Dollarama Inc.

Condensed Interim Consolidated Financial Statements

For the 13-week and 39-week periods ended November 3, 2019 and October 28, 2018

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

Dollarama Inc.

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

	Note	November 3, 2019 $	February 3, 2019 $ Restated [1]	January 29, 2018 $ Restated [1]
Assets				
Current assets				
Cash		63,996	50,371	54,844
Accounts receivable		37,964	35,843	11,502
Prepaid expenses		13,371	15,560	7,166
Inventories		658,154	581,241	490,927
Derivative financial instruments	8	1,634	5,505	286
		775,119	688,520	564,725
Non-current assets				
Property, plant and equipment		625,462	586,027	490,988
Right-of-use assets	7	1,283,119	1,208,461	1,142,495
Intangible assets		152,400	148,879	143,046
Equity-accounted investment	5	132,363	-	-
Goodwill		727,782	727,782	727,782
Total assets		3,696,245	3,359,669	3,069,036
Liabilities and shareholders' deficit				
Current liabilities				
Accounts payable and accrued liabilities	5	305,009	230,981	227,244
Dividend payable		13,799	12,650	12,180
Derivative financial instruments	8	1,978	872	39,491
Income taxes payable		3,193	34,602	35,720
Current portion of long-term debt	9	316,091	7,383	405,192
Current portion of lease liabilities	7	163,182	156,746	140,691
		803,252	443,234	860,518
Non-current liabilities				
Non-current portion of long-term debt	9	1,567,355	1,890,845	1,260,459
Non-current portion of lease liabilities	7	1,328,937	1,246,074	1,196,375
Deferred income taxes		109,400	96,900	83,442
Total liabilities		3,808,944	3,677,053	3,400,794
Commitments	10			
Shareholders' deficit				
Share capital	11	416,398	408,179	415,787
Contributed surplus	11	34,398	32,450	27,699
Deficit		(562,602)	(765,202)	(742,821)
Accumulated other comprehensive income (loss)		(893)	7,189	(32,423)
Total shareholders' deficit		(112,699)	(317,384)	(331,758)
Total liabilities and shareholders' deficit		3,696,245	3,359,669	3,069,036

[1] The condensed interim consolidated financial statements reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 6 to these condensed interim consolidated financial statements. Comparative figures have been restated.

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

Dollarama Inc.

Consolidated Interim Statement of Changes in Shareholders' Deficit
For the 39-week periods ended
(Unaudited, expressed in thousands of Canadian dollars, except share amounts)

	Note	Number of common shares [2]	Share capital $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total $
Restated balance – February 3, 2019 [1]	11	314,685,277	408,179	32,450	(765,202)	7,189	(317,384)
Net earnings		-	-	-	385,322	-	385,322
Other comprehensive income		-	-	-	-	3,695	3,695
Total comprehensive income		-	-	-	385,322	3,695	389,017
Transfer of realized cash flow hedge gains to inventory		-	-	-	-	(11,777)	(11,777)
Dividends declared		-	-	-	(41,494)	-	(41,494)
Repurchase and cancellation of common shares	11	(3,086,563)	(4,077)	-	(141,228)	-	(145,305)
Share-based compensation	11	-	-	4,145	-	-	4,145
Issuance of common shares	11	622,200	10,099	-	-	-	10,099
Reclassification for the exercise of share options	11	-	2,197	(2,197)	-	-	-
Balance – November 3, 2019		312,220,914	416,398	34,398	(562,602)	(893)	(112,699)
Restated balance – January 28, 2018 [1]	11	327,977,577	415,787	27,699	(742,821)	(32,423)	(331,758)
Restated net earnings	6	-	-	-	373,980	-	373,980
Other comprehensive income		-	-	-	-	31,211	31,211
Restated total comprehensive income		-	-	-	373,980	31,211	405,191
IFRS 9 transition adjustment		-	-	-	-	8,646	8,646
Transfer of realized cash flow hedge losses to inventory		-	-	-	-	4,822	4,822
Dividends declared		-	-	-	(39,116)	-	(39,116)
Repurchase and cancellation of common shares	11	(8,450,957)	(10,722)	-	(347,360)	-	(358,082)
Share-based compensation	11	-	-	4,720	-	-	4,720
Issuance of common shares	11	418,550	6,797	-	-	-	6,797
Reclassification for the exercise of share options	11	-	1,427	(1,427)	-	-	-
Restated balance – October 28, 2018 [1]		319,945,170	413,289	30,992	(755,317)	12,256	(298,780)

(1) The condensed interim consolidated financial statements reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 6 to these condensed interim consolidated financial statements. Comparative figures have been restated.

(2) The number of common shares as at January 28, 2018 reflects the retrospective application of the Share Split (defined under Note 11).

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

Dollarama Inc.

Consolidated Interim Statement of Net Earnings and Comprehensive Income
For the 13-week and 39-week periods ended
(Unaudited, expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	13-week periods ended		39-week periods ended	
		November 3, 2019	October 28, 2018	November 3, 2019	October 28, 2018
		$	$ Restated [1]	$	$ Restated [1]
Sales		947,649	864,267	2,722,090	2,488,789
Cost of sales	15	533,887	481,656	1,546,194	1,384,591
Gross profit		413,762	382,611	1,175,896	1,104,198
General, administrative and store operating expenses		142,242	120,669	396,016	352,086
Depreciation and amortization	15	61,374	57,665	179,538	169,441
Share of net earnings of equity-accounted investment	5	(1,707)	-	(1,707)	-
Operating income		211,853	204,277	602,049	582,671
Net financing costs		25,198	22,720	75,374	67,719
Other income	5	(2,842)	-	(2,842)	-
Earnings before income taxes		189,497	181,557	529,517	514,952
Income taxes	12	50,870	49,464	144,195	140,972
Net earnings		138,627	132,093	385,322	373,980
Other comprehensive income					
Items that may be reclassified subsequently to net earnings					
Reclassification of gains (losses) on derivative financial instruments not subject to basis adjustments		(95)	1,087	(284)	2,022
Foreign currency translation adjustments		(1,326)	-	(1,326)	-
Share of other comprehensive loss of equity-accounted investment	5	(643)	-	(643)	-
Income tax recovery (expense) relating to these items		26	(293)	76	(544)
Items that will not be reclassified subsequently to net earnings					
Unrealized gains (losses) on derivative financial instruments subject to basis adjustments		(1,181)	4,167	8,007	40,625
Income tax recovery (expense) relating to these items		307	(1,298)	(2,135)	(10,892)
Total other comprehensive income (loss), net of income taxes		(2,912)	3,663	3,695	31,211
Total comprehensive income		135,715	135,756	389,017	405,191
Earnings per common share					
Basic net earnings per common share	13	0.44	0.41	1.23	1.14
Diluted net earnings per common share	13	0.44	0.40	1.21	1.13
Weighted average number of common shares outstanding (*thousands*)	13	314,125	325,032	314,528	326,752
Weighted average number of diluted common shares outstanding (*thousands*)	13	317,843	328,905	318,112	330,992

(1) The condensed interim consolidated financial statements reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 6 to these condensed interim consolidated financial statements. Comparative figures have been restated.

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

Dollarama Inc.

Consolidated Interim Statement of Cash Flows
For the 13-week and 39-week periods ended
(Unaudited, expressed in thousands of Canadian dollars)

	Note	13-week periods ended November 3, 2019 $	13-week periods ended October 28, 2018 $ Restated (1)	39-week periods ended November 3, 2019 $	39-week periods ended October 28, 2018 $ Restated (1)
Operating activities					
Net earnings		138,627	132,093	385,322	373,980
Adjustments to reconcile net earnings to net cash generated from operating activities:					
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	15	61,374	57,665	179,538	169,441
Amortization of debt issue costs		545	567	1,654	1,699
Recognition of gains and losses on bond lock and bond forward contracts	8	(95)	23	(284)	68
Transfer of realized cash flow hedge losses to inventory	8	-	-	-	8,646
Share-based compensation	11	1,430	1,512	4,145	4,720
Financing costs on long-term debt		8,800	7,626	8,824	9,051
Deferred income taxes		6,442	3,141	11,648	4,797
Gain on disposal of assets		(109)	(153)	(589)	(566)
Share of net earnings of equity-accounted investment	5	(1,707)	-	(1,707)	-
Other income	5	(2,842)	-	(2,842)	-
		212,465	202,474	585,709	571,836
Changes in non-cash working capital components	16	(9,149)	(73,816)	(105,315)	(164,302)
Net cash generated from operating activities		203,316	128,658	480,394	407,534
Investing activities					
Acquisition of equity-accounted investment	5	(58,693)	-	(58,693)	-
Additions to property, plant and equipment		(34,024)	(29,686)	(85,756)	(110,868)
Additions to intangible assets		(5,743)	(3,284)	(15,053)	(13,210)
Proceeds from disposal of property, plant and equipment		185	922	717	1,164
Net cash used in investing activities		(98,275)	(32,048)	(158,785)	(122,914)
Financing activities					
Proceeds from long-term debt issued (Series 3 Floating Rate Notes)	9	-	-	-	300,000
Net proceeds (repayments) of Credit Facility	9	-	115,000	(25,000)	(76,000)
Payment of debt issue costs		-	-	(260)	(1,397)
Principal elements of lease liabilities		(39,369)	(35,447)	(107,164)	(103,381)
Issuance of common shares		2,928	3,215	10,099	6,797
Dividends paid		(13,856)	(13,073)	(40,354)	(38,362)
Repurchase and cancellation of common shares	11	(129,800)	(269,165)	(145,305)	(348,278)
Net cash used in financing activities		(180,097)	(199,470)	(307,984)	(260,621)
Change in cash		(75,056)	(102,860)	13,625	23,999
Cash – beginning of period		139,052	181,703	50,371	54,844
Cash – end of period		63,996	78,843	63,996	78,843

(1) The condensed interim consolidated financial statements reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 6 to these condensed interim consolidated financial statements. Comparative figures have been restated.

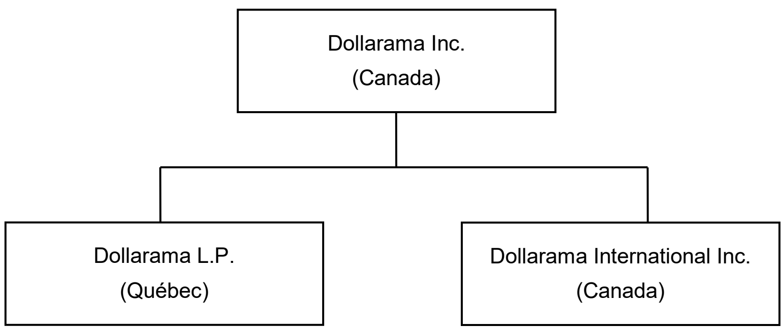
The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1 General information

Dollarama Inc. (the “Corporation”) was formed on October 20, 2004, under the Canada Business Corporations Act. The Corporation operates dollar stores in Canada that sell all items for $4.00 or less. As at November 3, 2019, the Corporation maintains retail operations in every Canadian province. The Corporation’s corporate headquarters, distribution centre and warehouses are located in the Montreal area. The Corporation is listed on the Toronto Stock Exchange (“TSX”) under the symbol “DOL” and is incorporated and domiciled in Canada.

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

As at November 3, 2019, the significant entities within the legal structure of the Corporation are as follows:



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

Dollarama International Inc. (“DII”) sells merchandise and renders services to customers outside of Canada, the Corporation’s country of domicile. For the 13-week and 39-week periods ended November 3, 2019 and October 28, 2018, sales by DII represented approximately 1% of the Corporation’s total consolidated sales.

DII owns a 50.1% interest in Dollarcity, a Latin American value retailer headquartered in Panama that offers a broad assortment of consumable products, general merchandise and seasonal items at select, fixed price points up to US$3.00 (or the equivalent in local currency) through its stores located in Colombia, El Salvador and Guatemala.

2 Basis of preparation

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors for issue on December 4, 2019.

The number of common shares in these unaudited condensed interim consolidated financial statements as at January 28, 2018 reflects the retrospective application of the Share Split (see Note 11).

2 Basis of preparation (cont'd)

The Corporation prepares its condensed interim consolidated financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook – Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". In accordance with GAAP, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended February 3, 2019 ("Fiscal 2019"), which have been prepared in accordance with IFRS as issued by the IASB. In management's opinion, the unaudited condensed interim consolidated financial statements reflect all the adjustments that are necessary for a fair presentation of the results for the interim period presented.

With the exception of IFRS 16, "Leases", which has been adopted by the Corporation on February 4, 2019 using the full retrospective approach with restatement of comparative information, and of the equity method of accounting used by the Corporation to account for its investment in Dollarcity, the accounting policies of the Corporation have been applied consistently to all periods in these condensed interim consolidated financial statements. For a summary of the significant accounting policies related to IFRS 16 and for additional information on the adoption of IFRS 16, refer to Note 3 and Note 6 below. For a discussion on Dollarcity and the equity method of accounting, refer to Note 3 and Note 5 below.

3 Summary of significant accounting policies

Except as described below, these unaudited condensed interim consolidated financial statements have been prepared using the accounting policies as outlined in Note 3 to the Fiscal 2019 audited consolidated financial statements.

Under IFRS 16, the Corporation assesses whether a contract is or contains a lease, at the inception of the contract. The Corporation recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and some leases of low-value assets. For these leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Corporation's incremental borrowing rate, unless the implicit interest rate in the lease can be readily determined.

Lease payments included in the measurement of the lease liability comprise of:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, which are initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line in the condensed interim consolidated statement of financial position.

3 Summary of significant accounting policies (cont'd)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Corporation remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, in which cases the lease liability is remeasured by discounting the revised lease payments using the same discount rate used in initially setting up the liability (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability nor the right-of-use assets. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Cost of sales” or “General, administrative and store operating expenses” in the condensed consolidated interim statement of net earnings.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and to instead account for any lease and associated non-lease components as a single arrangement. The Corporation has elected to use the practical expedient, and treats the different components identified in a lease as a single lease component.

The equity method of accounting is used by the Corporation to account for investments in affiliated companies when the Corporation has significant influence, but not control over the affiliated companies' operations.

4 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.

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

4 Critical accounting estimates and judgments (cont'd)

Except for estimates relating to the lease term and to the purchase price for the acquisition of a 50.1% interest in Dollarcity as discussed below and in Note 5, these condensed interim consolidated financial statements were prepared using the same significant estimates and judgments as those made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty to the audited consolidated financial statements for Fiscal 2019 (refer to Note 5 of the Fiscal 2019 audited consolidated financial statements).

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods covered by termination options) are only included in the lease term if the lease is reasonably certain to be extended (or terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. IFRS 16 also introduces new estimates due to the incremental borrowing rate used for measurement of the lease liabilities.

5 Acquisition of a 50.1% interest in Dollarcity

On August 14, 2019, the Corporation acquired a 50.1% interest in Latin American value retailer Dollarcity and made an upfront payment of US$40,000 ($52,800). This acquisition resulted in the creation of a second growth platform for the Corporation in complement to its Canadian growth strategy.

The total estimated purchase price of US$92,674 ($122,116), as at November 3, 2019, represents 50.1% of a five times multiple of Dollarcity's estimated EBITDA for the 12-month period ending June 30, 2020, minus net debt and subject to other adjustments. The purchase price estimate is based on financial projections, whereas the final purchase price will be based on audited financial statements. As at November 3, 2019, the estimated balance of the purchase price of US$52,674 ($69,316) was recorded in accounts payable and accrued liabilities, and will be due, subject to final adjustments, in the third quarter of the Corporation's next fiscal year ending January 31, 2021.

As per the terms of the stockholders agreement, certain strategic and operational decisions of Dollarcity are subject to 100% stockholder approval. As a result, the Corporation is accounting for this investment as a joint arrangement using the equity method.

The carrying amount of the investment in Dollarcity was as follows for the period ended November 3, 2019:

	November 3, 2019
	$
Carrying amount, beginning of period	-
Acquisition cost	122,116
Transaction fees	6,708
Share of net earnings of equity-accounted investment	1,707
Share of other comprehensive loss of equity-accounted investment	(643)
Gain on the exercise of the call option [(1)]	2,842
Foreign currency translation adjustments	(367)
Carrying amount, end of period	132,363

(1) Difference between the fair value of the call option to purchase 50.1% of Dollarcity's issued and outstanding shares and the estimated purchase price of this investment as at August 14, 2019. This one-time, non-recurring gain on the exercise of the call option was recorded in "Other income" in the consolidated interim statement of net earnings and comprehensive income.

6 Adoption of IFRS 16 – Leases

In January of 2016, the IASB issued IFRS 16, “Leases”, which replaces IAS 17, “Leases”. For the Corporation, the new standard is effective for fiscal years beginning on February 4, 2019. 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 had significant contractual obligations in the form of operating leases under IAS 17, there has been a material increase to both assets and liabilities upon adoption of IFRS 16, and changes in the timing of recognition of expenses associated with lease arrangements.

IFRS 16 has been applied to these unaudited condensed interim consolidated financial statements using the full retrospective approach and the Corporation has therefore restated comparative information for the fiscal year ended February 3, 2019, as if IFRS 16 had always been in effect.

The Corporation has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and International Financial Reporting Interpretations Committee “IFRIC” 4, “Determining Whether an Agreement Contains a Lease”, will continue to be applied to those leases entered into or modified before February 4, 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the Corporation has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after February 4, 2019. The definition in IFRS 16 has not changed the scope of contracts that meet the definition of a lease for the Corporation.

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

6 Adoption of IFRS 16 – Leases (cont'd)

Financial impact on initial application of IFRS 16

The tables below show the amount of adjustments of each consolidated financial statement line item affected by the application of IFRS 16 for the current and prior periods.

i. Consolidated Statement of Financial Position

	January 29, 2018		
	Impact of changes in accounting policies		
	As previously reported under IAS 17	Impact	As reported under IFRS 16
	$	$	$
Current assets			
Accounts receivable	15,263	(3,761)	11,502
Prepaid expenses	8,649	(1,483)	7,166
Other current assets	546,057	-	546,057
	569,969	(5,244)	564,725
Non-current assets			
Property, plant and equipment	490,988	-	490,988
Right-of-use assets	-	1,142,495	1,142,495
Intangible assets	145,600	(2,554)	143,046
Goodwill	727,782	-	727,782
	1,364,370	1,139,941	2,504,311
Total assets	1,934,339	1,134,697	3,069,036
Current liabilities			
Accounts payable and accrued liabilities	228,362	(1,118)	227,244
Current portion of lease liabilities	-	140,691	140,691
Other current liabilities	492,583	-	492,583
	720,945	139,573	860,518
Non-current liabilities			
Non-current portion of lease liabilities	-	1,196,375	1,196,375
Deferred rent and lease inducements	92,633	(92,633)	-
Deferred income taxes	112,660	(29,218)	83,442
Other non-current liabilities	1,260,459	-	1,260,459
Total liabilities	2,186,697	1,214,097	3,400,794
Shareholders' deficit			
Deficit	(663,421)	(79,400)	(742,821)
Other elements of shareholders' deficit	411,063	-	411,063
Total shareholders' deficit	(252,358)	(79,400)	(331,758)
Total liabilities and shareholders' deficit	1,934,339	1,134,697	3,069,036

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

6 Adoption of IFRS 16 – Leases (cont'd)

i. Consolidated Statement of Financial Position (cont'd)

	February 3, 2019		
	Impact of changes in accounting policies		
	As previously reported under IAS 17 $	Impact $	As reported under IFRS 16 $
Current assets			
Accounts receivable	42,206	(6,363)	35,843
Prepaid expenses	30,316	(14,756)	15,560
Other current assets	637,117	-	637,117
	709,639	(21,119)	688,520
Non-current assets			
Property, plant and equipment	589,513	(3,486)	586,027
Right-of-use assets	-	1,208,461	1,208,461
Intangible assets	150,961	(2,082)	148,879
Goodwill	727,782	-	727,782
	1,468,256	1,202,893	2,671,149
Total assets	2,177,895	1,181,774	3,359,669
Current liabilities			
Accounts payable and accrued liabilities	232,545	(1,564)	230,981
Current portion of lease liabilities	531	156,215	156,746
Other current liabilities	55,507	-	55,507
	288,583	154,651	443,234
Non-current liabilities			
Non-current portion of lease liabilities	3,278	1,242,796	1,246,074
Deferred rent and lease inducements	101,700	(101,700)	-
Deferred income taxes	127,585	(30,685)	96,900
Other non-current liabilities	1,890,845	-	1,890,845
Total liabilities	2,411,991	1,265,062	3,677,053
Shareholders' deficit			
Deficit	(681,914)	(83,288)	(765,202)
Other elements of shareholders' deficit	447,818	-	447,818
Total shareholders' deficit	(234,096)	(83,288)	(317,384)
Total liabilities and shareholders' deficit	2,177,895	1,181,774	3,359,669

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

6 Adoption of IFRS 16 – Leases (cont'd)

ii. Consolidated Interim Statement of Net Earnings

	13-week period ended October 28, 2018			39-week period ended October 28, 2018		
	Impact of changes in accounting policies			Impact of changes in accounting policies		
	As previously reported under IAS 17	Impact	As reported under IFRS 16	As previously reported under IAS 17	Impact	As reported under IFRS 16
	$	$	$	$	$	$
Sales	864,267	-	864,267	2,488,789	-	2,488,789
Cost of sales	528,411	(46,755)	481,656	1,523,869	(139,278)	1,384,591
Gross profit	335,856	46,755	382,611	964,920	139,278	1,104,198
General, administrative and store operating expenses	121,227	(558)	120,669	354,282	(2,196)	352,086
Depreciation and amortization	19,629	38,036	57,665	57,495	111,946	169,441
Operating income	195,000	9,277	204,277	553,143	29,528	582,671
Net financing costs	11,443	11,277	22,720	34,178	33,541	67,719
Earnings before income taxes	183,557	(2,000)	181,557	518,965	(4,013)	514,952
Income taxes	50,010	(546)	49,464	142,071	(1,099)	140,972
Net earnings	133,547	(1,454)	132,093	376,894	(2,914)	373,980

iii. Earnings per common share

	13-week period ended October 28, 2018			39-week period ended October 28, 2018		
	Impact of changes in accounting policies			Impact of changes in accounting policies		
	As previously reported under IAS 17	Impact	As reported under IFRS 16	As previously reported under IAS 17	Impact	As reported under IFRS 16
(per share amounts)	$	$	$	$	$	$
Basic net earnings per common share	0.41	(0.00)	0.41	1.15	(0.01)	1.14
Diluted net earnings per common share	0.41	(0.01)	0.40	1.14	(0.01)	1.13

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

6 Adoption of IFRS 16 – Leases (cont'd)

iv. Consolidated Interim Statement of Cash Flows

	13-week period ended October 28, 2018			39-week period ended October 28, 2018		
	Impact of changes in accounting policies			Impact of changes in accounting policies		
	As previously reported under IAS 17	Impact	As reported under IFRS 16	As previously reported under IAS 17	Impact	As reported under IFRS 16
	$	$	$	$	$	$
Net earnings	133,547	(1,454)	132,093	376,894	(2,914)	373,980
Adjustments to reconcile net earnings to net cash generated from operating activities:						
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	19,629	38,036	57,665	57,495	111,946	169,441
Amortization of deferred tenant allowances	(1,488)	1,488	-	(4,236)	4,236	-
Amortization of deferred leasing costs	117	(117)	-	355	(355)	-
Deferred lease inducements	1,328	(1,328)	-	3,537	(3,537)	-
Deferred tenant allowances	2,961	(2,961)	-	5,107	(5,107)	-
Interest payment on finance lease	27	(27)	-	88	(88)	-
Deferred income taxes	3,687	(546)	3,141	5,896	(1,099)	4,797
Loss (gain) on disposal of assets	(153)	-	(153)	(30)	(536)	(566)
Other adjustments	9,728	-	9,728	24,184	-	24,184
	169,383	33,091	202,474	469,290	102,546	571,836
Changes in non-cash working capital components	(76,023)	2,207	(73,816)	(164,656)	354	(164,302)
Net cash from operating activities	93,360	35,298	128,658	304,634	102,900	407,534
Principal elements of lease liabilities	(149)	(35,298)	(35,447)	(481)	(102,900)	(103,381)
Other financing activities	(164,023)	-	(164,023)	(157,240)	-	(157,240)
Net cash used in financing activities	(164,172)	(35,298)	(199,470)	(157,721)	(102,900)	(260,621)

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

7 Leases

As at November 3, 2019, the Corporation operated 1,271 stores in Canada, including one owned store and 1,270 stores in leased retail space. Information about leases for which the Corporation is a lessee is presented below.

i. Right-of-use assets

Additions to the right-of-use assets during the 13-week and 39-week periods ended November 3, 2019 amounted to $81,267 and $199,094, respectively (13-week and 39-week periods ended October 28, 2018 – $62,668 and $143,814, respectively).

ii. Amounts recognized in the consolidated interim statement of net earnings

	13-week periods ended		39-week periods ended	
	November 3, 2019 $	October 28, 2018 $	November 3, 2019 $	October 28, 2018 $
Depreciation of right-of-use assets	41,823	37,817	122,688	112,603
Gain on lease remeasurements	(128)	-	(891)	(536)
Interest on lease liabilities	11,854	11,304	35,365	33,629
Variable lease expenses not included in the measurement of the lease liabilities	20,699	18,923	65,224	61,528
Expenses relating to short-term leases	3,981	3,766	11,102	10,920

iii. Amounts recognized in the consolidated interim statement of cash flows

	13-week periods ended		39-week periods ended	
	November 3, 2019 $	October 28, 2018 $	November 3, 2019 $	October 28, 2018 $
Lease payments cash outflows	77,090	69,914	232,335	214,226
Tenant incentives cash inflows	(2,241)	(1,478)	(14,015)	(5,144)
Total lease cash flows	74,849	68,436	218,320	209,082

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

7 Leases (cont'd)

The Corporation leases 1,270 stores, its head office, five warehouses and some equipment. The initial lease term of stores typically runs for a period of approximately 10 years. Many leases include one or more options to renew the lease for additional periods of 5 years each after the end of the initial term.

Some leases provide for additional lease payments that are based on changes in local price indices, or variable lease payments that are based on a percentage of sales that the Corporation makes at the leased store in the period. Some also require the Corporation to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

Fixed and variable lease payments for the 13-week and 39-week periods ended November 3, 2019 and October 28, 2018 were as follows:

	13-week periods ended		39-week periods ended	
	November 3, 2019	October 28, 2018	November 3, 2019	October 28, 2018
	$	$	$	$
Fixed payments (net of tenant incentives received)	51,226	46,751	142,502	137,010
Variable payments	21,079	18,970	66,153	62,203
	72,305	65,721	208,655	199,213

8 Derivative financial instruments

Fair value of financial instruments

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

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

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

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

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

8 Derivative financial instruments (cont'd)

A summary of the aggregate contractual nominal value, weighted average contract rate, statement of financial position location and estimated fair values of derivative financial instruments as at November 3, 2019 and February 3, 2019 is as follows:

	Contractual nominal value	Weighted average contract rate	Statement of financial position	Fair value – Asset (Liability)	Nature of hedging relationship
	USD/CAD	USD/CAD	Location	Significant other observable inputs (Level 2)	Recurring
	$			$	
As at November 3, 2019					
Hedging instruments					
USD Foreign exchange forward contracts	216,000	1.31	Current assets	1,634	Cash flow hedge
USD Foreign exchange forward contracts	274,500	1.32	Current liabilities	(1,978)	Cash flow hedge
	490,500			(344)	
As at February 3, 2019					
Hedging instruments					
USD Foreign exchange forward contracts	385,000	1.30	Current assets	5,505	Cash flow hedge
USD Foreign exchange forward contracts	100,000	1.32	Current liabilities	(872)	Cash flow hedge
	485,000			4,633	

For the 39-week period ended November 3, 2019, accumulated fair value gains of $15,191 on foreign exchange forward contracts recorded in the carrying value of inventory were reclassified from inventory to the consolidated statement of net earnings and comprehensive income and recorded in the cost of sales.

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

9 Long-term debt

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

	November 3, 2019 $	February 3, 2019 $
Senior unsecured notes bearing interest at:		
Fixed annual rate of 3.55% payable in equal semi-annual instalments, maturing November 6, 2023 (the “3.55% Fixed Rate Notes”)	500,000	500,000
Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022 (the “2.203% Fixed Rate Notes”)	250,000	250,000
Fixed annual rate of 2.337% payable in equal semi-annual instalments, maturing July 22, 2021 (the “2.337% Fixed Rate Notes”, and collectively with the 3.55% Fixed Rate Notes and the 2.203% Fixed Rate Notes, the “Fixed Rate Notes”)	525,000	525,000
Variable rate equal to 3-month bankers’ acceptance rate (CDOR) plus 27 basis points payable quarterly, maturing February 1, 2021 (the “Series 3 Floating Rate Notes”)	300,000	300,000
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”, and collectively with the Series 3 Floating Rate Notes, the “Floating Rate Notes”)	300,000	300,000
Unsecured revolving credit facility maturing September 27, 2024 (the “Credit Facility”)	-	25,000
Less: Unamortized debt issue costs	(7,645)	(9,155)
Accrued interest on the Floating Rate Notes and Fixed Rate Notes	16,091	7,383
	1,883,446	1,898,228
Current portion (includes the Series 2 Floating Rate Notes maturing March 16, 2020 and accrued interest on the Floating Rate Notes and Fixed Rate Notes)	(316,091)	(7,383)
	1,567,355	1,890,845

Fixed Rate Notes

As at November 3, 2019, the carrying value of the 3.55% Fixed Rate Notes was $505,101 (February 3, 2019 – $500,082). The fair value of the 3.55% Fixed Rate Notes as at November 3, 2019 was determined to be $515,805 valued as a level 2 in the fair value hierarchy (February 3, 2019 – $504,470). The 3.55% Fixed Rate Notes are due on November 6, 2023.

As at November 3, 2019, the carrying value of the 2.203% Fixed Rate Notes was $251,995 (February 3, 2019 – $250,477). The fair value of the 2.203% Fixed Rate Notes as at November 3, 2019 was determined to be $248,150 valued as a level 2 in the fair value hierarchy (February 3, 2019 – $241,543). The 2.203% Fixed Rate Notes are due on November 10, 2022.

As at November 3, 2019, the carrying value of the 2.337% Fixed Rate Notes was $527,636 (February 3, 2019 – $524,256). The fair value of the 2.337% Fixed Rate Notes as at November 3, 2019 was determined to be $525,095 valued as a level 2 in the fair value hierarchy (February 3, 2019 – $517,435). The 2.337% Fixed Rate Notes are due on July 22, 2021.

9 Long-term debt (cont'd)

Floating Rate Notes

As at November 3, 2019, the carrying value of the Series 3 Floating Rate Notes was $299,524 (February 3, 2019 – $299,287). The fair value of the Series 3 Floating Rate Notes as at November 3, 2019 was determined to be $299,529 valued as a level 2 in the fair value hierarchy (February 3, 2019 – $297,351). The Series 3 Floating Rate Notes are due on February 1, 2021.

As at November 3, 2019, the carrying value of the Series 2 Floating Rate Notes was $300,771 (February 3, 2019 – $300,707). The fair value of the Series 2 Floating Rate Notes as at November 3, 2019 was determined to be $300,393 valued as a level 2 in the fair value hierarchy (February 3, 2019 – $300,180). The Series 2 Floating Rate Notes are due on March 16, 2020.

Credit Facility

On June 14, 2019, the Corporation and the lenders entered into an amending agreement to the Second Amended and Restated Credit Agreement (the "Credit Agreement") pursuant to which, among other things, the term of each facility was extended by one year so that the term now ends, for Facility A, on September 27, 2024, and for Facility B and Facility C, on September 29, 2021. The other changes pertained to the coming into effect of IFRS 16 and the adjustment of certain thresholds and ratios to reflect market terms.

As at November 3, 2019, there was no amount outstanding under the Credit Facility (February 3, 2019 – $25,000), other than letters of credit issued for the purchase of inventories which amounted to $1,082 (February 3, 2019 – $5,633, which amount included a letter of guarantee required by the municipality in connection with the expansion of the distribution centre). As at November 3, 2019, the Corporation was in compliance with all of its financial covenants.

10 Commitments

As at November 3, 2019, the Corporation had commitments of approximately $3,300 (February 3, 2019 – $14,500) for the expansion of the distribution centre.

11 Shareholders' deficit

a) Share capital

Three-for-one share split

On June 19, 2018, shareholders of record as at the close of business on June 14, 2018 received two additional common shares for each common share held (the "Share Split"). Ex-distribution trading in the common shares on a split-adjusted basis commenced on June 20, 2018.

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

11 Shareholders' deficit (cont'd)

a) Share capital (cont'd)

Normal course issuer bid

On July 3, 2019, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 15,737,468 common shares, representing 5.0% of the common shares issued and outstanding as at the close of markets on July 2, 2019, during the 12-month period from July 5, 2019 to July 4, 2020 (the "2019-2020 NCIB").

The total number of common shares repurchased for cancellation under the 2019-2020 NCIB during the 13-week period ended November 3, 2019 amounted to 2,772,340 common shares (October 28, 2018 – 7,103,616 common shares under the normal course issuer bid then in effect), for a total cash consideration of $129,800 (October 28, 2018 – $288,111). For the 13-week period ended November 3, 2019, the Corporation's share capital was reduced by $3,668 (October 28, 2018 – $9,006) and the remaining $126,132 (October 28, 2018 – $279,105) was accounted for as an increase in deficit.

The total number of common shares repurchased for cancellation under the 2019-2020 NCIB and the normal course issuer bid in effect before that during the 39-week period ended November 3, 2019 amounted to 3,086,563 common shares (October 28, 2018 – 8,450,957 common shares under the normal course issuer bids then in effect), for a total cash consideration of $145,305 (October 28, 2018 – $358,082). For the 39 week period ended November 3, 2019, the Corporation's share capital was reduced by $4,077 (October 28, 2018 – $10,722) and the remaining $141,228 (October 28, 2018 – $347,360) was accounted for as an increase in deficit.

b) Contributed surplus

Share-based compensation

During the 13-week and 39-week periods ended November 3, 2019, the Corporation recognized a share-based compensation expense of $1,430 and $4,145, respectively (13-week and 39-week periods ended October 28, 2018 – $1,512 and $4,720, respectively).

Outstanding and exercisable share options for the 39-week periods ended on the dates indicated below are as follows:

	November 3, 2019		October 28, 2018	
	Number of share options	**Weighted average exercise price ($)**	**Number of share options**	**Weighted average exercise price ($)**
Outstanding – beginning of period	7,249,600	22.07	7,288,650	19.59
Granted	583,500	38.47	555,000	51.25
Exercised	(622,200)	16.23	(418,550)	16.24
Forfeited	(88,800)	34.52	(96,000)	31.57
Outstanding – end of period	7,122,100	23.77	7,329,100	22.02
Exercisable – end of period	5,036,800	18.11	4,617,100	15.85

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

11 Shareholders' deficit (cont'd)

b) Contributed surplus (cont'd)

Information relating to share options outstanding and exercisable as at November 3, 2019 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 ($)**	**Weighted average remaining life (in months)**	**Number of share options**	**Weighted average exercise price ($)**
$4.39 - $6.59	19	36,000	5.67	19	36,000	5.67
$6.60 - $9.90	27	471,600	7.26	27	471,600	7.26
$9.91 - $13.66	41	1,467,600	12.05	41	1,467,600	12.05
$13.67 - $18.72	53	1,449,200	14.83	53	1,449,200	14.83
$18.73 - $23.68	65	883,400	23.68	65	664,400	23.68
$23.69 - $30.20	77	1,050,000	30.20	77	588,000	30.20
$30.21 - $37.36	89	669,600	37.36	89	253,800	37.36
$37.37 - $51.25	107	1,094,700	44.62	101	106,200	51.16
	65	7,122,100	23.77	54	5,036,800	18.11

The weighted average fair value of the share options granted during the 39-week periods ended on the dates indicated below was estimated at the grant date based on the Black-Scholes option pricing model using the following assumptions:

	November 3, 2019	October 28, 2018
Exercise price per share	$38.47	$51.25
Dividend yield	0.5%	0.3%
Risk-free interest rate	1.4%	2.0%
Expected life	6.2 years	6.2 years
Expected volatility	22.4%	20.4%
Weighted average fair value of share options estimated at the grant date	$9.16	$12.34

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.

12 Income taxes

The income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. The statutory income tax rate for the 13-week and 39-week periods ended November 3, 2019 was 26.9% (October 28, 2018 – 27.0%). The Corporation's effective income tax rate for the 13-week and 39-week periods ended November 3, 2019 was 26.8% and 27.2%, respectively (13-week and 39-week periods ended October 28, 2018 was 27.2% and 27.4% respectively).

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

13 Earnings per common share

Diluted net earnings per common share for the 13-week and 39-week periods ended on the dates indicated below were calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares as follows:

	13-week periods ended		**39-week periods ended**	
	November 3, 2019	**October 28, 2018 Restated (1)**	**November 3, 2019**	**October 28, 2018 Restated (1)**
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	$138,627	$132,093	$385,322	$373,980
Weighted average number of common shares outstanding during the period (*thousands*)	314,125	325,032	314,528	326,752
Assumed share options exercised (*thousands*)	3,718	3,873	3,584	4,240
Weighted average number of common shares for diluted net earnings per common share *(thousands)*	317,843	328,905	318,112	330,992
Diluted net earnings per common share	$0.44	$0.40	$1.21	$1.13

(1) The condensed interim consolidated financial statements reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 6 to these condensed interim consolidated financial statements. Comparative figures have been restated.

As at November 3, 2019, 1,094,700 share options have an anti-dilutive effect since the average market price of the underlying shares was lower than the exercise price of those share options (October 28, 2018 – 540,000).

14 Related party transactions

a) Rossy family

As at November 3, 2019, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled $54,665 (February 3, 2019 – $61,991).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled $1,457 and $5,292 for the 13-week and 39-week periods ended November 3, 2019, respectively (13-week and 39-week periods ended October 28, 2018 – $1,462 and $5,201, respectively, the latter amount including charges related to the distribution centre until February 21, 2018, the date on which it was acquired by the Corporation).

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

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

14 Related party transactions (cont'd)

b) Dollarcity

In 2013, DII, the Corporation's wholly-owned subsidiary entered into a licensing and services agreement with Dollarcity. As at November 3, 2019, the account receivable from Dollarcity for the goods sold, assets licensed and services provided under the licensing and services agreement totaled US$25,899 ($34,037), which amount is guaranteed by letters of credit up to US$20,000 ($26,284). For the period from August 14, 2019 to November 3, 2019, the goods sold to Dollarcity that are shipped directly from the Corporation's warehouses amounted to US$2,825 ($3,738).

Pursuant to the Stockholders Agreement dated August 14, 2019, Dollarcity's founding shareholders have the right under a put option, but not the obligation, to elect to sell to DII shares of Dollarcity held by them. This right is exercisable in the ordinary course commencing on October 1, 2022, subject to transaction size thresholds, required ownership thresholds and freeze periods, among other conditions and restrictions. This right may also be exercised upon the occurrence of certain extraordinary events. The exercise of any put right will trigger a fair market valuation to establish the applicable share price.

15 Expenses by nature included in the condensed interim consolidated statement of net earnings and comprehensive income

	13-week periods ended		39-week periods ended	
	November 3, 2019 $	October 28, 2018 $ Restated (1)	November 3, 2019 $	October 28, 2018 $ Restated (1)
Cost of sales				
Cost of goods sold, labour, transport and other costs	499,560	450,354	1,447,853	1,292,987
Occupancy costs	34,327	31,302	98,341	91,604
Total cost of sales	533,887	481,656	1,546,194	1,384,591
Depreciation and amortization				
Depreciation of property, plant and equipment and right-of-use assets	57,312	54,185	167,846	159,458
Amortization of intangible assets	4,062	3,480	11,692	9,983
Total depreciation and amortization	61,374	57,665	179,538	169,441
Employee benefits	113,121	96,392	308,634	273,678

(1) The condensed interim consolidated financial statements reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 6. Comparative figures have been restated.

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

16 Details of statement of cash flow

a) Changes in non-cash working capital

The changes in non-cash working capital components for the 13-week and 39-week periods ended on the dates indicated below are as follows:

	13-week periods ended		39-week periods ended	
	November 3, 2019	October 28, 2018	November 3, 2019	October 28, 2018
	$	$	$	$
		Restated [1]		Restated [1]
Accounts receivable	1,376	(6,361)	(2,121)	(19,526)
Prepaid expenses	3,996	2,064	2,189	600
Prepaid income taxes	3,306	(1,661)	-	(1,661)
Inventories	(56,431)	(48,117)	(76,913)	(80,028)
Accounts payable and accrued liabilities [2]	35,411	(14,212)	2,939	(24,196)
Income taxes payable	3,193	(5,529)	(31,409)	(39,491)
	(9,149)	(73,816)	(105,315)	(164,302)
Cash paid for income taxes	37,929	51,817	163,955	175,579
Cash paid for interest	15,844	15,108	65,792	58,160

(1) The condensed interim consolidated financial statements reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 6 to these condensed interim consolidated financial statements. Comparative figures have been restated.

(2) The estimated balance of the purchase price for the acquisition of a 50.1% interest in Dollarcity of US$52,674 ($69,316) was recorded in accounts payable and accrued liabilities.

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

b) Non-cash items

On August 14, 2019, the Corporation acquired a 50.1% interest in Dollarcity through its wholly-owned subsidiary DII and made an upfront payment of US$40,000 ($52,800). The total purchase price is estimated at US$92,674 ($122,116) as at November 3, 2019. The estimated balance of the purchase price of US$52,674 ($69,316) was recorded in accounts payable and accrued liabilities and will be due, subject to final adjustments, in the third quarter of the Corporation’s next fiscal year ending January 31, 2021.

17 Event after the reporting period

Quarterly cash dividend

On December 4, 2019, the Corporation announced that its board of directors had approved a quarterly cash dividend for holders of its common shares of $0.044 per common share. The Corporation’s quarterly cash dividend will be paid on February 7, 2020 to shareholders of record at the close of business on January 10, 2020 and is designated as an “eligible dividend” for Canadian tax purposes.