Dollarama Inc.

Condensed Interim Consolidated Financial Statements

For the 13-week and 26-week periods ended July 30, 2017 and July 31, 2016

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

Dollarama Inc.

Interim Consolidated Statement of Financial Position as at
(Unaudited, expressed in thousands of Canadian dollars)

	Note	July 30, 2017 $	January 29, 2017 $
Assets			
Current assets			
Cash and cash equivalents		79,226	62,015
Accounts receivable		13,381	15,386
Deposits and prepaid expenses		7,586	7,162
Merchandise inventories		472,263	465,715
Derivative financial instruments	6	-	8,787
		572,456	559,065
Non-current assets			
Property, plant and equipment		450,815	437,089
Intangible assets		140,363	139,515
Goodwill		727,782	727,782
Total assets		1,891,416	1,863,451
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		207,527	198,486
Dividend payable		12,461	11,591
Income taxes payable		13,416	16,597
Derivative financial instruments	6	43,179	8,085
Current portion of long-term debt	7	4,635	278,643
		281,218	513,402
Non-current liabilities			
Long-term debt	7	1,469,170	1,050,101
Derivative financial instruments	6	10,864	-
Deferred rent and lease inducements		86,003	81,827
Deferred income taxes		103,549	117,837
Total liabilities		1,950,804	1,763,167
Commitments	11		
Shareholders' equity (deficit)			
Share capital		422,020	420,266
Contributed surplus		25,404	24,321
Deficit		(471,304)	(342,957)
Accumulated other comprehensive loss		(35,508)	(1,346)
Total shareholders' equity (deficit)	8	(59,388)	100,284
Total liabilities and shareholders' equity		1,891,416	1,863,451

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Dollarama Inc.

Interim Consolidated Statement of Changes in Shareholders' Equity (Deficit)

For the 26-week periods ended

(Unaudited, expressed in thousands of Canadian dollars, except share amounts)

	Note	Number of common shares	Share capital $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total $
Balance – January 31, 2016		122,225,104	439,296	20,136	(62,375)	69,795	466,852
Net earnings for the period		-	-	-	189,504	-	189,504
Other comprehensive loss							
Unrealized loss on derivative financial instruments, net of reclassification adjustment and income tax recovery of $23,643		-	-	-	-	(64,841)	(64,841)
Dividends declared		-	-	-	(24,037)	-	(24,037)
Repurchase and cancellation of shares	8	(3,569,146)	(12,828)	-	(310,684)	-	(323,512)
Share-based compensation	8	-	-	3,403	-	-	3,403
Issuance of common shares		162,091	4,056	-	-	-	4,056
Reclassification related to exercise of share options		-	1,619	(1,619)	-	-	-
Balance – July 31, 2016		118,818,049	432,143	21,920	(207,592)	4,954	251,425
Balance – January 29, 2017		115,051,349	420,266	24,321	(342,957)	(1,346)	100,284
Net earnings for the period		-	-	-	226,490	-	226,490
Other comprehensive loss							
Unrealized loss on derivative financial instruments, net of reclassification adjustment and income tax recovery of $12,574		-	-	-	-	(34,162)	(34,162)
Dividends declared		-	-	-	(25,008)	-	(25,008)
Repurchase and cancellation of shares	8	(2,991,140)	(10,931)	-	(329,829)	-	(340,760)
Share-based compensation	8	-	-	3,339	-	-	3,339
Issuance of common shares		276,450	10,429	-	-	-	10,429
Reclassification related to exercise of share options		-	2,256	(2,256)	-	-	-
Balance – July 30, 2017		112,336,659	422,020	25,404	(471,304)	(35,508)	(59,388)

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Dollarama Inc.

Interim Consolidated Statement of Net Earnings and Comprehensive Income

For the 13-week and 26-week periods ended

(Unaudited, expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	13-week periods ended		26-week periods ended	
		July 30, 2017	July 31, 2016	July 30, 2017	July 31, 2016
		$	$	$	$
Sales		812,487	728,968	1,517,432	1,369,980
Cost of sales	13	490,490	449,391	930,113	853,540
Gross profit		321,997	279,577	587,319	516,440
General, administrative and store operating expenses		112,783	110,942	222,257	213,888
Depreciation and amortization	13	17,301	14,006	33,846	27,533
Operating income		191,913	154,629	331,216	275,019
Financing costs	13	10,225	7,289	19,467	13,923
Earnings before income taxes		181,688	147,340	311,749	261,096
Income taxes	9	49,888	40,988	85,259	71,592
Net earnings for the period		131,800	106,352	226,490	189,504
Other comprehensive income (loss)					
Items to be reclassified subsequently to net earnings					
Unrealized gain (loss) on derivative financial instruments, net of reclassification adjustment		(77,397)	16,453	(46,736)	(88,484)
Income taxes recovery (expenses) relating to components of other comprehensive income (loss)		20,780	(4,431)	12,574	23,643
Total other comprehensive income (loss), net of income taxes		(56,617)	12,022	(34,162)	(64,841)
Total comprehensive income for the period		75,183	118,374	192,328	124,663
Earnings per common share					
Basic net earnings per common share		$1.16	$0.89	$1.99	$1.57
Diluted net earnings per common share	10	$1.15	$0.88	$1.97	$1.55
Weighted average number of common shares outstanding during the period (*thousands*)		113,347	119,431	113,859	120,706
Weighted average number of diluted common shares outstanding during the period (*thousands*)	10	114,705	120,662	115,196	121,910

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Dollarama Inc.

Interim Consolidated Statement of Cash Flows
For the 13-week and 26-week periods ended
(Unaudited, expressed in thousands of Canadian dollars)

	Note	13-week periods ended		26-week periods ended	
		July 30, 2017	July 31, 2016	July 30, 2017	July 31, 2016
		$	$	$	$
Operating activities					
Net earnings for the period		131,800	106,352	226,490	189,504
Adjustments for:					
Depreciation of property, plant and equipment and amortization of intangible assets	13	17,301	14,006	33,846	27,533
Amortization of deferred tenant allowances		(1,254)	(1,222)	(2,495)	(2,400)
Amortization of deferred leasing costs		120	130	243	267
Amortization of debt issue costs		583	398	1,041	718
Recognition of realized gains on foreign exchange contracts	6	(2,618)	(14,562)	(2,051)	(36,345)
Cash settlement of gains on foreign exchange contracts		7,747	7,927	10,106	19,758
Deferred lease inducements		1,211	1,392	2,481	2,628
Deferred tenant allowances		2,425	2,183	4,190	3,513
Share-based compensation	8	1,719	1,793	3,339	3,403
Financing costs on long-term debt		(5,129)	(3,065)	1,457	35
Deferred income taxes		(5,087)	5,215	(1,758)	6,771
Loss on disposal of assets		44	193	55	184
		148,862	120,740	276,944	215,569
Changes in non-cash working capital components	14	31,353	45,356	(12,569)	(11,049)
Net cash generated from operating activities		180,215	166,096	264,375	204,520
Investing activities					
Additions to property, plant and equipment		(25,575)	(33,211)	(42,300)	(80,261)
Additions to intangible assets		(3,792)	(3,693)	(6,777)	(5,795)
Proceeds on disposal of property, plant and equipment		163	(77)	360	53
Net cash used in investing activities		(29,204)	(36,981)	(48,717)	(86,003)
Financing activities					
Proceeds from long-term debt (Series 2 Floating Rate Notes)	7	75,000	-	300,000	-
Proceeds from long-term debt (2.203% Fixed Rate Notes)	7	250,000	-	250,000	-
Proceeds from long-term debt (2.337% Fixed Rate Notes)	7	-	525,000	-	525,000
Repayments of Credit Facility	7	(25,000)	(390,000)	(130,000)	(250,000)
Repayment of Series 1 Floating Rate Notes	7	(275,000)	-	(275,000)	-
Payment of debt issue costs		(1,547)	(2,319)	(2,438)	(2,319)
Repayment of finance lease		-	(253)	-	(503)
Issuance of common shares		795	322	10,429	4,056
Dividends paid		(12,547)	(12,135)	(24,138)	(23,222)
Repurchase and cancellation of shares	8	(137,916)	(200,338)	(327,300)	(322,777)
Net cash used in financing activities		(126,215)	(79,723)	(198,447)	(69,765)
Increase in cash and cash equivalents		24,796	49,392	17,211	48,752
Cash and cash equivalents – beginning of period		54,430	58,538	62,015	59,178
Cash and cash equivalents – end of period		79,226	107,930	79,226	107,930

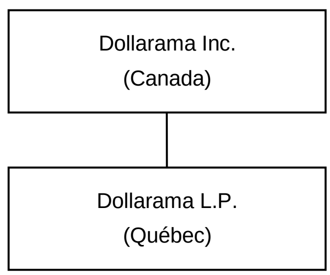
The accompanying notes are an integral part of the condensed interim consolidated financial statements.

1 General information

Dollarama Inc. (the “Corporation”) was formed on October 20, 2004 under the Canada Business Corporations Act. The Corporation operates dollar stores in Canada that sell all items for $4.00 or less. As at July 30, 2017, the Corporation maintains retail operations in every Canadian province. The Corporation’s corporate headquarters, distribution centre and warehouses are located in the Montreal area. The Corporation is listed on the Toronto Stock Exchange (“TSX”) under the symbol “DOL” and is incorporated and domiciled in Canada.

The Corporation’s head and registered office is located at 5805 Royalmount Avenue, Montreal, Quebec, H4P 0A1.

As at July 30, 2017, the significant entities within the legal structure of the Corporation are as follows:



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

2 Basis of preparation

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors for issue on September 7, 2017.

The Corporation prepares its condensed interim consolidated financial statements in accordance with generally accepted accounting principles in Canada (“GAAP”) as set out in the CPA Canada Handbook – Accounting under Part I, which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, “Interim Financial Reporting”. In accordance with GAAP, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation’s audited annual consolidated financial statements for the year ended January 29, 2017 (“Fiscal 2017”), which have been prepared in accordance with IFRS as issued by the IASB. In management’s opinion, the unaudited condensed interim consolidated financial statements reflect all the adjustments that are necessary for a fair presentation of the results for the interim period presented.

3 Summary of significant accounting policies

These condensed interim consolidated financial statements have been prepared using the accounting policies as outlined in note 3 of the Fiscal 2017 audited consolidated financial statements.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

4 Significant new accounting standards not yet adopted

In January 2016, the IASB issued IFRS 16, “Leases”, which will replace IAS 17, “Leases”. The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Corporation has adopted IFRS 15, “Revenue from Contracts with Customers”. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. Given that the Corporation has significant contractual obligations in the form of operating leases (note 11) under IAS 17, there will be a material increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with lease arrangements.

The following table outlines the key areas that will be impacted by the adoption of IFRS 16.

Impacted areas of the business	**Analysis**	**Impact**
Financial reporting	The analysis includes which contracts will be in scope as well as the options available under the new standard such as whether to early adopt, the two recognition and measurement exemptions and whether to apply the new standard on a full retrospective application in accordance with IAS 8 or choose the “modified retrospective approach”.	The Corporation is in the process of analyzing the full impact of the adoption of IFRS 16 on the Corporation’s consolidated statement of financial position and consolidated statement of net earnings and comprehensive income (loss). In addition, the Corporation has begun working with a third party provider of advisory services. As at July 30, 2017, the operating leases disclosed in note 11 to the unaudited condensed interim consolidated financial statements for the second quarter ended July 30, 2017 are in scope with IFRS 16.
Information systems	The Corporation is analyzing the need to make changes within its information systems environment to optimize the management of more than 1,000 leases that will fall within the scope of the new standard.	The Corporation has been working with a third party to evaluate different IT solutions for the eventual recognition and measurement of leases in scope. An IT solution was selected during the 13-week period ended July 30, 2017.
Internal controls	The Corporation will be performing an analysis of the changes to the control environment as a result of the adoption of IFRS 16.	The Corporation is currently evaluating the impact of IFRS 16 on its control environment.
Stakeholders	The Corporation will be performing an analysis of the impact on the disclosure to its stakeholders as a result of the adoption of IFRS 16.	The Corporation has begun discussing the impact of IFRS 16 to stakeholders.

In July 2014, the IASB issued the final version of IFRS 9, “Financial Instruments” concerning classification and measurement, impairment and hedge accounting, to supersede IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 will be effective for years beginning on or after January 1, 2018 with early adoption permitted. The Corporation is in the final stages of analyzing the impact of the adoption of IFRS 9 on the Corporation’s consolidated statement of financial position and consolidated statements of net earnings and comprehensive income (loss) and cash flows. The impact is not expected to be significant.

In May 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers”. IFRS 15 replaces all previous revenue recognition standards, including IAS 18, “Revenue”. In September 2015, the IASB deferred the effective date of IFRS 15 from January 1, 2017 to annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is in the final stages of analyzing the impact of the adoption of IFRS 15 on the Corporation’s consolidated statement of financial position and consolidated statement of net earnings and comprehensive income (loss). The impact is not expected to be significant.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

5 Critical accounting estimates and judgments

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

In preparing these condensed interim consolidated financial statements, the significant estimates and judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for Fiscal 2017 (refer to note 5 of the Fiscal 2017 audited consolidated financial statements).

6 Derivative financial instruments

Fair value of financial instruments

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

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

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

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

A summary of the aggregate contractual nominal value, average contract rate, statement of financial position location and estimated fair values of the Corporation's derivative financial instruments as at July 30, 2017 and January 29, 2017 follows:

	Contractual nominal value	Average contract rate	Statement of financial position	Fair value - Asset (Liability)	Nature of hedging relationship
	USD	USD/ CAD	Location	Significant other observable inputs (Level 2)	Recurring
	$			$	
As at July 30, 2017					
Hedging instruments					
Foreign exchange forward contracts	540,000	1.31	Current liabilities	(43,179)	Cash flow hedge
Foreign exchange forward contracts	220,000	1.31	Non-current liabilities	(10,864)	Cash flow hedge
	760,000			(54,043)	
As at January 29, 2017					
Hedging instruments					
Foreign exchange forward contracts	215,000	1.28	Current assets	8,787	Cash flow hedge
Foreign exchange forward contracts	335,000	1.34	Current liabilities	(8,085)	Cash flow hedge
	550,000	1.31		702	

During the 26-week period ended July 30, 2017, a gain of $2,051 (July 31, 2016 – gain of $36,345) was reclassified from accumulated other comprehensive income to net earnings.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

7 Long-term debt

Long-term debt outstanding consists of the following as at:

	July 30, 2017 $	January 29, 2017 $
Senior unsecured notes bearing interest at:		
Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022 (the “2.203% Fixed Rate Notes”)	250,000	-
Fixed annual rate of 2.337% payable in equal semi-annual instalments, maturing July 22, 2021 (the “2.337% Fixed Rate Notes”)	525,000	525,000
Fixed annual rate of 3.095% payable in equal semi-annual instalments, maturing November 5, 2018 (the “3.095% Fixed Rate Notes” and collectively with the 2.203% Fixed Rate Notes and the 2.337% Fixed Rate Notes, the “Fixed Rate Notes”)	400,000	400,000
Variable rate equal to 3-month bankers’ acceptance rate (CDOR) plus 59 basis points payable quarterly, maturing March 16, 2020 (the “Series 2 Floating Rate Notes”)	300,000	-
Variable rate equal to 3-month bankers’ acceptance rate (CDOR) plus 54 basis points payable quarterly, matured May 16, 2017 (the “Series 1 Floating Rate Notes”, and collectively with the Series 2 Floating Rate Notes, the “Floating Rate Notes”)	-	274,834
Unsecured revolving credit facility maturing December 14, 2021 (the “Credit Facility”)	-	130,000
Less: Unamortized debt issue costs	(5,830)	(4,899)
Accrued interest on the Floating Rate Notes and Fixed Rate Notes	4,635	3,809
	1,473,805	1,328,744
Current portion (includes accrued interest on the Floating Rate Notes and Fixed Rate Notes)	(4,635)	(278,643)
	1,469,170	1,050,101

Fixed Rate Notes

On May 10, 2017, the Corporation issued the 2.203% Fixed Rate Notes by way of private placement in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 2.203% Fixed Rate Notes were issued at par, for aggregate gross proceeds of $250,000, and bear interest at a rate of 2.203% per annum, payable in equal semi-annual instalments, in arrears, on the 10th day of May and November of each year until maturity on November 10, 2022. As at July 30, 2017, the carrying value of the 2.203% Fixed Rate Notes was $250,098 (January 29, 2017 – n/a). The fair value of the 2.203% Fixed Rate Notes as at July 30, 2017 was determined to be $244,435 valued as a level 2 in the fair value hierarchy (January 29, 2017 – n/a).

As at July 30, 2017, the carrying value of the 2.337% Fixed Rate Notes was $523,394 (January 29, 2017 – $523,192). The fair value of the 2.337% Fixed Rate Notes as at July 30, 2017 was determined to be $523,656 valued as a level 2 in the fair value hierarchy (January 29, 2017 – $526,628). The 2.337% Fixed Rate Notes are due on July 22, 2021.

As at July 30, 2017, the carrying value of the 3.095% Fixed Rate Notes was $402,221 (January 29, 2017 – $401,994). The fair value of the 3.095% Fixed Rate Notes as at July 30, 2017 was determined to be $405,968 valued as a level 2 in the fair value hierarchy (January 29, 2017 – $410,100). The 3.095% Fixed Rate Notes are due on November 5, 2018.

7 Long-term debt (cont'd)

Floating Rate Notes

On May 10, 2017, the Corporation issued additional Series 2 Floating Rate Notes due March 16, 2020 (the "Additional Series 2 Floating Rates Notes"). The Additional Series 2 Floating Rate Notes constitute an increase to the $225,000 principal amount of original Series 2 Floating Rate Notes issued by the Corporation on March 16, 2017. The Additional Series 2 Floating Rate Notes were issued at a premium of 0.284% of the $75,000 principal amount thereof, for aggregate gross proceeds of $75,213. As at the date of issuance, the effective spread over the 3-month bankers' acceptance rate (CDOR) for the Additional Series 2 Floating Rate Notes was 49 basis points (or 0.49%). Once issued, they bear interest at the same rate as the original Series 2 Floating Rate Notes, such rate being equal to the 3-month bankers' acceptance rate (CDOR) plus 59 basis points (or 0.59%), to be set quarterly on the 16th day of March, June, September and December of each year. All other terms and conditions applicable to the original Series 2 Floating Rate Notes also apply to the Additional Series 2 Floating Rate Notes, and those are treated as a single series with the original Series 2 Floating Rate Notes. As at July 30, 2017, the carrying value of the Series 2 Floating Rate Notes was $299,733 (January 29, 2017 – n/a). The fair value of the Series 2 Floating Rate Notes as at July 30, 2017 was determined to be $300,969 valued as a level 2 in the fair value hierarchy (January 29, 2017 – n/a).

On May 16, 2017, the Corporation repaid the principal and all accrued and unpaid interest on the Series 1 Floating Rate Notes.

Credit Facility

As at July 30, 2017, there were no amounts outstanding under the Credit Facility (January 29, 2017 – $130,000), other than letters of credit issued for the purchase of inventories which amounted to $930 (January 29, 2017 – $831). As at July 30, 2017, the Corporation was in compliance with all of its financial covenants.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

8 Shareholders' equity

a) Share capital

Normal course issuer bid

On June 7, 2017, the Corporation announced the renewal of its normal course issuer bid to repurchase for cancellation up to 5,680,390 common shares, representing 5.0% of the 113,607,809 common shares issued and outstanding as at the close of markets on June 6, 2017, during the 12-month period from June 19, 2017 to June 18, 2018 ("the 2017-2018 NCIB").

The total number of common shares repurchased for cancellation under the 2017-2018 NCIB during the 13-week period ended July 30, 2017 amounted to 1,303,900 common shares (July 31, 2016 – 2,027,080 common shares under the normal course issuer bids then in effect) for a total cash consideration of $160,196 (July 31, 2016 – $184,222). For the 13-week period ended July 30, 2017, the Corporation's share capital was reduced by $4,763 (July 31, 2016 – $7,285) and the remaining $155,433 (July 31, 2016 – $176,937) was accounted for as an increase of the deficit, resulting in negative shareholders' equity as at July 30, 2017.

The total number of common shares repurchased for cancellation under the 2016-2017 NCIB (which expired on June 16, 2017) and the 2017-2018 NCIB during the 26-week period ended July 30, 2017 amounted to 2,991,140 common shares (July 31, 2016 – 3,569,146 common shares under the normal course issuer bids then in effect) for a total cash consideration of $340,760 (July 31, 2016 – $323,512). For the 26-week period ended July 30, 2017, the Corporation's share capital was reduced by $10,931 (July 31, 2016 – $12,828) and the remaining $329,829 (July 31, 2016 – $310,684) was accounted for as an increase of the deficit, resulting in negative shareholders' equity as at July 30, 2017.

b) Contributed surplus

Share-based compensation

During the 13-week and 26-week periods ended July 30, 2017, the Corporation recognized a share-based compensation expense of $1,719 and $3,339 respectively (13-week and 26-week periods ended July 31, 2016 – $1,793 and $3,403, respectively).

Outstanding and exercisable share options for the 26-week periods ended on the dates provided below are as follows:

	July 30, 2017		July 31, 2016	
	Number of share options	Weighted average exercise price ($)	Number of share options	Weighted average exercise price ($)
Outstanding – beginning of period	2,572,000	50.68	2,478,200	42.29
Granted	249,000	112.07	420,000	90.59
Exercised	(276,450)	37.72	(200,500)	37.57
Cancelled	(2,400)	41.62	-	-
Outstanding – end of period	2,542,150	58.11	2,697,700	50.16
Exercisable – end of period	1,163,150	42.31	948,100	36.59

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

8 Shareholders' equity (cont'd)

Information relating to share options outstanding and exercisable as at July 30, 2017 is as follows:

	Share options outstanding			Share options exercisable		
Range of exercise prices	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price ($)	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price ($)
$6.00-$8.75	25	9,000	8.44	25	9,000	8.44
$8.76-$18.89	45	18,000	15.91	45	18,000	15.91
$18.90-$27.01	54	181,000	21.78	54	181,000	21.78
$27.02-$40.97	69	725,850	36.38	68	471,450	36.07
$40.98-$56.17	81	590,400	44.79	80	296,800	44.39
$56.18-$71.03	92	349,900	71.03	92	109,900	71.03
$71.04-$90.59	104	419,000	90.23	103	77,000	89.81
$90.60-$112.07	116	249,000	112.07	-	-	-
	84	2,542,150	58.11	73	1,163,150	42.31

The weighted average fair value of the share options granted during the 26-week periods ended on the dates provided below was estimated at the grant date based on the Black-Scholes option pricing model using the following assumptions:

	July 30, 2017	July 31, 2016
Exercise price per share	$112.07	$90.59
Dividend yield	0.4%	0.4%
Risk-free interest rate	1.2%	0.8%
Expected life	6.2 years	6.2 years
Expected volatility	20.4%	20.7%
Weighted average fair value of share options estimated at the grant date	$24.12	$18.91

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

c) Deficit

As at July 30, 2017, the deficit was $471,304 as a result of: 1) an opening deficit, as at January 29, 2017, of $342,957; 2) net earnings of $226,490; 3) dividends declared of $25,008; and 4) cash paid for the repurchase of common shares under the Corporation's normal course issuer bid of $329,829. The portion of the price paid by the Corporation to repurchase common shares that is in excess of their book value is recognized as a reduction in retained earnings, whereas the portion of the price paid for the common shares that corresponds to the book value of those shares is recognized as a reduction of share capital. As a result, the Corporation's shareholders' equity for accounting purposes was in a deficit position at $59,388.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

9 Income taxes

The income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. The statutory income tax rate for the 13-week and 26-week periods ended July 30, 2017 was 26.9% (July 31, 2016 – 26.9%). The Corporation's effective income tax rate for the 13-week and 26-week periods ended July 30, 2017 was 27.5% and 27.3%, respectively (13-week and 26-week periods ended July 31, 2016 – 27.8% and 27.4%, respectively).

10 Earnings per common share

Diluted net earnings per common share were calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares as follows:

	13-week periods ended		26-week periods ended	
	July 30, 2017	**July 31, 2016**	**July 30, 2017**	**July 31, 2016**
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	$131,800	$106,352	$226,490	$189,504
Weighted average number of common shares outstanding during the period (*thousands*)	113,347	119,431	113,859	120,706
Assumed share options exercised (*thousands*)	1,358	1,231	1,337	1,204
Weighted average number of common shares for diluted net earnings per common share *(thousands)*	114,705	120,662	115,196	121,910
Diluted net earnings per common share	$1.15	$0.88	$1.97	$1.55

11 Commitments

Contractual obligations

As at July 30, 2017, contractual obligations for operating leases amounted to $1,062,352 (July 31, 2016 – $1,011,849). The leases extend, depending on the renewal options, over various periods up to the year 2039.

Basic and contingent rent expense

The basic rent and contingent rent expense of operating leases for stores, warehouses, the distribution centre and corporate headquarters are as follows:

	13-week periods ended		26-week periods ended	
	July 30, 2017	**July 31, 2016**	**July 30, 2017**	**July 31, 2016**
	$	**$**	**$**	**$**
Basic rent	43,614	40,163	87,867	80,416
Contingent rent	1,220	1,100	2,399	2,158
	44,834	41,263	90,266	82,574

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

12 Related party transactions

Rent

Rental expenses charged by entities controlled by a director totalled $5,280 and $11,034, respectively, for the 13-week and 26-week periods ended July 30, 2017 (13-week and 26-week periods ended July 31, 2016 - $5,273 and $10,952, respectively).

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

Land

Land in Montreal, Quebec was acquired on February 5, 2016 from a party related to Dollarama at a cost of $22,144, the same price paid by such party in a recent arm's length transaction, for the purpose of building a 500,000 square-foot warehouse. Construction is complete and the building is available for use since January 30, 2017.

13 Expenses by nature included in the interim consolidated statement of net earnings

	13-week periods ended		26-week periods ended	
	July 30, 2017	July 31, 2016	July 30, 2017	July 31, 2016
	$	$	$	$
Cost of sales				
Merchandise, labour, transport and other costs	417,420	382,004	782,626	717,113
Occupancy costs	73,070	67,387	147,487	136,427
Total cost of sales	490,490	449,391	930,113	853,540
Depreciation and amortization				
Depreciation of property, plant and equipment	14,281	11,688	28,094	22,997
Amortization of intangible assets	3,020	2,318	5,752	4,536
Total depreciation and amortization	17,301	14,006	33,846	27,533
Employee benefits	84,379	82,797	163,003	159,300
Financing costs	10,225	7,289	19,467	13,923

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

14 Changes in non-cash working capital

The changes in non-cash working capital components are as follows:

	13-week periods ended		26-week periods ended	
	July 30, 2017	July 31, 2016	July 30, 2017	July 31, 2016
	$	$	$	$
Accounts receivable	(368)	(3,728)	2,005	(1,824)
Deposits and prepaid expenses	2,013	305	(424)	1,732
Prepaid income taxes	2,489	-	-	-
Merchandise inventories	(3,904)	16,369	(6,548)	33,863
Accounts payable and accrued liabilities	17,707	29,933	(4,421)	(5,531)
Income taxes payable	13,416	2,477	(3,181)	(39,289)
	31,353	45,356	(12,569)	(11,049)
Cash paid for taxes	39,079	32,571	90,206	105,591
Cash paid for interest	14,489	9,691	16,287	12,543

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

15 Event after the reporting period

Quarterly cash dividend

On September 7, 2017, the Corporation announced that the Board of Directors had approved a quarterly cash dividend for holders of its common shares of $0.11 per common share. The Corporation’s quarterly cash dividend will be paid on November 1, 2017 to shareholders of record at the close of business on October 6, 2017 and is designated as an “eligible dividend” for Canadian tax purposes.