Dollarama Inc.

Consolidated Financial Statements

January 28, 2018 and January 29, 2017

(Expressed in thousands of Canadian dollars, unless otherwise noted)

March 29, 2018

Independent Auditor's Report

To the Shareholders of
Dollarama Inc.

We have audited the accompanying consolidated financial statements of Dollarama Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at January 28, 2018 and January 29, 2017 and the consolidated statements of changes in shareholder's equity (deficit), net earnings and comprehensive income (loss) and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dollarama Inc. and its subsidiaries as at January 28, 2018 and January 29, 2017 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A117693

Dollarama Inc.

Consolidated Statement of Financial Position as at
(Expressed in thousands of Canadian dollars)

	Note	January 28, 2018 $	January 29, 2017 $
Assets			
Current assets			
Cash		54,844	62,015
Accounts receivable		15,263	15,386
Prepaid expenses		8,649	7,162
Inventories	3	490,927	465,715
Derivative financial instruments	14	286	8,787
		569,969	559,065
Non-current assets			
Property, plant and equipment	6	490,988	437,089
Intangible assets	7	145,600	139,515
Goodwill	7	727,782	727,782
Total assets		1,934,339	1,863,451
Liabilities and shareholders' equity (deficit)			
Current liabilities			
Accounts payable and accrued liabilities	8	228,362	198,486
Dividend payable		12,180	11,591
Income taxes payable		39,491	16,597
Derivative financial instruments	14	35,720	8,085
Current portion of long-term debt	9	405,192	278,643
		720,945	513,402
Non-current liabilities			
Long-term debt	9	1,260,459	1,050,101
Deferred rent and lease inducements	11	92,633	81,827
Deferred income taxes	13	112,660	117,837
Total liabilities		2,186,697	1,763,167
Commitments	10		
Shareholders' equity (deficit)			
Share capital	12	415,787	420,266
Contributed surplus		27,699	24,321
Deficit	12	(663,421)	(342,957)
Accumulated other comprehensive loss	12	(32,423)	(1,346)
Total shareholders' equity (deficit)		(252,358)	100,284
Total liabilities and shareholders' equity (deficit)		1,934,339	1,863,451

Approved by the Board of Directors

(signed) "Stephen Gunn"
Stephen Gunn, Director

(signed) "Richard Roy"
Richard Roy, Director

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

Dollarama Inc.

Consolidated Statement of Changes in Shareholders' Equity (Deficit) for the years ended
(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	12	122,225,104	439,296	20,136	(62,375)	69,795	466,852
Net earnings		-	-	-	445,636	-	445,636
Other comprehensive loss							
Unrealized loss on derivative financial instruments, net of reclassification adjustment and income tax recovery of $25,860	12	-	-	-	-	(71,141)	(71,141)
Dividends declared		-	-	-	(47,440)	-	(47,440)
Repurchase and cancellation of common shares	12	(7,420,168)	(26,669)	-	(678,778)	-	(705,447)
Share-based compensation	12	-	-	6,932	-	-	6,932
Issuance of common shares	12	246,413	4,892	-	-	-	4,892
Reclassification for the exercise of share options	12	-	2,747	(2,747)	-	-	-
Balance – January 29, 2017		115,051,349	420,266	24,321	(342,957)	(1,346)	100,284
Balance – January 29, 2017	12	115,051,349	420,266	24,321	(342,957)	(1,346)	100,284
Net earnings		-	-	-	519,410	-	519,410
Other comprehensive loss							
Unrealized loss on derivative financial instruments, net of reclassification adjustment and income tax recovery of $11,564	12	-	-	-	-	(31,077)	(31,077)
Dividends declared		-	-	-	(49,520)	-	(49,520)
Repurchase and cancellation of common shares	12	(6,104,540)	(22,305)	-	(790,354)	-	(812,659)
Share-based compensation	12	-	-	6,559	-	-	6,559
Issuance of common shares	12	379,050	14,645	-	-	-	14,645
Reclassification for the exercise of share options	12	-	3,181	(3,181)	-	-	-
Balance – January 28, 2018		109,325,859	415,787	27,699	(663,421)	(32,423)	(252,358)

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

Dollarama Inc.

Consolidated Statement of Net Earnings and Comprehensive Income (Loss) for the years ended
(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	January 28, 2018 $	January 29, 2017 $
Sales		3,266,090	2,963,219
Cost of sales	17	1,965,171	1,801,935
Gross profit		1,300,919	1,161,284
General, administrative and store operating expenses		474,807	458,026
Depreciation and amortization	17	70,550	57,748
Operating income		755,562	645,510
Financing costs	17	39,877	33,083
Earnings before income taxes		715,685	612,427
Income taxes	13	196,275	166,791
Net earnings		519,410	445,636
Other comprehensive loss			
Items to be reclassified subsequently to net earnings			
Unrealized loss on derivative financial instruments, net of reclassification adjustment		(42,641)	(97,001)
Income tax recovery relating to components of other comprehensive loss		11,564	25,860
Total other comprehensive loss, net of income tax recovery		(31,077)	(71,141)
Total comprehensive income		488,333	374,495
Earnings per common share			
Basic net earnings per common share	16	$4.61	$3.75
Diluted net earnings per common share	16	$4.55	$3.71
Weighted average number of common shares outstanding (*thousands*)	16	112,751	118,998
Weighted average number of diluted common shares outstanding (*thousands*)	16	114,173	120,243

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

Dollarama Inc.

Consolidated Statement of Cash Flows for the years ended
(Expressed in thousands of Canadian dollars)

	Note	January 28, 2018 $	January 29, 2017 $
Operating activities			
Net earnings		519,410	445,636
Adjustments to reconcile net earnings to net cash generated from operating activities:			
Depreciation of property, plant and equipment and amortization of intangible assets	17	70,550	57,748
Amortization of deferred tenant allowances	11	(5,149)	(4,795)
Amortization of deferred leasing costs	7	483	519
Amortization of debt issue costs	17	2,017	1,481
Recognition of realized losses (gains) on foreign exchange contracts	14	3,851	(46,269)
Cash settlement of gains (losses) on foreign exchange contracts		(10,266)	16,108
Deferred lease inducements	11	5,348	6,020
Deferred tenant allowances	11	10,607	8,970
Share-based compensation	12	6,559	6,932
Financing costs on long-term debt		1,548	268
Deferred income taxes	13	6,297	16,105
Loss on disposal of assets		207	40
		611,462	508,763
Changes in non-cash working capital components	18	25,872	(3,595)
Net cash generated from operating activities		637,334	505,168
Investing activities			
Additions to property, plant and equipment	6	(112,786)	(153,574)
Additions to intangible assets	7	(19,134)	(12,640)
Proceeds from disposal of property, plant and equipment		696	462
Net cash used in investing activities		(131,224)	(165,752)
Financing activities			
Proceeds from long-term debt issued (Series 2 Floating Rate Notes)	9	300,000	-
Proceeds from long-term debt issued (2.203% Fixed Rate Notes)	9	250,000	-
Proceeds from long-term debt issued (2.337% Fixed Rate Notes)	9	-	525,000
Proceeds (Repayments) of Credit Facility	9	61,000	(120,000)
Repayment of Series 1 Floating Rate Notes	9	(275,000)	-
Payment of debt issue costs		(2,658)	(2,319)
Repayment of finance lease		-	(588)
Issuance of common shares		14,645	4,892
Dividends paid		(48,932)	(46,936)
Repurchase and cancellation of common shares	12	(812,336)	(696,628)
Net cash used in financing activities		(513,281)	(336,579)
Increase (decrease) in cash		(7,171)	2,837
Cash – beginning of year		62,015	59,178
Cash – end of year		54,844	62,015

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

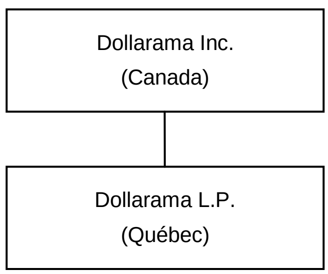
1 General information

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 January 28, 2018, 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 fiscal year ends on the Sunday closest to January 31 of each year and usually has 52 weeks. However, as is traditional with the retail calendar, every five to six years, a week is added to the fiscal year. The fiscal years ended January 28, 2018 and January 29, 2017 were comprised of 52 weeks.

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

As at January 28, 2018, 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

The Corporation prepares its 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 consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments, which are measured at fair value. The accounting policies of the Corporation have been applied consistently to all periods in these consolidated financial statements.

These consolidated financial statements were approved by the board of directors of the Corporation for issue on March 29, 2018.

3 Summary of significant accounting policies

Subsidiaries

Subsidiaries are all entities over which the Corporation has control. The Corporation determines control based on its ability to exercise power that significantly affects the entities relevant day-to-day activities. Control is also determined by the Corporation's exposure to the variability in returns on investment in the entity, whether favorable or unfavourable. Furthermore, control is defined by the Corporation's ability to direct the decisions made by the entity which ultimately impact return on investment. The existence and effect of substantive voting rights are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is determined and they are deconsolidated from the date on which control is deemed to have ceased.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Corporation. All subsidiaries of the Corporation are wholly-owned subsidiaries.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is also the Corporation's functional currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in earnings, except where hedge accounting is applied as described below under "Derivative financial instruments".

Segment information

The Corporation manages its business on the basis of one operating segment, which is also the Corporation's only reportable segment, which is consistent with the internal reporting provided to the chief operating decision-maker. The Corporation operates in Canada, which is its country of domicile.

3 Summary of significant accounting policies (cont'd)

Financial assets

The Corporation classifies its financial assets in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are initially and subsequently recognized at fair value; transaction costs are expensed in earnings.

b) Loans and receivables

Loans and receivables comprise cash and accounts receivable. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are neither quoted on an active market nor intended for trading. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Financial liabilities

Financial liabilities comprise accounts payable and accrued liabilities, dividend payable, derivative financial instruments, and long-term debt.

Long-term debt is recognized initially at fair value, net of recognized transaction costs, and is subsequently measured at amortized cost, being the carrying value. Any difference between the carrying value and the redemption value is recognized in the consolidated statement of net earnings and comprehensive income (loss) using the effective interest rate method.

Fees paid on the establishment of revolving credit facilities and on debt issuances are capitalized as a prepayment for liquidity services and amortized over the term of the facility or the notes to which they relate.

Financial liabilities are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the financial liabilities for at least 12 months after the statement of financial position date.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

3 Summary of significant accounting policies (cont'd)

Derivative financial instruments

The Corporation may use derivative financial instruments in the management of its foreign currency risk on purchases. The Corporation may also use derivative financial instruments in the management of its interest rate exposure. The Corporation designates certain derivatives as hedges of a particular risk associated with a highly probable forecast transaction (cash flow hedge).

When hedge accounting is applied, the Corporation documents at inception the relationships between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking derivatives to specific assets and liabilities on the consolidated statement of financial position or to specific firm commitments or forecasted transactions. The Corporation also assesses whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Movements on the hedging reserve in shareholders' equity (deficit) are shown in the consolidated statement of changes in shareholders' equity (deficit). The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income (loss). The gain or loss relating to the ineffective portion is recognized immediately in earnings. Amounts accumulated in shareholders' equity (deficit) are reclassified to earnings in the periods when the hedged item affects earnings (the vast majority of the reclassification occurs in the first 12 months following the settlement of the derivative financial instrument). The gain or loss relating to the effective portion of the derivatives is recognized as part of cost of sales in the consolidated statement of net earnings and comprehensive income (loss).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in shareholders' equity (deficit) at that time remains in shareholders' equity (deficit) and is recognized when the forecast transaction is ultimately recognized in earnings. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in shareholders' equity (deficit) is immediately transferred to earnings.

Foreign exchange forward contracts are designated as cash flow hedges of specific anticipated transactions.

For cash flow hedges associated with interest rate risk such as a bond forward sale, the derivative is recorded on the consolidated statement of financial position at fair value. The effective portion of changes in the fair value of the derivative is recorded to other comprehensive income (loss), and reclassified to earnings over the same period as the hedged interest payments are recorded in earnings.

Derivatives where hedge accounting is not applied

Derivative financial instruments which are not designated as hedges or have ceased to be effective prior to maturity are recorded at their estimated fair values under assets or liabilities, with changes in their estimated fair values recorded in earnings.

3 Summary of significant accounting policies (cont'd)

Property, plant and equipment

Property, plant and equipment are carried at cost and depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Store and warehouse equipment	10 to 15 years
Vehicles	5 years
Building and roof	20 - 50 years
Leasehold improvements	Lease term
Computer equipment	5 years

The Corporation recognizes in the carrying amount of property, plant and equipment the full purchase price of assets acquired or constructed as well as the costs incurred that are directly incremental as a result of the construction of a specific asset, when they relate to bringing the asset into working condition.

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized. The rate for calculating the capitalized financing cost is based on the Corporation's weighted average cost of borrowing experienced during the reporting period.

The Corporation also capitalizes the cost of replacing parts of an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate. If the expected residual value of an asset is equal to or greater than its carrying value, depreciation on that asset is ceased. Depreciation is resumed when the expected residual value falls below the asset's carrying value. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized directly in the consolidated statement of net earnings and comprehensive income (loss).

Goodwill and intangible assets

The Corporation classifies intangible assets into three categories: (1) intangible assets with finite lives subject to amortization, (2) intangible assets with indefinite lives not subject to amortization and (3) goodwill.

Intangible assets with finite lives subject to amortization

The Corporation determines the useful lives of identifiable intangible assets based on the specific facts and circumstances related to each intangible asset. Finite life intangibles are carried at cost and depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Computer software	5 years
Deferred leasing costs	Lease term

3 Summary of significant accounting policies (cont'd)

The Corporation recognizes in the carrying amount of intangible assets with finite lives subject to amortization the full purchase price of the intangible assets developed or acquired as well as other costs incurred that are directly incremental as a result of the development of a specific intangible asset, when they relate to bringing the asset into working condition.

Intangible assets with indefinite lives not subject to amortization

The trade name is the Corporation's only intangible asset with indefinite life not subject to amortization. The trade name is recorded at cost and is not subject to amortization, having an indefinite life. It is tested for impairment annually, as of the statement of financial position date, or more frequently if events or circumstances indicate that it may be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. As the trade name does not generate cash flows that are independent from other assets or individual cash-generating units ("CGUs" or "CGU"), trade name is allocated to one group of CGUs that is expected to benefit from the business combination, and which represents the lowest level within the Corporation at which trade name is monitored for internal management purposes.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the share of the net identifiable assets acquired of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill is subsequently measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, as at the statement of financial position date, or more frequently if events or circumstances indicate that it may be impaired. For the purposes of annual impairment testing, goodwill is allocated to one group of CGUs that is expected to benefit from the business combination, and which represents the lowest level within the Corporation at which goodwill is monitored for internal management purposes.

Impairment of non-financial assets

Assets that are subject to amortization are periodically reviewed for indicators of impairment. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, the asset or CGU is tested for impairment. To the extent that the asset or CGU's carrying amount exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of net earnings and comprehensive income (loss). The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU. The fair value is the price that could be received for an asset or CGU in an orderly transaction between market participants at the measurement date, less costs of disposal. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs – these are individual stores). Management undertakes an assessment of relevant market data, which includes the current publicly quoted market capitalization of the Corporation.

3 Summary of significant accounting policies (cont'd)

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities from the date of purchase of three months or less. The majority of payments due from financial institutions for the settlement of credit card and debit card transactions are processed within one business day, and are therefore classified as cash and cash equivalents.

Inventories

The Corporation's inventories at the distribution centre, warehouses and stores consist primarily of merchandise purchased and held for resale and are valued at the lower of cost and net realizable value.

Cost is determined at the distribution centre and warehouses on a weighted average cost basis and is then assigned to store inventories using the retail inventory method. Costs of inventories include amounts paid to suppliers, duties and freight into the warehouses as well as costs directly associated with warehousing and distribution to stores.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are obligations to pay for goods acquired from suppliers or services rendered by employees and service providers in the ordinary course of business. Accounts payable and accrued liabilities are classified as current liabilities if payment is due or expected within one year or less. Otherwise, they are presented as non-current liabilities.

Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost.

Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and if it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are not recognized for future operating losses.

If the effect of time value of money is material, provisions are measured at the present value of cash flows expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as accretion expense under financing costs in the consolidated statement of net earnings and comprehensive income (loss).

3 Summary of significant accounting policies (cont'd)

Share capital

Common shares are classified as shareholders' equity (deficit). Incremental costs directly attributable to the issuance of shares or options are shown in shareholders' equity (deficit) as a deduction, net of tax, from the proceeds of issuance.

When the Corporation repurchases common shares under its normal course issuer bid, 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. The portion of the price paid that is in excess of the book value is recognized as a reduction of retained earnings. As a direct result of the fact that the price paid for each common share significantly exceeds its book value, the Corporation's shareholders' equity is now in a deficit position.

Dividends declared

Dividend distributions to the Corporation's shareholders are recognized as a liability in the Corporation's consolidated financial statements in the period in which the dividends are declared by the board of directors.

Employee future benefits

A defined contribution pension plan is a post-employment benefit plan under which the Corporation pays fixed contributions into a separate legal entity as well as state plans administered by the provincial and federal governments and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution retirement plans are recognized as an expense in earnings when they are due.

The Corporation offers a defined contribution pension plan to eligible employees whereby it matches an employee's contributions up to 5% of the employee's salary, subject to a maximum of 50% of the RRSP annual contribution limit.

Short-term employee benefits

Liabilities for bonus plans are recognized based on a formula that takes into consideration individual performance and contributions to the profitability of the Corporation.

Termination benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognizes termination benefits when it is demonstrably committed to providing termination benefits as a result of an offer made.

Income taxes

The income tax expense for the year comprises current and deferred tax. Tax is recognized in earnings, except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in shareholders' equity (deficit). In this case, tax is recognized in other comprehensive income (loss) or directly in shareholders' equity (deficit).

3 Summary of significant accounting policies (cont'd)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from initial recognition of goodwill or if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Revenue recognition

The Corporation recognizes revenue from the sale of products or the rendering of services when they are earned, specifically when all the following conditions are met: (1) the significant risks and rewards of ownership are transferred to customers and the Corporation retains neither continuing managerial involvement nor effective control; (2) there is clear evidence that an arrangement exists; (3) the amount of revenue and related costs can be measured reliably; and (4) it is probable that the economic benefits associated with the transaction will flow to the Corporation. The recognition of revenue at the store occurs at the time a customer tenders payment for and takes possession of the merchandise.

All sales are final. Revenue is shown net of sales tax and discounts. Gift cards sold are recorded as a liability, and revenue is recognized when gift cards are redeemed.

Gross versus net

The Corporation may enter into arrangements with third parties for the sale of products to customers. When the Corporation acts as the principal in these arrangements, it recognizes revenue based on the amounts billed to customers. Otherwise, the Corporation recognizes the net amount that it retains as revenue.

Cost of sales

Cost of sales includes the cost of inventories, outbound transportation costs, warehousing and distribution costs, store, warehouse and distribution centre occupancy costs, as well as the transfer from accumulated other comprehensive income (loss) (AOCI) of any gains (losses) on qualifying cash flow hedges related to the purchase of inventories.

3 Summary of significant accounting policies (cont'd)

Vendor rebates

The Corporation records vendor rebates, consisting of volume purchase rebates, when it is probable that they will be received and the amounts are reasonably estimable. The rebates are recorded as a reduction of inventory purchases and are reflected as a reduction of cost of sales in the consolidated statement of net earnings and comprehensive income (loss).

General, administrative and store operating expenses

The Corporation includes store and head office salaries and benefits, repairs and maintenance, professional fees, store supplies and other related expenses in general, administrative and store operating expenses.

Earnings per common share

Earnings per common share is determined using the weighted average number of common shares outstanding during the year. Diluted earnings per common share is determined using the treasury share method to evaluate the dilutive effect of share options. Under this method, instruments with a dilutive effect are considered to have been exercised at the beginning of the year, or at the time of issuance, if later, and the proceeds received are considered to have been used to redeem common shares at the average market price during the year.

Leases

Finance leases

Assets held under leases which result in the Corporation receiving substantially all the risks and rewards of ownership of the asset ("finance leases") are capitalized at the lower of the fair value of the property and equipment or the estimated present value of the minimum lease payments. The corresponding finance lease obligation is included within interest bearing liabilities. The interest element is amortized using the effective interest rate method.

Operating leases

The Corporation leases stores, five warehouses, a distribution centre and corporate headquarters. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The Corporation recognizes rental expense incurred and inducements received from landlords on a straight-line basis over the term of the lease. Any difference between the calculated expense and the amounts actually paid is reflected as deferred lease inducements in the Corporation's consolidated statement of financial position. Contingent rental expense is recognized when the achievement of specified sales targets is considered probable.

Deferred leasing costs and deferred tenant allowances are recorded on the consolidated statement of financial position and amortized using the straight-line method over the term of the respective lease.

3 Summary of significant accounting policies (cont'd)

Share-based compensation

The Corporation recognizes a compensation expense for share options granted based on the fair value of those options at the grant date, using the Black-Scholes option pricing model. The options granted by the Corporation vest in tranches (graded vesting); accordingly, the expense is recognized in vesting tranches.

The total amount to be expensed is determined by reference to the fair value of the options granted.

The impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and retaining an employee of the entity over a specified time period) are excluded from the fair value calculation. Non-market performance vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Corporation revises its estimates of the number of options that are expected to vest based on the non-market performance vesting conditions. The Corporation recognizes the impact of the revision to original estimates, if any, in the consolidated statement of net earnings and comprehensive income (loss), with a corresponding adjustment to contributed surplus.

When option holders exercise their options, the cash paid for the shares issued is credited, together with the related compensation costs, to share capital (nominal value).

4 Significant new accounting standards not yet adopted

IFRS 16

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 10) 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.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

4 Significant new accounting standards not yet adopted (cont'd)

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 is working with a third party provider of advisory services. As at January 28, 2018, the operating leases disclosed in Note 10 to the audited consolidated financial statements for the year ended January 28, 2018 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 chosen an IT solution for the eventual recognition and measurement of leases in scope. Integration testing began in the 13-week period ended October 29, 2017 and was ongoing as at January 28, 2018.
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.	Concurrently with integration testing, the Corporation is 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 communicating the impact of IFRS 16 to internal stakeholders.

IFRS 9

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 is effective for years beginning on or after January 1, 2018 with early adoption permitted. On transition to IFRS 9, the Corporation will apply the new hedge accounting requirements to all qualifying hedge relationships existing on the date of transition. IFRS 9 introduces changes to the cash flow hedge accounting model and eliminates the accounting policy choice provided by IAS 39 for the hedge of a forecasted transaction that results in the recognition of a non-financial asset or liability.

Classification under IFRS 9 is based on the concept that financial assets should be classified and measured at fair value, with changes in fair value recognized through profit or loss (FVPL), unless restrictive criteria are met for classifying and measuring the asset at either amortized cost or fair value through other comprehensive income (loss) (FVOCI).

The following table compares the different categories of classification under IAS 39 and IFRS 9:

Current IAS 39 accounting standard		**IFRS 9**
Classifications	**Measurement models**	**Classifications and measurement models**
Loans and receivables	Amortized cost	Amortized cost
FVPL	FVPL	FVPL
Available for sale	FVOCI	FVOCI
Held to maturity	Amortized cost	FVOCI

4 Significant new accounting standards not yet adopted (cont'd)

As a result of the adoption of IFRS 9, the Corporation will remove the gains or losses previously recognized in accumulated other comprehensive income (loss) and include them directly in the carrying amount of the asset or the liability (referred to as 'basis adjustment'). This is done in order to better match the settlement of the hedged transaction that has occurred with the carrying amount of the hedged asset, being the portion of the Corporation's inventory that was purchased with a foreign currency. This basis adjustment is not a reclassification adjustment and will not affect the Corporation's consolidated statement of net earnings and comprehensive income (loss).

IFRS 15

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. IFRS 15 is based on the principle that revenue is recognized when control of a good or service is transferred to a customer. A five-step recognition model is used to apply the standard as follows:

1. Identify the contract(s) with the customer;
2. Identify the separate performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to separate performance obligations; and
5. Recognize revenue when (or as) each performance obligation is satisfied.

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.

5 Critical accounting estimates and judgments

The preparation of 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.

The following discusses the most significant accounting judgments and estimates that the Corporation made in the preparation of the consolidated financial statements.

Income taxes

Judgment - Judgment is required in determining income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5 Critical accounting estimates and judgments (cont'd)

Property, plant and equipment

Estimate - Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes, based on additional available information, are accounted for prospectively as a change in accounting estimate.

Valuation of inventories

Estimate - Store inventories are valued at the lower of cost and net realizable value, with cost being determined by the retail inventory method. Under the retail inventory method, inventories are converted to a cost basis by applying an average cost-to-sell ratio. Inventories that are at the distribution centre or warehouses and inventories that are in transit from suppliers are measured at the lower of cost and net realizable value, with cost determined on a weighted average cost basis.

Inventories include items that have been marked down to management's best estimate of their net realizable value and are included in cost of sales in the period in which the markdown is determined. The Corporation estimates its inventory provisions based on the consideration of a variety of factors, including quantities of slow-moving or carryover seasonal merchandise on hand, historical markdown statistics, future merchandising plans and inventory shrinkage. The accuracy of the Corporation's estimates can be affected by many factors, some of which are beyond its control, including changes in economic conditions and consumer buying trends.

Historically, the Corporation has not experienced significant differences in its estimates of markdowns compared with actual results. Changes to the inventory provisions can have a material impact on the results of the Corporation.

Impairment of goodwill and trade name

Estimate - Goodwill and trade name are not subject to amortization and are tested for impairment annually or more frequently if events or circumstances indicate that the assets might be impaired. Impairment is identified by comparing the recoverable amount of the CGU to its carrying value. To the extent the CGU's carrying amount exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of net earnings and comprehensive income (loss).

The recoverable amount of the CGU is based on the fair value less costs of disposal. The fair value is the price that could be received for an asset or CGU in an orderly transaction between market participants at the measurement date, less costs of disposal. Management undertakes an assessment of relevant market data, which includes the current publicly quoted market capitalization of the Corporation.

As at January 28, 2018 and January 29, 2017, impairment reviews were performed by comparing the carrying value of goodwill and the trade name with the recoverable amount of the CGU to which goodwill and the trade name have been allocated. Management determined that there has been no impairment.

5 Critical accounting estimates and judgments (cont'd)

Fair value of financial instruments and hedging

Estimate - The fair value of financial instruments is based on current interest rates, foreign exchange rates, credit risk, market value and current pricing of financial instruments with similar terms. The carrying value of financial instruments, especially those with current maturities such as cash, accounts receivable, accounts payable and accrued liabilities, and dividend payable, approximates their fair value.

When hedge accounting is used, formal documentation is set up about relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions.

This process includes linking derivatives to specific firm commitments or forecasted transactions. As part of the Corporation's hedge accounting, an assessment is made to determine whether the derivatives that arose as hedging instruments are effective in offsetting changes in cash flows of hedged items.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

6 Property, plant and equipment

	Land $	Buildings $	Store and warehouse equipment $	Computer equipment $	Vehicles $	Leasehold improvements $	Total $
Cost							
Balance January 29, 2017	22,144	45,779	350,325	33,892	4,565	286,695	743,400
Additions	23,222	3,213	39,599	4,766	2,001	39,985	112,786
Transfers [1]	-	(12,484)	12,152	266	-	-	(66)
Dispositions	-	-	(640)	(103)	(1,724)	(861)	(3,328)
Balance January 28, 2018	45,366	36,508	401,436	38,821	4,842	325,819	852,792
Accumulated depreciation							
Balance January 29, 2017	-	-	192,620	9,593	1,669	102,429	306,311
Depreciation	-	851	27,970	7,766	1,115	20,216	57,918
Dispositions	-	-	(640)	(100)	(1,068)	(617)	(2,425)
Balance January 28, 2018	-	851	219,950	17,259	1,716	122,028	361,804
Net book value							
Balance January 28, 2018	45,366	35,657	181,486	21,562	3,126	203,791	490,988
Cost							
Balance January 31, 2016	-	-	316,349	24,596	4,349	249,887	595,181
Additions	22,144	45,779	34,012	13,346	1,163	37,130	153,574
Dispositions	-	-	(36)	(4,050)	(947)	(322)	(5,355)
Balance January 29, 2017	22,144	45,779	350,325	33,892	4,565	286,695	743,400
Accumulated depreciation							
Balance January 31, 2016	-	-	168,517	7,648	1,316	85,475	262,956
Depreciation	-	-	24,111	5,995	927	17,175	48,208
Dispositions	-	-	(8)	(4,050)	(574)	(221)	(4,853)
Balance January 29, 2017	-	-	192,620	9,593	1,669	102,429	306,311
Net book value							
Balance January 29, 2017	22,144	45,779	157,705	24,299	2,896	184,266	437,089

1) Racking, fixtures and other equipment (including hardware and software) totalling $12,418 were reclassified from building to store and warehouse equipment and computer equipment on January 30, 2017. The balance of $66 was reclassified from building to computer software on January 30, 2017 (refer to Note 7).

(Expressed in thousands of Canadian dollars, unless otherwise noted)

7 Intangible assets and goodwill

	Deferred leasing costs $	Computer software $	Trade name [2] $	Total intangible assets $	Goodwill $
Cost					
Balance January 29, 2017	7,046	63,660	108,200	178,906	727,782
Additions	-	19,134	-	19,134	-
Transfers [1]	-	66	-	66	-
Balance January 28, 2018	7,046	82,860	108,200	198,106	727,782
Accumulated amortization					
Balance January 29, 2017	4,009	35,382	-	39,391	-
Amortization	483	12,632	-	13,115	-
Balance January 28, 2018	4,492	48,014	-	52,506	-
Net book value					
Balance January 28, 2018	2,554	34,846	108,200	145,600	727,782
Cost					
Balance January 31, 2016	7,046	55,078	108,200	170,324	727,782
Additions	-	12,640	-	12,640	-
Dispositions	-	(4,058)	-	(4,058)	-
Balance January 29, 2017	7,046	63,660	108,200	178,906	727,782
Accumulated amortization					
Balance January 31, 2016	3,490	29,900	-	33,390	-
Amortization	519	9,540	-	10,059	-
Dispositions	-	(4,058)	-	(4,058)	-
Balance January 29, 2017	4,009	35,382	-	39,391	-
Net book value					
Balance January 29, 2017	3,037	28,278	108,200	139,515	727,782

1) Other equipment totalling $66 was reclassified from building to computer software on January 30, 2017.

2) Intangible assets with indefinite lives are not subject to amortization.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

8 Accounts payable and accrued liabilities

	January 28, 2018 $	January 29, 2017 $
Trade accounts payable	59,674	56,775
Employee benefits payable	57,081	49,686
Inventories in transit	33,782	28,613
Sales tax payable	41,301	32,542
Accrued share repurchases	9,142	8,819
Rent and other expenses	27,382	22,051
	228,362	198,486

9 Long-term debt

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

	January 28, 2018 $	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 September 29, 2022 (the “Credit Facility”)	191,000	130,000
Less: Unamortized debt issue costs	(5,541)	(4,899)
Accrued interest on the Floating Rate Notes and Fixed Rate Notes	5,192	3,809
	1,665,651	1,328,744
Current portion (includes accrued interest on the Floating Rate Notes and Fixed Rate Notes)	(405,192)	(278,643)
	1,260,459	1,050,101

9 Long-term debt (cont'd)

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 January 28, 2018, the carrying value of the 2.203% Fixed Rate Notes was $250,186 (January 29, 2017 – n/a). The fair value of the 2.203% Fixed Rate Notes as at January 28, 2018 was determined to be $242,410 valued as a level 2 in the fair value hierarchy (January 29, 2017 – n/a).

As at January 28, 2018, the carrying value of the 2.337% Fixed Rate Notes was $523,597 (January 29, 2017 – $523,192). The fair value of the 2.337% Fixed Rate Notes as at January 28, 2018 was determined to be $519,246 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 January 28, 2018, the carrying value of the 3.095% Fixed Rate Notes was $402,452 (January 29, 2017 – $401,994). The fair value of the 3.095% Fixed Rate Notes as at January 28, 2018 was determined to be $403,452 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 and therefore presented as a current liability on the consolidated statement of financial position as at January 28, 2018.

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 (collectively, the "Series 2 Floating Rate Notes"). As at January 28, 2018, the carrying value of the Series 2 Floating Rate Notes was $300,066 (January 29, 2017 – n/a). The fair value of the Series 2 Floating Rate Notes as at January 28, 2018 was determined to be $302,502 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.

9 Long-term debt (cont'd)

Credit Facility

The Corporation has access to a $500,000 unsecured revolving credit facility (the "Credit Facility") made available under the Second Amended and Restated Credit Agreement (the "Credit Agreement"), originally dated as of October 25, 2013, amended successively on December 3, 2013, June 10, 2014, November 3, 2014, October 30, 2015, January 29, 2016, November 21, 2016 and June 29, 2017, and finally amended and restated pursuant to an amending agreement dated November 28, 2017.

The Credit Agreement expires on September 29, 2022. Commitments in the amount of $250,000 initially made in 2013 are available until September 29, 2022, and commitments in the amount of $250,000 made in 2016 are available until September 29, 2019.

Under the Credit Agreement, as amended, the Corporation may, under certain circumstances and subject to receipt of additional commitments from existing lenders or other eligible institutions, request increases to the credit facility up to an aggregate amount, together with all then-existing commitments, of $1,500,000.

As at January 28, 2018, an amount of $191,000 was outstanding under the Credit Facility (January 29, 2017 – $130,000), and letters of credit issued for the purchase of inventories amounted to $1,059 (January 29, 2017 – $831). As at January 28, 2018, the Corporation was in compliance with all of its financial covenants.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

10 Leases and commitments

a) Operating leases

The basic rent and contingent rent expense of operating leases for stores, warehouses, distribution centre and corporate headquarters included in the consolidated statement of net earnings and comprehensive income (loss) are as follows:

	January 28, 2018 $	January 29, 2017 $
Basic rent	177,862	163,784
Contingent rent	5,178	4,624
	183,040	168,408

b) Commitments

As at January 28, 2018, contractual obligations for operating leases amounted to $1,070,929 (January 29, 2017 – $1,055,938). The leases extend, depending on the renewal option, over various years up to the year 2039.

Non-cancellable operating lease rentals are payable as follows:

	January 28, 2018 $	January 29, 2017 $
Less than 1 year	177,806	166,859
Between 1 and 5 years	589,116	566,421
More than 5 years	304,007	322,658
Total	1,070,929	1,055,938

(Expressed in thousands of Canadian dollars, unless otherwise noted)

11 Deferred rent and lease inducements

The following table shows the continuity of other liabilities, which consisted of deferred tenant allowances and deferred lease inducements:

	January 28, 2018 $	January 29, 2017 $
Deferred tenant allowances, beginning of year	38,555	34,380
Additions	10,607	8,970
Amortization	(5,149)	(4,795)
Deferred tenant allowances, end of year	44,013	38,555
Deferred lease inducements, beginning of year	43,272	37,252
Additions, net of straight-line rent	5,348	6,020
Deferred lease inducements, end of year	48,620	43,272
	92,633	81,827

12 Shareholders' equity (deficit)

a) Share capital

Normal course issuer bid

During the 12-month period ended June 16, 2017, the Corporation was authorized to repurchase for cancellation up to 5,975,854 common shares, representing 5% of the common shares issued and outstanding as at the close of markets on June 7, 2016 (the "2016-2017 NCIB"). At the expiry of the 2016-2017 NCIB, the Corporation had repurchased for cancellation a total of 5,975,162 common shares.

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% of the 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 and the 2016-2017 NCIB during the year ended January 28, 2018 amounted to 6,104,540 common shares (January 29, 2017 – 7,420,168 common shares under the 2016-2017 NCIB and the NCIB in effect before that), at a weighted average price of $133.12 per common share, for a total cash consideration of $812,659 (January 29, 2017 - $705,447). For the year ended January 28, 2018, the Corporation's share capital was reduced by $22,305 (January 29, 2017 - $26,669) and the remaining $790,354 (January 29, 2017 - $678,778) was accounted for as an increase in deficit.

On December 21, 2017, as part of the 2017-2018 NCIB, the Corporation announced the completion of a specific share repurchase program with an arm's length third party pursuant to which the Corporation repurchased 437,000 common shares through daily purchases, subject to the conditions of an issuer bid exemption order issued by the Ontario Securities Commission on December 6, 2017.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

12 Shareholders' equity (deficit) (cont'd)

b) Common shares authorized

The Corporation is authorized to issue an unlimited number of common shares. All common shares are issued as fully paid and without par value.

Movements in the Corporation's share capital are as follows:

	January 28, 2018		January 29, 2017	
	Number of common shares	Amount $	Number of common shares	Amount $
Balance, beginning of year	115,051,349	420,266	122,225,104	439,296
Cancellation under NCIB	(6,104,540)	(22,305)	(7,420,168)	(26,669)
Exercise of share options	379,050	17,826	246,413	7,639
Balance, end of year	109,325,859	415,787	115,051,349	420,266

c) Contributed surplus

Share-based compensation

The Corporation established a management option plan whereby its directors, officers and employees may be granted share options to acquire its shares. Under the plan, the number and characteristics of share options granted are determined by the board of directors of the Corporation, and share options have a life not exceeding 10 years.

Outstanding share options under the plan are granted with service requirements (or service conditions). These share options were granted to purchase an equivalent number of common shares. The share options vest at a rate of 20% annually on the anniversary of the grant date.

Outstanding and exercisable share options for the years ended on the dates provided below are as follows:

	January 28, 2018		January 29, 2017	
	Number of share options	Weighted average exercise price ($)	Number of share options	Weighted average exercise price ($)
Outstanding – beginning of year	2,572,000	50.68	2,478,200	42.29
Granted	252,000	112.36	420,000	90.59
Exercised	(379,050)	38.63	(326,200)	38.38
Forfeited	(15,400)	81.26	-	-
Outstanding – end of year	2,429,550	58.76	2,572,000	50.68
Exercisable – end of year	1,113,350	42.39	946,400	35.35

(Expressed in thousands of Canadian dollars, unless otherwise noted)

12 Shareholders' equity (deficit) (cont'd)

During the year ended January 28, 2018, the Corporation recognized a share-based compensation expense of $6,559 (January 29, 2017 - $6,932).

Information relating to share options outstanding and exercisable as at January 28, 2018 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 ($)**	**Weighted average remaining life (in months)**	**Number of share options**	**Weighted average exercise price ($)**
$8.75 - $18.89	33	24,000	13.64	33	24,000	13.64
$18.90 - $27.01	48	169,200	21.79	48	169,200	21.79
$27.02 - $40.97	63	666,750	36.32	62	449,150	36.15
$40.98 - $56.17	75	572,600	44.67	74	295,000	44.39
$56.18 - $71.03	86	347,000	71.03	86	107,000	71.03
$71.04 - $90.59	98	401,000	90.59	98	69,000	90.59
$90.60 - $112.07	110	246,000	112.07	-	-	-
$112.08 - $136.81	115	3,000	136.81	-	-	-
	78	2,429,550	58.76	67	1,113,350	42.39

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

	January 28, 2018	January 29, 2017
Exercise price per share	$112.36	$90.59
Dividend yield	0.4%	0.4%
Risk-free interest rate	1.2%	0.8%
Expected life	6.2 years	6.3 years
Expected volatility	20.4%	20.7%
Weighted average fair value of share options estimated at the grant date	$24.20	$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 weekly observations of the Corporation's publicly traded share price.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

12 Shareholders' equity (deficit) (cont'd)

d) Accumulated other comprehensive income (loss)

Components of accumulated other comprehensive income (loss) include unrealized gains (losses) on derivative financial instruments designated as hedging instruments, net of reclassification adjustments and income tax:

	January 28, 2018 $	January 29, 2017 $
Accumulated other comprehensive income (loss) – beginning of year	(1,346)	69,795
Net change in fair value of foreign exchange forward contracts	(36,226)	(66,840)
Realized gains (losses) on foreign exchange forward contracts	(10,266)	16,108
Foreign exchange losses (gains) transferred to earnings	3,851	(46,269)
Income tax thereon	11,564	25,860
Total other comprehensive income (loss), net of income tax recovery	(31,077)	(71,141)
Accumulated other comprehensive income (loss) – end of year	(32,423)	(1,346)

e) Dividends

On March 30, 2017, the Corporation announced that its board of directors had approved a 10% increase of the quarterly dividend for holders of its common shares, from $0.10 per common share to $0.11 per common share.

f) Deficit

As at January 28, 2018, the deficit was $663,421 as a result of: 1) an opening deficit, as at January 30, 2017, of $342,957; 2) net earnings of $519,410; 3) dividends declared of $49,520; and 4) cash paid for the repurchase of common shares under the Corporation's normal course issuer bid of $790,354. 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 or an increase in deficit, as applicable, 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 (deficit) for accounting purposes was in a deficit position at $252,358 as at January 28, 2018.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

13 Income taxes

a) Deferred income taxes

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	January 28, 2018 $	January 29, 2017 $
Deferred tax assets		
To be recovered after 12 months	25,204	21,977
To be recovered within 12 months	18,943	5,152
Deferred tax liabilities		
To be settled after 12 months	(154,481)	(144,777)
To be settled within 12 months	(2,326)	(189)
	(112,660)	(117,837)

Gross movement on the deferred income tax liability is as follows:

	January 28, 2018 $	January 29, 2017 $
Deferred income tax liability - beginning of year	117,837	127,592
Credited to consolidated statement of net earnings and comprehensive income (loss)	6,387	16,105
Tax recovery relating to components of other comprehensive income (loss)	(11,564)	(25,860)
Deferred income tax liability - end of year	112,660	117,837

(Expressed in thousands of Canadian dollars, unless otherwise noted)

13 Income taxes (cont'd)

The significant movements in deferred income tax liabilities during the year, taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Property, plant and equipment $	Intangible assets and goodwill $	Derivative financial instruments $	Total $
As at January 31, 2016	(27,554)	(104,351)	(18,060)	(149,965)
Charged to consolidated statement of net earnings and comprehensive income (loss)	(7,449)	(5,423)	(7,989)	(20,861)
Credited to components of other comprehensive income (loss)	-	-	25,860	25,860
As at January 29, 2017	(35,003)	(109,774)	(189)	(144,966)
Charged to consolidated statement of net earnings and comprehensive income (loss)	(4,884)	(4,820)	(1,751)	(11,455)
Credited to components of other comprehensive income (loss)	-	-	11,564	11,564
As at January 28, 2018	(39,887)	(114,594)	9,624	(144,857)

The significant movements in deferred income tax assets during the year, taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Non deductible reserves $	Other liabilities $	Total $
As at January 31, 2016	3,063	19,310	22,373
Charged to consolidated statement of net earnings and comprehensive income (loss)	2,089	2,667	4,756
As at January 29, 2017	5,152	21,977	27,129
Charged to consolidated statement of net earnings and comprehensive income (loss)	1,841	3,227	5,068
As at January 28, 2018	6,993	25,204	32,197

(Expressed in thousands of Canadian dollars, unless otherwise noted)

13 Income taxes (cont'd)

b) Income taxes

	January 28, 2018 $	January 29, 2017 $
Current tax expense in respect of the current year	189,978	150,686
Deferred tax expense relating to the origination and reversal of temporary differences	6,297	16,105
Income taxes	196,275	166,791

Tax on the Corporation's earnings before income taxes differs from the theoretical amount that would arise using the weighted average tax rate applicable to earnings of the consolidated entities as follows:

	January 28, 2018 $	January 29, 2017 $
Earnings before income taxes	715,685	612,427
Tax calculated at domestic rates applicable to income in Canada and the Canadian provinces	192,721	165,243
Tax effects of:		
Permanent differences	1,913	1,994
Settlement of previous year's tax assessments	(40)	(1,436)
Other	1,681	990
Tax expense	196,275	166,791

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 year ended January 28, 2018 was 26.9% (January 29, 2017 – 27.0%). The Corporation's effective income tax rate for the year ended January 28, 2018 was 27.4% (January 29, 2017 – 27.2%).

(Expressed in thousands of Canadian dollars, unless otherwise noted)

14 Financial instruments

Exposure and management of risk

The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Corporation's financial performance. The Corporation uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the finance department under practices approved by the board of directors of the Corporation. This department identifies, evaluates and hedges financial risks based on the requirements of the organization. The board of directors provides guidance for overall risk management, covering many areas of risk including but not limited to foreign exchange risk, interest rate risk, credit risk and the use of derivative financial instruments.

a) Measurement categories

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recorded in the consolidated statement of net earnings and comprehensive income (loss). Those categories are, for assets, loans and receivables, as well as fair value through the consolidated statement of net earnings and comprehensive income (loss) and, for liabilities, amortized cost, as well as fair value through the consolidated statement of net earnings and comprehensive income (loss). The following table shows the carrying values of assets and liabilities for each of these categories as at:

	January 28, 2018 $	January 29, 2017 $
Assets		
Loans and receivables		
Cash	54,844	62,015
Accounts receivable	15,263	15,386
Total loans and receivables	70,107	77,401
Fair value through profit or loss		
Total derivative financial instruments	286	8,787
Liabilities		
Amortized cost		
Trade payables and accrued liabilities	178,298	158,986
Dividend payable	12,180	11,591
Long-term debt	1,665,651	1,328,744
Total amortized cost	1,856,129	1,499,321
Fair value through profit or loss		
Total derivative financial instruments	35,720	8,085

(Expressed in thousands of Canadian dollars, unless otherwise noted)

14 Financial instruments (cont'd)

b) Market risk

i. Fair value

The carrying amounts of financial instruments are presented in the consolidated statement of financial position at fair value or amortized cost according to the Corporation's accounting policies. Current financial assets and liabilities, which include cash, accounts receivable, and accounts payable and accrued liabilities, approximate fair values due to the immediate or short-term maturities of these financial instruments.

ii. Hierarchy of assessments at fair value

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 (or interest rate), statement of financial position location and estimated fair values of the Corporation's derivative financial instruments as at January 28, 2018 and January 29, 2017 follows:

	Contractual nominal value	Average contract/ interest rate	Statement of financial position	Fair value - Asset (Liability)	Nature of hedging relationship
	USD or CAD $	USD/CAD /interest rate	Location	Significant other observable inputs (Level 2) $	Recurring
As at January 28, 2018					
Hedging instruments					
CAD Bond forward sale contract	110,000	2.186%	Current assets	286	Cash flow hedge
USD Foreign exchange forward contracts	514,000	1.30	Current liabilities	(35,720)	Cash flow hedge
As at January 29, 2017					
Hedging instruments					
USD Foreign exchange forward contracts	215,000	1.28	Current assets	8,787	Cash flow hedge
USD Foreign exchange forward contracts	335,000	1.34	Current liabilities	(8,085)	Cash flow hedge
	550,000	1.31		702	

14 Financial instruments (cont'd)

The Corporation formally documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedging transactions.

Foreign exchange forward contracts are designated as hedging instruments and recorded at fair value, determined using market prices and other observable inputs. The Corporation designates its foreign exchange forward contracts as hedges of the variability in highly probable future cash flows attributable to a recognized forecasted transaction (cash flow hedges). The fair value of the foreign exchange forward contracts is determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present values.

The bond forward sale contract is also designated as a hedging instrument and is recorded on the consolidated statement of financial position at fair value. The effective portion of the change in fair value of the derivative is recorded to other comprehensive income (loss), and will be reclassified to net earnings over the same period as the hedged interest payments are recorded in earnings. The hedged risk is defined as the variability in cash flows associated with coupons paid on the debt to be issued attributable to movements in the CAD benchmark rate. The CAD benchmark rate consists of the interpolated yield of Government of Canada bond curve with a term corresponding to the expected debt. Cash flows related to the expected bond's credit spread over the CAD benchmark rate are not designated as part of the hedging relationship. The debt is anticipated to be issued during the second, third or fourth quarter of the next fiscal year and have a term of between 2 and 7 years.

During the year ended January 28, 2018, a loss of $3,851 (January 29, 2017 - gain of $46,269) was reclassified from AOCI to net earnings. The Corporation has master netting agreements for the vast majority of derivative contracts but no amounts have been netted as at January 28, 2018 or January 29, 2017.

iii. *Interest rate risk*

The Corporation's interest rate risk arises from long-term debt. Long-term debt issued at variable rates exposes the Corporation to cash flow interest rate risk. Long-term debt issued at fixed rates exposes the Corporation to fair value interest rate risk.

When appropriate, the Corporation analyzes its interest rate risk exposure. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Corporation calculates the impact on earnings of a defined interest rate shift. The Corporation often uses variable-rate debt to finance a portion of its operations and capital expenditures. These obligations expose the Corporation to variability in interest payments due to changes in interest rates.

The Corporation's 3.095% Fixed Rate Notes, in the aggregate principal amount of $400,000, will mature on November 5, 2018. Assuming market conditions are favorable, the principal amount is expected to be refinanced at maturity by way of a new issuance of fixed rate senior unsecured notes. As such, the Corporation is exposed to the fluctuations of the Government of Canada benchmark yield until the issuance of the new notes. In order to manage its exposure to interest rate risk, the Corporation executed a bond forward sale of $110,000 in connection with the planned debt issuance.

14 Financial instruments (cont'd)

As at January 28, 2018, the carrying value of the 2.203% Fixed Rate Notes was $250,186. The carrying value of the 2.203% Fixed Rate Notes was recognized initially at its fair value being $250,000 plus transaction costs, the total of which is referred to as the amortized cost

As at January 28, 2018, the carrying value of the 2.337% Fixed Rate Notes was $523,597. The carrying value of the 2.337% Fixed Rate Notes was recognized initially at its fair value being $525,000 plus transaction costs, the total of which is referred to as the amortized cost.

As at January 28, 2018, the carrying value of the 3.095% Fixed Rate Notes was $402,452. The carrying value of the 3.095% Fixed Rate Notes was recognized initially at its fair value being $400,000 plus transaction costs, the total of which is referred to as the amortized cost.

As at January 28, 2018, the carrying value of the Series 2 Floating Rate Notes was $300,066. The carrying value of the Series 2 Floating Rate Notes was recognized initially at its fair value being $300,000 plus transaction costs, the total of which is referred to as the amortized cost.

The fair value of the 2.203% Fixed Rate Notes, the 2.337% Fixed Rate Notes, the 3.095% Fixed Rate Notes and the Series 2 Floating Rate Notes (collectively, the "Senior Unsecured Notes") as at January 28, 2018 were determined to be $242,410, $519,246, $403,452 and $302,502, respectively. All are valued as a level 2 in the fair value hierarchy. The amortized cost of all Senior Unsecured Notes is measured using the effective interest rate method, which is the rate that exactly discounts estimated future cash payments of the Senior Unsecured Notes through the expected life until maturity.

As at January 28, 2018, a variation of 1% of the 3-month CDOR rate would, all other variables constant, have a favorable/unfavorable impact of approximately $3,600 on net earnings.

iv. *Foreign exchange risk*

The functional currency of the Corporation is the Canadian dollar ("CAD"). Because cash inflows are primarily denominated in Canadian dollars, the Corporation is exposed to the variability in the CAD/U.S. dollars ("USD") exchange rate when paying expenses with USD that relate to imported merchandise.

Foreign exchange forward contracts are entered into in order to manage the currency fluctuation risk associated with forecasted US dollar merchandise purchases sold in stores. These forward contracts are purchased for cash flow hedging as part of the Corporation's risk management process and are designated as the hedging item of highly probable future purchases of merchandise (the "hedged item").

At each reporting date, the Corporation performs an assessment of effectiveness of its cash flow hedges to ensure that the hedging relationship, between the hedging instrument and the hedged item, remains highly effective.

As at January 28, 2018, a variation in the CAD of 10% against the USD on monetary accounts in USD would, all other variables constant, have an approximate favorable/unfavorable impact of approximately $1,000 on net earnings.

14 Financial instruments (cont'd)

c) Credit risk

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist of cash, accounts receivable and derivative contracts.

The Corporation offsets the credit risk by depositing its cash, including restricted cash, with major financial institutions whom have been assigned high credit ratings by internationally recognized credit rating agencies.

The Corporation is exposed to credit risk on accounts receivable from landlords for tenant allowances and trade receivables from a third party. In order to mitigate this risk, the Corporation monitors credit risk and may retain offsetting payments until accounts receivable are fully satisfied.

Finally, the Corporation only enters into derivative contracts with major financial institutions for the purchase of USD forward contracts, as described above, and has master netting agreements in place for the vast majority of those derivative contracts.

d) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due.

The Corporation's funded debts are guaranteed by Dollarama L.P. and Dollarama GP Inc.

The Corporation's objective is to maintain sufficient liquidity to meet its financial liabilities as they become due and remain compliant with financial covenants under the Credit Facility and under the trust indenture governing the Senior Unsecured Notes. The Corporation manages liquidity risk through various means including, monitoring cash balances and planned cash flows generated from operations and used for investing in capital assets.

As at January 28, 2018, the Corporation had issued the 3.095% Fixed Rate Notes in the amount of $400,000 maturing November 5, 2018, the 2.337% Fixed Rate Notes in the amount of $525,000 maturing July 22, 2021, the 2.203% Fixed Rate Notes in the amount of $250,000 maturing November 10, 2022 and the Series 2 Floating Rate Notes in the amount of $300,000 maturing March 16, 2020. In addition, the Corporation had authorized and available credit in the amount of $307,941 under its Credit Facility (refer to Note 9).

14 Financial instruments (cont'd)

The table below analyses the Corporation's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as at January 28, 2018. Trade payables and accrued liabilities exclude liabilities that are not contractual (such as income tax liabilities that are created as a result of statutory requirements imposed by governments).

(dollars in thousands)	**Less than 3 months** $	**3 months to 1 year** $	**1-5 years** $	**Total** $
Trade payables and accrued liabilities	178,298	-	-	178,298
Dividend payable	12,180	-	-	12,180
Principal repayment on:				
2.203% Fixed Rate Notes	-	-	250,000	250,000
2.337% Fixed Rate Notes	-	-	525,000	525,000
3.095% Fixed Rate Notes	-	400,000	-	400,000
Series 2 Floating Rate Notes	-	-	300,000	300,000
Credit Facility	-	-	191,000	191,000
Interest payments on:				
2.203% Fixed Rate Notes	-	5,508	22,030	27,538
2.337% Fixed Rate Notes	-	12,269	30,673	42,942
3.095% Fixed Rate Notes	-	12,380	-	12,380
Credit Facility and Series 2 Floating Rate Notes [1]	3,188	9,564	30,379	43,131
	193,666	439,721	1,349,082	1,982,469

[1] Based on interest rates in effect as at January 28, 2018.

The following table summarizes the Corporation's off-balance sheet arrangements and commitments as at January 28, 2018.

(dollars in thousands)	**Less than 3 months** $	**3 months to 1 year** $	**1-5 years** $	**Over 5 years** $	**Total** $
Obligations under operating leases [2]	44,452	133,354	589,116	304,007	1,070,929
Letters of credit	1,059	-	-	-	1,059
	45,511	133,354	589,116	304,007	1,071,988

[2] Represent the basic annual rent, exclusive of the contingent rentals, common area maintenance, real estate taxes and other charges paid to landlords that, all together, represent approximately 40% of total lease expenses.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

14 Financial instruments (cont'd)

Other than operating leases obligations and letters of credit described above, the Corporation has no off-balance sheet arrangements or commitments.

e) Capital management

The Corporation's capital structure consists of common shares, funded debt, share options to employees and directors, deficit and AOCI. The Corporation manages its capital structure and makes changes pursuant to economic conditions and conditions related to its assets.

	January 28, 2018 $	January 29, 2017 $
Total long-term debt (Note 9)	1,665,651	1,328,744
6x[1] operating leases (Note 10)	1,098,240	1,010,448
Adjusted total debt	2,763,891	2,339,192
EBITDA	826,112	703,258
Operating leases (Note 10)	183,040	168,408
EBITDAR	1,009,152	871,666
Adjusted total debt / EBITDAR	**2.74x**	**2.68x**

[1] The 6x factor is used by DBRS Limited in its rating methodology to account for the Corporation's operating leases in the calculation of adjusted total debt.

The Corporation monitors capital using a number of financial metrics, including but not limited to:

- the leverage ratio, defined as adjusted total debt (sum of (i) total long-term debt and (ii) 6x operating leases) over consolidated EBITDAR (sum of (i) earnings before interest, taxes, depreciation and amortization and (ii) operating leases).

The Corporation's objectives when managing capital are to:

- provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations; and
- ensure sufficient liquidity to pursue its organic growth strategy.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

14 Financial instruments (cont'd)

In managing its capital structure, the Corporation monitors performance throughout the year to ensure working capital requirements are funded from operations, available cash on deposit and, where applicable, bank borrowings. The Corporation manages its capital structure and may make adjustments to it in order to support the broader corporate strategy or in response to changes in economic conditions and risk. In order to maintain or adjust its capital structure, the Corporation may: issue shares or new debt; issue new debt to replace existing debt (with different characteristics); reduce the amount of existing debt; purchase shares for cancellation under a normal course issuer bid; and adjust the amount of dividends paid to shareholders.

The Corporation is subject to financial covenants under the Credit Facility and the trust indenture governing the Senior Unsecured Notes, which are measured on a quarterly basis. These covenants include a leverage ratio and an interest coverage ratio. As at January 28, 2018, the Corporation was in compliance with all such covenants.

15 Related party transactions

Rent

Rental expenses charged by entities controlled by a director totalled $18,361 for the year ended January 28, 2018 (January 29, 2017- $18,055).

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

Compensation of key management and directors

Key management includes the Corporation's Executive Chairman, President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, and Senior Vice-President, Import Division.

The remuneration paid to directors and members of key management personnel as well as share-based payments during the years ended on the dates indicated below were as follows:

	January 28, 2018 $	January 29, 2017 $
Short-term benefits	10,087	12,862
Defined contribution plan	53	64
Share-based payments	4,027	4,089
	14,167	17,015

(Expressed in thousands of Canadian dollars, unless otherwise noted)

15 Related party transactions (cont'd)

Members of key management may have employment agreements with clauses providing for payment in the event of termination without cause or constructive termination. Please refer to Dollarama's 2017 Management Proxy Circular for details applicable to the Corporation's five most highly compensated executive officers.

16 Earnings per share

a) Basic

Basic earnings per common share is calculated by dividing the profit attributable to shareholders of the Corporation by the weighted average number of common shares outstanding during the year.

	January 28, 2018	January 29, 2017
Net earnings attributable to shareholders of the Corporation	$519,410	$445,636
Weighted average number of common shares outstanding during the year *(thousands)*	112,751	118,998
Basic net earnings per common share	$4.61	$3.75

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. For the share options, the Corporation's only category of dilutive potential common shares, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Corporation's shares) based on the exercise price of outstanding share options. The number of shares as calculated above is then compared with the number of shares that would have been issued assuming the exercise of the share options, plus any unrecognized compensation costs.

	January 28, 2018	January 29, 2017
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	$519,410	$445,636
Weighted average number of common shares outstanding during the year (*thousands*)	112,751	118,998
Assumed share options exercised (*thousands*)	1,422	1,245
Weighted average number of common shares for diluted net earnings per common share (*thousands*)	114,173	120,243
Diluted net earnings per common share	$4.55	$3.71

(Expressed in thousands of Canadian dollars, unless otherwise noted)

17 Expenses by nature included in the consolidated statement of net earnings and comprehensive income (loss)

	January 28, 2018 $	January 29, 2017 $
Cost of sales		
Cost of goods sold, labour, transport and other costs	1,665,771	1,523,272
Occupancy costs	299,400	278,663
Total cost of sales	1,965,171	1,801,935
Depreciation and amortization		
Depreciation of property, plant and equipment (Note 6)	57,918	48,208
Amortization of intangible assets (Note 7)	12,632	9,540
Total depreciation and amortization	70,550	57,748
Employee benefits		
Remuneration for services rendered	345,824	330,338
Share options granted to directors and employees (Note 12)	6,559	6,932
Defined contribution plan	4,830	4,426
Total employee benefit expense	357,213	341,696
Financing costs		
Interest expense and banking fees	37,860	31,602
Amortization of debt issue costs	2,017	1,481
Total financing costs	39,877	33,083

(Expressed in thousands of Canadian dollars, unless otherwise noted)

18 Consolidated statement of cash flows information

The changes in non-cash working capital components on the dates indicated below are as follows:

	January 28, 2018 $	January 29, 2017 $
Accounts receivable	124	(4,268)
Prepaid expenses	(1,487)	1,738
Inventories	(25,212)	4,480
Accounts payable and accrued liabilities	29,553	23,496
Income taxes payable	22,894	(29,041)
	25,872	(3,595)
Cash paid for taxes	166,970	179,019
Cash paid for interest	34,907	28,133

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

19 Events after the reporting period

Increase of quarterly dividend

On March 29, 2018, the Corporation announced that its board of directors had approved a 9% increase of the quarterly dividend for holders of common shares, from $0.11 per common share to $0.12 per common share. This increased quarterly dividend will be paid on May 2, 2018 to shareholders of record at the close of business on April 20, 2018 and is designated as an “eligible dividend” for Canadian tax purposes.

Proposed three-for-one share split

On March 29, 2018, the Corporation announced that its board of directors had approved a proposed three-for-one share split, subject to approval by shareholders at the annual and special meeting to be held on June 7, 2018 and to requirements of the TSX. Assuming the split is approved by shareholders and pre-cleared by the TSX, shareholders of record at the close of business on June 14, 2018 will be entitled to receive, on or about June 19, 2018, two additional common shares for each common share held.

Expansion of distribution capacity

The Corporation has launched a project to expand its existing distribution centre located in the Town of Mount Royal, Quebec. As part of this expansion, the Corporation has incurred costs to date of $23,222 (see Note 6) for the purchase of two adjacent properties and $39,372, paid subsequent to January 28, 2018, for the purchase of its existing distribution centre, which was previously leased from an entity controlled by the Rossy family. This last purchase was a related-party transaction at fair value, being the amount of consideration established at market terms, based on an independent appraisal.

19 Events after the reporting period (cont'd)

Offering of senior unsecured notes

On February 1, 2018, the Corporation issued series 3 floating rate senior unsecured notes due February 1, 2021 (the "Series 3 Floating Rate Notes") at par, for aggregate gross proceeds of $300,000, by way of private placement in reliance upon exemptions from the prospectus requirements under applicable securities legislation. Proceeds were used by the Corporation to repay indebtedness outstanding under the Credit Facility and for general corporate purposes. The Series 3 Floating Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS Limited. The Series 3 Floating Rate Notes bear interest at a rate equal to the 3-month bankers' acceptance rate (CDOR) plus 27 basis points (or 0.27%), set quarterly on the 1st day of February, May, August and November of each year. Interest is payable in cash quarterly, in arrears, over the 3-year term on the 1st day of February, May, August and November of each year.