



ANNUAL REPORT 2020

BOARD OF DIRECTORS

YVES DES GROSEILLERS

Chairman of the Board

MARIE-BERTHE DES GROSEILLERS

President and Chief Executive
Officer of the Company

ANDRÉ BÉRARD*/**

Lead Director of the Company
and Director of companies

LUCIEN BOUCHARD**/**

Partner
Davies Ward Phillips & Vineberg
LLP (Law firm)

CHARLES DES GROSEILLERS

Vice President
A. Bélanger (Détail) ltée
(Investment company)

ANNE-MARIE LECLAIR*/**

Partner and Vice President
LG2
(Advertising agency)

GABRIEL CASTIGLIO***

Executive Vice President
Chief Legal Officer
and Corporate Secretary
Fiera Capital
(Investment management company)

TONY FIONDA*/***

Senior Vice President
Remstar Capital Inc.
(Investment company)

- * Member of the Audit Committee
- ** Member of the Human Resources and
Corporate Governance Committee
- *** Member of the Investment Committee

GENERAL INFORMATION

AUDITORS

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.

CORPORATE SECRETARY

Michèle Des Groseillers
m.desgroseillers@bmtc.ca

LEGAL ADVISORS

Fasken Martineau DuMoulin LLP ("Fasken")

BANKERS

National Bank of Canada and Desjardins

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc. The Direct Registration System (DRS) allows your securities to be held in "book-entry" form without having a physical security certificate issued as evidence of ownership. Instead, your securities are held in your name and registered electronically in our records, which are maintained by our transfer agent Computershare. If you are a registered holder of units and wish to convert physical securities to DRS, go to: www.computershare.com/investorcentrecanada.

STOCK LISTING

Common shares are listed on the Toronto Stock Exchange under the symbol GBT.TO and CUSIP number 05561N208.

HEAD OFFICE

8500 Place Marien
Montréal-Est (Quebec) H1B 5W8
Tel.: (514) 648-5757

ANNUAL SHAREHOLDER'S MEETING

The annual meeting of shareholders will be held on July 30th, 2020, at 3:00 p.m., via conference call. To access the conference, please dial (514) 932-3291 and enter the following conference number: 2902641

BMTC Group Inc.

BMTC Group Inc. (the "Company"), is a company incorporated in accordance with Article 140 of the Business Corporations Act (Quebec). Its Common Shares are listed on the Toronto Stock Exchange.

Through its subsidiary, Ameublements Tanguay Inc., and its two divisions, Brault & Martineau and EconoMax, the Company manages and operates one of the largest furniture and household and electronic appliance retail sales networks in Quebec.

FINANCIAL HIGHLIGHTS

For the years ended January 31, 2020 and 2019

(In thousands of dollars, except per share amounts))

	<u>January 31, 2020</u>	<u>January 31, 2019</u>
	\$	\$
Operations		
Revenue	720 169	742 474
Net earnings	36 034	45 165
Financial position		
Cash, bank overdraft and investments	123 985	106 788
Total assets	382 040	367 624
Equity	216 624	244 742
Per-share information		
Net earnings	1.05	1.29
Dividends	0.28	0.28
Carrying amount	6.35	7.09
Stock market value		
Period high	15.68	16.97
Period low	9.89	12.58
Number of shares outstanding		
Common shares	34 088 000	34 540 000

MANAGEMENTS RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE OTHER FINANCIAL INFORMATION

The accompanying consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS), and the other financial information provided in the Annual Management Report, which is consistent with the consolidated financial statements, are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements include some amounts that are based on management's best estimates and judgments and, in their opinion, present fairly, in all material respects, the Company's financial position, financial performance and changes in its cash flows.

The Company's procedures and internal control systems are designed to provide reasonable assurance that accounting records are reliable and to safeguard the Company's assets. The Audit Committee is responsible for reviewing the consolidated financial statements and Annual Management Report and recommending their approval to the Board of Directors. In order to fulfill its responsibilities, the Audit Committee meets with management and external auditors to discuss internal control over the financial reporting process, significant accounting policies, other financial matters and the results of the audit by the independent (proposition) auditors.

These consolidated financial statements have been audited by the external auditors PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., chartered professional accountants, and their report is included herein.

(s) Marie-Berthe Des Groseillers

Marie-Berthe Des Groseillers
President and Chief Executive Officer
June 8th, 2020

Annual Management Report*

Caution regarding forward-looking statements

This Annual Management Report contains certain forward-looking statements with respect to the Company. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", as well as the opposites of these terms and similar terminology, including references to assumptions.

Forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, which the Company has identified in the 2020 Annual Information Form under "Narrative Description of the Business - Risk Factors", and other risks detailed from time to time in the Company's continuous disclosure documents.

The reader is cautioned that the factors we refer to above are not exhaustive of the factors that may affect any of the Company's forward-looking statements. The reader is also cautioned to consider these and other factors carefully and not to put undue reliance on forward-looking statements.

The Company made a number of assumptions in making forward-looking statements in this Annual Management Report. The Company considers the assumptions on which these forward-looking statements are based to be reasonable.

These statements reflect current expectations regarding future events and operating performance and speak only as of the date of release of this Annual Management Report, and represent the Company's expectations as of that date. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

Non-International Financial Reporting Standards (IFRS) financial measures

The Company discloses adjusted net earnings, which includes or excludes certain amounts that are not considered representative of the performance measures and financial recurrence of the Company. Management believes that this measure is useful in understanding and analyzing the operational performance of the Company and that it can provide additional information.

Adjusted net earnings as well as same-store revenues are not an earnings measure recognized by IFRS and do not have a standardized meanings prescribed by IFRS. Therefore, adjusted net earnings and same-store revenues as discussed in this Annual Management Report may not be compared to similar measures presented by other issuers. These measures of performance should not be considered as alternatives to indicators of performance calculated according to IFRS, but rather as a source of additional information.

The Company discloses in this MD&A under the section "Results" a reconciliation between net earnings and adjusted net earnings.

* The financial information is in Canadian dollars and has been prepared in accordance with the International Financial Reporting Standards (IFRS).

Results*

For the year ended January 31, 2020, the Company's revenues decreased by \$22,305,000 to \$720,169,000 compared to \$742,474,000 recorded for the year ended January 31, 2019, a 3% decrease. Net earnings for the year ended January 31, 2020 amounted to \$36,034,000 compared to \$45,165,000 recorded for the corresponding 2019 period. Basic net earnings per share amounted to \$1.05 compared to \$1.29 recorded in the corresponding 2019 period.

The effect of the cost of options had no impact on basic net earnings per share for the years ended January 31, 2020 and 2019.

For the year ended January 31, 2020, the share repurchase program contributed to an increase in basic net earnings of \$0.02 per share, whereas during the corresponding 2019 period it contributed to an increase of \$0.06 on basic net earnings per share.

During the year ended January 31, 2019, the Company sold its Repentigny store for an amount of \$9,000,000 resulting in an after-tax gain of \$4,522,000 or \$0.13 per basic share.

During the year ended January 31, 2020, the Company proceeded with the sale of the Kirkland store for an amount of \$4,915,000 resulting in an after-tax gain of \$1,048,000 or \$0.03 per basic share.

Excluding all these effects, the variation in adjusted net earnings would have been (\$5,518,000) or \$0.16 per basic share for the year ended January 31, 2020.

The (\$5,518,000) variation in adjusted net earnings is as follows:

	(\$ in thousands)	
	<u>January 31, 2020</u>	<u>January 31, 2019</u>
Net earnings	36 034	45 165
Gain on disposal of fixed assets (after-tax)	(1 048)	(4 522)
Variation in cost of options (after-tax)	<u>(87)</u>	<u>(226)</u>
Adjusted net earnings	34 899	40 417
Minus: Adjusted net earnings for 2019	<u>40 417</u>	
Variation	<u>(5 518)</u>	

This variation in adjusted after-tax income is allocated throughout the quarters as follows:

	(\$ in thousands)		
	Increase (decrease) in retail operating earnings	Increase (decrease) in investment income	Increase (decrease) in adjusted operating earnings
1st quarter	(5 586)	1 924	(3 662)
2nd quarter	(1 681)	(1 772)	(3 453)
3rd quarter	(3 249)	2 333	(916)
4th quarter	230	2 283	2 513
Total	<u>(10 286)</u>	<u>4 768</u>	<u>(5 518)</u>

* As of February 1, 2019, the Company has applied IFRS 16 retrospectively, without restating comparative information as permitted by the standard

The decrease in gross profit is due to the decline in revenues and accounts for 84% of the decrease in retail operating earnings of the Company.

The retail operating earnings have also been affected by the considerable increase in delivery costs, as well as the costs associated with store openings, modifications and renovations of the banners within the Company.

Annual financial information

(\$ in thousands, except for per share amounts)

	<u>January 31, 2020</u>	<u>January 31, 2019</u>
	\$	\$
Revenue	720 169	742 474
Net earnings	36 034	45 165
Total assets	382 040	367 624
Net earnings per share		
Basic	1.05	1.29
Diluted	1.05	1.29
Dividends per share	0.28	0.28

Financial position and dividends

Cash, net of the bank overdraft, and investments increased by \$17,197,000 during the year ended January 31, 2020. Investments consist of bank notes, government and corporate bonds, preferred and common shares, which at the end of the year had a market value of \$123,985,000 (including cash net of bank overdraft).

As at January 31, 2020, the working capital showed a deficit of \$19,467,000, an increase of \$17,358,000 compared to the year ended January 31, 2019. The Company's shareholders' equity decreased from \$244,742,000 as at January 31, 2019, to \$216,624,000 as at January 31, 2020. As at January 31, 2020, the book value per share stood at \$6.35, compared to \$7.09 as at January 31, 2019.

Pursuant to the normal course issuer-bid put in place on April 13, 2018, and renewed on April 15, 2019, accordingly, 452,000 common shares were repurchased and cancelled by the Company. As a result of this change, the Company had as at January 31, 2020, 34,088,000 common shares issued and outstanding.

During the year ended January 31, 2020, no options were granted or exercised. As at January 31, 2020, options for 197,100 common shares, representing 0.58% of the Company's outstanding shares, remain issued. These issued and outstanding options could be exercised at a price of \$17.85 per common share. As at April 1st, 2020, options regarding 197,100 Common Shares expired and were radiated without being exercised as they were underwater. As at April 1st, 2020, the closing price of the Common Shares on the Toronto Stock Exchange was \$5.97. The Company may still grant pursuant to the Plan a total of 5,710,864 options, representing 16,75% of the issued and outstanding shares of the Company.

During the fiscal year ended January 31, 2020, the Company paid eligible dividends totalling \$0.28 per common share to holders.

Company pension plans and treatment of future actuarial gains and losses

As at January 31, 2020, the Company established the accounting cost of pension benefits according to IFRS.

The accounting cost of pension benefits earned by employees is determined by actuarial calculations based on management's best estimate assumptions.

In accordance with IFRS, a discount rate of 2.65% for the supplementary pension plan (SPP) and 2.60% for the additional pension plan (APP) was used as at January 31, 2020, whereas a discount rate of 3.80% and 3.75% was used respectively as at January 31, 2019. The discount rates must reflect the rate of return of high-quality corporate bonds, which cash flows match those of the pension plans.

According to IFRS, the plans presented a deficit of \$41,124,000 as at January 31, 2020. As at January 31, 2019, the surplus was \$26,486,000. The financial position of the pension plans has deteriorate over the last year. This change is mainly due to the increase of the present value of obligations arising from a significant decrease in the discount rate.

For the period between February 1, 2019 and January 31, 2020, the pension expense (including the defined contribution component) amounted to \$7,601,000 while contributions made by the Company for all plans combined amounted to \$6,440,000, of which the totality was for current service (compared to a pension expense of \$10,585,000 for the period ended January 31, 2019).

The current IFRS result in a relatively predictable pension expense. For the year ending January 31, 2021, the pension expense is estimated to be between \$10,000,000 and \$11,000,000.

An actuarial valuation for funding purposes of the SSP as at December 31, 2018, revealed a surplus on a going-concern basis of \$54,200,000 and a deficit on a solvency basis of \$5,600,000. The Company has no special payments to make, since there is a surplus on a going-concern basis and the stabilization provision is fully funded. The next actuarial valuation for funding purposes, will be completed as at December 31, 2021.

As at January 1, 2016, the supplemental pension plan was modified in a way that any eligible employee hired after December 31, 2015 is solely entitled to defined contribution benefits.

Related party transactions

For the year ended January 31, 2020, the Company paid management fees of \$1,624,000 (compared to \$1,586,000 for the year ended January 31, 2019), to Gestion Maurice Tanguay, a company controlled by certain officers of the Company. This management contract started in 1990 and is renewed annually.

The Company is bound by leases expiring in December 2024, for which a lease liability of \$2,648,000 is recorded as at January 31, 2020.

On February 1, 2019, upon IFRS 16 implementation, a right-of-use asset and a lease liability of \$3,123,000 were recorded in connection with leases entered with Gestion Maurice Tanguay. For the year ended January 31, 2020, depreciation of \$528,000 relating to the right-of-use asset and a \$120,000 interest expense were recognized in earnings in connection with these leases.

For the year ended January 31, 2020, the Company paid in the normal course of business, rents totaling \$776,000 to Gestion Maurice Tanguay.

Commitments

Payments due by period (\$ in thousands)

	Carrying amount	Contractual cash flows	Under 1 year	2 - 5 ans	After 5 years
Lease liability	19 041	21 282	4 639	13 746	2 897

Accounting policies and accounting estimates

The accounting policies used in preparing the consolidated financial statements are described in Note 3 to the consolidated financial statements.

The International Accounting Standards Board (IASB) issued IFRS 16, *Leases*, which became effective for the fiscal year of January 31, 2019, had an impact on the Company's consolidated financial statements. More detailed information is presented in Note 3.1 to the consolidated financial statements.

The main estimates discuss allowances on inventories and supplier rebates receivable. Inventory allowances are taken for obsolete and/or damaged products as well as for slow inventory turnover items. The allowances are based on many years of historic experience. As for supplier rebates, a reasonable estimate of accrued amounts receivable is determined based on existing agreements with the Company's suppliers. Rebates for unsold merchandise are deducted from the value of the inventories at the date of the consolidated financial statements.

Financial instruments

The Company operates retail outlets in 32 locations across Quebec. A significant portion of the Company's sales are realized through the offering of financing solutions, by third-party credit providers, to the Company's customers. The cost of financing these sales is assumed by the Company, and is expensed, as the associated sales are realized. The Company assumes no credit risk in these transactions. The Company's working capital is composed primarily of accounts receivable, customer deposits, inventory and cash, while its short-term liabilities are towards suppliers of goods and services, as well as the debt relating to the stock option plan. The change in working capital reflects the associated fluctuations in all of the constituent accounts incurred during the normal course of the Company's activities. The Company has a positive cash position, which is invested in various financial instruments.

The Company records its investments at market value as indicated in Note 3 and Note 7 to the consolidated financial statements as at January 31, 2020. The Company has no hedges against its investments in US funds and assumes 100% of any fluctuations in the markets for these investments. Furthermore, the Company assumes the risks interest rate fluctuations have on its fixed-income investments, as well as the risks stock market fluctuations have on the value of investments in publicly traded companies.

The Company owns most of its stores and distribution centers, such that commitments regarding leasing contracts and lease liabilities are relatively insignificant with regard to its overall activities as detailed in Notes 9 and 10 of the consolidated financial statements as of January 31, 2020. The Company holds no hedging contracts or any other type of derivative products.

Quarterly results *

(\$ in thousands, except for per share amounts)

	April 30, 2019	April 30, 2018	July 31, 2019	July 31, 2018
	\$	\$	\$	\$
Revenue	150 310	162 754	215 067	220 368
Net earnings	(3 455)	4 806	13 480	16 933
Net earnings per share				
Basic	(0.10)	0.13	0.39	0.48
Diluted	(0.10)	0.13	0.39	0.48

	October 31, 2019	October 31, 2018	January 31, 2020	January 31, 2019
	\$	\$	\$	\$
Revenue	183 312	184 718	171 480	174 634
Net earnings	10 649	11 613	15 360	11 813
Net earnings per share				
Basic	0.31	0.34	0.45	0.34
Diluted	0.31	0.34	0.45	0.34

*Comparative data relating to revenue have been restated following a change in presentation.

For the three-month period ended January 31, 2020, the Company's revenues decreased by \$3,154,000 to \$171,480,000, compared to \$174,634,000 recorded for the corresponding period, a 2 % decrease. Net earnings for the three-month period ended January 31, 2020, amounted to \$15,360,000 compared to \$11,813,000 recorded for the corresponding 2019 period. Basic net earnings per share decreased to \$0.45 compared to \$0.34 for the corresponding 2019 period.

The effect of the cost of options had no impact on basic net earnings per share for the three-month periods ended January 31, 2020 and 2019.

For the three-month period ended January 31, 2020, the share repurchase program contributed to an increase in basic net earnings per share of \$0.01.

During the quarter ended January 31, 2020, the Company proceeded with the sale of the Kirkland store for an amount of \$4,915,000 resulting in an after-tax gain of \$1,048,000 or \$0.03 per basic share.

Excluding all these effects, the variation to the adjusted net earnings would have been \$2,513,000 or \$0.07 per basic share for the quarter ended January 31, 2020.

The \$2,513,000 variation in adjusted net earnings is as follows:

	(\$ in thousands)	
	<u>January 31, 2020</u>	<u>January 31, 2019</u>
Net earnings	15 360	11 813
Gain on disposal of land (after-tax)	(1 048)	-
Variation of cost of options (after-tax)	-	(14)
Adjusted net earnings	<u>14 312</u>	<u>11 799</u>
Minus: Adjusted net earnings for 2019	<u>11 799</u>	
Variation	<u><u>2 513</u></u>	

Operations

BMTC Inc.

The Company continues to restructure all of its websites and the first phase of the implementation of a distinct e-commerce platform for its banners Brault & Martineau and EconoMax is now completed and operational. The process of implementation will continue throughout 2020 for the following phases as well as the restructuring for all the other banners of the Company. The Company also reviewed its IT systems in to order standardize them throughout the banners, as well as to allow them to be more aligned with its e-commerce strategies. Following this review, the Company decided to invest and to modify its existing IT systems, the integration and implementation which will continue for a 3 to 5 year period.

Brault & Martineau Division

The new Brault & Martineau St-Rose store opened on June 12, 2019. This store represents the new prototype for the Brault & Martineau banner. During the quarter, the old Brault & Martineau was closed and converted into an EconoMax, which replaced the EconoMax on Boulevard des Laurentides in Laval.

The cost incurred with the opening of the new St-Rose store was \$1,459,000, while the cost incurred for the conversion of the old Brault & Martineau store into an EconoMax in St-Thérèse was of \$1,246,000.

On November 6, 2019, the Company proceeded with the sale of the Kirkland store. During this same transaction, the Company purchased land along the Autoroute 40 in the city of Kirkland in order to build a new Brault & Martineau store of approximately 80,000 square feet which will replace the actual Kirkland store. On this same land, the Company is building an EconoMax store of approximately 50,000 square feet which will replace the EconoMax store on Côte-Vertu. The construction of these two stores has already begun, and their openings are scheduled for fall 2020. The transfer of operations of these two existing stores will be done following the completion of these new stores.

The Company continues the evaluation process for different sites as well as its existing stores to modify them or in certain cases proceed with the reconstruction of a new store based on its new prototype. The new Kirkland store will be the second of the banner to be modified. The Company anticipates that in the next few years it will incur costs related to the modification and improvement of its actual network is to be considered.

Risk factors and market tendencies

The Company operates a furniture, electronic and household appliance retail business, and is therefore subject to many risk factors such as:

- Sensitivity to general economic conditions
- Reliance on key personnel
- Investment portfolio risks
- Third-party credit providers for financing solutions to clients
- Labour relations with employees, some of whom are unionized
- Maintaining profitability and managing growth
- Highly competitive nature of the retail industry
- Effectiveness of its marketing programs
- Capacity to anticipate changes in fashion trends and consumer tastes
- Retention of senior management

The Company is also dependent on its management information systems, its distribution operations, and its suppliers.

For a number of years, we have seen an increasing presence of strong competitors operating on a national and international level. Furthermore, the Company has witnessed a deflationary trend in many products that it sells, forcing it to innovate by bringing new products to market.

The majority of sales are realized using financing solutions offered by third-party credit providers. A significant increase in interest rates or a tightening of credit conditions could have a significant impact on the Company's sales. There are no guarantees the Company will be able to continue procuring such advantageous financing solutions for its customers, which in the past has permitted the Company to maintain its growth.

It is impossible to isolate and measure the importance of each individual risk to which the Company is exposed. In the past, the Company has managed to adapt to these changes and maintain its market share notably by aggressive marketing campaigns and efficient management.

As at January 31, 2020, options for 197,100 common shares remain outstanding, which had no impact on liabilities. Due to the calculation based on the Black-Scholes method, it is impossible to predict the future value of this liability. As to the liability's redemption, it rests on the willingness of the option holders to exercise their options. There are two months before the remaining options come to maturity.

Management discussion and outlook for the future of the Company

According to Statistics Canada, retail sales in Quebec have dropped 1.5% from June to December 2019. British Columbia, Alberta and Saskatchewan have also recorded a slowdown, while the other Canadian provinces have remained flat. As for the Company its revenues decreased approximately by 2% during this same period.

Despite the small increase recorded in retail business during the last few months, more than 500 retail stores across Canada were closing or had just announced their imminent closing according to Retail Insider. For example, the American retail hardware store Lowe's is in the process of closing 34 stores across Canada, including 26 RONA stores in the province of Quebec.

Furthermore, we are seeing a growing number of retail space available for rent in shopping centers across Quebec. The high cost of rental space and the growing competition of online retailers who have no brick and mortar in Quebec has resulted in the closure of many retailers. In addition, the increase of the cost of living paired with the slow growth of salaries as well as the high level of Quebecers who are indebted are all factors which explain the slight increase in consumer spending.

From the beginning January to mid-March 2020, retail sales increased by 0.3% which were primarily boosted by car sales and related car parts. Excluding car sales and car parts, the increase in retail sales would have been 0.2%. According to the Agency, for the first time since October 2018, retail sales have recorded a 3-month consecutive positive growth rate. The Company's revenues increase by approximately 1.7% during this same period.

On March 11th, 2020, the World Health Organization declared COVID-19 a global pandemic. The financial impact of COVID-19 began to manifest itself by a decrease in store traffic and consequently store revenues in the early weeks of March 2020. Following the rapid rise of COVID-19 cases in the province of Quebec, our priority during this difficult period remains at all times the health and safety of our employees and clients. In order to protect the Quebec population and to prevent the spread of COVID-19 by encouraging social distancing initiatives recommended by both levels of government, the Company decided on March 18th, 2020, to temporarily close its retail sales network, namely our Ameublements Tanguay banner in the Quebec City area and the Brault & Martineau and EconoMax banners in the Montreal area. On March 23rd, 2020, the Quebec government announced, for the same reason, the closure of all non-essential retail stores across the province.

In order to address the devastating effects of COVID-19 and to assure its short and long-term financial health, the Company decided to maintain its operations at a strict minimum level while preserving its presence in our market and controlling its working capital position. The following actions were undertaken by the Company during these last weeks in order to support its operating and working capital objectives:

- Following the closure of our retail sales network on March 18th, 2020, the Company temporarily laid off approximately 75% of its personnel, the vast majority stemming from our retail stores.
- Our online and delivery services remained operational across Quebec to ensure the population in confinement the ability to rely on essential goods while respecting government-mandated security protocols. We modified our services to offer contactless home delivery.
- During this period, the Company introduced several measures and protocols in preparation for the reopening of our stores across our sales network to ensure and protect the health and security of our employees and our clients. These new measures and protocols will be in effect until the end of the COVID-19 pandemic.
- The Company has also made technological and operational improvements to its sales network. These modifications will allow us to reduce our fixed costs and will contribute to our initiatives of effective cost controls.
- The Company applied for the Canada Emergency Wage Subsidy given the 30% or more decrease in revenues during the prescribed period.

During the closure of our retail stores, from March 19th to May 3rd, 2020, online sales increase significantly. Despite this significant increase, the online sales only partially compensated for in-store sales for the 2019 corresponding period.

On May 4th, 2020, the Quebec government authorized the reopening of non-essential businesses situated outside of the Greater Montreal Area. The Ameublements Tanguay banner was able to reopen all retail locations, except for one. The EconoMax banner was able to reopen the Drummondville, Joliette and Granby stores, while the Brault & Martineau banner reopened the Sherbrooke and Gatineau stores. As at May 4th, 2020, the Company had 16 of 32 stores operational. In the days following the reopening on May 4th, in-store sales increased between 45% and 65% compared to the same period in 2019. This increase, however, has slowed down in recent weeks to stabilize to comparable results to the 2019 period. In addition, online sales continued to increase significantly during this period compared to the corresponding period of 2019.

On May 25th, 2020, the Quebec government authorized the reopening of non-essential businesses situated in the Greater Montreal Area. This allowed the Company to reopen a total of 31 of 32 stores across the province of Quebec. Finally on June 1st, 2020 the Quebec government authorized the reopening of commercial centers, therefore Ameublements Tanguay was able to reopen its 11th store. As at June 1st, 2020, all of the 32 stores were fully operational. In-store sales in the Greater Montreal Area increased by 83% in the days following their reopening on May 25th, 2020. However, the in-store sales has slowed down in recent weeks to stabilize to comparable results to the 2019 period. During the month of May 2020, the Company's online sales continued to grow despite the gradual reopening of its stores.

The rehiring of temporarily laid-off employees is in progress and proceeding as the situation evolves. The Company has actively worked to promote a call-back of its employees as soon as possible and according to operational needs.

Cost associated with the COVID-19, the new measures the Company had to implement in its stores and distribution centers and the effects of the closures and re-openings of our stores will have a significant impact on the Company's financial results in the first and second quarter of 2021.

As at January 31st, 2020, cash and investments had a market value of \$123,985,000. The Company's financial position will allow it to weather through this period of uncertainty with more ease. Also, the Company owns nearly all of its stores and distribution centers, which reduces pressure on cash flow requirements.

Management is confident that the Company's operational efficiency during this crisis, its market leadership and solid financial position will allow us to emerge a stronger organization even in these difficult market conditions.

We would like to take this opportunity to thank all our fellow citizens who are relentlessly working day and night with extreme dedication to reduce spread of COVID-19 and who to caring for those who have been infected. Our thoughts are also with all those who have in any way been affected by the virus.

Disclosure controls and procedures (DCPs) and internal controls over financial reporting (ICRF)

The Company's management evaluated, as at January 31, 2020, the effectiveness of the design and operation of its DCPs and ICFR, as defined under National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings. The evaluation was performed under the supervision of the Company's President and Chief Executive Officer (CEO) as well as the Chief Financial Officer (CFO). Based on such evaluation of ICFR, the President and CEO and CFO have concluded that the Company's DCPs and ICFR were effective as at January 31, 2020.

No changes were made in the Company's ICFR during the period beginning on November 1, 2019 and ended January 31, 2020, which have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Other information

This Annual Management Report for the year ended January 31, 2020 provides an analysis of the consolidated results of operations, financial position, and cash flows of the Company and its subsidiary.

Additional information relating to the Company is available on the Company's website at www.bmtc.ca as well as on SEDAR at www.sedar.com.

This Annual Management Report is intended to assist in the understanding and assessment of significant changes and trends, as well as risks and uncertainties, related to the results of operations and financial position of the Company.

(s) Marie-Berthe Des Groseillers

Marie-Berthe Des Groseillers
President and Chief Executive Officer
June 8th, 2020



Independent auditor's report

To the Shareholders of
BMTC Group Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of BMTC Group Inc. and its subsidiary (together, the Company) as at January 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of earnings and other comprehensive income for the years ended January 31, 2020 and 2019;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of financial position as at January 31, 2020 and 2019; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502

"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

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

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 independent auditor's report is Sonia Boisvert.

/s/PricewaterhouseCoopers LLP¹

Montréal, Quebec
June 8, 2020

¹FCPA auditor, FCA, public accountancy permit No. A116853

BMTC Group Inc.**Consolidated Statements of Earnings and Other Comprehensive Income****For the years ended January 31, 2020 and 2019**

(in thousands of Canadian dollars, except per share data)

	Notes	January 31, 2020	January 31, 2019
		\$	\$
Revenue		720 169	742 474
Cost of sales		(433 594)	(444 033)
Gross profit		286 575	298 441
Other income		268	328
Selling expenses		(203 866)	(198 791)
Administrative expenses		(43 481)	(46 419)
Operating (loss) earnings		39 496	53 559
Gains (losses) on disposals of property, plant and equipment	8	997	5 799
Realized and unrealized change in fair value of financial assets, at fair value	17	4 359	(529)
Investment income	4	2 872	2 193
Earnings (loss) before income tax expense		47 724	61 022
Income tax expense	5	(11 690)	(15 857)
Net earnings		36 034	45 165
Other comprehensive income (loss)			
Items that will not be reclassified to earnings			
Remeasurements of net asset (liability) for defined pension plans	14	(66 449)	18 861
Income tax recovery (expense)	4	17 635	(5 010)
Other comprehensive income (loss), net of tax		(48 814)	13 851
Total comprehensive income (loss)		(12 780)	59 016
Net earnings per share	18		
Basic		1.05	1.29
Diluted		1.05	1.29

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

BMTC Group Inc.**Consolidated Statements of Changes in Shareholders' Equity****For the years ended January 31, 2020 and 2019**

(in thousands of Canadian dollars)

	Notes	Capital stock	Retained earnings	Total shareholders' equity
		\$	\$	\$
Balance as at February 1, 2019		<u>2 732</u>	<u>242 010</u>	<u>244 742</u>
Share redemption	12	(35)	-	(35)
Share redemption premium	12	-	(5 719)	(5 719)
Dividends	18	-	(9 584)	(9 584)
Transactions with shareholders		<u>(35)</u>	<u>(15 303)</u>	<u>(15 338)</u>
Net earnings		-	36 034	36 034
Other comprehensive income (loss)		-	<u>(48 814)</u>	<u>(48 814)</u>
Comprehensive income (loss)		-	<u>(12 780)</u>	<u>(12 780)</u>
Balance as at January 31, 2020	12	<u>2 697</u>	<u>213 927</u>	<u>216 624</u>

	Notes	Capital stock	Retained earnings	Total shareholders' equity
		\$	\$	\$
Balance as at February 1, 2018		<u>2 774</u>	<u>201 602</u>	<u>204 376</u>
Share redemption	12	(42)	-	(42)
Share redemption premium	12	-	(8 862)	(8 862)
Dividends	18	-	(9 746)	(9 746)
Transactions with shareholders		<u>(42)</u>	<u>(18 608)</u>	<u>(18 650)</u>
Net earnings		-	45 165	45 165
Other comprehensive income (loss)		-	13 851	13 851
Comprehensive income (loss)		-	<u>59 016</u>	<u>59 016</u>
Balance as at January 31, 2019	12	<u><u>2 732</u></u>	<u><u>242 010</u></u>	<u><u>244 742</u></u>

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

BMTC Group Inc.
Consolidated Statements of Cash Flows
For the years ended January 31, 2020 and 2019
(in thousands of Canadian dollars)

	Notes	January 31, 2020	January 31, 2019
		\$	\$
OPERATING ACTIVITIES			
Earnings before income tax expense		47 724	61 022
Adjustments	6	3 692	(3 681)
Net changes in working capital	6	7 566	(8 143)
Income taxes paid		(9 386)	(20 051)
Cash flow from operating activities		49 596	29 147
INVESTING ACTIVITIES			
Acquisition of other financial assets		(113 587)	(37 368)
Proceeds from disposal of other financial assets		96 186	14 956
Purchase of property, plant and equipment	8	(19 526)	(5 501)
Proceeds from disposal of property, plant and equipment		257	9 280
Interest received		502	608
Dividends received		2 370	1 585
Cash flow from investing activities		(33 798)	(16 440)
FINANCING ACTIVITIES			
Payments for share redemption		(5 754)	(8 904)
Interest paid		(797)	-
Payment of lease liabilities		(4 104)	-
Dividends		(9 584)	(9 746)
Cash flow from financing activities		(20 239)	(18 650)
Net change in cash			
Cash (bank overdraft), beginning of year		(4 441)	(5 943)
Cash (bank overdraft), end of year		(3 071)	2 872
		(7 512)	(3 071)

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

BMTC Group Inc.

Consolidated Statements of Financial Position

As at January 31, 2020 and 2019

(in thousands of Canadian dollars, except per share data)

	Notes	January 31, 2020	January 31, 2019
		\$	\$
ASSETS			
Current			
Cash		-	12 601
Trade and other receivables		4 328	5 546
Current tax assets		745	2 853
Inventory		83 235	90 710
Prepaid expenses		1 422	3 881
Total current assets		89 730	115 591
Non-current			
Other financial assets	7	131 497	109 859
Property, plant and equipment	3-8	148 372	115 688
Defined benefit plan	14	-	26 486
Deferred tax assets	5	12 441	-
Total non-current assets		292 310	252 033
Total assets		382 040	367 624
LIABILITIES			
Current			
Bank overdraft	11	7 512	15 672
Trade and other payables	13	97 739	101 910
Lease liability	3-9	3 946	-
Share-based payment liability	12	-	118
Total current liabilities		109 197	117 700
Non-current			
Defined benefit plan	14	41 124	-
Lease incentive		-	184
Lease liability	3-9	15 095	-
Deferred tax liabilities	5	-	4 998
Total non-current liabilities		56 219	5 182
Total liabilities		165 416	122 882
SHAREHOLDERS' EQUITY			
Capital stock	12	2 697	2 732
Retained earnings		213 927	242 010
Total shareholders' equity		216 624	244 742
Total liabilities and shareholders' equity		382 040	367 624

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

The consolidated financial statements for the year ended January 31, 2020 (including comparatives) were approved and authorized for publication by the Board of Directors on June 8th, 2020,

On behalf of the Board,

(s) Yves Des Groseillers

Director

(s) Marie-Berthe Des Groseillers

Director

BMTC Group Inc.

Notes to the Consolidated Financial Statements

For the years ended January 31, 2020 and 2019

(in thousands of Canadian dollars, except per share data)

1. GOVERNING STATUTES AND NATURE OF OPERATIONS

BMTC Group Inc. (hereinafter "Company") is a company governed the Business Companies Act (Quebec). Its registered office and principal place of business is located at 8500 Place Marien, Montréal East, Quebec, H1B 5W8. Its common shares are listed on the Toronto Stock Exchange. The Company, through its subsidiary Ameublements Tanguay Inc. and its two divisions Brault & Martineau and EconoMax (collectively designated as the "Company"), manages and operates a retail network of furniture, household appliances and electronic products, in Quebec.

2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and the liability relating to share-based payments, which are established at fair value, and post-employment benefit assets or liabilities, which are measured at the present value of the defined benefit obligation less the fair value of plan assets, less an adjustment to reflect the application of the asset limit, as needed.

3. SUMMARY OF ACCOUNTING POLICIES

The accounting policies specified below have been applied consistently throughout all periods presented in the consolidated financial statements, with the exception of IFRS 16 - Leases, which was adopted on February 1, 2019.

3.1 Changes in accounting policies

IFRS 16 - Leases

IASB published IFRS 16 which replaced IAS 17 *Leases*, IFRIC4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

As at February 1, 2019, BMTC applied the new IFRS 16 standard, retrospectively, without restating the comparative information, as permitted by the standard.

The Company recorded a lease liability, for leases previously classified as operating lease in accordance with IAS 17, to the present value of the lease payments payable immediately prior to the implementation date, at the Company's incremental borrowing rate of 4.2%. Right-of-use assets corresponds to the lease liability valued, adjusted for the derognition of a lease-incentives and the net investment relating to a sublease.

IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all lease with exemptions permitted for short-term leases and leases of low-value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

For the years ended January 31, 2020 and 2019

(in thousands of Canadian dollars, except per share data)

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

A right-of-use asset and a lease liability are recognized on the date an underlying asset is available for use. Lease payments are allocated between liabilities and interest charges. The right-of-use-assets are classified with the other underlying assets and amortized over the shorter period between the useful life of the asset and the lease term.

Summary of the impact of the adoption of IFRS 16 on the consolidated statement of financial position as at February 1, 2019

	Balance as at January 31, 2019	IFRS 16 Adjustment	February 1, 2019 Adjusted Balance
	\$	\$	\$
Property, plant and equipment (including right-of-use asset)	115 688	20 656	136 344
Trade and other receivables	5 546	432	5 978
Lease liability, short-term	-	4 102	4 102
Lease incentive	184	(184)	-
Lease liability, long-term	-	17 170	17 170

Reconciliation of the lease liabilities as at February 1, 2019

	Balance as at February 1, 2019
	\$
Operating lease commitments as at January 31, 2019	34 060
Less: adjustment for payments of variable costs relating to taxes and maintenance costs	(10 711)
	23 349
Company's incremental borrowing rate as at February 1, 2019	4,2%
Discounted operating lease liability as at February 1, 2019	21 272
Of which are	
Current lease liabilities	4 102
Non-current lease liabilities	17 170
	21 272

3.2 Basis of consolidation

The consolidated financial statements include the accounts of the Company, the ultimate and those of the wholly owned subsidiary Ameublements Tanguay Inc. The accounting policies of the parent company and the subsidiary are consistent with those adopted by the Company.

Asset and liability balances and revenues and expenses from transactions between group companies, including unrealized gains and losses on transactions between consolidated entities, are eliminated in preparing the consolidated financial statements.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

For the years ended January 31, 2020 and 2019

(in thousands of Canadian dollars, except per share data)

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.3 Foreign currency translation

The consolidated statement of financial position is presented in Canadian dollars, which is also the functional currency of the Company.

Foreign currency transactions are translated into the Company's functional currency, using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities are translated into the functional currency using the exchange rates in effect at the reporting date. Other foreign currency non-monetary financial assets that are measured at fair value are translated into the functional currency using the exchange rate in effect on the date of determination of fair value. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at the reporting date are recognized in earnings.

The realized and unrealized appreciation of other financial assets classified at fair value through profit or loss recognized directly in profit or loss includes the related exchange component.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction.

3.4 Segment reporting

In accordance with IFRS 8, *Operating Segments*, the Company presents and discloses information that is regularly reviewed by the President and the Board of Directors in assessing performance. The Company considers its retail activities as a single operating segment.

3.5 Revenue recognition

Revenue from merchandise sales is measured at the amount of the consideration for which the Company expects to receive in exchange for the merchandise and is presented in earnings net of estimated returns and rebates, and excluding sales taxes. Revenue is recognized when the control of the goods has been transferred to the customer, i.e. upon delivery. Comparative data relating to revenue have been restated following a change in presentation to better reflect the nature of the operations.

Revenue from extended service contracts is recognized at the time of the sale at the net amount of costs incurred by the Company with the service suppliers, who will provide the services required by the Company's customers.

Investment income is recognized using the accrual basis of accounting, as follows:

- Interest is recognized based on the number of days the investment was held during the year and is calculated using the effective interest method;
- Dividends on listed share investments are recognized when the right to receive the payment is established.

3.6 Income taxes

Income tax expense comprises the sum of deferred tax and current tax. Income tax is recognized in earnings except to the extent it relates to items recognized in other comprehensive income or directly in shareholders' equity.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

For the years ended January 31, 2020 and 2019

(in thousands of Canadian dollars, except per share data)

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

Current income tax assets or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable income, which differs from earnings in the consolidated financial statements. The calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or of an asset or liability unless the related transaction is a business combination or affects tax or accounting income.

Deferred tax assets and liabilities are calculated, without discounting, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities levied by the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense, except where they relate to items that are recognized in other comprehensive income or directly in shareholders' equity, in which case the related deferred tax is also recognized in other comprehensive income or shareholders' equity, respectively.

3.7 Inventory

Inventory, which is composed almost exclusively of finished goods for retail sale, is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The net realizable value is estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3.8 Vendor rebates

Cash considerations received from vendors are a reduction of the price of the vendors' products and are accounted for as a reduction of cost of sales and related inventory, respectively, in the Company's consolidated statement of earnings and comprehensive income and consolidated statements of financial position.

Rebates are recognized when they are considered probable and can be reasonably estimated.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

For the years ended January 31, 2020 and 2019

(in thousands of Canadian dollars, except per share data)

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.9 Property, plant and equipment

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and any accumulated impairment losses. Items of property, plant and equipment with different useful lives are depreciated separately. Depreciation commences when an item of property, plant and equipment is available for use using the straight-line method over the following periods, in order to depreciate its cost less the residual value over its estimated useful life.

	<u>Periods</u>
Land	Not depreciated
Parking lots	20 years
Buildings	2 to 50 years
Signs	5 years
Leasehold improvements	2 to 5 years
Automotive equipment	7 to 15 years
Computer equipment and software	2 to 5 years
Furniture and equipment	5 years
Leased property	1 to 10 years
Leased automotive equipment	5 years

The depreciation method, useful lives and residual values are reviewed annually.

3.10 Leases, lease liability and right-of-use asset

The company records a right-of-use asset and a lease liability on the date when a leased asset becomes available.

Right-of-use asset is equal to the cost of the initial lease liability, rent payments paid on or before the commencement date, initial direct costs incurred and restoration costs, less any incentive received. The Company includes its right-of-use assets with its property, plant and equipment in Note 8.

The lease liability corresponds to the present value of lease payments discounted at the implicit interest rate in the lease or the Company incremental borrowing rate. The Company's incremental borrowing rate is based on its credit rating, allowing it to obtain an asset of a similar value with similar security.

The Company has elected to apply the exemption provision relating to short-term leases and leases of low-value, and associated costs, such as maintenance and insurance, are expensed as incurred.

For the year ended January 31, 2019, the company was applying IAS17 *Leases*, consequently leases in which substantially all of the risks and rewards of ownership of the leased property are retained by the lessor are treated as operating leases. Payments in respect of operating lease agreements are recognized as an expense on a straight-line basis over the lease term.

3.11 Lease incentive

A lease incentive received from a lessor to pay for leasehold improvements is recognized, and associated costs, such as maintenance and insurance, are expensed as incurred they are amortized over the lease term and applied against the related rental expense with the unamortized balance being presented in non-current liabilities until January 31, 2019, date of implementation of IFRS 16.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

For the years ended January 31, 2020 and 2019

(in thousands of Canadian dollars, except per share data)

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.12 Impairment of property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating-unit level.

Individual assets or assets combined into cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use.

3.13 Shareholders' equity

Capital stock is the amount received on issuance and is presented net of the initial share issue income on redeemed shares.

Retained earnings include all current and prior period retained profits, net of share redemption premiums, dividends paid and the costs of share issuances.

Dividends payable to shareholders are included in other payables when they have been declared before the reporting date.

3.14 Share-based remuneration

The Company has a share-based remuneration plan for certain directors and officers. According to the plan, an option holder can choose, at any time at the holder's sole discretion, to receive, from the Company, a cash payment equal to the number of shares for which the option is exercised, multiplied by the amount for which the market value of the share exceeds the exercise price, or to subscribe to a number of shares for which the option is exercised. The rights relating to the options are vested at the date of grant, and their maximum life is 10 years.

At the time of the award, these options are compound financial instruments; accordingly, the fair value is the total fair values of the debt and equity components. The Company first measures the fair value of the debt component and then the fair value of the equity component.

The Company recognizes the debt component, i.e. the stock appreciation rights, at fair value, determined using the Black-Scholes model, and the fair value is measured on each reporting date. A corresponding remuneration cost is recognized in net earnings under administrative expenses.

At the time of the award, the fair value of the equity component is measured at zero. Accordingly, the fair value of the compound financial instrument is the same as the fair value of the debt component.

At the date of settlement, the Company must remeasure the liability to its fair value. If the Company issues equity instruments on settlement rather than paying cash, the liability is transferred directly to equity, as consideration for the equity instruments issued. If, on settlement, the Company pays in cash rather than by issuing equity instruments, that payment is applied to settle the liability in full.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

For the years ended January 31, 2020 and 2019

(in thousands of Canadian dollars, except per share data)

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.15 Post-employment benefits

The Company provides post-employment benefits through defined benefit pension plans as well as defined contribution pension plans.

Contributions to the defined contribution plans are recognized as an expense in the period that relevant employee services are rendered.

The Company accrues its obligations under its defined benefit pension plans and the related costs, net of plan assets, as the services are rendered. The Company has adopted the following accounting policies:

- The Company's defined benefit plan obligations are measured individually, estimating the amount of future benefits earned by employees for services provided in the current and prior periods. The actuarial valuation of defined benefit obligations uses the projected unit credit method. This determination incorporates management's best estimate of future salary levels, retirement ages of employees, mortality rates and other actuarial assumptions.
- The discount rate for defined benefit obligations is determined by reference to the market yield, at year-end, on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.
- Remeasurements, which include actuarial gains and losses on benefit obligations, the return on plan assets in excess of interest income, the effect of the asset ceiling, and the impact of minimum funding requirements, are recognized in other comprehensive income and retained earnings immediately without any reclassification to net earnings.
- The defined benefit plan amount presented in the consolidated statement of financial position is the difference between the present value of the defined benefit plan obligations and the fair value of the plan assets at the reporting date. The economic benefit available is calculated as the difference between the present value of the accounting value of the current service cost of the employer and the current services cost of the employer on a funded basis. This value cannot, however, be negative. When there is a defined benefit plan asset, the amount of the asset recognized cannot be greater than the present value of any future economic benefit available as a future plan reimbursement or decrease in future plan contributions. Any minimum funding requirements applicable to the Company's plans are taken into account to calculate the present value of economic benefits.
- An additional liability is recognized in the amount of the minimum funding requirement for defined benefit plans when the Company does not have an unconditional right to the surplus.

3.16 Provisions and contingent liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and when amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

For the years ended January 31, 2020 and 2019

(in thousands of Canadian dollars, except per share data)

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.16 Provisions and contingent liabilities (Continued)

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

All provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

Likely inflows of economic benefits to the Company that do not yet meet the recognition requirements criteria of assets are considered as contingent assets.

3.17 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

For the purpose of subsequent measurement, financial assets of the Company are classified into the following categories upon initial recognition:

- Amortized cost;
- Financial assets at fair value through profit or loss.

The following table summarizes the financial instrument classification and valuation methods.

Item	Classification method
Cash	Amortized cost
Trade and other receivables*	Amortized cost
Other financial assets	Fair value through profit or loss
Bank overdraft	Amortized cost
Trade and other payables*	Amortized cost

* Excluding taxes receivable and payable and employee benefits, which are not financial instruments.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

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3. SUMMARY OF ACCOUNTING POLICIES (Continued)

The category determines subsequent measurement and whether any resulting income and expense is recognized in net earnings or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are tested for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

All income and expenses relating to financial assets that are recognized in net earnings are presented within realized and unrealized gains on financial assets at fair value or finance income, except for any impairment of trade and other receivables which is presented within administrative expenses.

Financial assets at amortized cost

A financial asset must be measured at amortized cost if the two following conditions are met: the financial asset is held within a business model whose objective is to hold financial 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 interest on the principal amount outstanding.

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost. The amount of expected credit losses is updated on each reporting date to take into account changes in credit risk since the initial recognition of the respective financial instrument.

The Company recognizes lifetime expected credit losses on the financial assets measured at amortized cost. Lifetime expected credit losses correspond to expected credit losses that result from all possible default events over the expected life of a financial instrument. The measurement of expected credit losses reflects reasonable and supportable information on past events, current conditions and forecasts of events and economic conditions and takes into account factors specific to receivables, general economic conditions and an assessment of the current and forecast direction of the conditions at the reporting date, including the time value of money, as applicable.

Financial assets at fair value through profit or loss

Investments presented as other financial assets have been classified at fair value through profit or loss because they are part of a portfolio included in management reports and are measured at fair value by management. Consequently, realized and unrealized gains and losses on these assets are recognized through profit or loss. Transaction costs related to held-for-trading financial assets are expensed as incurred.

Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method.

3.18 Judgment, estimates and assumptions

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below.

BMTC Group Inc.

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3. SUMMARY OF ACCOUNTING POLICIES (Continued)

Inventory valuation

The Company uses a high degree of judgment when estimating the effect of certain factors on the net realizable value of inventory, such as obsolescence and damages. The quantity, age and condition of inventory is measured and evaluated regularly during the period.

Estimated returns and vendor rebates

In determining the probability and estimation of returns and vendor rebates receivable, the Company uses actual purchases during the period, the degree of achievement of sales forecasts and contractual terms and conditions.

Useful lives of property, plant and equipment

Management reviews the useful lives of property, plant and equipment at each reporting date based on the expected utility of the assets. Actual results may, however, vary due to technical obsolescence, particularly for software and IT equipment.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available, that is for banker's acceptances and discount notes.

The carrying amounts of these instruments and a price sensitivity analysis of other financial instruments are presented in Note 17. In applying the valuation techniques, management makes maximum use of observable data, and uses estimates and assumptions that are, as far as possible, consistent with data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses the best information available. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Share-based payment liability

To estimate the share-based payment liability and expense, an appropriate valuation model must be selected and the necessary data for the valuation model must be obtained. The Company has used the Black-Scholes valuation model to estimate the volatility of its shares, their estimated useful life and the exercise period of the stock options awarded. Refer to Note 12 for details on the carrying amount and other information on the stock-based payment liability.

Provisions and contingent liabilities

Judgment is required to determine whether a past event has led to a liability that should be recognized in the consolidated financial statements or presented as a contingent liability. Judgment and estimates are applied to quantify such liabilities and are based on a variety of factors, such as the nature of the claim or conflict, legal proceedings, the potential amount payable, the advice of legal counsel, prior experience and the likelihood of a loss. Refer to Note 15 for details on the carrying amount and other information on provisions and contingent liabilities.

BMTC Group Inc.**Notes to the Consolidated Financial Statements****For the years ended January 31, 2020 and 2019**

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3. SUMMARY OF ACCOUNTING POLICIES (Continued)**Defined benefit pension plan cost and obligations**

Management estimates the defined benefit obligations annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The defined benefit obligations estimate is based on standard rates of inflation, mortality rates and the Company's specific anticipation of future salary increases. Estimation uncertainties exist particularly with regard to the assumptions, which may vary significantly in future valuations of the Company's defined benefit obligations.

**4. ADDITIONAL INFORMATION ON CONSOLIDATED STATEMENTS OF EARNINGS
AND OTHER COMPREHENSIVE INCOME**

	January 31, 2020	January 31, 2019
Employee benefits expense	\$	\$
Salaries	119 755	123 616
Defined benefit pension plan expense (Note 14)	6 133	9 134
Defined contribution pension plan expense (Note 14)	1 467	1 451
Share-based payment expense (recovery) (Note 12)	(118)	(309)
Total employee benefits expense	<u>127 237</u>	<u>133 892</u>

	January 31, 2020	January 31, 2019
Other elements of revenues and expenses	\$	\$
Depreciation of property, plant and equipment	9 958	5 025
Losses (gains) on disposals of financial assets	(122)	-

	January 31, 2020	January 31, 2019
Investment income	\$	\$
On financial assets at fair value through profit or loss		
Interest	9	3
Dividends	2 370	1 585
On financial assets classified at amortized cost		
Interest	493	605
	<u>2 872</u>	<u>2 193</u>

BMTC Group Inc.

Notes to the Consolidated Financial Statements

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5. INCOME TAXES

The income tax expense is detailed as follows:

	January 31, 2020	January 31, 2019
	\$	\$
Total current tax expense (recovery) for the period	11 185	14 803
Total deferred tax expense (recovery)*	505	1 054
	11 690	15 857

* In 2020 and 2019, the deferred tax liability includes only the impact of changes in temporary differences.

The Company's effective income tax rate differs from the combined statutory income tax rate. This difference arises from the following items:

	January 31, 2020	January 31, 2019
	\$	\$
Income tax expense (recovery) for the period based on combined tax rate (federal and provincial) (of 26.59% in 2020 and 26.69% in 2019)	12 690	16 287
Non-taxable dividends	(394)	(364)
Non-taxable capital gains	(552)	(232)
Non-deductible expenses	123	160
Other	(177)	6
	11 690	15 857

The income tax recovery (expense) related to other comprehensive income is as follows:

	January 31, 2020	January 31, 2019
	\$	\$
Current tax recovery (expense)	(309)	229
Deferred tax recovery (expense)*	17 944	(5 239)
	17 635	(5 010)

* In 2020 and 2019, the deferred tax liability includes only the impact of changes in temporary differences.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

For the years ended January 31, 2020 and 2019

(in thousands of Canadian dollars, except per share data)

5. INCOME TAXES (Continued)

	Balance as at February 1, 2019	Recognized in earnings	Recognized in other comprehensive income	Balance as at January 31, 2020
	\$	\$	\$	\$
Recognized amounts				
Net unrealized gain (loss) on other financial assets	171	(561)	-	(390)
Liability (asset) defined benefit plans	(6 974)	(13)	17 944	10 957
Liability relating to share-based payments	31	(31)	-	-
Property, plant and equipment	1 774	100	-	1 874
	<u>(4 998)</u>	<u>(505)</u>	<u>17 944</u>	<u>12 441</u>

	Balance as at February 1, 2018	Recognized in earnings	Recognized in other comprehensive income	Balance as at January 31, 2019
	\$	\$	\$	\$
Recognized amounts				
Net unrealized gain (loss) on other financial assets	101	70	-	171
Asset defined benefit plans	(1 715)	(20)	(5 239)	(6 974)
Liability relating to share-based payments	114	(83)	-	31
Property, plant and equipment	2 795	(1 021)	-	1 774
	<u>1 295</u>	<u>(1 054)</u>	<u>(5 239)</u>	<u>(4 998)</u>

6. CASH FLOW ADJUSTMENTS AND CHANGES IN WORKING CAPITAL

Adjustments are detailed as follows:

	January 31, 2020	January 31, 2019
	\$	\$
Depreciation of property, plant and equipment	9 958	5 025
Excess (deficit) of contributions over defined benefit plan expense	1 161	(858)
Investment income	(2 872)	(2 193)
Unrealized depreciation (appreciation) of financial assets at fair value	(4 237)	529
Amortization of lease incentive	-	(76)
Losses (gains) on disposal of non-financial assets	(997)	(5 799)
Interest on lease liability	797	-
Difference between share-based payments and cash consideration paid	<u>(118)</u>	<u>(309)</u>
	<u>3 692</u>	<u>(3 681)</u>

BMTC Group Inc.**Notes to the Consolidated Financial Statements****For the years ended January 31, 2020 and 2019**

(in thousands of Canadian dollars, except per share data)

6. CASH FLOW ADJUSTMENTS AND CHANGES IN WORKING CAPITAL (Continued)

The net change in working capital is detailed as follows:

	January 31, 2020	January 31, 2019
	\$	\$
Trade and other receivables	1 650	(1 374)
Inventory	7 475	(1 976)
Prepaid expenses	2 459	(57)
Trade and other payables excluding accrued charges of construction in progress	(4 018)	(4 736)
	<u>7 566</u>	<u>(8 143)</u>

As at February 1, 2019, when IFRS 16 was implemented, a net investment of \$432 related to a sublease was recorded in other receivables.

7. OTHER FINANCIAL ASSETS

	January 31, 2020	
	Fair value	Cost
	\$	\$
At fair value through profit or loss		
Banker's acceptances and discounted notes, between 1.30% and 1.35%, maturing no later than 2020	9	9
Government and corporate bonds	64 949	64 235
Preferred shares	5 160	5 049
Shares of Canadian companies	25 996	24 344
Shares of U.S. companies	35 383	34 152
Total at fair value through profit or loss	<u>131 497</u>	<u>127 789</u>
Total other financial assets	<u>131 497</u>	<u>127 789</u>

	January 31, 2019	
	Fair value	Cost
	\$	\$
At fair value through profit or loss		
Banker's acceptances and discounted notes, between 1.40% and 1.95%, maturing no later than 2019	85 972	85 972
Government and corporate bonds	-	-
Preferred shares	-	-
Shares of Canadian companies	10 468	10 283
Shares of U.S. companies	13 419	14 133
Total at fair value through profit or loss	<u>109 859</u>	<u>110 388</u>
Total other financial assets	<u>109 859</u>	<u>110 388</u>

BMTC Group Inc.
Notes to the Consolidated Financial Statements
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8. PROPERTY, PLANT AND EQUIPMENT

	Land	Parking lots and buildings	Signs	Leasehold improvements	Automotive equipment	Computer equipment	Furniture and equipment	Leased property (1)	Leased automotive equipment (1)	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross carrying amount										
Balance as at February 1, 2019	51 989	129 570	416	9 777	3 362	8 039	6 311	19 338	1 318	230 120
Additions	8 170	14 681	41	229	160	521	266	1 873	-	25 941
Disposals	(2 637)	(5 012)	-	(287)	(86)	(251)	(74)	-	-	(8 347)
Balance as at January 31, 2020	57 522	139 239	457	9 719	3 436	8 309	6 503	21 211	1 318	247 714
Depreciation and impairment										
Balance as at February 1, 2019	-	69 190	380	9 777	2 267	7 147	5 015	-	-	93 776
Disposals	-	(3 749)	-	(286)	(77)	(251)	(29)	-	-	(4 392)
Depreciation	-	4 301	30	46	252	667	372	3 989	301	9 958
Balance as at January 31, 2020	-	69 742	410	9 537	2 442	7 563	5 358	3 989	301	99 342
Carrying amount as at January 31, 2020	57 522	69 497	47	182	994	746	1 145	17 222	1 017	148 372
Gross carrying amount										
Balance as at February 1, 2018	54 163	127 998	416	9 777	3 556	7 954	5 797	-	-	209 661
Additions	-	6 362	-	-	170	145	588	-	-	7 265
Disposals	(2 174)	(4 790)	-	-	(364)	(60)	(74)	-	-	(7 462)
Balance as at January 31, 2019	51 989	129 570	416	9 777	3 362	8 039	6 311	-	-	209 464
Balance as at February 1, 2018	-	69 011	346	9 744	2 343	6 622	4 666	-	-	92 732
Disposals	-	(3 527)	-	-	(326)	(60)	(68)	-	-	(3 981)
Depreciation	-	3 706	34	33	250	585	417	-	-	5 025
Balance as at January 31, 2019	-	69 190	380	9 777	2 267	7 147	5 015	-	-	93 776
Carrying amount as at January 31, 2019	51 989	60 380	36	-	1 095	892	1 296	-	-	115 688

Carrying amount as at January 31, 2020 includes unamortized assets under construction of \$5,150 of which, an amount of \$1,611 is included in accrued expenses and, for which the Company has entered, as of January 31, 2020, into commitments of \$21,733. During the year ended January 31, 2020, the Company disposed of property, plant and equipment assets for an amount of \$4,915, including \$4,695 from an exchange of land measured at fair value, which resulted in a gain of \$997.

Carrying amount as at January 31, 2019 includes unamortized assets under construction of \$6,214 of which, an amount of \$1,764 is included in the accrued expenses and, for which the Company has entered, as of January 31, 2019, into commitments of \$9,012. During the year ended January 31, 2019, the Company disposed of property, plant and equipment assets for an amount of \$9,280, resulting in a gain of \$5,799.

(1) Corresponds to the \$20,656 right-of-use assets recognized following the implementation of IFRS 16, refer to Note 3 for additional information.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

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9. LEASE LIABILITY

The Company is committed under long-term leases for stores, warehouses and leased automotive equipment, for which a lease liability is recorded. The reconciliation of the lease liability is detailed as follows:

	<u>January 31, 2020</u>
Opening balance	-
IFRS 16 implementation (1)	21 272
Additions	1 873
Interest	797
Payments	<u>(4 901)</u>
Closing balance	<u><u>19 041</u></u>

The principal payments to be made are detailed as follows:

	<u>Less than one year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
	\$	\$	\$	\$
January 31, 2020	3 946	12 396	2 699	19 041
January 31, 2019	-	-	-	-

The Company is committed under long-term leases, for which additional payments for taxes and maintenance, not taken into account in the lease liability obligation, are required. During the year ended January 31, 2020, a rental charge of \$1,938 was recognized in earnings.

(1) Refer to note 3 for more information on the implementation of IFRS 16.

10. LEASE COMMITMENTS

The Company, before the implementation of IFRS 16, classified its commitments under long-term leases as operating leases. For the year ended January 31, 2020 there were no low-value or short-term contracts recorded in earnings.

Future minimum payments under those lease commitments are allocated as follows:

	<u>Minimum lease payments</u>			
	<u>Less than one year</u>	<u>From 1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
	\$	\$	\$	\$
January 31, 2019	7 048	20 812	6 200	34 060

BMTC Group Inc.

Notes to the Consolidated Financial Statements

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11. BANK BORROWINGS

The Company has an unsecured line of credit in the amount of \$30,000 bearing interest at the prime rate, renewable on June 30, 2020. The company is subject to certain restrictive covenants, for the year ended January 31, 2020, the company was not in default.

12. CAPITAL STOCK

Authorized

Unlimited number of shares without par value

First preferred shares, issuable in series.

Second preferred shares, issuable in series.

	January 31, 2020	January 31, 2019
	\$	\$
Issued and fully paid		
34,088,000 common shares		
(34,540,000 as at January 31, 2019)	<u>2 697</u>	<u>2 732</u>
	January 31, 2020	January 31, 2019
Issued and fully paid		
Beginning of period	34 540 000	35 120 000
Share redemption	<u>(452 000)</u>	<u>(580 000)</u>
Issued and fully paid, end of period	34 088 000	34 540 000
Shares authorized for the share option plan	<u>5 710 864</u>	<u>5 710 864</u>
Total shares authorized	<u>39 798 864</u>	<u>40 250 864</u>

During the year ended January 31, 2020, the Company redeemed 452,000 common shares for a total cash consideration of \$5,754. The redemption premium of \$5,719 for the shares was recognized in retained earnings.

During the year ended January 31, 2019, the Company redeemed 580,000 common shares for a total cash consideration of \$8,904. The redemption premium of \$8,862 for the shares was recognized in retained earnings.

None of the parent's shares were held by any of the Company's subsidiaries.

Share option plan

The Company has a share option plan for certain directors and employees, which provides for the purchase of common shares under certain circumstances up to a maximum number of 10,729,106 issuable common shares. As at January 31, 2020, a total of 5,710,864 common shares (5,710,864 common shares as at January 31, 2019) remained authorized for issuance under the Company's share option plan.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

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12. CAPITAL STOCK (Continued)

To calculate its subsequent liability, management uses the Black-Scholes model at the end of the period, which, as at January 31, 2020, resulted in a decrease in the liability and related compensation expense of \$118 (a decrease of \$309 as at January 31, 2019).

The weighted average fair value of options granted and principal assumptions used in applying the Black-Scholes model were as follows.

	January 31, 2020	January 31, 2019
Weighted average of key assumptions		
Share price	10,12 \$	14,90 \$
Exercise price	17,85 \$	17,85 \$
Risk-free interest rate	1,64 %	1,89 %
Dividend rate	0,28 \$	0,28 \$
Volatility factor	24,00 %	24,00 %
Expected life (in months)	2	14
Number of options	197 100	197 100
Weighted average fair value of option	- \$	0,60 \$

The total value of outstanding options granted was nil as at January 31, 2020 (\$118 as at January 31, 2019).

The Black-Scholes model was designed to estimate the fair value of listed options on which the acquisition rights are not subject to any restriction. The model uses subjective assumptions, including expected share price volatility. Historical data on the company's shares for the past 10 years are taken into account when formulating the hypotheses.

The following tables summarize information about the Company's outstanding share options and changes that have occurred during the year ended January 31, 2020 and the year ended January 31, 2019:

	January 31, 2020		January 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	197 100	17,85	219 000	17,85
Cancelled	-		(21 900)	
Outstanding and exercisable, end of period	197 100	17,85	197 100	17,85

BMTC Group Inc.**Notes to the Consolidated Financial Statements**

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12. CAPITAL STOCK (Continued)**January 31, 2020**

<u>Exercise price</u>	<u>Number of options outstanding</u>	<u>Weighted average remaining contractual life</u>	<u>Weighted average exercise price</u>	<u>Number of options exercisable</u>	<u>Weighted average exercise price</u>
			\$		\$
\$17,85	<u>197 100</u>	2 months	17,85	<u>197 100</u>	\$17,85

January 31, 2019

<u>Exercise price</u>	<u>Number of options outstanding</u>	<u>Weighted average remaining contractual life</u>	<u>Weighted average exercise price</u>	<u>Number of options exercisable</u>	<u>Weighted average exercise price</u>
			\$		\$
\$17,85	<u>197 100</u>	14 months	17,85	<u>197 100</u>	17,85

13. TRADE AND OTHER PAYABLES

The following table analyzes trade and other payables recognized in the consolidated statements of financial position:

	January 31, 2020	January 31, 2019
	\$	\$
Trade accounts payable	26 803	31 520
Accrued expenses	12 002	14 360
Accrued expenses construction in progress	1 611	1 764
Employee benefits	15 928	15 772
Customer deposits	41 395	38 494
	<u>97 739</u>	<u>101 910</u>

BMTC Group Inc.

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14. POST-EMPLOYMENT BENEFITS

Description of benefit plans

The Company has two funded pension plans, which provide most of its employees retirement benefits. The supplemental pension plan (SPP) contains a defined benefit component and a defined contribution component, while the additional supplemental pension plan (APP) is a defined benefit plan. The benefits under the defined benefit component of the SPP are based on the indexed average career salary, whereas the APP is based on final average salary.

There are no other benefit plans available to employees.

Since the SPP is registered with Retraite Québec, the governance of the pension plan falls to the Pension Committee (the Committee). The Committee may delegate some of its functions and, or use of experts, as needed, such as actuaries, custodians and trustees. The SPP is also registered with the Canada Revenue Agency (CRA).

The investment of the pension fund of the defined benefit component of the SPP and the selection and monitoring of investment performance has been delegated to the Company under the leadership of the Investment Committee, which is a sub-committee of the Board of Directors of the Company. The Company has a responsibility to establish and review the investment policy of the pension plan, where applicable, and monitor on a regular basis the performance of investment managers. The responsibilities of the Company with respect to the defined contribution component is limited to the selection of investment options offered and the monitoring of the performance of investment managers, as investment decisions fall within the responsibility of the participants. The Company uses experienced professionals to assist it in performing its functions and reports its observations and actions to the Investment Committee.

The APP is only registered with the CRA. Governance of the APP falls to the Company. A refundable tax account is registered with the CRA for a portion of the assets of the plan. The other portion is invested, and the responsibilities of the Company in this regard are similar to those outlined above for the SPP.

Defined benefit pension plans

The most recent actuarial valuations of the pension plans for funding purposes were performed as at December 31, 2018 (SPP) and as at December 31, 2019 (APP). The next valuations will be performed as at December 31, 2021 (SPP) and as at December 31, 2020 (APP).

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14. POST-EMPLOYMENT BENEFITS (Continued)

Obligations for defined benefit pension plans

Accrued benefit obligations:

	<u>Jan. 31, 2020</u>	<u>Jan. 31, 2019</u>
	\$	\$
Balance, beginning of period	240 598	254 100
Current service costs	6 945	8 289
Employee contributions	1 292	1 394
Interest cost	9 277	9 197
Benefits paid	(8 180)	(9 415)
Cost of past services	-	944
Actuarial losses (gains)		
Losses (gains) due to changes in financial assumptions	73 887	(20 043)
Experience losses (gains)	4 945	(3 868)
Balance, end of period	<u>328 764</u>	<u>240 598</u>

Breakdown of accrued benefit obligations:

	<u>Jan. 31, 2020</u>	<u>Jan. 31, 2019</u>
	\$	\$
Active participants	237 962	187 920
Retired participants	67 974	43 013
Participants with deferred benefits	22 492	9 044
Voluntary contributions	302	273
Payables	34	348
Total	<u>328 764</u>	<u>240 598</u>

Plan assets for defined benefit pension plans

Fair value of plan assets:

	<u>Jan. 31, 2020</u>	<u>Jan. 31, 2019</u>
	\$	\$
Balance, beginning of period	267 084	260 867
Interest income	10 089	9 296
Actual return on plan assets, excluding amounts in interest income	12 382	(5 050)
Employer contributions	4 973	9 992
Employees contributions	1 292	1 394
Benefits paid	(8 180)	(9 415)
Balance, end of period	<u>287 640</u>	<u>267 084</u>

BMTC Group Inc.

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14. POST-EMPLOYMENT BENEFITS (Continued)

Composition of plan assets

Asset category	January 31, 2020		January 31, 2019	
	%	\$	%	\$
Equity instruments				
- Canadian shares	33	95 710	31	83 460
- Foreign shares	20	56 881	18	48 400
Fixed income instruments	27	78 013	25	67 217
Other*	12	35 658	18	48 406
CRA refundable tax account	8	21 378	8	19 601
Total	100	287 640	100	267 084

* Other includes short-term investments and cash.

All assets were listed on an active market, with the exception of the refundable tax account with the CRA.

Reconciliation of the funding situation of pension plans to amounts recognized in the consolidated statements of financial position

	Jan. 31, 2020	Jan. 31, 2019
	\$	\$
Fair value of plan assets	287 640	267 084
Accrued benefit obligations	328 764	240 598
Plan surplus (deficit) and assets (liabilities) recognized in the consolidated statement of financial position	(41 124)	26 486

Pension expense recognized in consolidated net earnings:

	Jan. 31, 2020	Jan. 31, 2019
	\$	\$
Current service costs	6 945	8 289
Net interest expense (income)	(812)	(99)
Cost of past services	-	944
Pension expense recognised in consolidated net earnings	6 133	9 134

BMTC Group Inc.

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14. POST-EMPLOYMENT BENEFITS (Continued)

Amounts recognized in other comprehensive income:

	<u>Jan. 31, 2020</u>	<u>Jan. 31, 2019</u>
	\$	\$
Actuarial losses (gains)		
Losses (gains) due to changes in financial assumptions	73 887	(20 043)
Experience losses (gains)	4 945	(3 868)
Return on plan assets (excluding amounts included in interest income)	(12 383)	5 050
Remeasurements of the net defined benefit liability (asset)	<u>66 449</u>	<u>(18 861)</u>

Principal assumptions used to evaluate the benefit obligations are as follows:

	<u>Jan. 31, 2020</u>	<u>Jan. 31, 2019</u>
Accrued benefit obligations		
Discount rate (SPP)	2.65%	3.80%
Discount rate (APP)	2.60%	3.75%
Escalation rate on credited annuity payments	2.00%	2.00%

The assumption regarding future mortality has been established using the CPM mortality tables, private sector, generationally projected using the B, as published by the Canadian Institute of Actuaries. This translates into an average life expectancy in years for a pensioner retiring at the age of 65 years:

	<u>Jan. 31, 2020</u>	<u>Jan. 31, 2019</u>
Retirement at the end of the current year		
- Male	21	21
- Female	24	24

	<u>Jan. 31, 2020</u>	<u>Jan. 31, 2019</u>
Retirement in 20 years after the end of the current year		
- Male	22	22
- Female	25	25

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14. POST-EMPLOYMENT BENEFITS (Continued)

Other demographic assumptions used include the age of retirement and rates of retirement. Concerning the retirement age, the age at which participants must receive an unreduced pension was used for the two pensions. For the retirement rate, a variable rate table depending inversely on the age of the participant was used. As the pension benefit, in the case of retirement, is equal to the value of service costs of the member, in each of the pensions, the effect of this assumption is minimal.

The sensitivity of the accrued benefit obligations to changes in significant assumptions is shown below:

January 31, 2020			
	Change in assumption	Increase in the assumption	Decrease in the assumption
Discount rate	0.50%	Decrease of 8.5%	Increase of 10.1%
Escalation rate on credited annuity payments	0.50%	Increase of 1.4%	Decrease of 1.3%
		Increase in the assumption by one year	Decrease in the assumption by one year
Life expectancy		Increase of 2.9%	Decrease of 3.0%

January 31, 2019			
	Change in assumption	Increase in the assumption	Decrease in the assumption
Discount rate	0.50%	Decrease of 9.1%	Increase of 10.4%
Escalation rate on credited annuity payments	0.50%	Increase of 4.9%	Decrease of 4.5%
		Increase in the assumption by one year	Decrease in the assumption by one year
Life expectancy		Increase of 2.9%	Decrease of 3.0%

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14. POST-EMPLOYMENT BENEFITS (Continued)

Sensitivity analyses were determined on the basis of reasonable modifications to existing assumptions that would occur at the end of the period. Each sensitivity analysis disclosed is based on the modification of the single assumption, while all other assumptions remain unchanged. In reality, there is expected to be certain interrelationships between assumptions. The analysis above does not take into account the interrelationships between assumptions. The projected credit units method has been used in the sensitivity analysis for changes in significant actuarial assumptions used in the calculation of the benefit obligation.

The defined benefit plan entails certain risks for the Company. The most significant risks are described below:

– ***Asset volatility:***

Plan obligations are calculated using a discount rate based on yields of corporate bonds. If the asset underperforms compared to this yield a deficit, is created.

Plan assets include a significant proportion of equity instruments, which are assumed to obtain a higher return than corporate bonds in the long term, but cause some risk and volatility in short-term performance.

Nevertheless, given that the plan obligations are rather long-term, the Company believes that a certain level of investment in equity instruments is an appropriate element of its strategy to manage the long-term plan. Plan assets are invested in a diversified mix to minimize the risk of volatility.

– ***Change in yield of corporate bonds:***

Because the discount rate assumption is based on the yield of corporate bonds, a decrease of the yield may cause an increase in the plan obligations. However, this increase would be partially offset by an increase in the value of corporate bonds held by the plan.

– ***Life expectancy:***

The majority of corporate bonds held by the plan are to establish the life expectancy of the participant, so any increase in life expectancy will cause an increase in plan obligations.

The latest mortality tables are used to minimize this risk.

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14. POST-EMPLOYMENT BENEFITS (Continued)

Based on the most recent actuarial valuation of the SPP as at December 31, 2018, shows that the plan has a surplus of \$54,200 under the going-concern basis and a \$5,600 deficit using a solvency basis. There is no past service contributions required, since the plan shows a surplus under the going-concern basis and the stabilization provision is fully funded. The solvency deficit no longer requires funding. The contributions for current service cost of the Company including the stabilization provision, is equivalent to 393% of employee contributions. The Company pays the minimum required to ensure the plans are fully funded on a minimum funding basis.

The employer contribution is estimated to be \$8,200 for the 2021 fiscal year for all plans.

The following is a maturity analysis of the pension benefits:

	<u>Jan. 31, 2020</u>	<u>Jan. 31, 2019</u>
	\$	\$
Less than one year	5 848	5 124
Between 1 and 2 years	6 237	5 572
Between 3 and 5 years	23 086	19 833
More than five years	535 504	412 439
	<u>570 675</u>	<u>442 968</u>

Defined contribution (DC) pension plan

The total cost of the DC plan for the period between February 1, 2019 and January 31, 2020 was \$1,467 (\$1,451 for 2019).

15. PROVISIONS AND CONTINGENT LIABILITIES

The Company is party to claims and lawsuits in the normal course of business. Management believes that the resolution of these claims and lawsuits will not have a materially adverse effect on the Company's financial position.

16. RELATED PARTIES

The Company is committed under leases with a corporation controlled by officers, which expires in December 2024, for which a lease obligation totaling \$2,648 is recorded as at January 31, 2020.

At February 1, 2019 when IFRS 16 was implemented, a right-of-use asset and a lease liability of \$3,123 were recorded in connection with leases entered into with Gestion Maurice Tanguay. For the year ended January 31, 2020, depreciation of \$528 relating to the right-of-use and a \$120 interest expense were recognized in the earnings in connection with these leases.

	<u>January 31, 2020</u>	<u>January 31, 2019</u>
	\$	\$
Rent	776	892
Management fees	1 624	1 586

BMTC Group Inc.

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16. RELATED PARTIES (Continued)

The services of certain senior officers and staff of the subsidiary are provided through a management company controlled by these officers. The management agreement provides for management of subsidiary's activities, in particular, personnel management, purchasing supervision and ensuring sales growth. The agreement is renewed for an additional 12 month period on maturity each year unless either party provide, a notice to the contrary.

Compensation of the key officers and directors includes the following expenses:

	January 31, 2020	January 31, 2019
	\$	\$
Short-term benefits	2 335	2 300
Share-based payments	593	593
Option-based benefits	(118)	(309)
Management fees	1 624	1 586
	<u>4 434</u>	<u>4 170</u>

17. FINANCIAL INSTRUMENTS

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and liabilities:

	Jan. 31, 2020	Jan. 31, 2019
	\$	\$
Financial assets		
Financial assets at fair value through profit and loss		
Other financial assets	<u>131 497</u>	<u>109 859</u>
Financial assets at amortized cost		
Cash	-	12 601
Trade and other receivables	<u>4 328</u>	<u>5 546</u>
	<u>4 328</u>	<u>18 147</u>
Financial liabilities		
Financial liabilities at amortized cost		
Bank overdraft	7 512	15 672
Trade (excluding employee benefits) and other payables	<u>81 811</u>	<u>86 138</u>
	<u>89 323</u>	<u>101 810</u>

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17. FINANCIAL INSTRUMENTS (Continued)

The following table presents financial assets and financial liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The fair value hierarchy has the following levels:

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);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and financial liabilities measured at fair value in the consolidated statements of financial position and financial instruments measured at amortized cost for which fair value is presented are grouped according to the fair value hierarchy is as follows:

January 31, 2020			
	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets at fair value			
Banker's acceptances and discounted notes		9	
Government and corporate bonds	64 949		
Preferred shares	5 160		
Shares of Canadian companies	25 996		
Shares of U.S. companies	35 383		

January 31, 2019			
	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets at fair value			
Banker's acceptances and discounted notes		85 972	
Government and corporate bonds	-		
Preferred shares	-		
Shares of Canadian companies	10 468		
Shares of U.S. companies	13 419		

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17. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The fair value of a financial instrument is generally the consideration for with the instrument would be exchanged in an arm's length transaction, between knowledgeable, willing parties who are under no compulsion to act.

The existence of published price quotations in an active market is the best evidence of fair value. The fair value of shares and bonds is established based on the most recent closing date market price, based on the bid price at the period-end. If a security is not actively traded, the fair value is determined by a valuation technique using observable market data to the extent possible.

	January 31, 2020	January 31, 2019
	\$	\$
Gains (losses) on assets held at the close of the reporting period	4 237	(529)
Gains (losses) on assets not held at the close of the reporting period	122	-
Gains (losses) realized and unrealized on financial assets, fair value	4 359	(529)

Financial instrument risks

The Company's manages the risks arising from financial instruments, in close cooperation with the Board of Directors. The objectives are to ensure the availability of sufficient amounts of cash flow in the short and medium term of the company by reducing the exposure to financial markets. Long-term financial instruments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Market risk

Market risk encompasses many types of risk. The variation of the types of risk, such as interest rate risk and other factors impacting all similar publicly traded financial instruments, has an impact on the fair value of the financial assets classified at fair value through profit or loss. To minimize market risk, the Company ensures that the type of investments and individual investments in its investment portfolio are diversified. Additionally, a significant portion of its investments is in financial instruments with short maturity dates, in particular banker's acceptances and discount notes.

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17. FINANCIAL INSTRUMENTS (Continued)

Price risk sensitivity

The following table illustrates the sensitivity of income and equity in regards to changes in the market price all other things being equal. It assumes a $\pm 5\%$ change of the market price for the years ended January 31, 2020 and 2019.

	<u>January 31, 2020</u>	<u>January 31, 2019</u>
	\$	\$
Variation		
Income for the period and equity	5 703	1 036

Exchange risk and foreign currency sensitivity

The Company is exposed to exchange risk, because a part of its purchases of inventory is made in currencies other than Canadian dollars. The Company also owns U.S. dollar equity investments in U.S. companies.

The Company does not enter into foreign exchange forward contracts to mitigate the exposure to foreign currency risk.

Foreign currency denominated financial assets and financial liabilities which expose the Company to currency risk are disclosed below. The amounts shown are those reported to key management translated into Canadian dollars at the closing rate:

	<u>January 31, 2020</u>	<u>January 31, 2019</u>
	\$	\$
Shares of U.S. companies	35 383	13 419
Trade and other payables in U.S. dollars	(3 435)	(3 463)
Total exposure	<u>31 948</u>	<u>9 956</u>

The following table illustrates the sensitivity of income and equity in regards to the Company's financial assets and financial liabilities and the U.S. dollar/Canadian dollar exchange rate all other things being equal. It assumes a $\pm 5\%$ change of the Canadian dollar exchange rate for the years ended January 31, 2020 and 2019.

	<u>January 31, 2020</u>	<u>January 31, 2019</u>
	\$	\$
Variation		
Income for the year and equity	1 409	455

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17. FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation towards the Company. The Company is exposed to this risk as a result of various financial instruments, for example, its deposits, investments in bonds, etc. The Company's maximum credit risk exposure is limited to the carrying amount of certain financial assets recognized on the reporting date, as summarized in the following table:

	January 31, 2020	January 31, 2019
Financial asset categories – carrying amounts	\$	\$
Cash	-	12 601
Trade and other receivables	4 328	5 546
Other financial assets		
Banker's acceptances and discount notes	9	85 972
Government and corporate bonds	64 949	-
	<u>69 286</u>	<u>18 147</u>

The Company's management considers that the credit quality of the above financial assets that are not impaired or in default at the reporting date is good. No significant unimpaired trade and other receivables are in default at the reporting date.

Credit risk in respect of cash, banker's acceptances and discount notes, amounts receivable on credit and debit cards is considered negligible because the counterparties are reputable banks with quality external credit ratings.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations. The Company manages its liquidities by monitoring forecasted cash receipts and disbursements in the course of daily activities. Net cash requirements are compared with available cash, investments and credit facility to ascertain if they are sufficient for the period in question. The Company also considers expected cash resources from sales and its financial assets in managing the liquidity risk.

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17. FINANCIAL INSTRUMENTS (Continued)

Future payments to be made under its contractual obligations are allocated as follows:

	Carrying amount	Contractual cash flows	January 31, 2020		
			Under 1 year	2 - 5 ans	More than 5 years
	\$	\$	\$	\$	\$
Trade and other payables excluding customer deposits	56 344	56 344	56 344	-	-
Lease liability	19 041	21 282	4 639	13 746	2 897
	75 385	77 626	60 983	13 746	2 897

	Valeur comptable	Contractual cash flows	January 31, 2019		
			Under 1 year	2 - 5 ans	More than 5 years
	\$	\$	\$	\$	\$
Trade and other payables excluding customer deposits	63 416	63 416	63 416	-	-
	63 416	63 416	63 416	-	-

Capital management

The Company's capital management objectives are to safeguard its assets, while maximizing the Company's growth and providing an adequate return to its shareholders. In addition to a conservative approach with respect to safeguarding the financial position, the Company achieves its objective through sound management of internally generated capital and through using capital when necessary to finance its growth initiatives. The Company's capital corresponds to equity.

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18. EARNINGS PER SHARE AND DIVIDENDS

Both the basic and diluted earnings per share have been calculated using the income attributable to shareholders of the parent company as the numerator.

The following table presents the calculation of basic and diluted net earnings per share:

	January 31, 2020	January 31, 2019
	\$	\$
Net earnings	36 034	45 165
Weighted average number of shares used to calculate basic net earnings per share	34 309 255	34 926 818
Dilutive effect of share options	-	-
Weighted average number of shares used to calculate diluted net earnings per share	34 309 255	34 926 818
Net earnings per share		
Basic	1.05	1.29
Diluted	1.05	1.29

The 197,100 options (197,100 options as at January 31, 2019) were not considered in order to calculate the earnings per share as at January 31, 2020, since they are anti-dilutive.

During the year ended January 31, 2020, BMTC paid \$9,584 or \$0.28 per common share in dividends to its shareholders (\$9,746 or \$0.28 as at January 31, 2019).

19. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization confirmed that COVID-19 was a pandemic. The company continues to actively monitor the status of COVID-19. At the moment, it is too early to predict when the company's economic conditions will improve, but it is certain that the company's financial results for the first and second quarter of 2021 will feel the impact of COVID-19. However, the company is not in a position to estimate the potential impact on its operations at the time of the completion of these financial statements.