REITMANS

(CANADA) LIMITED

Consolidated Financial Statements
Years ended January 29, 2022 and January 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Reitmans (Canada) Limited

Opinion

We have audited the consolidated financial statements of Reitmans (Canada) Limited (the "Entity"), which comprise:

- the consolidated balance sheets as at January 29, 2022 and January 30, 2021
- the consolidated statements of income for the years then ended
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at January 29, 2022 and January 30, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"*Auditors' Responsibilities for the Audit of the Financial Statements*"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprise the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is Marie Valcourt.

KPMG LLP*

Montréal, Canada

April 21, 2022

*CPA auditor, CA, public accountancy permit No. A128528

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
For the years ended January 29, 2022 and January 30, 2021
(in thousands of Canadian dollars except per share amounts)

	Notes	2022	2021[(1)]
Sales		**$ 661,952**	$ 533,362
Cost of goods sold	7	**308,787**	287,108
Gross profit		**353,165**	246,254
Selling and distribution expenses		**272,453**	284,803
Administrative expenses		**36,817**	32,342
Impairment of non-financial assets	8,9,10	**1,611**	16,524
Restructuring	16	**(12,249)**	20,583
Gain on settlement of liabilities subject to compromise	16	**(88,613)**	-
Results from operating activities		**143,146**	(107,998)
Finance income	20	**3,725**	13,897
Finance costs	20	**4,067**	5,744
Earnings (loss) before income taxes		**142,804**	(99,845)
Income tax (recovery) expense	12	**(420)**	191
Earnings (loss) from continuing operations		**143,224**	(100,036)
Earnings (loss) from discontinued operations, net of tax	4	**15,032**	(72,181)
Net earnings (loss)		**$ 158,256**	$ (172,217)
Earnings (loss) per share:	21		
Basic		**$ 3.24**	$ (3.52)
Diluted		**3.24**	(3.52)
Earnings (loss) per share from continuing operations:	21		
Basic		**$ 2.93**	$ (2.05)
Diluted		**2.93**	(2.05)

(1) For the year ended January 30, 2021, rent and occupancy costs recovered on lease re-negotiation in the amount of $5,933 were reclassified from selling and distribution expenses to restructuring. The adjustments had no effect on net earnings (loss) from continuing operations. See note 16.

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

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended January 29, 2022 and January 30, 2021
(in thousands of Canadian dollars)

	Notes	2022	2021
Net earnings (loss)		**$ 158,256**	$ (172,217)
Other comprehensive income			
Items that may be reclassified subsequently to net earnings:			
Cash flow hedges (2021 - net of tax of $273)	17	**-**	(754)
Foreign currency translation differences	17	**1**	127
		1	(627)
Items that will not be reclassified to net earnings:			
Actuarial gain on defined benefit plan (net of tax of $nil for 2022 and 2021)	11	**3,886**	700
Total other comprehensive income		**3,887**	73
Total comprehensive income (loss)		**$ 162,143**	$ (172,144)

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

REITMANS (CANADA) LIMITED
CONSOLIDATED BALANCE SHEETS
As at January 29, 2022 and January 30, 2021
(in thousands of Canadian dollars)

	Notes	2022	2021[(1)]
ASSETS			
CURRENT ASSETS			
Cash	5	**$ 25,502**	$ 75,162
Trade and other receivables	6	**7,606**	10,668
Inventories	7	**118,972**	96,122
Prepaid expenses and other assets	19	**42,590**	32,100
Total Current Assets		**194,670**	214,052
NON-CURRENT ASSETS			
Restricted cash	5	**2,757**	2,753
Property and equipment	8	**65,970**	66,112
Intangible assets	9	**5,613**	10,331
Right-of-use assets	10	**44,978**	103,831
Pension asset	11	**100**	-
Deferred income taxes	12	**186**	151
Total Non-Current Assets		**119,604**	183,178
TOTAL ASSETS		**$ 314,274**	$ 397,230
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Revolving credit facility	13	**$ 29,634**	$ -
Trade and other payables	14	**34,478**	31,522
Deferred revenue	15	**13,490**	12,462
Income taxes payable		**537**	1,169
Current portion of lease liabilities	10	**20,888**	35,303
Liabilities subject to compromise	16	**-**	204,083
Total Current Liabilities		**99,027**	284,539
NON-CURRENT LIABILITIES			
Lease liabilities	10	**31,419**	87,914
Pension liability	11	**-**	3,092
Total Non-Current Liabilities		**31,419**	91,006
SHAREHOLDERS' EQUITY			
Share capital	17	**27,406**	27,406
Contributed surplus		**10,295**	10,295
Retained earnings (deficit)		**146,980**	(15,162)
Accumulated other comprehensive loss	17	**(853)**	(854)
Total Shareholders' Equity		**183,828**	21,685
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 314,274**	$ 397,230

(1) For the year ended January 30, 2021, restricted cash of $2,753 has be classified as non-current assets to correctly reflect the presentation of this caption.

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

On behalf of the Board,

(signed) Stephen F. Reitman, Director

(signed) Bruce J. Guerriero, Director

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended January 29, 2022 and January 30, 2021
(in thousands of Canadian dollars)

	Notes	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance as at January 31, 2021		**$ 27,406**	**$ 10,295**	**$ (15,162)**	**$ (854)**	**$ 21,685**
Net earnings		**-**	**-**	**158,256**	**-**	**158,256**
Total other comprehensive income	11,17	**-**	**-**	**3,886**	**1**	**3,887**
Total comprehensive income for the year		**-**	**-**	**162,142**	**1**	**162,143**
Balance as at January 29, 2022		**$ 27,406**	**$ 10,295**	**$ 146,980**	**$ (853)**	**$ 183,828**
Balance as at February 2, 2020		$ 27,406	$ 10,283	$ 156,355	$ (227)	$ 193,817
Net loss		-	-	(172,217)	-	(172,217)
Total other comprehensive income (loss)	11,17	-	-	700	(627)	73
Total comprehensive loss for the year		-	-	(171,517)	(627)	(172,144)
Share-based compensation costs	18	-	12	-	-	12
Total contributions by owners of the Company		-	12	-	-	12
Balance as at January 30, 2021		$ 27,406	$ 10,295	$ (15,162)	$ (854)	$ 21,685

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

REITMANS (CANADA) LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended January 29, 2022 and January 30, 2021
(in thousands of Canadian dollars)

	Notes	2022	2021[(1)(2)]
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES			
Net earnings (loss)		**$ 158,256**	$ (172,217)
Adjustments for:			
Depreciation and amortization	8,9,10	**47,585**	68,231
Impairment of non-financial assets	8,9,10	**1,611**	31,342
Share-based compensation costs	18	**-**	12
Net change in transfer of realized gain on cash flow hedges to inventory		**-**	(250)
Foreign exchange loss (gain)		**518**	(435)
Gain on lease re-measurements due to restructuring	10,16	**(6,732)**	(8,216)
Gain on settlement of liabilities subject to compromise	16	**(88,613)**	-
Interest on lease liabilities	10,20	**4,026**	6,201
Interest on revolving credit facility	20	**41**	-
Interest income	20	**(353)**	(436)
Income tax (recovery) expense	12	**(420)**	271
		115,919	(75,497)
Changes in:			
Trade and other receivables		**3,059**	(4,510)
Inventories		**(22,850)**	51,306
Prepaid expenses and other assets		**(10,490)**	(22,659)
Pension asset	11	**694**	(20,421)
Trade and other payables		**3,272**	(78,644)
Liabilities subject to compromise	16	**(114,419)**	194,615
Deferred revenue		**1,028**	(2,580)
Cash (used in) from operating activities		**(23,787)**	41,610
Interest received		**356**	591
Income taxes received		**-**	133
Income taxes paid		**(1,298)**	(2,139)
Net cash flows (used in) from operating activities		**(24,729)**	40,195
CASH FLOWS USED IN INVESTING ACTIVITIES			
Additions to property and equipment and intangible assets, net	8,9,24	**(15,222)**	(6,164)
Cash flows used in investing activities		**(15,222)**	(6,164)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Restricted cash	5	**(4)**	(2,753)
Net proceeds from revolving credit facility	13	**29,634**	-
Payment of lease liabilities	10,24	**(38,822)**	(46,818)
Cash flows used in financing activities		**(9,192)**	(49,571)
FOREIGN EXCHANGE (LOSS) GAIN ON CASH HELD IN FOREIGN CURRENCY		**(517)**	1,292
NET DECREASE IN CASH		**(49,660)**	(14,248)
CASH, BEGINNING OF THE YEAR		**75,162**	89,410
CASH, END OF THE YEAR		**$ 25,502**	$ 75,162

(1) For the year ended January 30, 2021, depreciation and amortization has been increased and impairment of non-financial assets has been decreased by $7,200, respectively, to correctly reflect the presentation of these captions within continuing operations and discontinued operations. See note 8.

(2) For the year ended January 30, 2021, restricted cash of $2,753 has be classified as cash flows used in financing activities to correctly reflect the presentation of this caption.

Supplementary cash flow information (note 24)
The accompanying notes are an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Reitmans (Canada) Limited (the "Company") is a company domiciled in Canada and is incorporated under the Canada Business Corporations Act. The address of the Company's registered office is 155 Wellington Street West, 40th Floor, Toronto, Ontario M5V 3J7. The Company's issued and outstanding common and Class A shares are listed on Toronto Stock Venture Exchange under the symbol "RET.V" and "RET-A.V", respectively. The principal business activity of the Company is the sale of women's wear.

2. BASIS OF PRESENTATION

a) Fiscal Year

The Company's fiscal year ends on the Saturday closest to the end of January. All references to 2022 and 2021 represent the 52 weeks ended January 29, 2022 and January 30, 2021, respectively.

b) COVID-19, CCAA Proceedings and Restructuring Plan

COVID-19

The COVID-19 pandemic had significant impacts for the Company. The lockdown measures adopted by the Federal and Provincial governments in order to mitigate the spread of COVID-19 required the Company to close all of its retail locations across Canada early in the fiscal year ended January 30, 2021. Throughout the fiscal years ended January 29, 2022 and January 30, 2021, these lockdown measures were lifted and reinstated at different times to stop the spread of COVID-19 and its variants. During those periods when all the stores were closed, the Company's only sales were derived from its e-commerce channel. As at January 29, 2022, all of the Company's stores were open.

The Company received financial assistance from the Government of Canada for related wages and rent expenses, which were introduced as a result of COVID-19. See note 6.

CCAA Proceedings

During the fiscal year ended January 30, 2021, specifically on May 19, 2020, the Company obtained an initial order (the "Order") from the Superior Court of Quebec (the "Court") to seek protection from creditors under the Companies' Creditors Arrangement Act (the "CCAA"). Under the terms of the Order, Ernst & Young Inc. was appointed as the monitor (the "Monitor"). The CCAA process allowed the Company to implement an operational and commercial restructuring plan to re-position the Company for long-term success (the "restructuring plan"). See note 16.

On August 20, 2020, a claims process order (the "claims process") was approved by the Court. The claims process was initiated on September 10, 2020 and ended October 21, 2020 ("claims bar date").

On November 26, 2021, the Company obtained authorization from the Court to file its Plan of Arrangement ("the Plan") under CCAA. On December 21, 2021, the Company obtained approval of the Plan from its creditors and on January 4, 2022, the Company obtained a sanction order from the Court of its Plan. On January 12, 2022, in accordance with the Plan, the Company paid the Monitor the aggregate amount of $95,000 in full and final settlement of all claims from its creditors affected by the Plan, and emerged from CCAA proceedings. Concurrently, the Company secured a senior asset-based revolving facility with a Canadian financial institution of up to $115,000. See note 13.

Restructuring Plan

As part of its restructuring plan, during the year ended January 30, 2021, the Company closed all retail stores and e-commerce for Thyme Maternity and Addition Elle brands, which resulted in the termination of approximately 1,600 employees in its retail locations and head office. The operating results for these brands were presented as discontinued operations for the years ended January 29, 2022 and January 30, 2021. See notes 4 and 16.

c) Statement of Compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on April 21, 2022.

d) Basis of Measurement

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

- lease liabilities are initially measured at the present value of the lease payments that are not paid at the lease commencement date;
- the pension asset (liability) is recognized as the present value of the defined benefit obligation less the fair value of the plan assets; and
- liabilities for cash-settled share-based payment arrangements are measured in accordance with IFRS 2, *Share-Based Payment*.

e) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share and strike price amounts.

f) Estimates, Judgments and Assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Management has made significant judgments in connection with the potential impact of COVID-19 on the Company's reported assets, liabilities, revenue and expenses, and on the related disclosures, using estimates and assumptions, which are subject to significant uncertainties. Government authorities have implemented several measures to mitigate the spread of and contain the virus including, but not limited to, mask mandates, vaccination rollouts and lockdowns of non-essential businesses. The extent to which COVID-19 will continue to impact the Company's business, financial condition and results of operations will depend on future developments, including the emergence of new variants of COVID-19 resulting in a resurgence of positive COVID-19 cases, and future customer shopping behaviors, which are highly uncertain and cannot be predicted at this time. Accordingly, actual results could differ materially from those estimates and assumptions made by management.

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

Key Sources of Estimation Uncertainty

(i) Pension Plans

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

(ii) Gift Cards

Gift cards sold are recorded as deferred revenue and revenue is recognized when the gift cards are redeemed. If the Company expects to be entitled to a breakage amount for the gift cards, it recognizes the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer. Breakage is an estimate of the amount of gift cards that will never be redeemed. The breakage rate is reviewed on an ongoing basis and is estimated based on historical redemption patterns.

(iii) Inventories

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

COVID-19 increases the risk of uncertainty related to these estimates because they are normally based on a historical pattern of sales. The impact of COVID-19 required management to apply a higher degree of judgment in determining the estimates to set up provisions for merchandise in inventory that may have to be sold below cost.

(iv) Impairment of Non-Financial Assets

The Company must assess the possibility that the carrying amounts of tangible and intangible assets may not be recoverable. Impairment testing is performed whenever there is an indication of impairment. Significant management estimates are required to determine the recoverable amount of the cash-generating unit ("CGU") including estimates of fair value, selling costs or the discounted future cash flows related to the CGU. COVID-19 increases the risk of uncertainty surrounding management's estimates. Differences in estimates could affect whether property and equipment, right-of-use assets and intangible assets are in fact impaired and the dollar amount of that impairment.

(v) Leases

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

Critical Judgments in Applying Accounting Policies

(i) Operating Segments

The Company uses judgment in assessing the criteria used to determine the aggregation of operating segments. In order to identify the Company's reportable segments, the Company uses the process outlined in IFRS 8, *Operating Segments,* which includes the identification of the Chief Operating Decision Maker ("CODM"), being the Chief Executive Officer, the identification of operating segments and the aggregation of operating segments. As at January 29, 2022, the Company's operating segments, before aggregation, have been identified as the Company's three brands: Reitmans, Penningtons and RW & CO. During the year ended January 30, 2021, the Company announced, as part of its restructuring plan, the closure of the Thyme Maternity and Addition Elle brands. The operating results directly attributable to both brands are presented as discontinued operations. See notes 4 and 16.

Each operating segment is reviewed by the CODM in reviewing their profitability so that the information can be used to ensure adequate resources are allocated to that part of the Company's operations. The CODM reviews the profitability of the banner as a whole, which includes both the store and e-commerce channels. This is consistent with the omni-channel strategy adopted by the Company whereby customers can shop seamlessly in retail stores and online. The Company has aggregated its operating segments into one reportable segment because of their similar economic characteristics, customers (mainly female) and nature of products (mainly women's apparel). The similarity in economic characteristics reflects the fact that the Company's operating segments operate mainly in the women apparel business, primarily in Canada and are therefore subject to the same economic market pressures. The Company's operating segments are subject to similar competitive pressures such as price and product innovation and assortment from existing competitors and new entrants into the marketplace. The operating segments also share centralized, common functions such as distribution and information technology.

(ii) Leases

Management exercises judgment in determining the appropriate lease term on a lease-by-lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option, including investments in major leaseholds and store performances. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew.

Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may influence management's assessment of lease term, and any changes in management's estimate of lease terms may have a material impact on the Company's consolidated balance sheets and consolidated statements of earnings (loss).

(iii) Deferred tax assets

Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether there will be sufficient taxable profits available against which they can be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) New Standards and Interpretations not yet Adopted

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

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

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

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

Definition of Accounting Estimates (Amendments to IAS 8)

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

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

On May 14, 2020, the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*.

The amendments are effective for annual periods beginning on or after January 1, 2022 and apply to contracts existing at the date when the amendments are first applied. Early adoption is permitted.

IAS 37 does not specify which costs are included as a cost of fulfilling a contract when determining whether a contract is onerous. The IASB's amendments address this issue by clarifying the costs of fulfilling a contract.

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

b) Change in Accounting Policy

Cloud Computing Implementation Costs

In 2021, the IASB ratified an agenda decision by the IFRS Interpretations Committee that clarifies the accounting for configuration and customization costs incurred in a cloud computing arrangement. The agenda decision provides guidance on assessing whether costs incurred can be capitalized as an intangible asset and timing of expense recognition. The Company adopted this agenda decision on a retrospective basis. The adoption of the amendments did not have material impact on these consolidated financial statements.

c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control exists when the Company has existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company reassesses control on an ongoing basis. Subsidiaries are consolidated from the date on which the Company obtains control until the date that such control ceases. The financial statements of subsidiaries are prepared as at the same reporting period of the Company. The accounting policies of subsidiaries are aligned with the policies of the Company. All significant inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, have been eliminated in preparing the consolidated financial statements. The Company has no subsidiaries representing individually more than 10% of the total consolidated assets and 10% of the consolidated net sales of the Company as at and for the fiscal years ended January 29, 2022 and January 30, 2021.

d) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Other balance sheet items denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the respective transaction dates. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at average rates of exchange prevailing during the period. The resulting gains or losses on translation are included in the determination of net earnings.

e) Foreign Operations

The assets and liabilities of foreign operations are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

f) Discontinued operations

A discontinued operation is a component of the Company's activities that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. When an operation is classified as a discontinued operation, the comparative consolidated statements of earnings (loss) are restated as if the operation had been discontinued from the start of the comparative year. The results from discontinued operations are excluded from the results of continuing operations and are presented as a single amount net of tax as earnings (loss) from discontinued operations in the consolidated statements of earnings (loss).

g) Cash

Cash consists of cash on hand and bank balances.

h) Government assistance

Government assistance is recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program and the Company is reasonably certain based on management's judgment that the government grant will be received. Government assistance, including grants related to operating expenses, is accounted for as a reduction to the related expenses. Government assistance, including monetary and nonmonetary grants related to the acquisition of property and equipment, is accounted for as a reduction of the cost of the related property and equipment, and is recognized in net earnings using the same methods, periods and rates as for the related property and equipment.

i) Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation is recognized in net earnings on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Land is not depreciated. Assets not in service include expenditures incurred to-date for equipment not yet available for use. Depreciation of assets not in service begins when they are ready for their intended use. Depreciation is calculated on the cost of an asset, less its residual value.

The estimated useful lives for the current and comparative period are as follows:

▪ Buildings	10 to 50 years
▪ Fixtures and equipment	3 to 20 years
▪ Leasehold improvements	over the lesser of estimated useful life and the lease term

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted prospectively, if appropriate.

Disposals of property and equipment include write-offs from store closures and for fully depreciated items. Gains and losses on disposal of items of property and equipment are recognized in net earnings.

j) Intangible Assets

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated on the cost of the asset less its residual value. Amortization is recognized in net earnings on a straight-line basis over the estimated useful lives of the intangible assets. Amortization of intangible assets not in service begins when they are ready for their intended use. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets consist of software with estimated useful lives of 3 to 5 years for the current and comparative period. Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted prospectively, if appropriate.

Disposals of intangible assets include write-offs for fully depreciated items.

Intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment annually or more frequently if events or changes in circumstances indicate the asset may be impaired. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

k) Leases

The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. The lease payments include fixed and in-substance fixed payments and variable lease payments that depend on an index or rate, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate. Generally, the Company uses the lessee's incremental borrowing rate for its present value calculations. Lease payments are discounted over the lease term, which includes the fixed term and renewal options that the Company is reasonably certain to exercise. Lease payments are allocated between the lease liability and a finance cost, which is recognized in finance costs over the lease term in the consolidated statements of earnings (loss).

When a contract contains both lease and non-lease components, the Company will allocate the consideration in the contract to each of the components on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Relative stand-alone prices are determined by maximizing the most observable prices for a similar asset and/or service.

Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate are recognized in selling, distribution and administrative expenses as incurred. Lease incentives received for variable payment leases are deferred and amortized as a reduction in recognized variable rent expenses over the term of the related leases.

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any re-measurement of lease liabilities. Cost is calculated as the initial measurement of the lease liability plus any initial direct costs and any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life.

l) Inventories

Merchandise inventories are measured at the lower of cost, determined on an average-cost-basis, and net realizable value. Costs include the cost of purchase, transportation costs that are directly incurred to bring inventories to their present location and condition, and certain distribution center costs related to inventories. The Company estimates net realizable value as the amount that inventories are expected to be sold, in the ordinary course of business, less the estimated costs necessary to make the sale, taking into consideration fluctuations of retail prices due to seasonality.

m) Impairment of Non-Financial Assets

All non-financial assets are reviewed at each reporting date for indications that the carrying amount may not be recoverable. When there is evidence of impairment, an impairment test is carried out. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (defined as "cash-generating unit" or "CGU").

An impairment loss is recognized in net earnings if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell. The value in use is the present value of estimated future cash flows, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The fair value less costs to sell is the amount for which an asset or CGU can be sold in a transaction under normal market conditions between knowledgeable and willing contracting parties, less costs to sell.

For the purpose of impairment testing of property and equipment and right-of-use assets, each store is managed at the corporate level, with internal reporting organized to measure performance of each retail store. Management has determined that its cash generating units are identifiable at the individual retail store level since the assets devoted to and cash inflows generated by each store are separately identifiable and independent of each other.

The Company's corporate assets do not generate separate cash inflows. Corporate assets are tested for impairment at the minimum grouping of CGUs to which the corporate assets can be reasonably and consistently allocated. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGUs to which the corporate asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

n) Employee Benefits

(i) Pension Benefit Plans

The Company maintains a contributory defined benefit plan ("Plan") that provides benefits to Reitmans (Canada) Limited (the "Employer") executive employees based on length of service and average earnings in the best five consecutive years of employment. Contributions are made by the Plan members and Employer. A Pension Committee, as appointed under the provisions of the Plan, is responsible for the administration of the Plan. All the investments of the Plan are deposited with RBC Investors Services Trust, which acts as the custodian of the assets entrusted to it. The investment manager of the Plan's investments is SEI Investments Canada Company.

Benefits are also given to employees through defined contribution plans administered by the Federal and Québec governments. Company contributions to these plans are recognized in the periods when the services are rendered.

The Company's net liability in respect of defined benefits is calculated by estimating the amount of future benefits that members have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Defined benefit obligations are actuarially calculated annually by a qualified actuary as at the reporting date. The actuarial valuations are determined based on management's best estimate of the discount rate, the rate of compensation increase, retirement rates, termination rates and mortality rates. The discount rate used to value the net defined benefit obligation for accounting purposes is based on the yield on a portfolio of Corporate AA bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit plan obligations.

The fair value of plan assets is deducted from the defined benefit obligation to arrive at the net liability. Plan assets are measured at fair value as at the reporting date. Past service costs arising from plan amendments are recognized in net earnings in the period that they arise.

Remeasurements of the net defined benefit liability, which comprise actuarial gains or losses, the return on plan assets, excluding interest, and the effect of the asset ceiling, if any, are recognized in other comprehensive income in the period in which they arise and subsequently reclassified from accumulated other comprehensive income to retained earnings.

Pension expense consists of the following:

- the cost of pension benefits provided in exchange for members' services rendered in the period;
- net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the net defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments;
- past service costs; and
- gains or losses on settlements or curtailments.

Expenses related to defined contribution plans are recognized in net earnings in the periods in which the services are rendered.

(ii) Short-Term Employee Benefits

Short-term employee benefits obligations, which include wages, salaries, compensated absences and bonuses, are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Termination Benefits

Termination benefits are recognized as an expense at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. Benefits payable are discounted to their present value when the effect of the time value of money is material.

(iv) Share-Based Compensation

Share options (equity-settled)

Share options are equity settled share-based payments. The fair value of each tranche of options granted is measured separately at the grant date using a Black-Scholes option pricing model. Estimating fair value requires determining the most appropriate inputs to the valuation model including making assumptions for the expected life, volatility, risk-free interest rate and dividend yield. Compensation cost is expensed over the award's respective vesting period which is normally up to four or five years. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met. Compensation expense is recognized in net earnings with a corresponding increase in contributed surplus. Any consideration paid by plan participants on the exercise of share options is credited to share capital. Upon the exercise of share options, the corresponding amounts previously credited to contributed surplus are transferred to share capital.

Performance Share Units (cash-settled)

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

o) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the unwinding of the discount is recognized as finance cost.

An onerous contract provision is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected cost of continuing with the contract. Before an onerous contract provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

p) Revenue

Sale of merchandise

The Company recognizes revenue when control of the goods has been transferred. Revenue is measured at the amount of consideration to which the Company expects to be entitled to, including variable consideration to the extent that it is highly probable that a significant reversal will not occur.

Customer loyalty award programs

Revenue is allocated between the customer loyalty award programs and the goods on which the awards were earned based on their relative stand-alone selling prices. Loyalty points and awards granted under customer loyalty award programs are recorded as deferred revenue until the loyalty points and awards are redeemed by the customer.

Gift cards

Gift cards sold are recorded as deferred revenue and revenue is recognized when the gift cards are redeemed. If the Company expects to be entitled to a breakage amount for the gift cards, it recognizes the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer.

Sales with a right of return

The Company grants rights of return on goods sold to customers. Revenue is reduced by the amount of expected returns, which is determined based on historical patterns of returns, and a related refund liability is recorded within "Trade and other payables". In addition, the Company recognizes a related asset for the right to recover returned goods within "Inventories".

q) Finance Income and Finance Costs

Finance income comprises interest income and foreign exchange gains. Finance costs comprise interest expense and foreign exchange losses. Interest income is recognized on an accrual basis and interest expense is recorded using the effective interest method. Foreign exchange gains and losses are reported on a net basis.

r) Income Tax

Income tax expense comprises current and deferred taxes. Current income taxes and deferred income taxes are recognized in net earnings except for items recognized directly in equity or in other comprehensive income.

The Company’s income tax expense is based on tax rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities. Current income tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years. The Company’s estimates of current income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as for changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the income tax expense and in measuring current income tax assets and liabilities.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is included in net earnings in the period that includes the enactment date, except to the extent that it relates to an item recognized either in other comprehensive income or directly in equity in the current or in a previous period.

The Company only offsets income tax assets and liabilities if it has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are recognized on the consolidated balance sheets under non-current assets or liabilities, irrespective of the expected date of realization or settlement.

Current and deferred taxes attributable to amounts recognized directly in equity are also recognized directly in equity.

s) Earnings per Share

The Company presents basic and diluted earnings per share ("EPS") data for its shares.

Basic EPS is calculated by dividing the net earnings of the Company by the weighted average number of Class A non-voting and Common shares outstanding during the period.

Diluted EPS is determined by adjusting the weighted average number of shares outstanding to include additional shares issued from the assumed exercise of share options, if dilutive. The number of additional shares is calculated by assuming that the proceeds from such exercises, as well as the amount of unrecognized share-based compensation, are used to purchase Class A non-voting shares at the average market share price during the period.

t) Share Capital

Class A non-voting shares and Common shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognized as a deduction from equity, net of any tax effects.

When share capital recognized as equity is purchased for cancellation, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. The excess of the purchase price over the carrying amount of the shares is charged to retained earnings.

u) Financial Instruments

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination.

(i) Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Company currently classifies its cash and cash equivalents and trade and other receivables as assets measured at amortized cost.

(ii) Financial assets measured at fair value through other comprehensive income ("OCI")

A financial asset is measured at fair value through OCI if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company currently has no financial assets measured at fair value through OCI.

(iii) Impairment of financial assets

The Company uses the "expected credit loss" model for calculating impairment and recognizes expected credit losses as a loss allowance in the consolidated balance sheets if they relate to a financial asset measured at amortized cost. The Company's trade and other receivables, typically short-term receivables with payments received within a 12-month period, do not have a significant financing component. Therefore, the Company recognizes impairment and measures expected credit losses as lifetime expected credit losses. The carrying amount of these assets in the consolidated balance sheets is stated net of any loss allowance.

(iv) Financial assets measured at fair value through profit or loss

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss. The Company currently has no financial assets measured at fair value through profit or loss.

(v) Financial liabilities are classified into the following categories

Financial liabilities measured at amortized cost:

The Company classifies non-derivative financial liabilities as measured at amortized cost. Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. The Company currently classifies its revolving credit facility and trade and other payables as financial liabilities measured at amortized cost.

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

Financial liabilities measured at fair value through profit or loss:

Financial liabilities measured at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in profit or loss. The Company currently has no financial liabilities measured at fair value.

(vi) Non-hedge derivative financial instruments measured at fair value

Non-hedge derivative financial instruments, including foreign exchange contracts, are recorded as either assets or liabilities measured initially at their fair value. Attributable transaction costs are recognized in profit or loss as incurred. All derivative financial instruments not designated in a hedge relationship are classified as financial instruments at fair value through profit and loss. Any subsequent change in the fair value of non-hedge foreign exchange contracts are accounted for in cost of goods sold for the period in which it arises.

(vii) Hedging relationships

The Company may enter into derivative financial instruments to hedge its foreign exchange risk exposures of part of its purchases in U.S. dollars. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings. The time value component of options designated as cash flow hedges is excluded from the hedging relationships and recorded in other comprehensive income as a cost of hedging and, presented separately when significant.

Derivatives used for hedging are recognized initially at fair value, and attributable transaction costs are recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity. The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statements of earnings (loss) and comprehensive income as the hedged item, in the same period that the hedged cash flows affect net earnings. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income remains in accumulated other comprehensive income until the forecasted transaction affects profit or loss. If the forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in net earnings.

When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred directly to the initial cost of that asset.

v) Fair Value Measurement

When measuring the fair value of an asset or liability the Company uses observable market data whenever available. Fair values are classified within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value estimates are made at a specific point in time, using available information about the asset or liability. These estimates are subjective in nature and often cannot be determined with precision. There was no change in the valuation techniques applied to financial instruments during the current year. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4. DISCONTINUED OPERATIONS

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

The financial information presented below is directly attributable to both brands. All administrative expenses and various selling and distribution expenses from shared, centralized and common functions of the Company are excluded from the determination of discontinued operations.

The operating results are presented as discontinued operations:

Earnings (loss) from discontinued operations

	For the years ended January 29, 2022	For the years ended January 30, 2021
Sales	**$ -**	$ 74,086
Cost of goods sold[1]	**-**	51,684
Gross profit	**-**	22,402
Selling and distribution expenses[2][3]	**-**	27,507
Impairment of non-financial assets[3][4]	**-**	14,818
Restructuring (note 16)[5]	**(15,032)**	51,720
Results from operating activities	**15,032**	(71,643)
Finance costs [6]	**-**	458
Earnings (loss) before income taxes	**15,032**	(72,101)
Income tax expense	**-**	80
Net earnings (loss) from discontinued operations	**$ 15,032**	$ (72,181)
Earnings (loss) per share, discontinued operations:		
Basic	**$ 0.31**	$ (1.48)
Diluted	**0.31**	(1.48)

(1) During the year ended January 30, 2021, inventories recognized as cost of goods sold amounted to $50,168 and the Company recorded a loss of $1,516 on write-downs of inventories due to net realizable value being lower than cost, which were recognized in cost of goods sold.

(2) The Company recognized grant income in connection with the Canada Emergency Wage Subsidy of $1,979 as a reduction of selling and distribution expenses for the year ended January 30, 2021.

(3) For the year ended January 30, 2021, selling and distribution expenses has increased and impairment of non-financial assets has decreased by $7,200, respectively, to correctly reflect the presentation of these captions within discontinued operations. See note 8.

(4) During the year ended January 30, 2021, the Company performed an impairment test for its non-financial assets which resulted in the recognition of impairment losses related to right-of-use assets of $8,826, impairment losses related to property and equipment of $3,794 and impairment losses related to intangible assets of $2,198. See note 8 for methodology and assumptions used in the impairment test.

(5) During the year ended January 29, 2022, the provision for disclaimed leases was adjusted to reflect settlement discussions with certain landlords resulting in a recognized gain of $15,032. During the year ended January 30, 2021, right-of-use assets were reduced by $28,455 and lease liabilities were reduced by $31,478. A corresponding gain of $3,023 was recognized in restructuring costs for the year ended January 30, 2021 as lease modifications in connection with leases that were disclaimed as part of the CCAA proceedings. See notes 10 and 16.

(6) Finance costs represent interest expense on lease liabilities.

The following table presents the effect of discontinued operations on the consolidated statements of cash flows:

Net cash flows used in discontinued operations

	For the years ended January 29, 2022	For the years ended January 30, 2021
Net cash flow used in operating activities[(1)]	**$ -**	$ (39,585)
Net cash flow used in investing activities	**-**	(762)
Net cash flow used in financing activities	**-**	(5,903)
Net cash flow for the period	**$ -**	$ (46,250)

(1) Net cash flows used in operating activities for the year ended January 30, 2021, have increased by $11,508 to properly record depreciation and amortization expense and impairment of non-financial assets between continuing and discontinued operations. The correction of these amounts did not otherwise affect net earnings (loss) from continuing and discontinued operations or the net cash flows from operating activities presented in the consolidated statements of earnings (loss) and the consolidated statements of cash flows for the year ended January 30, 2021. See note 8.

5. CASH AND RESTRICTED CASH

	January 29, 2022	January 30, 2021
Cash [(1)]	**$ 25,502**	$ 75,162
Restricted cash [(2)]	**2,757**	2,753
	$ 28,259	$ 77,915

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

(2) Restricted cash represents cash held in trust by a Canadian financial institution as security on a standby letter of credit. Restricted cash is presented as non-current on the consolidated balance sheets.

6. TRADE AND OTHER RECEIVABLES

As at January 29, 2022, trade and other receivables include an amount of $4,651 (January 30, 2021 - $7,922) related to government grants receivable. The Government of Canada made available to businesses affected by COVID-19 the Canada Emergency Wage Subsidy ("CEWS"), which allows companies to claim a portion of employee wages, and the Canada Emergency Rent Subsidy ("CERS"), which allows companies to claim a portion of rent and occupancy costs when eligibility requirements are met. The Government of Canada consolidated these subsidies for periods starting from October 24, 2021, under the Tourism and Hospitality Recovery Program ("THRP") through which subsidies for wages and rent can be claimed.

As at January 29, 2022, the Company qualified to receive both the wage and rent subsidy through the THRP and there was reasonable assurance that the amount would be received from the government. The Company also intends to apply for the THRP in subsequent application periods, where the qualification criteria continue to be met.

For the year ended January 29, 2022, the Company recognized grant income of $18,646 related to the CEWS & THRP and $2,417 related to the CERS & THRP as a reduction of selling and distribution expenses, and $1,658 related to the CEWS & THRP as a reduction of administrative expenses.

For the year ended January 30, 2021, the Company recognized grant income of $31,038 related to the CEWS and $1,448 related to the CERS as a reduction of selling and distribution expenses, and $2,904 related to the CEWS as a reduction of administrative expenses.

7. INVENTORIES

During the year ended January 29, 2022, inventories recognized as cost of goods sold amounted to $305,212 (January 30, 2021 - $272,689). In addition, for the year ended January 29, 2022, the Company recorded $3,575 (January 30, 2021 - $14,419) of inventory write-downs as a result of net realizable value being lower than cost which were recognized in cost of goods sold, and no inventory write-downs recognized in previous periods were reversed.

Included in inventories is a return asset for the right to recover returned goods in the amount of $3,181 as at January 29, 2022 (January 30, 2021 - $2,484).

8. PROPERTY AND EQUIPMENT

	Land	Buildings	Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Balance at February 2, 2020	$ 5,860	$ 38,177	$ 90,805	$ 49,003	$ 183,845
Additions	-	326	3,541	2,124	5,991
Derecognition of fully amortized assets	-	(623)	(22,821)	(18,484)	(41,928)
Balance at January 30, 2021	$ 5,860	$ 37,880	$ 71,525	$ 32,643	$ 147,908
Balance at January 31, 2021	**$ 5,860**	**$ 37,880**	**$ 71,525**	**$ 32,643**	**$ 147,908**
Additions	**-**	**2**	**9,016**	**3,443**	**12,461**
Derecognition of fully amortized assets	**-**	**(499)**	**(11,256)**	**(7,953)**	**(19,708)**
Balance at January 29, 2022	**$ 5,860**	**$ 37,383**	**$ 69,285**	**$ 28,133**	**$ 140,661**
Accumulated depreciation and impairment losses					
Balance at February 2, 2020	$ -	$ 15,856	$ 48,861	$ 31,038	$ 95,755
Depreciation(1)	-	1,295	10,522	6,053	17,870
Impairment loss(1)	-	133	5,077	4,828	10,038
Derecognition of fully amortized assets	-	(623)	(22,768)	(18,476)	(41,867)
Balance at January 30, 2021	$ -	$ 16,661	$ 41,692	$ 23,443	$ 81,796
Balance at January 31, 2021	**$ -**	**$ 16,661**	**$ 41,692**	**$ 23,443**	**$ 81,796**
Depreciation	**-**	**1,236**	**8,419**	**3,328**	**12,983**
Impairment loss (reversal)	**-**	**-**	**288**	**(668)**	**(380)**
Derecognition of fully amortized assets	**-**	**(499)**	**(11,256)**	**(7,953)**	**(19,708)**
Balance at January 29, 2022	**$ -**	**$ 17,398**	**$ 39,143**	**$ 18,150**	**$ 74,691**
Net carrying amounts					
At January 30, 2021	$ 5,860	$ 21,219	$ 29,833	$ 9,200	$ 66,112
At January 29, 2022	**$ 5,860**	**$ 19,985**	**$ 30,142**	**$ 9,983**	**$ 65,970**

(1) For the year ended January 30, 2021, depreciation has been increased and impairment loss has been decreased by $6,308, respectively. See 'Comparative financial information' below.

During the years ended January 29, 2022 and January 30, 2021, the Company tested for impairment certain CGUs for which there were indications that their carrying amounts may not be recoverable. The impairment related to the property and equipment, intangible assets and right-of-use assets is due to the reduction in profitability of CGUs such that the estimated recoverable amount falls below the carrying amount of the CGU.

Impairment losses, excluding reversals of impairment, recognized were as follows:

	For the year ended January 29, 2022			**For the year ended January 30, 2021(1)**		
	Combined	**Continuing**	**Discontinued**	**Combined**	**Continuing**	**Discontinued**
Property and equipment	**$ 355**	**$ 355**	**$ -**	$ 10,038	$ 6,244	$ 3,794
Intangible assets	**1,991**	**1,991**	**-**	3,564	1,366	2,198
Right-of-use assets	**-**	**-**	**-**	17,740	8,914	8,826
	$ 2,346	**$ 2,346**	**$ -**	$ 31,342	$ 16,524	$ 14,818

(1) For the year ended January 30, 2021, impairment losses related to property and equipment have been decreased by $6,308 and impairment losses related to intangible assets has been decreased by $892 for discontinued operations. See 'Comparative financial information' below.

When determining the value in use of a retail location, the Company develops a discounted cash flow model for each CGU. The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant asset within the CGU. Sales forecasts for cash flows are based on actual operating results, industry's expected growth rates and management's experiences. As at January 29, 2022, the recoverable amounts of the CGUs tested for impairment were based on their value in use which was determined using a pre-tax discount rate of 14.0% (January 30, 2021 - 19.0%).

A reversal of impairment occurs when previously impaired individual retail store locations see increased profitability. During the year ended January 29, 2022, $735 (January 30, 2021 – nil) of asset impairment losses were reversed following an improvement in the profitability of certain CGUs.

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

	For the year ended January 29, 2022			**For the year ended January 30, 2021(1)**		
	Combined	**Continuing**	**Discontinued**	**Combined**	**Continuing**	**Discontinued**
Selling and distribution expenses	**$ 11,835**	**$ 11,835**	**$ -**	$ 16,681	$ 16,024	$ 657
Administrative expenses	**1,148**	**1,148**	**-**	1,189	1,189	-
	$ 12,983	**$ 12,983**	**$ -**	$ 17,870	$ 17,213	$ 657

(1) For the year ended January 30, 2021, depreciation expenses recognized in selling and distribution expenses has been increased by $6,801 for continuing operations and decreased by $493 for discontinued operations. See 'Comparative financial information' below.

Property and equipment include an amount of $674 (January 30, 2021 - $120) that is not being depreciated. Depreciation will begin when the assets are available for use.

Comparative financial information

The comparative financial information for the year ended January 30, 2021, related to depreciation and amortization included within selling and distribution expenses and impairment losses related to property and equipment, intangible assets and right-of-use assets, were recast to reflect the correct presentation between those different captions within continuing and discontinued operations. The reclassification adjustments are summarized as follows:

	For the year ended January 30, 2021		
	Combined	**Continuing**	**Discontinued**
Depreciation and amortization			
Property and equipment	$ 6,308	$ 6,801	$ (493)
Intangible assets	892	1,040	(148)
Right-of-use assets	-	3,667	(3,667)
	7,200	11,508	(4,308)
Impairment losses			
Property and equipment	(6,308)	-	(6,308)
Intangible assets	(892)	-	(892)
Right-of-use assets	-	-	-
	(7,200)	-	(7,200)
Selling and distribution expenses[(1)]	$ -	$(11,508)	$ 11,508

(1) Expenses other than depreciation and amortization presented within the caption selling and distribution expenses.

The recast of these amounts did not otherwise affect net earnings (loss) from continuing and discontinued operations presented in the consolidated statements of earnings (loss) for the year ended January 30, 2021.

9. INTANGIBLE ASSETS

Intangible assets consist of software as follows:

	January 29, 2022	January 30, 2021(1)
Cost		
Balance at beginning of the year	**$ 25,450**	$ 37,799
Additions	**2,404**	726
Derecognition of fully amortized assets	**(8,500)**	(13,075)
Write-offs (2)	**(1,991)**	-
Balance at end of the year	**$ 17,363**	$ 25,450
Accumulated amortization and impairment losses		
Balance at beginning of the year	**$ 15,119**	$ 17,532
Amortization	**5,131**	7,098
Impairment loss (note 8)	**-**	3,564
Derecognition of fully amortized assets	**(8,500)**	(13,075)
Balance at end of the year	**$ 11,750**	$ 15,119
Net carrying amounts	**$ 5,613**	$ 10,331

(1) For the year ended January 30, 2021, amortization has been increased and impairment loss has been decreased by $892, respectively. See note 8.

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

Depreciation expense related to intangible assets is presented as follows:

	For the year ended January 29, 2022			For the year ended January 30, 2021(1)		
	Combined	Continuing	Discontinued	Combined	Continuing	Discontinued
Selling and distribution expenses	**$ 2,705**	**$ 2,705**	**$ -**	$ 4,669	$ 4,536	$ 133
Administrative expenses	**2,426**	**2,426**	**-**	2,429	2,429	-
	$ 5,131	**$ 5,131**	**$ -**	$ 7,098	$ 6,965	$ 133

(1) For the year ended January 30, 2021, depreciation expenses recognized in selling and distribution expenses has been increased by $1,040 for continuing operations and decreased by $148 for discontinued operations. See note 8.

Intangible assets include an amount of $2,210 (January 30, 2021 - $2,570) that is not being amortized. Amortization will begin when the software is available for use.

10. LEASES

The Company leases all of its retail locations and certain office equipment. Retail locations typically have a fixed lease term with additional renewal options available to exercise. The Company has included renewal options in the measurement of its right-of-use assets and lease liabilities when it is reasonably certain to exercise the options.

Right-of-use assets

	Retail locations	Office equipment	Total
Balance as at February 2, 2020	$ 195,894	$ 2,203	$ 198,097
Lease additions	28,207	740	28,947
Lease modifications	(27,009)	-	(27,009)
Disclaimed leases [1]	(35,201)	-	(35,201)
Depreciation	(42,182)	(1,081)	(43,263)
Impairment loss (note 8)	(17,740)	-	(17,740)
Balance as at January 30, 2021	$ 101,969	$ 1,862	$ 103,831

(1) Disclaimed leases represent the right-of-use assets related to certain leases terminated as part of the CCAA proceedings. A provision related to these leases was recognized in liabilities subject to compromise. See note 16.

	Retail locations	Office equipment	Total
Balance as at January 31, 2021	**$ 101,969**	**$ 1,862**	**$ 103,831**
Lease additions	**23,304**	**126**	**23,430**
Lease modifications	**(52,736)**	**(76)**	**(52,812)**
Depreciation	**(28,465)**	**(1,006)**	**(29,471)**
Balance as at January 29, 2022	**$ 44,072**	**$ 906**	**$ 44,978**

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

	For the year ended January 29, 2022			For the year ended January 30, 2021[1]		
	Combined	Continuing	Discontinued	Combined	Continuing	Discontinued
Selling and distribution expenses	**$ 29,113**	**$ 29,113**	**$ -**	$ 42,726	$ 39,319	$ 3,407
Administrative expenses	**358**	**358**	**-**	537	537	-
	$ 29,471	**$ 29,471**	**$ -**	$ 43,263	$ 39,856	$ 3,407

(1) For the year ended January 30, 2021, depreciation expenses recognized in selling and distribution expenses has been increased and decreased by $3,667 for continuing and discontinued operations, respectively. See note 8.

During the year ended January 29, 2022, right-of-use assets for retail locations were reduced by $52,736 and lease liabilities were reduced by $59,468 with a corresponding gain of $6,732 recognized in restructuring costs for continuing operations as lease modifications related to lease re-negotiations. See note 16.

During the year ended January 30, 2021, right-of-use assets were reduced by $6,746 and lease liabilities were reduced by $10,039. A corresponding gain of $3,293 was recognized in restructuring costs for continuing operations as lease modifications in connection with leases that were disclaimed as part of the CCAA proceedings.

Lease liabilities

	January 29, 2022	January 30, 2021
Balance at the beginning of the year	**$ 123,217**	$ 213,869
Lease additions	**23,430**	28,947
Lease modifications	**(59,544)**	(28,182)
Disclaimed leases (1)	**-**	(41,517)
Payment of lease liabilities	**(38,822)**	(46,818)
Interest expense on lease liabilities (note 20)	**4,026**	6,201
Lease liabilities subject to compromise (note 16)	**-**	(9,283)
Balance at the end of the year	**$ 52,307**	$ 123,217
Current portion of lease liabilities	**$ 20,888**	$ 35,303
Non-current portion of lease liabilities	**31,419**	87,914
Total lease liabilities	**$ 52,307**	$ 123,217

(1) Disclaimed leases represented the lease liabilities related to certain leases terminated as part of the CCAA proceedings. A provision related to these leases was recognized in liabilities subject to compromise for the year ended January 30, 2021. See note 16.

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

2023	**$ 24,030**
2024	**14,989**
2025	**8,243**
2026	**5,720**
2027	**4,004**
Thereafter	**2,468**
Total undiscounted lease liabilities	**$ 59,454**

The Company has certain retail locations where portions of the lease payments are contingent on a percentage of sales or where lease payments are made with no fixed term. During the year ended January 29, 2022, the Company recognized $7,705 (January 30, 2021 - $2,052) of variable lease payments and $1,156 (January 30, 2021 - $1,310) of lease payments with no fixed term recorded in selling and distribution expenses.

During the year ended January 29, 2022, the Company recognized expenses relating to short-term leases of $161 (January 30, 2021 - $1,650).

As at January 29, 2022, $32,980 (January 30, 2021 - $45,437) of undiscounted future lease payments are related to extension options that were not deemed to be reasonably certain to be exercised and were not included in lease liabilities.

11. PENSION ASSET (LIABILITY)

The following tables present reconciliations of the pension obligation, the plan assets and the funded status of the retirement benefit plans. During the year ended January 30, 2021, and in connection with CCAA proceedings, the pre-petition portion of the pension liability related to the Supplemental Executive Retirement Plan ("SERP") of $21,014, for which the fair value of plan assets is $nil, was reclassified to liabilities subject to compromise. The SERP, a retirement plan for certain senior executives which was neither registered nor pre-funded, was terminated effective with the settlement of these liabilities through the plan of arrangement to be entered into under CCAA. See note 16.

Funded Status

	Fair value of plan assets	Defined benefit obligation	Pension asset (liability)
As at January 29, 2022			
Plan	**$ 23,019**	**$ 22,919**	**$ 100**
As at January 30, 2021			
Plan	$ 22,676	$ 25,768	$ (3,092)

	For the years ended			
	January 29, 2022	January 30, 2021		
	Plan	Plan	SERP	Total
Movement in the present value of the defined benefit obligation				
Defined benefit obligation, beginning of year	**$ 25,768**	$ 26,737	$ 21,103	$ 47,840
Current service cost	**1,152**	1,503	394	1,897
Interest cost	**677**	694	-	694
Employee contributions	**109**	109	-	109
Actuarial gain - experience	**(113)**	(166)	-	(166)
Actuarial (gain) loss - financial assumptions	**(2,671)**	173	-	173
Benefits paid from plan assets	**(2,003)**	(3,282)	-	(3,282)
Benefits paid directly by the Company	**-**	-	(483)	(483)
SERP pension liability reclassified to liabilities subject to compromise	**-**	-	(21,014)	(21,014)
Defined benefit obligation, end of year	**$ 22,919**	$ 25,768	$ -	$ 25,768
Movement in the fair value of plan assets				
Fair value of plan assets, beginning of year	**$ 22,676**	$ 23,627	$ -	$ 23,627
Return on plan assets	**1,102**	707	-	707
Interest income on plan assets	**571**	584	-	584
Employer contributions	**701**	1,099	483	1,582
Employee contributions	**109**	109	-	109
Benefits paid	**(2,003)**	(3,281)	(483)	(3,764)
Plan administration costs	**(137)**	(169)	-	(169)
Fair value of plan assets, end of year	**$ 23,019**	$ 22,676	$ -	$ 22,676

For the year ended January 29, 2022, the net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants 39% (2021 - 37%)
- Retired plan members 57% (2021 - 57%)
- Deferred and other plan participants 4% (2021 - 6%)

The defined benefit pension plan assets are held in trust and consisted of the following assets categories, which are not based on quoted market prices in an active market:

	January 29, 2022		January 30, 2021	
Equity securities				
Canadian – pooled funds	**$ 7,236**	**31%**	$ 8,213	36%
Canadian – real estate fund	**1,284**	**6%**	1,118	5%
Foreign – pooled funds	**5,147**	**22%**	4,049	18%
Total equity securities	**13,667**	**59%**	13,380	59%
Debt securities – fixed income pooled funds	**8,974**	**39%**	9,030	40%
Cash and cash equivalents	**378**	**2%**	266	1%
Total	**$ 23,019**	**100%**	$ 22,676	100%

The Company's pension expense was as follows:

	For the years ended			
	January 29, 2022	January 30, 2021		
	Plan	Plan	SERP	Total
Pension costs recognized in net earnings				
Current service cost	**$ 1,152**	$ 1,503	$ 394	$ 1,897
Net interest cost on net pension asset	**106**	110	-	110
Plan administration costs	**137**	169	-	169
Pension expense	**$ 1,395**	$ 1,782	$ 394	$ 2,176

During the year ended January 29, 2022, the Company recognized pension expense of $774 (January 30, 2021 - $1,207) in selling and distribution expenses and $621 (January 30, 2021 - $969) in administrative expenses in the consolidated statements of earnings (loss).

The following table presents the change in the actuarial gains and losses recognized in other comprehensive income and subsequently reclassified from accumulated other comprehensive income to retained earnings for the Plan:

	For the years ended	
	January 29, 2022	January 30, 2021
Cumulative loss in retained earnings at the beginning of the year	**$ 1,434**	$ 2,134
Gain recognized during the year (net of tax of $nil for 2022 & 2021)	**(3,886)**	(700)
Cumulative (gain) loss in retained earnings at the end of the year	**$ (2,452)**	$ 1,434

Actuarial assumptions

Principal actuarial assumptions used were as follows:

	For the years ended	
	January 29, 2022	**January 30, 2021**
Accrued benefit obligation:		
Discount rate	**3.40%**	2.60%
Salary increase	**4.00%**	4.00%
Mortality	2014 Private Sector Canadian Pensioner's Mortality Table, projected generationally using Scale MI-2017, adjusted for pension size	2014 Private Sector Canadian Pensioner's Mortality Table, projected generationally using Scale MI-2017, adjusted for pension size
Employee benefit expense:		
Discount rate	**3.40%**	2.60%
Salary increase	**4.00%**	4.00%

Sensitivity of Key Actuarial Assumptions

The following table outlines the key assumptions for the years ended January 29, 2022 and January 30, 2021 and the sensitivity of a 1% change in each of these assumptions on the defined benefit plan obligations and the net defined benefit plan costs.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	For the years ended	
	January 29, 2022	**January 30, 2021**
(Decrease) increase in defined benefit obligation of the Plan		
Discount rate		
Impact of increase of 1%	**$ (2,737)**	$ (5,664)
Impact of decrease of 1%	**$ 3,444**	$ 6,438
Salary increase or decrease		
Impact of increase of 1%	**$ 604**	$ 607
Impact of decrease of 1%	**$ (501)**	$ (593)
Lifetime expectancy		
Impact of increase of 1 year in expected lifetime of plan members	**$ 598**	$ 1,317

Overall return in the capital markets and the level of interest rates affect the funded status of the Company's pension plans. Adverse changes with respect to pension plan returns and the level of interest rates from the date of the last actuarial valuation may have an adverse effect on the funded status of the retirement benefit plans and on the Company's results of operations.

The Company expects $751 in employer contributions to be paid to the Plan in the year ending January 28, 2023. The weighted average duration of the Plan is approximately 13.3 years as at January 29, 2022 (January 30, 2021 - 14 years).

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes at year-end. The most recent actuarial valuation for funding purposes was as of December 31, 2018 and the next required valuation will be as of December 31, 2021.

12. INCOME TAX

Income tax expense

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

	For the years ended	
	January 29, 2022	**January 30, 2021**
Current tax (recovery) expense		
Current year	**$ 376**	$ 173
Adjustment in respect of prior years	**(761)**	(23)
Current tax (recovery) expense from continuing operations	**(385)**	150
Deferred tax (recovery) expense		
Origination and reversal of temporary differences	**76**	(115)
Changes in tax rates	**(111)**	156
Deferred tax (recovery) expense from continuing operations	**(35)**	41
Total tax (recovery) expense from continuing operations	**$ (420)**	$ 191
Deferred tax expense from discontinued operations	**-**	80
Total tax (recovery) expense	**$ (420)**	$ 271

Income tax recognized in other comprehensive income

	For the years ended					
	January 29, 2022			**January 30, 2021**		
	Before tax	**Tax expense**	**Net of tax**	**Before tax**	**Tax recovery**	**Net of tax**
Cash flow hedges	**$ -**	**$ -**	**$ -**	$ (1,027)	$ 272	$ (755)
Defined benefit plan actuarial gains	**3,886**	**-**	**3,886**	700	-	700
	$ 3,886	**$ -**	**$ 3,886**	$ (327)	$ 272	$ (55)

Reconciliation of effective tax rate

	For the years ended			
	January 29, 2022		**January 30, 2021**	
Earnings (loss) before income taxes	**$ 142,804**		$ (99,845)	
Income tax expense (recovery) using the Company's statutory tax rate	**37,846**	**26.50%**	(26,525)	26.57%
Changes in tax rates	**(111)**	**(0.08%)**	156	(0.16%)
Non-deductible expenses and other adjustments	**16**	**0.01%**	221	(0.22%)
Change in unrecognized deferred tax assets	**(37,161)**	**(26.02%)**	26,564	(26.60%)
Effect of tax in foreign jurisdictions	**(249)**	**(0.17%)**	(202)	0.20%
Adjustment in respect of prior years	**(761)**	**(0.53%)**	(23)	0.02%
Income tax (recovery) expense	**$ (420)**	**(0.29%)**	$ 191	(0.19%)

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	January 29, 2022	**January 30, 2021**	**January 29, 2022**	**January 30, 2021**	**January 29, 2022**	**January 30, 2021**
Lease liabilities	**$ 11,685**	$ 27,026	**$ -**	$ -	**$ 11,685**	$ 27,026
Right-of-use assets	**-**	-	**11,685**	27,026	**(11,685)**	(27,026)
Property, equipment and intangible assets	**3,009**	2,309	**-**	-	**3,009**	2,309
Inventories	**-**	-	**1,637**	1,621	**(1,637)**	(1,621)
Pension asset	**-**	-	**676**	-	**(676)**	-
Other	**-**	-	**510**	537	**(510)**	(537)
	$ 14,694	$ 29,335	**$ 14,508**	$29,184	**$ 186**	$ 151

Changes in deferred tax balances during the year

	Balance February 1, 2020	Recognized in Net Earnings	Recognized in Other Comprehensive Income	Balance January 30, 2021	Recognized in Net Earnings	Balance January 29, 2022
Lease liabilities	$ 51,771	$(24,745)	$ -	$ 27,026	**$ (15,341)**	**$11,685**
Right-of-use assets	(51,771)	24,745	-	(27,026)	**15,341**	**(11,685)**
Property, equipment and intangible assets	2,219	90	-	2,309	**700**	**3,009**
Inventories	(1,947)	326	-	(1,621)	**(16)**	**(1,637)**
Derivative financial asset	(272)	-	272	-	**-**	**-**
Pension asset	-	-	-	-	**(676)**	**(676)**
Other	-	(537)	-	(537)	**27**	**(510)**
	$ -	$ (121)	$ 272	$ 151	**$ 35**	**$ 186**

Unrecognized deferred tax assets

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

	January 29, 2022	January 30, 2021
Non-capital losses carry-forward	**$ 20,700**	$ 20,460
Deductible temporary differences	**23,078**	65,450
Allowable capital losses carry-forward	**3,168**	3,133
Unrecognized deferred tax assets	**$ 46,946**	$ 89,043

The non-capital losses carry-forward expire between 2034 and 2042. The deductible temporary differences and allowable capital losses carry-forward do not expire under current income tax legislation. Deferred income tax assets were not recognized in respect of these items because, as at January 29, 2022, it was not probable that sufficient future taxable income will be available from the Canadian operations to utilize the benefits.

13. REVOLVING CREDIT FACILITY

On January 12, 2022, as part of its emergence from CCAA proceedings, the Company replaced its interim financing ("DIP Loan") that was for an amount of up to $30,000 and entered into a senior secured asset-based revolving facility with a Canadian financial institution for an amount of up to $115,000 ("Borrowing Base"), or its US dollar equivalent, which matures on January 12, 2025. The revolving credit facility is classified as current in the consolidated balance sheets as it is being managed and expected to be settled by the Company in its normal operating cycle. The Borrowing Base is dependent on certain factors including, but not limited to, the level of the Company's inventory, credit card receivables and the statutory amount payables to governmental authorities. As of January 29, 2022, the Company's Borrowing Base was $90,708.

The Company can borrow in Canadian or US dollars at prime, base, CDOR or SOFR rates. The facility bears interest at the prime or base rate, plus 0.50% or 0.75% and, up to 2.00%, and at the CDOR or SOFR rate, plus 1,75% or 2,00%, based on the average excess availability of the credit facility per the Borrowing Base. Up to $35,000 (or its U.S. dollar equivalent) of the facility can be withdrawn through secured letters of credit.

As at January 29, 2022, $29,634 was drawn under the revolving credit facility and there were no amounts committed for secured letters of credit (January 30, 2021 - $396).

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

14. TRADE AND OTHER PAYABLES

	January 29, 2022	January 30, 2021
Trade payables	**$ 1,280**	$ 2,098
Personnel liabilities	**13,049**	10,898
Other non-trade payables	**16,406**	12,687
Refund liability	**3,181**	4,439
Deferred rent and payables relating to premises	**562**	1,400
	$ 34,478	$ 31,522

15. DEFERRED REVENUE

	January 29, 2022	January 30, 2021
Loyalty points and awards granted under loyalty programs	**$ 248**	$ 209
Unredeemed gift cards	**13,242**	12,253
	$ 13,490	$ 12,462

16. LIABILITIES SUBJECT TO COMPROMISE AND RESTRUCTURING

On January 12, 2022, the Company emerged from its restructuring proceedings in connection with CCAA and, in accordance with the Plan, made a payment in the aggregate amount of $95,000 to the Monitor to be distributed to its creditors in full and final settlement of all claims affected by the Plan. See note 2 b). The Company identified the following unsecured liabilities subject to compromise at the time of settlement:

Trade payables	**$ 77,752**
Provision for disclaimed leases	**33,126**
Pension liabilities (note 11)	**21,014**
Termination benefit liabilities	**13,991**
Lease liabilities	**9,686**
Sales and income taxes payable	**3,955**
Other non-trade payables	**24,089**
	$ 183,613

As a result of the settlement of the above claims, the Company recognized a gain on settlement of liabilities subject to compromise of $88,613 in the consolidated statement of earnings for the year ended January 29, 2022.

Restructuring

As described in note 2 b), as part of its restructuring plan and as approved by the Monitor, the Company closed all retail stores and e-commerce for Thyme Maternity and Addition Elle and terminated approximately 1,600 employees at its retail locations and head office. In connection with the restructuring plan and the CCAA proceedings, the following restructuring costs (recovery of restructuring costs) were recognized:

	For the year ended January 29, 2022		
	Combined	**Continuing**	**Discontinued**
Rent & occupancy costs recovered on lease re-negotiations	**$ (10,493)**	**$ (10,493)**	**$ -**
Recovery for disclaimed leases [(1)]	**(19,330)**	**(4,298)**	**(15,032)**
Gain on lease modifications on lease re-negotiations (note 10)	**(6,732)**	**(6,732)**	**-**
Legal, Monitor and other consulting fees	**4,210**	**4,210**	**-**
Inventory purchases cancellation costs and other expenses	**3,605**	**3,605**	**-**
Termination benefits	**1,206**	**1,206**	**-**
DIP lender fees	**253**	**253**	**-**
	$ (27,281)	**$ (12,249)**	**$ (15,032)**

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

	For the year ended January 30, 2021		
	Combined	**Continuing**	**Discontinued**
Provision for disclaimed leases	$ 52,455	$ 9,726	$ 42,729
Gain on lease modifications and disclaimed leases (notes 4 and 10)	(8,216)	(5,193)	(3,023)
Rent & occupancy costs recovered on lease re-negotiations [(1)]	(5,933)	(5,933)	-
Termination benefits	12,786	7,365	5,421
Inventory purchases cancellation costs and other expenses	15,725	9,132	6,593
Legal, Monitor and other consulting fees	4,875	4,875	-
DIP lender fees	611	611	-
	$ 72,303	$ 20,583	$ 51,720

(1) Rent and occupancy costs recovered on lease re-negotiation in the amount of $5,933 were reclassified from selling and distribution expenses to restructuring costs for the year ended January 30, 2021.

17. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

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

	For the years ended			
	January 29, 2022		January 30, 2021	
	Number of shares (in 000's)	Carrying amount	Number of shares (in 000's)	Carrying amount
Common shares				
Balance at beginning and end of the year	**13,440**	**$ 482**	13,440	$ 482
Class A non-voting shares				
Balance at beginning and end of the year	**35,427**	**26,924**	35,427	26,924
Total share capital	**48,867**	**$ 27,406**	48,867	$ 27,406

Authorized Share Capital

The Company has authorized for issuance an unlimited number of Common shares and Class A non-voting shares. Both Common shares and Class A non-voting shares have no par value. All issued shares are fully paid.

The Common shares and Class A non-voting shares of the Company rank equally and pari passu with respect to the right to receive dividends and upon any distribution of the assets of the Company. However, in the case of share dividends, the holders of Class A non-voting shares shall have the right to receive Class A non-voting shares and the holders of Common shares shall have the right to receive Common shares.

Accumulated Other Comprehensive Income ("AOCI")

AOCI is comprised of the following:

	Cash Flow Hedges	Foreign Currency Translation Differences	Total AOCI
Balance at January 31, 2021	**$ -**	**$ (854)**	**$ (854)**
Change in foreign currency translation differences	**-**	**1**	**1**
Balance at January 29, 2022	**$ -**	**$ (853)**	**$ (853)**
Balance at February 2, 2020	$ 754	$ (981)	$ (227)
Net change in fair value of cash flow hedges (net of tax of $3,229)	8,815	-	8,815
Transfer of realized gain on cash flow hedges to inventory (net of tax of $79)	218	-	218
Reclassification of cash flow hedges from OCI to foreign exchange gain within finance income (net of tax of $3,583) (note 25)	(9,787)	-	(9,787)
Change in foreign currency translation differences	-	127	127
Balance at January 30, 2021	$ -	$ (854)	$ (854)

Dividends

No dividends were declared or paid during years ended January 29, 2022 and January 30, 2021.

18. SHARE-BASED PAYMENTS

Share Option Plan

On April 19, 2021, the share option plan was amended to terminate the Share Appreciation Rights ("SARs") program and, in compliance with the policies of the TSX Venture Exchange, transition to a fixed plan that limits the eligible amount of Class A non-voting shares that can be issued pursuant to the exercise of options to 3,500,000. No SARs had been granted or were outstanding as of the date of termination of the program. Those changes had no impact on these consolidated financial statements.

Under the plan, the granting of options and the related vesting period, which is normally up to 4 years, are at the discretion of the Board of Directors and the options have a maximum term of up to 7 years. The exercise price payable for each Class A non-voting share covered by a share option is determined by the Board of Directors at the date of grant, but may not be less than the closing price of the Company's Class A non-voting shares on the trading day immediately preceding the effective date of the grant.

The changes in outstanding share options were as follows:

	For the years ended			
	January 29, 2022		January 30, 2021	
	Options (in 000's)	**Weighted Average Exercise Price**	**Options (in 000's)**	**Weighted Average Exercise Price**
Outstanding, at beginning of year	**1,357**	**$ 8.84**	1,759	$ 8.20
Forfeited	**(231)**	**10.24**	(402)	6.03
Outstanding, at end of year	**1,126**	**$ 8.56**	1,357	$ 8.84
Options exercisable, at end of year	**1,116**	**$ 8.57**	1,325	$ 8.90

No share option awards were granted or exercised during the years ended January 29, 2022 and January 30, 2021. The cost of granted options are expensed over their vesting period based on their estimated fair values on the date of the grant, determined using the Black Scholes option pricing model.

The following table summarizes information about share options outstanding at January 29, 2022:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number Outstanding (in 000's)**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**Number Exercisable (in 000's)**	**Weighted Average Exercise Price**
$4.40 - $6.00	331	2.18 years	$ 5.90	331	$ 5.90
$6.31 - $6.75	470	2.58	6.68	460	6.68
$11.68 - $15.00	325	0.01	13.98	325	13.98
	1,126	**1.72 years**	**$ 8.56**	**1,116**	**$ 8.57**

For the year ended January 29, 2022, compensation costs related to the Company's share option plan were negligible (January 30, 2021 - $12).

Performance Share Units (cash-settled)

The Company has a performance share unit ("PSUs") plan for its executives and key management that entitles them to a cash payment. The PSUs vest based on non-market performance conditions measured over a three fiscal-year period ("performance period"). The number of PSUs that can vest can be up to 1.5 times the actual number of PSUs awarded if exceptional performance is achieved. Upon settlement of the vested PSUs, the cash payment will be equal to the number of PSUs multiplied by the fair value of the Common shares calculated using the volume weighted average trading price during the five trading days commencing five trading days subsequent to the release of the Company's financial results for the performance period.

No PSUs were granted during the years ended January 29, 2022 and January 30, 2021.

The changes in outstanding PSUs were as follows:

	For the years ended	
	January 29, 2022	**January 30, 2021**
	PSUs (in 000's)	**PSUs (in 000's)**
Outstanding, at beginning of year	**450**	760
Forfeited	**(10)**	(172)
Expired	**(200)**	(138)
Outstanding, at end of year	**240**	450

As at January 29, 2022 and January 30, 2021, the Company did not expect to meet the minimum non-market performance conditions required for all issued PSUs to vest. As a result, the Company did not recognize share-based compensation costs related to PSUs for the years ended January 29, 2022 and January 30, 2021.

19. COMMITMENTS

As at January 29, 2022, financial commitments to purchase goods or services that are enforceable and legally binding on the Company, exclusive of additional amounts based on sales, taxes and other costs are payable as follows:

	Purchase Obligations	Other Service Contracts	Total
Within 1 year	$ 147,919	$ 3,481	$ 151,400
Within 2 years	5,002	2,068	7,070
Within 3 years	1,408	1,025	2,433
Within 4 years	203	427	630
Within 5 years	-	-	-
Subsequent years	-	-	-
Total	**$ 154,532**	**$ 7,001**	**$ 161,533**

Included in prepaid expenses and other assets as at January 29, 2022 is an amount of $32,221 (January 30, 2021 - $18,382) representing deposits to vendors for ordered merchandise.

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

20. FINANCE INCOME AND FINANCE COSTS

	For the years ended	
	January 29, 2022	**January 30, 2021**
Interest income	**$ 353**	$ 436
Foreign exchange gain [1]	**3,372**	13,461
Finance income	**3,725**	13,897
Interest expense on lease liabilities	**4,026**	5,744
Interest expense on revolving credit facility	**41**	-
Finance costs	**4,067**	5,744
Net finance (costs) income recognized in net earnings (loss)	**$ (342)**	$ 8,153

(1) Included in foreign exchange gain for the year ended January 30, 2021, is a realized gain of $9,741 on maturity and disposal of foreign exchange contracts. See note 25.

21. EARNINGS (LOSS) PER SHARE

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

	For the years ended	
	January 29, 2022	**January 30, 2021**
Weighted average number of shares – basic and diluted	**48,867**	48,867

As at January 29, 2022 and January 30, 2021, all share options were excluded from the calculation of diluted loss per share as these options were deemed to be anti-dilutive.

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

22. RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Key management personnel are those persons (both executive and non-executive) who have the authority and responsibility for planning, directing and controlling the activities of the entity - directly or indirectly. The Board of Directors (which includes the Chief Executive Officer and President) has the responsibility for planning, directing and controlling the activities of the Company and are considered key management personnel. The Board of Directors participate in the share option plan, as described in note 18.

During the year ended January 29, 2022, the Company incurred $1,810 (January 30, 2021- $1,344) in compensation expenses for key management personnel consisting of salaries, directors' fees and short-term benefits.

Other Related-Party Transactions

During the year ended January 29, 2022, the Company incurred $1,156 (January 30, 2021- $1,262) for legal services rendered by a law firm connected to certain members of the Board of Directors. These transactions are recorded at the amount of consideration paid as established and agreed to by the related parties.

As at January 30, 2021, liabilities subject to compromise includes pension liabilities related to the SERP of $7,194 payable to the Company's President and Chief Executive Officer and Chief Financial Officer. See notes 11 and 16.

23. PERSONNEL EXPENSES

	For the years ended	
	January 29, 2022	**January 30, 2021**
Wages, salaries and employee benefits, net of government assistance	**$ 132,767**	$ 104,481
Expenses related to defined benefit plans	**1,395**	2,176
	$ 134,162	$ 106,657

24. SUPPLEMENTARY CASH FLOW INFORMATION

	For the years ended	
	January 29, 2022	**January 30, 2021**
Non-cash transactions:		
Additions to property and equipment and intangible assets included in trade and other payables	**$ 1,517**	$ 1,874
Lease liabilities included in liabilities subject to compromise	**-**	9,686
Income taxes payable included in liabilities subject to compromise	**-**	184

For the year ended January 29, 2022, payments of lease liabilities of $38,822 include interest of $4,026 (payments of lease liabilities of $46,818 include interest of $6,201 for the year ended January 30, 2021).

25. FINANCIAL INSTRUMENTS

Accounting classification and fair values

The Company has determined that the fair value of its current financial assets and liabilities at January 29, 2022 and January 30, 2021 (other than liabilities subject to compromise) approximates their respective carrying amounts as at the reporting dates because of the short-term nature of those financial instruments.

There were no transfers between levels of the fair value hierarchy for the years ended January 29, 2022 and January 30, 2021.

Derivative financial instruments

The Company had entered into forward contracts with its banks on the U.S. dollar. These foreign exchange contracts extended over a period normally not exceeding twelve months and were normally designated as cash flow hedges to mitigate foreign exchange risk that is part of its U.S. dollar purchases. During the year ended January 30, 2021, the Company determined that it no longer met the criteria for these purchases as a result of the Company's effort to reduce future inventory purchases in response to the uncertainty surrounding COVID-19 and the restructuring plan (notes 2(b) and 16). During the year ended January 30, 2021, $130,000 of future U.S. dollar denominated purchases, hedged by outstanding forward contracts with an accumulated gain of $9,787 (net of tax of $3,583), were no longer expected to occur. As a result, the Company no longer designated these forward contracts for hedge accounting and has reclassified the accumulated unrealized gain associated with these forward contracts from other comprehensive income to net earnings as part of finance income (note 20).

During the year ended January 30, 2021, the Company temporarily paused its hedging program due to the uncertainties surrounding future inventory purchase commitments as a result of COVID-19 and the restructuring plan (notes 2(b) and 16). During the year ended January 30, 2021, forward contracts with a notional amount of $60,000 U.S. dollars matured and the Company disposed of all remaining outstanding forward contracts with a notional amount of $115,000 U.S. dollars, resulting in a foreign exchange gain of $9,741 recognized directly to net earnings as part of finance income. See note 20. As at January 29, 2022, the Company's hedging program remained temporarily paused.

No foreign exchange contracts were outstanding as at January 29, 2022 and January 30, 2021.

26. FINANCIAL RISK MANAGEMENT

The Company may periodically use derivative financial instruments to manage risks related to fluctuations in foreign exchange rates. The use of derivative financial instruments is governed by the Company's risk management policies approved by the Board of Directors. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Disclosures relating to the Company's exposure to risks, in particular credit risk, liquidity risk, foreign currency risk and interest rate risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and trade and other receivables. The Company limits its exposure to credit risk with respect to cash by dealing with major Canadian financial institutions. The Company's trade and other receivables consist primarily of government assistance receivable and credit card receivables from the last few days of the fiscal year, which are settled within the first days of the next fiscal year. Due to the nature of the Company's activities and the low credit risk of the Company's trade and other receivables as at January 29, 2022 and January 30, 2021, expected credit loss on these financial assets is not significant.

As at January 29, 2022, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash	$ 25,502
Trade and other receivables	7,606
	$ 33,108

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The Company believes that future cash flows provided by operations and funds available from the revolving credit facility will be sufficient to meet the Company's operational requirements and financial obligations.

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

Foreign Currency Risk

The Company purchases a significant amount of its merchandise with U.S. dollars and as such significant volatility in the U.S. dollar vis-à-vis the Canadian dollar can have an adverse impact on the Company's gross margin. The Company has a variety of alternatives that it considers to manage its foreign currency exposure on cash flows related to these purchases. These include, but are not limited to, various styles of foreign currency option or forward contracts, normally not to exceed twelve months, and U.S. dollar spot rate purchases. A foreign currency option contract represents an option or obligation to buy a foreign currency from a counterparty. A forward foreign exchange contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. The Company may enter into certain qualifying foreign exchange contracts that it designated as cash flow hedging instruments. This results in mark-to-market foreign exchange adjustments, for qualifying hedged instruments, being recorded as a component of other comprehensive income. As at January 29, 2022, the Company's hedging program remained temporarily paused and no foreign exchange contracts were outstanding.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash of $12,628 and trade payables of $4,957 to determine how a change in the U.S. dollar exchange rate would impact net earnings. On January 29, 2022, a 10% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a $978 increase or decrease, respectively, in the Company's net earnings for the year ended January 29, 2022.

Interest Rate Risk

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

The Company has performed a sensitivity analysis on interest rate risk related to interest income earned on its cash as at January 29, 2022 to determine how a change in interest rates would impact net earnings. For the year ended January 29, 2022, the Company earned interest income of $353 on its cash. An increase or decrease of 50 basis points in the average interest rate earned during the year would have increased net earnings by $334 or decreased net earnings by $239. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The Company has performed a sensitivity analysis on interest rate risk related to interest incurred on its revolving credit facility as at January 29, 2022 to determine how a change in interest rates would impact net earnings. For the year ended January 29, 2022, the Company incurred interest expense of $41 on its revolving credit facility. An increase or decrease of 100 basis points in the average interest rate during the year would have decreased or increased net earnings by $14.

27. CAPITAL MANAGEMENT

The Company's objectives in managing capital are:

- to ensure sufficient liquidity to support its operations and to enable the internal financing of capital projects;
- to ensure all financial obligations under the revolving credit facility are met
- to maintain a strong capital base so as to maintain investor, creditor and market confidence; and
- to provide an adequate return to shareholders.

The Company's capital is composed of shareholders' equity and its access to credit facilities described in note 13. The Company's primary uses of capital are to finance increases in non-cash working capital along with capital expenditures for new store additions, existing store renovation projects, technology infrastructure including e-commerce, and office and distribution center improvements. The Company funds these requirements out of its internally-generated cash flows and its access to credit facilities. The Company does not have any long-term financing debt (other than lease liabilities).

The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable profitable growth. On a quarterly basis, the Board of Directors also reviews the level of dividends paid to the Company's shareholders, if any, and monitors any share repurchase program activities. In order to conserve cash to finance its ongoing operations, the Company has suspended the declaration and payment of any dividends. The Company does not have a defined share repurchase plan and decisions are made on a specific transaction basis and depend on market prices and regulatory restrictions.