



QUARTERLY MANAGEMENT REPORT AS AT OCTOBER 31st, 2020

Notice related to the review of interim financial statements

The consolidated interim financial statements for the period ended October 31st, 2020 and 2019 have not been reviewed by the auditors of the Company.

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

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

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 nine month periods ended October 31st, 2020 and 2019

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

	<u>October 31, 2020</u>	<u>October 31, 2019</u>
	\$	\$
Operations		
Revenue	470 770	548 689
Net earnings	27 927	20 674
Financial position		
Cash, bank overdraft and investments	208 673	129 070
Total assets	466 314	404 605
Equity	238 661	255 950
Per-share information		
Net earnings	0,82	0,60
Carrying amount	7,03	7,49
Stock market value		
Period high	10,26	15,68
Period low	5,69	9,89
Number of shares outstanding		
Common shares	33 964 700	34 188 500

BMTC Group Inc.**Consolidated Statements of Earnings****For the three month and nine month periods ended October 31, 2020 and 2019**

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

	Notes	October 31, 2020		October 31, 2019	
		3 month	9 month	3 month	9 month
		\$	\$	\$	\$
Revenue		194 352	470 770	183 312	548 689
Cost of sales		(116 138)	(286 378)	(109 957)	(337 201)
Gross profit		78 214	184 392	73 355	211 488
Other income		5	12	(7)	19
Selling expenses		(42 475)	(116 389)	(50 541)	(154 933)
Administrative expenses		(7 683)	(25 418)	(10 655)	(32 862)
Operating earnings		28 061	42 597	12 152	23 712
Gains (losses) on disposals of property, plant and equipment	8	8	34	(17)	(17)
Realized and unrealized change in fair value of financial assets, at fair value	14	(771)	(6 500)	1 399	1 648
Investment income	4	961	2 426	652	2 174
Earnings before income tax expense		28 259	38 557	14 186	27 517
Income tax recuperation (expense)	5	(7 484)	(10 630)	(3 537)	(6 843)
Net earnings and comprehensive income		20 775	27 927	10 649	20 674
Net earnings per share	16				
Basic and diluted		0,61	0,82	0,31	0,60

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

BMTC Group Inc.**Consolidated Statements of Changes in Shareholders' Equity****For the nine month periods ended October 31st, 2020 and 2019**

(Unaudited and in thousands of Canadian dollars)

	Notes	Capital stock	Retained earnings	Total shareholders' equity
		\$	\$	\$
Balance as at February 1, 2020		<u>2 697</u>	<u>213 927</u>	<u>216 624</u>
Share redemption	12	(8)	-	(8)
Share redemption premium	12	-	(1 120)	(1 120)
Dividends		-	(4 762)	(4 762)
Transactions with shareholders		<u>(8)</u>	<u>(5 882)</u>	<u>(5 890)</u>
Net earnings		-	<u>27 927</u>	<u>27 927</u>
Balance as at October 31, 2020	12	<u>2 689</u>	<u>235 972</u>	<u>238 661</u>

	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	(28)	-	(28)
Share redemption premium	12	-	(4 635)	(4 635)
Dividends		-	(4 803)	(4 803)
Transactions with shareholders		<u>(28)</u>	<u>(9 438)</u>	<u>(9 466)</u>
Net earnings		-	<u>20 674</u>	<u>20 674</u>
Balance as at October 31, 2019	12	<u>2 704</u>	<u>253 246</u>	<u>255 950</u>

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

BMTC Group Inc.**Consolidated Statements of Cash Flows****For the three month and nine month periods ended October 31, 2020 and 2019**

(Unaudited and in thousands of Canadian dollars)

	Notes	October 31, 2020		October 31, 2019	
		3 month	9 month	3 month	9 month
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Earnings before income tax expense		28 259	38 557	14 186	27 517
Adjustments	6	2 397	13 194	965	4 981
Net changes in working capital	6	(16 865)	71 765	(19 907)	18 102
Income taxes paid		(6 625)	(7 616)	(493)	(7 416)
Cash flow from operating activities		7 166	115 900	(5 249)	43 184
INVESTING ACTIVITIES					
Acquisition of other financial assets		(5 679)	(72 523)	(24 548)	(113 044)
Proceeds from disposal of other financial assets		5 169	49 991	24 028	96 175
Purchase of property, plant and equipment	8	(8 851)	(17 414)	(1 986)	(11 494)
Proceeds from disposal property, plant and equipment		90	126	32	32
Interest received		218	391	115	353
Dividends received		743	2 035	537	1 821
Cash flow from investing activities		(8 310)	(37 394)	(1 822)	(26 157)
FINANCING ACTIVITIES					
Payments for share redemption		(389)	(1 128)	(1 112)	(4 663)
Interest paid		(177)	(540)	(194)	(614)
Payment of lease liabilities		(983)	(2 971)	(1 031)	(3 060)
Dividends		-	(4 762)	-	(4 803)
Cash flow from financing activities		(1 549)	(9 401)	(2 337)	(13 140)
Net change in cash					
Cash, beginning of period		(2 693)	69 105	(9 408)	3 887
Cash, end of period		64 286	(7 512)	10 224	(3 071)
		61 593	61 593	816	816

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

BMTC Group Inc.

Consolidated Statements of Financial Position

(Unaudited and in thousands of Canadian dollars)

	Notes	October 31, 2020	January 31, 2020
		\$	\$
ASSETS			
Current			
Cash		61 593	-
Trade and other receivables		2 918	4 328
Current tax assets		-	745
Inventory		77 169	83 235
Prepaid expenses		2 632	1 422
Total current assets		144 312	89 730
Non-current			
Other financial assets	7	147 080	131 497
Property, plant and equipment	3-8	161 876	148 372
Deferred tax assets	5	13 046	12 441
Total non-current assets		322 002	292 310
Total assets		466 314	382 040
LIABILITIES			
Current			
Bank overdraft	10	-	7 512
Trade and other payables	12	166 343	97 739
Lease liability	3-9	3 810	3 946
Current tax liability		2 874	-
Total current liabilities		173 027	109 197
Non-current			
Defined benefit plan		42 159	41 124
Lease liability	3-9	12 467	15 095
Total non-current liabilities		54 626	56 219
Total liabilities		227 653	165 416
SHAREHOLDERS' EQUITY			
Capital stock	11	2 689	2 697
Retained earnings		235 972	213 927
Total shareholders' equity		238 661	216 624
Total liabilities and shareholders' equity		466 314	382 040

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

BMTC Group Inc.

Notes to the Consolidated Financial Statements

For the three month and nine month periods ended October 31, 2020 and 2019

(Unaudited and 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 unaudited consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and do not contain all of the information that should be presented in the annual consolidated financial statements.

The unaudited consolidated interim 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 application of the asset limit.

3. SUMMARY OF ACCOUNTING POLICIES

The accounting policies specified below have been applied consistently throughout all periods presented in the consolidated financial statements. libellé différent pour trimestre à valider

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 three month and nine month periods ended October 31, 2020 and 2019

(Unaudited and 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 unaudited consolidated interim financial statements include the accounts of BMTC, the ultimate and those of the wholly-owned subsidiary Ameublements Tanguay Inc. The accounting policies of the parent company, subsidiary are consistent with those adopted by BMTC at financial year end date of January 31st.

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 unaudited consolidated interim financial statements.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

For the three month and nine month periods ended October 31, 2020 and 2019

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

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.3 Foreign currency translation

The unaudited consolidated interim 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 three month and nine month periods ended October 31, 2020 and 2019

(Unaudited and 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 three month and nine month periods ended October 31, 2020 and 2019

(Unaudited and 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.

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 three month and nine month periods ended October 31, 2020 and 2019

(Unaudited and 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 three month and nine month periods ended October 31, 2020 and 2019

(Unaudited and 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 three month and nine month periods ended October 31, 2020 and 2019

(Unaudited and 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

For the three month and nine month periods ended October 31, 2020 and 2019

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

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.

Notes to the Consolidated Financial Statements

For the three month and nine month periods ended October 31, 2020 and 2019

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

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 15. 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 14 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 three month and nine month periods ended October 31, 2020 and 2019

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

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

	October 31, 2020		October 31, 2019	
	3 month	9 month	3 month	9 month
Employee benefits expense	\$	\$	\$	\$
Salaries	20 999	63 312	28 843	89 356
Defined benefit pension plan expense	1 419	3 726	1 389	5 051
Defined contribution pension plan expense	398	942	345	1 085
Share-based payment expense (recovery) (Note 11)	-	-	(2)	(118)
Total employee benefits expense	22 816	67 980	30 575	95 374

	October 31, 2020		October 31, 2019	
	3 month	9 month	3 month	9 month
Other elements of revenues and expenses	\$	\$	\$	\$
Depreciation of property, plant and equipment	2 386	7 130	2 477	7 178
Losses (gains) on disposals of financial assets	313	(449)	-	(122)

	October 31, 2020		October 31, 2019	
	3 month	9 month	3 month	9 month
Investment income	\$	\$	\$	\$
On financial assets at fair value through profit or loss				
Interest	113	166	8	9
Dividends	743	2 035	537	1 821
On financial assets classified at amortized cost				
Interest	105	225	107	344
	961	2 426	652	2 174

BMTC Group Inc.

Notes to the Consolidated Financial Statements

For the three month and nine month periods ended October 31, 2020 and 2019

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5. INCOME TAXES

The income tax expense is detailed as follows:

	October 31, 2020		October 31, 2019	
	3 month	9 month	3 month	9 month
	\$	\$	\$	\$
Total current tax expense (recovery) for the period	7 559	11 235	3 351	6 609
Total deferred tax expense (recovery)*	(75)	(605)	186	234
	<u>7 484</u>	<u>10 630</u>	<u>3 537</u>	<u>6 843</u>

* 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:

	October 31, 2020		October 31, 2019	
	3 month	9 month	3 month	9 month
	\$	\$	\$	\$
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)	7 491	10 221	3 772	7 317
Non-taxable dividends	(115)	(293)	(77)	(306)
Non-taxable capital gains	103	862	(186)	(219)
Non-deductible expenses	9	24	27	74
Other	(4)	(184)	1	(23)
	<u>7 484</u>	<u>10 630</u>	<u>3 537</u>	<u>6 843</u>

BMTC Group Inc.

Notes to the Consolidated Financial Statements

For the three month and nine month periods ended October 31, 2020 and 2019

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

5. INCOME TAXES (Continued)

	Balance as at February 1, 2020	Recognized in earnings	Recognized in other comprehensive income	Balance as at October 31, 2020
	\$	\$	\$	\$
Recognized amounts				
Net unrealized gain (loss) on other financial assets	(390)	992	-	602
Liability (asset) defined benefit plans	10 957	-	-	10 957
Property, plant and equipment	1 874	(387)	-	1 487
	<u>12 441</u>	<u>605</u>	<u>-</u>	<u>13 046</u>

	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>

6. CASH FLOW ADJUSTMENTS AND CHANGES IN WORKING CAPITAL

Adjustments are detailed as follows:

	October 31, 2020		October 31, 2019	
	3 month	9 month	3 month	9 month
	\$	\$	\$	\$
Depreciation of property, plant and equipment	2 386	7 130	2 477	7 178
Excess (deficit) of contributions over defined benefit plan expense	345	1 035	330	990
Investment income	(961)	(2 426)	(652)	(2 174)
Unrealized depreciation (appreciation) of financial assets at fair value	458	6 949	(1 399)	(1 526)
Losses (gains) on disposal of non-financial assets	(8)	(34)	17	17
Interest on lease liability	177	540	194	614
Difference between share-based payments and cash consideration paid	-	-	(2)	(118)
	<u>2 397</u>	<u>13 194</u>	<u>965</u>	<u>4 981</u>

BMTC Group Inc.

Notes to the Consolidated Financial Statements

For the three month and nine month periods ended October 31, 2020 and 2019

(Unaudited and 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:

	October 31, 2020		October 31, 2019	
	3 month	9 month	3 month	9 month
		\$		\$
Trade and other receivables	1 040	1 410	58	2 952
Inventory	(17 774)	6 066	(5 599)	6 135
Prepaid expenses	694	(1 210)	2 061	1 393
Trade and other payables excluding accrued charges of construction in progress	(825)	65 499	(16 427)	7 622
	<u>(16 865)</u>	<u>71 765</u>	<u>(19 907)</u>	<u>18 102</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

	October 31, 2020	
	Fair value	Cost
	\$	\$
At fair value through profit or loss		
Banker's acceptances and discounted notes, between 0.30% and 0.50%, maturing no later than 2020	52 204	52 204
Government and corporate bonds	26 058	24 976
Shares of Canadian companies	24 672	26 878
Shares of U.S. companies	44 146	46 805
Total at fair value through profit or loss	<u>147 080</u>	<u>150 863</u>
Total other financial assets	<u>147 080</u>	<u>150 863</u>

	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>

BMTC Group Inc.

Notes to the Consolidated Financial Statements

For the three month and nine month periods ended October 31, 2020 and 2019

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

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, 2020	57 522	139 239	457	9 719	3 436	8 309	6 503	21 211	1 318	247 714
Additions	-	20 152	-	-	30	154	183	-	207	20 726
Disposals	(82)	(300)	-	-	(279)	(51)	-	-	-	(712)
Balance as at October 31, 2020	57 440	159 091	457	9 719	3 187	8 412	6 686	21 211	1 525	267 728
Depreciation and impairment										
Balance as at February 1, 2020	-	69 742	410	9 537	2 442	7 563	5 358	3 989	301	99 342
Disposals	-	(300)	-	-	(269)	(51)	-	-	-	(620)
Depreciation	-	3 318	13	34	171	313	248	2 794	239	7 130
Balance as at October 31, 2020	-	72 760	423	9 571	2 344	7 825	5 606	6 783	540	105 852
Carrying amount as at October 31, 2020	57 440	86 331	34	148	843	587	1 080	14 428	985	161 876
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
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

Carrying amount as at October 31, 2020 includes unamortized assets under construction of \$24,559 of which, an amount of \$4,716 is included in accrued expenses and, for which the Company has entered, as of October 31, 2020, into commitments of \$1,183. During the nine month period ended October 31, 2020, the Company disposed of property, plant and equipment assets for an amount of \$126, which resulted in a gain of \$34.

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.

(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

For the three month and nine month periods ended October 31, 2020 and 2019

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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:

	31 oct. 2020	Jan. 31, 2020
Opening balance	19 041	-
IFRS 16 implementation (1)	-	21 272
Additions	207	1 873
Interest	540	797
Payments	(3 511)	(4 901)
Closing balance	16 277	19 041

The principal payments to be made are detailed as follows:

	Less than one year	From 1 to 5 years	More than 5 years	Total
	\$	\$	\$	\$
October 31, 2020	3 810	10 456	2 011	16 277
January 31, 2020	3 946	12 396	2 699	19 041

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 nine month period ended Oct 31, 2020, a rental charge of \$1,285 was recognized in earnings compared to \$1,147 for the corresponding period of 2019.

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

10. 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, 2021. The company is subject to certain restrictive covenants, for the nine month period ended October 31, 2020, the company was not in default.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

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11. CAPITAL STOCK

Authorized

Unlimited number of shares without par value

First preferred shares, issuable in series.

Second preferred shares, issuable in series.

	October 31, 2020	January 31, 2020
	\$	\$
Issued and fully paid		
33,964,700 common shares		
(34,088,000 as at January 31, 2020)	<u>2 689</u>	<u>2 697</u>

	October 31, 2020	January 31, 2020
Issued and fully paid		
Beginning of period	34 088 000	34 540 000
Share redemption	(123 300)	(452 000)
Issued and fully paid, end of period	<u>33 964 700</u>	<u>34 088 000</u>
Shares authorized for the share option plan	<u>5 710 864</u>	<u>5 710 864</u>
Total shares authorized	<u>39 675 564</u>	<u>39 798 864</u>

During the nine month period ended October 31, 2020, the Company redeemed 123,300 common shares for a total cash consideration of \$1,128. The redemption premium of \$1,120 for the shares was recognized in retained earnings.

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.

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 October 31, 2020, a total of 5,710,864 common shares (5,710,864 common shares as at January 31, 2020) remained authorized for issuance under the Company's share option plan.

BMTC Group Inc.

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12. TRADE AND OTHER PAYABLES

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

	<u>Oct. 31, 2020</u>	<u>Jan. 31, 2020</u>
	\$	\$
Trade accounts payable	41 072	26 803
Accrued expenses	25 325	12 002
Accrued expenses construction in progress	4 716	1 611
Employee benefits	12 705	15 928
Customer deposits	82 525	41 395
	<u>166 343</u>	<u>97 739</u>

13. 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.

14. FINANCIAL INSTRUMENTS

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

	<u>Oct. 31, 2020</u>	<u>Jan. 31, 2020</u>
	\$	\$
Financial assets		
Financial assets at fair value through profit and loss		
Other financial assets	<u>147 080</u>	<u>131 497</u>
Financial assets at amortized cost		
Cash	61 593	-
Trade and other receivables	<u>2 918</u>	<u>4 328</u>
	<u>64 511</u>	<u>4 328</u>
Financial liabilities		
Financial liabilities at amortized cost		
Bank overdraft	-	7 512
Trade (excluding employee benefits) and other payables	<u>153 638</u>	<u>81 811</u>
	<u>153 638</u>	<u>89 323</u>

BMTC Group Inc.

Notes to the Consolidated Financial Statements

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14. 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:

	October 31, 2020		
	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets at fair value			
Banker's acceptances and discounted notes		52 204	
Government and corporate bonds	26 058		
Shares of Canadian companies	24 672		
Shares of U.S. companies	44 146		

	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		

BMTC Group Inc.

Notes to the Consolidated Financial Statements

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

14. 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.

	October 31, 2020		31 octobre 2019	
	3 month	9 month	3 month	9 month
	\$	\$	\$	\$
Gains (losses) on assets held at the close of the reporting period	(458)	(6 949)	1 399	1 526
Gains (losses) on assets not held at the close of the reporting period	(313)	449	-	122
Gains (losses) realized and unrealized on financial assets, fair value	(771)	(6 500)	1 399	1 648

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.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

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

14. 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 periods ended October 31, 2020 and 2019.

	October 31, 2020	October 31, 2019
	\$	\$
Variation		
Income for the period and equity	4 115	5 559

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:

	Oct. 31, 2020	Oct. 31, 2019
	\$	\$
Shares of U.S. companies	44 146	33 943
Trade and other payables in U.S. dollars	(3 201)	(3 780)
Total exposure	40 945	30 163

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 periods ended October 31, 2020 and 2019.

	Oct. 31, 2020	Oct. 31, 2019
	\$	\$
Variation		
Income for the period and equity	1 797	1 333

BMTC Group Inc.

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14. 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:

	Oct. 31, 2020	Jan. 31, 2020
Financial asset categories – carrying amounts	\$	\$
Cash	61 593	-
Trade and other receivables	2 918	4 328
	<u>64 511</u>	<u>4 328</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.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

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

14. FINANCIAL INSTRUMENTS (Continued)

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

	Carrying amount	Contractual cash flows	October 31, 2020		
			Under 1 year	2 - 5 ans	More than 5 years
	\$	\$	\$	\$	\$
Trade and other payables excluding customer deposits	83 818	83 818	83 818	-	-
Lease liability	16 277	18 045	4 414	11 492	2 139
	100 095	101 863	88 232	11 492	2 139

	Valeur comptable	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

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.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

For the three month and nine month periods ended October 31, 2020 and 2019

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

15. EARNINGS PER SHARE AND DIVIDENDS

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

	October 31, 2020		October 31, 2019	
	3 month	9 month	3 month	9 month
	\$	\$	\$	\$
Net earnings	<u>20 775</u>	<u>27 927</u>	<u>10 649</u>	<u>20 674</u>
Weighted average number of shares to calculate basic net earnings per share		<u>34 047 582</u>		<u>34 425 594</u>
Net earnings per share				
Basic and diluted	<u>0,61</u>	<u>0,82</u>	<u>0,31</u>	<u>0,60</u>

16. 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. The company's financial results for the first and second quarter of 2021 felt the impact of COVID-19. However, the company is not in a position to estimate the potential impact on its operations and financial statements in the future.