for pension size	2014 Private Sector Canadian Pensioner's Mortality Table, projected generationally using Scale MI-2017, adjusted for pension size
Employee benefit expense:		
Discount rate	4.70%	3.40%
Salary increase	4.00%	4.00%

### Sensitivity of Key Actuarial Assumptions

The following table outlines the key assumptions for the years ended February 3, 2024 and January 28, 2023 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	
	February 3, 2024	January 28, 2023
<b>(Decrease) increase in defined benefit obligation of the Plan</b>		
<b>Discount rate</b>		
Impact of increase of 1%	\$ (2,131)	\$ (2,157)
Impact of decrease of 1%	\$ 2,598	\$ 2,641
<b>Salary increase or decrease</b>		
Impact of increase of 1%	\$ 109	\$ 472
Impact of decrease of 1%	\$ (137)	\$ (423)
<b>Lifetime expectancy</b>		
Impact of increase of 1 year in expected lifetime of plan members	\$ 438	\$ 451

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 \$427 in employer contributions to be paid to the Plan in the year ending February 1, 2025 before final dissolution of the Plan. The weighted average duration of the Plan is approximately 12.2 years as at February 3, 2024 (January 28, 2023 – 11.7 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, 2023.

#### *Dissolution of the Plan*

On May 19, 2023, the Board of Directors approved the dissolution of the Plan. The effective date of the windup for the Plan is June 30, 2024, subject to regulatory approval from Retraite Quebec. The Board of Directors approved the replacement of the Plan with a defined contribution pension plan. The curtailment of the Plan required an actuarial revaluation resulting in the recognition of a gain of \$919 for the year ended February 3, 2024, recorded as \$576 in selling and distribution expenses and \$343 in administrative expenses. As part of the dissolution, the mix of asset categories of the Plan assets was changed to reflect the windup.

During the year ended February 3, 2024, the Company recognized pension expense of \$56 related to contributions to the defined contribution pension plan as \$14 in selling and distribution expenses and \$42 in administration expenses.

## 10. INCOME TAX

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

	<b>For the years ended</b>	
	<b>February 3, 2024</b>	<b>January 28, 2023</b>
<b>Current tax expense</b>		
Current year	\$ 444	\$ 530
Adjustment in respect of prior years	(1)	(2)
Current tax expense	<u>443</u>	<u>528</u>
<b>Deferred tax expense (recovery)</b>		
Recognition and reversal of temporary differences	5,044	11,373
Changes in tax rates	4	3
Changes in unrecognized deferred tax asset	(2)	(43,152)
Adjustment in respect of prior years	(165)	(850)
Deferred tax expense (recovery)	<u>4,881</u>	<u>(32,626)</u>
Total tax expense (recovery)	<u>\$ 5,324</u>	<u>\$ (32,098)</u>

## Income tax recognized in other comprehensive income

	For the years ended					
	February 3, 2024			January 28, 2023		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Cash flow hedges	\$ 1,158	\$ (307)	\$ 851	\$ -	\$ -	\$ -
Defined benefit plan actuarial gains (losses)	354	(94)	260	(550)	(504)	(1,054)
	<b>\$ 1,512</b>	<b>\$ (401)</b>	<b>\$ 1,111</b>	<b>\$ (550)</b>	<b>\$ (504)</b>	<b>\$ (1,054)</b>

## Reconciliation of effective tax rate

	For the years ended			
	February 3, 2024		January 28, 2023	
Earnings before income taxes	\$ 20,139		\$ 45,569	
Income tax expense using the Company's statutory tax rate	5,336	26.50%	12,075	26.50%
Changes in tax rates	4	0.02%	3	0.00%
Non-deductible expenses and other adjustments	471	2.34%	211	0.46%
Change in unrecognized deferred tax assets	(2)	(0.01%)	(43,152)	(94.69%)
Effect of tax in foreign jurisdictions	(319)	(1.58%)	(383)	(0.84%)
Adjustment in respect of prior years	(166)	(0.83%)	(852)	(1.87%)
Income tax expense (recovery)	<b>\$ 5,324</b>	<b>26.44%</b>	<b>\$ (32,098)</b>	<b>(70.44%)</b>

## Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	February 3, 2024	January 28, 2023	February 3, 2024	January 28, 2023	February 3, 2024	January 28, 2023
Lease liabilities	\$ 37,030	\$ 22,641	\$ -	\$ -	\$ 37,030	\$ 22,641
Right-of-use assets	-	-	34,464	20,626	(34,464)	(20,626)
Property, equipment and intangible assets	11,269	15,091	-	-	11,269	15,091
Inventories	-	-	1,519	1,780	(1,519)	(1,780)
Derivative financial asset	-	-	307	-	(307)	-
Pension asset	294	504	598	504	(304)	-
Accounting reserves	650	6,491	-	-	650	6,491
Tax benefit of losses carried forward	14,737	10,349	-	-	14,737	10,349
Other	276	142	342	-	(66)	142
	<b>\$ 64,256</b>	<b>\$ 55,218</b>	<b>\$ 37,230</b>	<b>\$ 22,910</b>	<b>\$ 27,026</b>	<b>\$ 32,308</b>



## Changes in deferred tax balances during the year

	Balance January 29, 2022	Recognized in net earnings	Recognized in other comprehensive income	Balance January 28, 2023	Recognized in net earnings	Recognized in other comprehensive income	Balance February 3, 2024
Lease liabilities	\$ 11,685	\$ 10,956	\$ -	\$ 22,641	\$ 14,389	\$ -	\$ 37,030
Right-of-use assets	(11,685)	(8,941)	-	(20,626)	(13,838)	-	(34,464)
Property, equipment and intangible assets	3,009	12,082	-	15,091	(3,822)	-	11,269
Inventories	(1,637)	(143)	-	(1,780)	261	-	(1,519)
Derivative financial asset	-	-	-	-	-	(307)	(307)
Pension asset	(676)	1,180	(504)	-	(210)	(94)	(304)
Accounting reserves	-	6,491	-	6,491	(5,841)	-	650
Tax benefit of losses carried forward	-	10,349	-	10,349	4,388	-	14,737
Other	(510)	652	-	142	(208)	-	(66)
	\$ 186	\$ 32,626	\$ (504)	\$ 32,308	\$ (4,881)	\$ (401)	\$ 27,026

## Unrecognized deferred tax assets

As at February 3, 2024, deferred income tax assets related to allowable capital losses carry-forward for \$3,142 (January 28, 2023 - \$3,144) were not recognized on the consolidated balance sheets as it is not probable that sufficient future taxable capital gains will be available from the Canadian operations to utilize the benefits. The allowable capital losses carry-forward do not expire under current income tax legislation.

## 11. REVOLVING CREDIT FACILITY

The Company has access to a senior secured asset-based revolving facility with a Canadian financial institution for an amount of up to \$115,000 (“Borrowing Base”), or its US dollar equivalent, which matures on January 12, 2025. The Borrowing Base is dependent on certain factors including, but not limited to, the level of the Company’s inventory, credit card receivables and the statutory amount payables to governmental authorities. As at February 3, 2024, the Company’s Borrowing Base was \$92,037 (January 28, 2023 – \$92,762).

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 February 3, 2024, no amount (January 28, 2023 – nil) was drawn under the revolving credit facility and \$2,010 was committed for secured letters of credit (January 28, 2023 – \$2,000).

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

## 12. TRADE AND OTHER PAYABLES

	<u>February 3, 2024</u>	<u>January 28, 2023</u>
Trade payables	\$ 22,844	\$ 18,282
Personnel liabilities	21,720	37,027
Other non-trade payables	13,687	20,683
Refund liability	3,250	4,024
Deferred rent and payables relating to premises	253	1,071
	<u>\$ 61,754</u>	<u>\$ 81,087</u>

## 13. DEFERRED REVENUE

	<u>February 3, 2024</u>	<u>January 28, 2023</u>
Loyalty points and awards granted under loyalty programs	\$ 201	\$ 242
Unredeemed gift cards	11,738	13,858
	<u>\$ 11,939</u>	<u>\$ 14,100</u>

## 14. RESTRUCTURING

During the year ended January 29, 2022, the Company emerged from Companies' Creditors Arrangement Act ("CCAA") proceedings. In connection with the restructuring plan and the CCAA proceedings, the following restructuring costs and recoveries were recognized:

	For the year ended	
	February 3, 2024	January 28, 2023
Legal and other fees	\$ -	\$ 1,084
Other recoveries	-	(2,464)
	<u>\$ -</u>	<u>\$ (1,380)</u>

## 15. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

	For the years ended			
	February 3, 2024		January 28, 2023	
	Number of shares (in 000's)	Carrying amount	Number of shares (in 000's)	Carrying amount
<b>Common shares</b>				
Balance at beginning and end of the year	<u>13,440</u>	<u>\$ 482</u>	13,440	\$ 482
<b>Class A non-voting shares</b>				
Balance at beginning of the year	35,427	26,924	35,427	26,924
Shares issued pursuant to exercise of share options (note 16)	429	886	-	-
Balance at end of the year	<u>35,856</u>	<u>27,810</u>	35,427	26,924
Total share capital	<u>49,296</u>	<u>\$ 28,292</u>	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.

### *Issuance of Class A Non-Voting Shares*

During the year ended February 3, 2024, 429,000 (January 28, 2023 – nil) Class A non-voting shares were issued from the exercise of vested share options arising from the Company's share option program (note 16). The amounts credited to share capital from the exercise of share options include a cash consideration of \$643 with an ascribed value from contributed surplus of \$243.

*Accumulated Other Comprehensive Income (“AOCI”)*

AOCI is comprised of the following:

	<b>Cash Flow Hedges</b>	<b>Foreign Currency Translation Differences</b>	<b>Total AOCI</b>
Balance at January 29, 2023	\$ -	\$ (1,044)	\$ (1,044)
Net change in fair value of cash flow hedges (net of tax of \$663)	1,839	-	1,839
Transfer to cost of inventory (net of tax of \$356)	(988)	-	(988)
Loss on foreign currency translation differences reclassified to net earnings <sup>(1)</sup>	-	1,044	1,044
Balance at February 3, 2024	<u>\$ 851</u>	<u>\$ -</u>	<u>\$ 851</u>
Balance at January 30, 2022	\$ -	\$ (853)	\$ (853)
Change in foreign currency translation differences	-	(191)	(191)
Balance at January 28, 2023	<u>\$ -</u>	<u>\$ (1,044)</u>	<u>\$ (1,044)</u>

(1) During the year ended February 3, 2024, a subsidiary of the Company has been wound-up. Amounts previously recognized in other comprehensive income were reclassified to net earnings (note 18).

*Dividends*

No dividends were declared or paid during years ended February 3, 2024 and January 28, 2023.

## 16. 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 3,071,000 (January 28, 2023 – 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 February 3, 2024, the Company granted 359,869 (940,000 during the year ended January 28, 2023) service-based share options to certain executives, for which service conditions are expected to be satisfied. Estimated fair values of options on the grant date were determined using the Black Scholes option pricing model based on the following assumptions (amounts in dollars):

	For the year ended February 3, 2024		For the year ended January 28, 2023
	327,869 Share Options Granted September 5, 2023	32,000 Share Options Granted August 3, 2023	940,000 Share Options Granted April 26, 2022
Grant term	4.1 years	1.8 years	3.1 years
Equal vesting tranches	4	2	3
Expected share option life	3.3 years	1.5 years	2.5 years
Risk-free interest rate	4.30%	4.78%	2.46%
Expected share price volatility	68.10%	73.40%	71.90%
Dividend yield	-	-	-
Share price at grant date	\$3.05	\$3.04	\$1.40
Exercise price	\$3.05	\$3.04	\$1.50
Average fair value	\$1.52	\$1.13	\$0.60

The expected volatility is based on the historical volatility of comparable companies traded in the industry.

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

	For the years ended			
	February 3, 2024		January 28, 2023	
	Options (in 000's)	Weighted Average Exercise Price	Options (in 000's)	Weighted Average Exercise Price
Outstanding, at beginning of year	1,635	\$ 3.63	1,126	\$ 8.56
Granted	360	3.05	940	1.50
Exercised (note 15)	(149)	1.50	-	-
Forfeited and expired	(149)	5.30	(431)	11.85
Outstanding, at end of year	1,697	\$ 3.55	1,635	\$ 3.63
Options exercisable, at end of year	756	\$ 5.36	720	\$ 6.34

Information about service-based share options outstanding at February 3, 2024:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	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 - \$3.03	741	1.31 years	\$ 1.50	160	\$ 1.50
\$3.04 - \$5.99	360	3.46	3.05	-	-
\$6.00 - \$6.75	596	0.64	6.40	596	6.40
	<b>1,697</b>	<b>1.46 years</b>	<b>\$ 3.55</b>	<b>756</b>	<b>\$ 5.36</b>

During the year ended February 3, 2024, the Company recognized \$292 of compensation costs related to the Company's service-based share options with a corresponding credit to contributed surplus (January 28, 2023 - \$221).

### *Market-condition share options*

During the year ended February 3, 2024, no market-condition share options were granted. During the year ended January 28, 2023, the Company granted 1,110,000 market-condition 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):

	<b>1,110,000 Share Options Granted April 26, 2022</b>
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
Average fair value	<u>\$0.57</u>

The expected volatility is based on the historical volatility of comparable companies traded in the industry.

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

	<b>For the year ended February 3, 2024</b>			<b>For the year ended January 28, 2023</b>	
	<b>Options (in 000's)</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life</b>	<b>Options (in 000's)</b>	<b>Weighted Average Exercise Price</b>
Outstanding, at beginning of year	1,110	\$ 1.50	-	-	\$ -
Granted	-	-	-	1,110	1.50
Exercised (note 15)	(280)	1.50	-	-	-
Outstanding, at end of year	<u>830</u>	<u>\$ 1.50</u>	<u>1.31 years</u>	<u>1,110</u>	<u>\$ 1.50</u>
Options exercisable, at end of year	<u>830</u>	<u>\$ 1.50</u>	<u>1.31 years</u>	<u>344</u>	<u>\$ 1.50</u>

During the year ended February 3, 2024, the Company recognized \$287 of compensation costs related to the Company's market-condition share options with a corresponding credit to contributed surplus (January 28, 2023 - \$355).

### 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 February 3, 2024 and January 28, 2023.

## 17. COMMITMENTS

As at February 3, 2024, 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:

	<b>Purchase Obligations</b>	<b>Other Service Contracts</b>	<b>Total</b>
Within 1 year	\$ 127,874	\$ 4,165	\$ 132,039
Within 2 years	5,096	2,295	7,391
Within 3 years	1,346	911	2,257
Within 4 years	1,069	901	1,970
Within 5 years	873	150	1,023
Subsequent years	-	-	-
<b>Total</b>	<b>\$ 136,258</b>	<b>\$ 8,422</b>	<b>\$ 144,680</b>

Included in prepaid expenses and other assets as at February 3, 2024 is an amount of \$3,425 (January 28, 2023 - \$4,390) representing deposits to vendors for ordered merchandise.

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



## 18. FINANCE INCOME AND FINANCE COSTS

	For the years ended	
	February 3, 2024	January 28, 2023
Interest income	\$ 5,200	\$ 1,952
Foreign exchange gain	620	761
Finance income	<u>5,820</u>	<u>2,713</u>
Interest expense on lease liabilities (note 8)	7,562	4,939
Loss on foreign currency translation differences reclassified to net earnings (note 15)	1,044	-
Interest expense on revolving credit facility	-	445
Finance costs	<u>8,606</u>	<u>5,384</u>
Net finance costs	<u>\$ 2,786</u>	<u>\$ 2,671</u>

## 19. EARNINGS PER SHARE

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

	For the years ended	
	February 3, 2024	January 28, 2023
Weighted average number of shares – basic	49,121	48,867
Dilutive effect of stock options granted	677	-
Weighted average number of shares – diluted	<u>49,798</u>	<u>48,867</u>

As at February 3, 2024, 955,869 (January 28, 2023 - 720,000) 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.

## 20. 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 President and Chief Executive Officer) 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 16.

During the year ended February 3, 2024, the Company incurred \$2,638 (January 28, 2023 - \$1,825) in compensation expenses for key management personnel consisting of salaries, directors' fees and short-term benefits.

### *Other Related-Party Transactions*

During the year ended February 3, 2024, the Company incurred \$260 (January 28, 2023 - \$133) 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.

## 21. PERSONNEL EXPENSES

	For the years ended	
	February 3, 2024	January 28, 2023
Wages, salaries and employee benefits	\$ 190,981	\$ 194,161
Expenses related to pension plans	276	1,153
Share-based compensation costs	579	576
	<u>\$ 191,836</u>	<u>\$ 195,890</u>

## 22. SUPPLEMENTARY CASH FLOW INFORMATION

	For the years ended	
	February 3, 2024	January 28, 2023
Non-cash transactions:		
Additions to property and equipment and intangible assets included in trade and other payables	\$ 2,542	\$ 1,336

For the year ended February 3, 2024, payments of lease liabilities of \$43,352 include interest of \$7,562 (payments of lease liabilities of \$33,674 include interest of \$4,939 for the year ended January 28, 2023).

## 23. NET REVENUES

Net revenues are disaggregated as follows:

	For the years ended	
	February 3, 2024	January 28, 2023 <sup>(1)</sup>
Retail stores	\$ 576,897	\$ 573,739
E-commerce	217,791	229,534
Net revenues	<u>\$ 794,688</u>	<u>\$ 803,273</u>

- (1) For year ended January 28, 2023, shipping revenues of \$2,646 were reclassified from selling and distribution expenses to net revenues as part of e-commerce.

## 24. FINANCIAL INSTRUMENTS

### *Accounting classification and fair values*

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

	February 3, 2024							
	Carrying Amount				Fair Value			
	Fair Value through Profit or Loss	Fair Value of Hedging Instruments	Amortized Cost	Total	Level 1	Level 2	Total	
<b>Financial assets measured at fair value through profit or loss</b>								
Derivative financial asset	\$ -	\$ 1,382	\$ -	\$ 1,382	\$ -	\$ 1,382	\$ 1,382	

There were no transfers between levels of the fair value hierarchy for the years ended February 3, 2024 and January 28, 2023.

### *Derivative financial instruments*

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

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

	Average Strike Price	Notional Amount in U.S. Dollars	Derivative Financial Asset	Derivative Financial Liability	Net
<b>February 3, 2024</b>					
Foreign exchange forward contracts	\$ 1.328	\$ 90,000	\$ 1,382	\$ -	\$ 1,382

## 25. 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 February 3, 2024 and January 28, 2023, expected credit loss on these financial assets is not significant.

As at February 3, 2024, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash	\$ 116,653
Trade and other receivables	<u>3,542</u>
	<u><b>\$ 120,195</b></u>

### *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 forward contracts, normally not to exceed twelve months, and U.S. dollar spot rate purchases. A forward foreign exchange contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. The Company enters into certain qualifying foreign exchange contracts that it designated as cash flow hedging instruments. This results in the effective portion of the changes in fair value for qualifying hedging instruments, being recorded as a component of other comprehensive income, until it is recognized as a cost of inventory or reclassified to net earnings upon transfer from Accumulated Other Comprehensive Income.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash of \$45,469, trade and other receivables of \$299 and trade payables of \$3,405 to determine how a change in the U.S. dollar exchange rate would impact net earnings. On February 3, 2024, 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 \$4,189 increase or decrease, respectively, in the Company's net earnings for the year ended February 3, 2024.

The Company has performed a sensitivity analysis on its derivative financial instruments (which are all designated as cash flow hedges), to determine how a change in the U.S. dollar exchange rate would impact other comprehensive income. On February 3, 2024, a 5% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in a \$4,408 decrease or increase, respectively, in the Company's other comprehensive income for the year ended February 3, 2024.

### *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 11 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 February 3, 2024 to determine how a change in interest rates would impact net earnings. For the year ended February 3, 2024, the Company earned interest income of \$5,200 on its cash. An increase or decrease of 100 basis points in the average interest rate earned during the year would have increased or decreased net earnings by \$685. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The Company did not incur interest expense on its revolving credit facility for the year ended February 3, 2024.

## **26. 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 11. 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).