



QUARTERLY MANAGEMENT REPORT AS AT JULY 31st, 2021

Notice related to the review of interim financial statements

The consolidated interim financial statements for the period ended July 31th, 2021 and 2020 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
Remcorp 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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Tel.: (514) 648-5757

Groupe BMTC 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 SIX month periods ended July 31, 2021, 2020, 2019 and 2018

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

	<u>July 31, 2021</u>	<u>July 31, 2020</u>	<u>July 31, 2019</u>	<u>July 31, 2018</u>
	\$	\$	\$	\$
Operations				
Revenue	408 832	276 418	365 377	383 122
Net earnings	39 162	7 152	10 025	21 739
Financial position				
Cash, bank overdraft and investments	248 489	211 314	136 559	134 848
Total assets	514 213	445 659	398 384	344 861
Equity	301 610	218 275	246 413	219 739
Per-share information				
Net earnings	1,16	0,21	0,29	0,61
Carrying amount	8,96	6,42	7,19	6,27
Stock market value				
Period high	16,28	10,61	15,68	16,97
Period low	10,50	5,69	10,72	13,63
Number of shares outstanding				
Common shares	33 678 800	34 006 000	34 291 900	35 024 900

Quarterly Management Report *

Caution regarding forward-looking statements

This Quarterly 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 2021 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 Quarterly 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 Quarterly 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 Quarterly 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 first semester ended July 31, 2021, the Company's revenues increased by \$132,414,000 to \$408,832,000 compared to \$276,418,000 recorded in the corresponding 2020 period, a 48% increase. Net earnings for first semester ended July 31, 2021, amounted to \$39,162,000 compared to \$7,152,000 recorded in the corresponding 2020 period. Basic net earnings per share amounted to \$1.16 compared to \$0.21 recorded in the corresponding 2020 period.

For the first semester ended July 31, 2021, the share repurchase program contributed to an increase in basic earnings of 0.01\$ per share where during the corresponding 2020 period, it had no impact on basic net earnings or losses per share.

The Company met the eligibility criteria for the Canadian Emergency Wage Subsidy (CEWS) during the last quarter ended April 30, 2021. The Company received \$1,244,000 after-tax which contributed to an increase of \$0.04 on basic net earnings per share.

The Company has chosen to provide readers in this quarterly management report the results for the comparable periods ending July 31, 2019 and 2018 in addition to those of July 31, 2020. Management believes that the results for the corresponding period of 2020 are not representative of the normal course results of the company. The impact of COVID-19 on the corresponding period 2020 makes it difficult to compare and analyze the results.

The variation in adjusted net earnings would be \$30,766,000 or \$0.90 per basic share for the semester period ended July 31, 2021, as well as the comparable periods of 2019 and 2018 is explained as follows:

	(Unaudited and \$ in thousands)			
	July 31, 2021	July 31, 2020	July 31, 2019	July 31, 2018
Net earnings	39 162	7 152	10 025	21 739
Gain on disposal of fixed assets (after-tax)	-	-	-	(4 522)
Variation in cost of options (after-tax)	-	-	(85)	(162)
CEWS (after-tax)	(1 244)	-	-	-
Adjusted net earnings	37 918	7 152	9 940	17 055
Minus: Adjusted net earnings for the previous period	7 152	9 940	17 055	13 971
Variation	30 766	(2 788)	(7 115)	3 084

The variations in net adjusted earnings is allocated as follows for the six month periods ended July 31, 2021, 2020, 2019 and 2018:

(Unaudited and \$ in thousands)

	Increase (decrease) in retail operations	Increase (decrease) in investment	Increase (decrease) in adjusted net earnings
As at April 30, 2021	5 733	15 929	21 662
As at July 31, 2021	7 524	1 580	9 104
Total	13 257	17 509	30 766
As at April 30, 2020	784	(9 695)	(8 911)
As at July 31, 2020	1 707	4 416	6 123
Total	2 491	(5 279)	(2 788)
As at April 30, 2019	(5 586)	1 924	(3 662)
As at July 31, 2019	(1 869)	(1 584)	(3 453)
Total	(7 455)	340	(7 115)
As at April 30, 2018	1 934	(1 815)	119
As at July 31, 2018	1 870	1 095	2 965
Total	3 804	(720)	3 084

During the first semester ended July 31, 2021, the Company managed to improve its retail operating results by \$18,304,000 or an after-tax increase of \$13,293,000.

Annual financial information

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

	January 31, 2021	January 31, 2020	January 31, 2019	January 31, 2018 (13 months)
	\$	\$	\$	\$
Revenue	649 056	720 169	742 474	812 689
Net earnings	54 842	36 034	45 165	49 335
Total assets	450 207	382 040	367 624	312 569
Net earnings per share basic and diluted	1,61	1,05	1,29	1,36
Dividends per share	0,29	0,28	0,28	0,24

Financial position and dividends

Cash, net of the bank overdraft, and investments increased by \$73,397,000 during the first semester ended July 31, 2021. Investments consist of treasuries bearing interest, government and corporate bonds and common shares, which at the close of the semester had a market value of \$248,489,000 (including cash net of bank overdraft).

As at July 31, 2021, the working capital showed a deficit of \$24,025,000, a decrease of \$10,581,000 compared to the year ended January 31, 2021. The Company's shareholders' equity increased from \$270,708,000 as at January 31, 2021, to \$301,610,000 as at July 31, 2021. As at July 31, 2021, the book value per share stood at \$8.96, compared to \$7.99 as at January 31, 2021.

Pursuant to the normal course issuer-bid put in place on April 15, 2020, and renewed on April 15, 2021, accordingly, 201,200 common shares were repurchased and cancelled by the Company. As a result of this change, the Company had as at July 31, 2021, 33,678,800 common shares issued and outstanding.

During the semester ended July 31, 2021, no options were granted. The Company may still grant pursuant to the Plan a total of 5,710,864 options, representing 16.96% of the issued and outstanding shares of the Company.

Company pension plans

The pension expense for all plans for the three month and six month periods ended July 31, 2021, amounted to \$1,838,000 and \$3,460,00 (compared to \$1,434,000 and \$2,851,000 for the three month and six periods ended July 31, 2020).

Contributions paid by the Company for all plans for the three month and six month periods ended July 31, 2021, amounted to \$1,433,000 and \$2,649,000 (compared to \$1,089,000 and \$2,161,000 for the three month and six periods ended July 31, 2020).

Related party transactions

The Company is bound by leases expiring in December 2024, for which a lease liability of \$1,897,000 is recorded as at July 31, 2021.

For the semester ended July 31, 2021, depreciation of \$264,000 relating to the right-of-use asset and a \$42,000 interest expense were recognized in earnings in connection with these leases.

Lease liability

Payments due by period

(Unaudited and \$ in thousands)

	Carrying amount	Contractual cash flows	Under 1 year	2 - 5 years	After 5 years
Lease liability	13 363	14 663	4 098	9 042	1 523

Accounting policies and accounting estimates

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

Financial instruments

The Company operates retail outlets in 31 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 unaudited interim consolidated financial statements as at July 31, 2021. 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 Note 9 of the unaudited interim consolidated financial statements as of July 31, 2021. The Company holds no hedging contracts or any other type of derivative products.

Quarterly results

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

	April 30 2021	April 30 2020	April 30 2019	April 30 2018
Revenue	177 208	100 445	150 310	162 754
Net (loss) earnings	10 479	(12 427)	(3 455)	4 806
Net (loss) earnings per share Basic and diluted	0,31	(0,36)	(0,10)	0,13
	July 31 2021	July 31 2020	July 31 2019	July 31 2018
Revenue	231 624	175 973	215 067	220 368
Net earnings	28 683	19 579	13 480	16 933
Net earnings per share Basic and diluted	0,85	0,57	0,39	0,48
	October 31 2020	October 31 2019	October 31 2018	
Revenue	194 352	183 312	184 718	
Net earnings	20 775	10 649	11 613	
Net earnings per share Basic and diluted	0,61	0,31	0,34	
	January 31 2021	January 31 2020	January 31 2019	
Revenue	178 286	171 480	174 634	
Net earnings	26 915	15 360	11 813	
Net earnings per share Basic and diluted	0,79	0,45	0,34	

For the three month period ended July 31, 2021, the Company's revenues increased by \$55,651,000 to \$231,624,000, compared to \$175,973,000 recorded for the corresponding 2020 period, a 31.6% increase. Net earnings for the three month period ended July 31, 2021, amounted to \$28,683,000 compared to \$19,579,000 recorded for the corresponding 2020 period. Basic net earnings per share increased to \$0.85 compared to \$0.57 for the corresponding 2020 period.

For the three month period ended July 31, 2021 and 2020, the share repurchase program had no impact on basic net earnings per share.

The variation in adjusted net earnings would be \$9,104,000 or \$0.28 per basic share for the three month period ended July 31, 2021 and is explained as follows:

(Unaudited and \$ in thousands)

	July 31, 2021	July 31, 2020	July 31, 2019	July 31, 2018
Net earnings	28 683	19 579	13 480	16 933
Gain on disposal of fixed assets (after-tax)	-	-	-	-
Variation in cost of options (after-tax)	-	-	(24)	(24)
CEWS (after-tax)	-	-	-	-
Adjusted net earnings	28 683	19 579	13 456	16 909
Minus: Adjusted net earnings for the previous period	19 579	13 456	16 909	13 944
Variation	9 104	6 123	(3 453)	2 965

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 2021 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 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 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.

Management discussion and outlook for the future of the Company

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 subsidiary 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.
- The 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 and was granted the Canadian Emergency Wage Subsidy from the Government of Canada (CEWS).

During the first quarter of 2020, the Company had all of its 32 points of sale closed for a period of 43 consecutive days, leaving only online sales operational. The loss of revenues arising from the store closures during this period amounted to \$52,029,000. During the second quarter of 2020, the Company had 15 points of sale closed for a period of 25 consecutive days, leaving only online sales operational. The loss of revenues arising from the store closures during this period amounted to \$25,465,000.

The Company has proactively aligned its cost structure in order to mitigate the loss of revenues incurred during the last fiscal year due to the store closures. The Company intends to maintain these measures throughout the fiscal year 2022, in order to protect the Company's viability and preserve its working capital during these highly uncertain times. Thanks to these new measures the Company believes it will be able to produce positive operating results.

The Company continues to focus on online sales, which experienced a record increase since the start of the pandemic, by actively pursuing the improvement of its digital platforms, its live chat initiative with online customers as well as the improvement of our telephone sales department for all of the BMTC Group Inc. banners.

It is also Management's opinion that the digital platforms of our banners are essential in order to allow the Company to increase its market shares as well as to allow customers to start their shopping experience online to then complete their purchases in one of our stores with the help of our sales representatives.

The Company was able to increase significantly its revenues during the period quarter ended July 31, 2021 compared to results during the corresponding 2020 period as well as the corresponding 2019 and 2018 periods. In fact, the Company recorded one of the highest revenues in its history. This is partly due to improvements in marketing and strategic measures implemented, our extensive store network and the strength of digital platforms, which have enabled the Company to increase its market share in Quebec. On the other hand, Management is aware that this increase is also partly due to the fact that it has benefited from a transfer of consumer spending related to the restrictions imposed by the various levels of government due to COVID-19 pandemic, more precisely the restrictions related to travel, the closure of restaurants and all forms of entertainment in the cultural and sporting world.

Finally, since mid-June, the Company has had issues with its supply logistics. Many of the Company's suppliers, who have also been affected by the consequences of COVID-19, are unable to honour and deliver placed orders. This problem seems widespread in our industry and is not unique to the Company. Therefore, it is possible that this could have a negative impact on future results because orders on hand may not be able to be delivered due to this shortcoming.

The Company is faced today with two major problems. On May 5, 2021, the Canadian federal government imposed tariffs of up to 295% on upholstered furniture imported from Vietnam and China while not allowing any grace period either for orders in production or for products already in transit to Canada, which can take up 3 to 4 months to reach our ports.

The majority of these products in production as well as those in transit to Canada have already been sold to our customers. It is not possible for the Company to add these new tariffs to the price tags of these products since it increases by more than four times the price initially paid by our customers. The Company will therefore incur significant losses on the sale of these products in order to honor existing contracts with our customers.

Secondly, the Company was able to cancel the production of products affected by these tariffs with some of our suppliers. However, some of these orders have already been sold to our customers, so if the Company is unable to replace it with a similar product at a reasonable price, those sales will need to be canceled. As a result, the Company could be subject to a slew of customers cancelling orders.

It is difficult to predict the future level of consumer confidence and the possible impact on sales of BMTG Group Inc. 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 despite these difficult market conditions and maintain its objectives increasing its market share and profitability in Quebec.

Complaints about unfairly priced Chinese and Vietnamese-made products have been a long simmering issue in the furniture business. Although, when the Canadian federal government announced it was seeking to level the playing fields with tariffs, everyone in the industry was expecting tariffs in the range of 10 to 20 per cent, similar to what the U.S. recently implemented. The tariffs imposed so far are preliminary, which means they can be raised, lowered or removed altogether when the government finishes its investigation into the matter later this summer.

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, 2021, 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, 2021.

No changes were made in the Company's ICFR during the period beginning on May 1st, 2021 and ended July 31, 2021, which have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Other information

This Quarterly Management Report ended July 31, 2021 provides an analysis of the unaudited consolidated results of operations, financial position, and cash flows of BMTC Group Inc. 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 Quarterly 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
September 9th, 2021

BMTC Group Inc.**Consolidated Statements of Earnings****For the three month and six month periods ended July 31, 2021 and 2020**

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

	Notes	July 31, 2021		July 31, 2020	
		3 month	6 month	3 month	6 month
		\$	\$	\$	\$
Revenue		231 624	408 832	175 973	276 418
Cost of sales		(139 338)	(254 113)	(106 294)	(170 240)
Gross profit		92 286	154 719	69 679	106 178
Other income		7	14	8	7
Selling expenses	4	(50 839)	(99 275)	(39 865)	(73 914)
Administrative expenses	4	(9 644)	(20 918)	(8 501)	(17 735)
Operating (loss) earnings		31 810	34 540	21 321	14 536
Gains (losses) on disposals of property, plant and equipment	8	1	1	1	26
Realized and unrealized change in fair value of financial assets, at fair value	14	5 109	13 937	3 522	(5 729)
Investment income	4	1 051	2 029	797	1 465
Net earnings before income tax expense		37 971	50 507	25 641	10 298
Income tax recuperation (expense)	5	(9 288)	(11 345)	(6 062)	(3 146)
Net (loss) earnings and comprehensive income		28 683	39 162	19 579	7 152
Net (loss) earnings per share					
Basic and diluted	15	0,85	1,16	0,57	0,21

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

BMTC Group Inc.**Consolidated Statements of Changes in Shareholders' Equity****For the six month periods ended July 31st, 2021 and 2020**

(Unaudited and in thousands of Canadian dollars)

	Notes	Capital stock	Retained earnings	Total shareholders' equity
		\$	\$	\$
Balance as at February 1, 2021		<u>2 683</u>	<u>268 025</u>	<u>270 708</u>
Share redemption	11	(16)	-	(16)
Share redemption premium	11	-	(2 845)	(2 845)
Dividends	17	-	(5 399)	(5 399)
Transactions with shareholders		<u>(16)</u>	<u>(8 244)</u>	<u>(8 260)</u>
Net earnings & Comprehensive income		<u>-</u>	<u>39 162</u>	<u>39 162</u>
Balance as at July 31, 2021		<u><u>2 667</u></u>	<u><u>298 943</u></u>	<u><u>301 610</u></u>

	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	11	(6)	-	(6)
Share redemption premium	11	-	(733)	(733)
Dividends	17	-	(4 762)	(4 762)
Transactions with shareholders		<u>(6)</u>	<u>(5 495)</u>	<u>(5 501)</u>
Net Earnings & Comprehensive income		<u>-</u>	<u>7 152</u>	<u>7 152</u>
Balance as at July 31, 2020		<u><u>2 691</u></u>	<u><u>215 584</u></u>	<u><u>218 275</u></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 six month periods ended July 31, 2021 and 2020**

(Unaudited and in thousands of Canadian dollars)

	Notes	July 31, 2021		July 31, 2020	
		3 month	6 month	3 month	6 month
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Net earnings before income tax expense		37 971	50 507	25 641	10 298
Adjustments	6	(2 789)	(8 758)	(1 443)	10 797
Net changes in working capital	6	(8 751)	44 958	92 168	88 630
Income taxes paid		(5 700)	(17 238)	52	(991)
Cash flow from operating activities		20 731	69 469	116 418	108 734
INVESTING ACTIVITIES					
Acquisition of other financial assets		(8 421)	(16 866)	(39 159)	(66 844)
Proceeds from disposal of other financial assets		(2 450)	4 700	(8)	44 822
Purchase of property, plant and equipment	8	(730)	(1 140)	(4 315)	(8 563)
Proceeds from disposal property, plant and equipment	8	3	3	11	36
Interest received	4	194	331	115	173
Dividends received	4	857	1 698	682	1 292
Cash flow from investing activities		(10 547)	(11 274)	(42 674)	(29 084)
FINANCING ACTIVITIES					
Payments for share redemption	11	(2 194)	(2 861)	(90)	(739)
Interest paid		(147)	(302)	(185)	(363)
Payment of lease liabilities	9	(927)	(1 932)	(967)	(1 988)
Dividends	17	(5 399)	(5 399)	(4 762)	(4 762)
Cash flow from financing activities		(8 667)	(10 494)	(6 004)	(7 852)
Net change in cash					
Cash (bank overdraft), beginning of period		1 517	47 701	67 740	71 798
Cash (bank overdraft), end of period		42 990	(3 194)	(3 454)	(7 512)
		44 507	44 507	64 286	64 286

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	July 31, 2021	January 31, 2021
		\$	\$
ASSETS			
Current			
Cash		44 507	5 792
Trade and other receivables		3 481	3 624
Current tax assets		183	-
Inventory		98 914	95 411
Prepaid expenses		3 211	770
Total current assets		150 296	105 597
Non-current			
Other financial assets	7	203 982	178 286
Property, plant and equipment	8	154 165	158 751
Defined benefit plan		-	-
Deferred tax assets	5	5 770	7 573
Total non-current assets		363 917	344 610
Total assets		514 213	450 207
LIABILITIES			
Current			
Bank overdraft	10	-	8 986
Trade and other payables	12	170 710	119 986
Lease liability	9	3 611	3 718
Current tax liability		-	7 513
Total current liabilities		174 321	140 203
Non-current			
Defined benefit plan	13	28 530	27 719
Lease liability	3-9	9 752	11 577
Total non-current liabilities		38 282	39 296
Total liabilities		212 603	179 499
SHAREHOLDERS' EQUITY			
Capital stock	11	2 667	2 683
Retained earnings		298 943	268 025
Total shareholders' equity		301 610	270 708
Total liabilities and shareholders' equity		514 213	450 207

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

BMTC Group Inc.

Notes to the Consolidated Financial Statements

(Unaudited and in thousands of Canadian dollars)

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 interim 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 unaudited interim 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 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 unaudited interim consolidated financial statements.

3.1 Basis of consolidation

The unaudited interim consolidated 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.

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 interim consolidated financial statements.

3.2 Foreign currency translation

The unaudited interim 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.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

(Unaudited and in thousands of Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.3 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.

3.4 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.

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.

3.5 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.

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.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

(Unaudited and in thousands of Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

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.

3.6 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.

3.7 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.

3.8 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.

3.9 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.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

(Unaudited and in thousands of Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

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.

3.10 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.

3.11 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.

3.12 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.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

(Unaudited and in thousands of Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

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.

3.13 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.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

(Unaudited and in thousands of Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.14 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.

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.

3.15 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 employee benefits payable, which are not financial instruments.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

(Unaudited and in thousands of Canadian dollars)

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.

3.16 Government grants

Government grants are recognized when there is reasonable assurance that the eligibility requirements are met and that the grant will be received. The Company recognizes grants, as a reduction of expenses, in the same period in which the expenses are incurred unless the conditions for obtaining them are met after the expenses have been recognized. In these cases, the grant is recognized when it becomes receivable.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

(Unaudited and in thousands of Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.17 Judgment, estimates and assumptions

The World Health Organization confirmed, on March 11, 2020, COVID-19 a global pandemic. It is difficult to predict the future level of consumer confidence and its possible impact on the Company's results. Faced with this uncertainty, the Company regularly review estimates, judgments and key assumptions made that could have a significant impact on its consolidated financial statements.

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.

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 14. 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.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

(Unaudited and in thousands of Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

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 13 for details on the carrying amount and other information on provisions and contingent liabilities.

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

	July 31, 2021		July 31, 2020	
	3 month	6 month	3 month	6 month
Employee benefits expense	\$	\$	\$	\$
Salaries*	27 740	52 838	24 420	42 313
Defined benefit pension plan expense	1 386	2 714	1 133	2 307
Defined contribution pension plan expense	452	746	301	544
Total employee benefits expense	29 578	56 298	25 854	45 164

* Salaries for the semester ended July 31, 2021 include the Canada Emergency Wage Subsidy (CEWS) of \$ 1,700.

	July 31, 2021		July 31, 2020	
	3 month	6 month	3 month	6 month
Other elements of revenues and expenses	\$	\$	\$	\$
Depreciation of property, plant and equipment	2 820	5 689	2 347	4 744
Losses (gains) on disposals of financial assets	-	(407)	-	(762)

	July 31, 2021		July 31, 2020	
	3 month	6 month	3 month	6 month
Investment income	\$	\$	\$	\$
On financial assets at fair value through profit or loss				
Interest	86	187	43	53
Dividends	857	1 698	682	1 292
On financial assets at amortized cost				
Interest	108	144	72	120
	1 051	2 029	797	1 465

BMTC Group Inc.

Notes to the Consolidated Financial Statements

(Unaudited and in thousands of Canadian dollars)

5. INCOME TAXES

The income tax expense is detailed as follows:

	July 31, 2021		July 31, 2020	
	3 month	6 month	3 month	6 month
	\$	\$	\$	\$
Total current tax expense (recovery) for the period	8 644	9 542	5 208	3 676
Total deferred tax expense (recovery)*	644	1 803	854	(530)
	9 288	11 345	6 062	3 146

* In 2021 and 2020, 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:

	July 31, 2021		July 31, 2020	
	3 month	6 month	3 month	6 month
	\$	\$	\$	\$
Income tax expense (recovery) for the period based on combined tax rate (federal and provincial) (of 26.50% in 2021 and 26.59% in 2020)	10 062	13 384	6 797	2 730
Non-taxable dividends	(108)	(212)	(92)	(178)
Non-taxable capital gains	(677)	(1 847)	(467)	759
Non-deductible expenses	11	20	6	15
Other	-	-	(182)	(180)
	9 288	11 345	6 062	3 146

The tax effects of significant components of temporary differences that give rise to the Company's deferred tax assets are as follows:

	Balance as at February 1, 2021	Recognized in earnings	Recognized in other comprehensive income	Balance as at July 31, 2021
	\$	\$	\$	\$
Recognized amounts				
Net unrealized gain (loss) on other financial assets	(594)	(1 835)	-	(2 429)
Liability (asset) defined benefit plans	7 395	-	-	7 395
Property, plant and equipment	772	32	-	804
	7 573	(1 803)	-	5 770

	Balance as at February 1, 2020	Recognized in earnings	Recognized in other comprehensive income	Balance as at January 31, 2021
	\$	\$	\$	\$
Recognized amounts				
Net unrealized gain (loss) on other financial assets	(390)	(204)	-	(594)
Liability (asset) defined benefit plans	10 957	(10)	(3 552)	7 395
Property, plant and equipment	1 874	(1 102)	-	772
	12 441	(1 316)	(3 552)	7 573

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

(Unaudited and in thousands of Canadian dollars)

6. CASH FLOW ADJUSTMENTS AND CHANGES IN WORKING CAPITAL

Adjustments are detailed as follows:

	July 31, 2021		July 31, 2020	
	3 month	6 month	3 month	6 month
	\$	\$	\$	\$
Depreciation of property, plant and equipment	2 820	5 689	2 347	4 744
Excess (deficit) of contributions over defined benefit plan expense	405	811	345	690
Investment income	(1 051)	(2 029)	(797)	(1 465)
Unrealized depreciation (appreciation) of financial assets at fair value	(5 109)	(13 530)	(3 522)	6 491
Losses (gains) on disposal of non-financial assets	(1)	(1)	(1)	(26)
Interest on lease liability	147	302	185	363
Difference between share-based payments and cash consideration paid	-	-	-	-
	(2 789)	(8 758)	(1 443)	10 797

The net change in working capital is detailed as follows:

	July 31, 2021		July 31, 2020	
	3 month	6 month	3 month	6 month
	\$	\$	\$	\$
Trade and other receivables	(75)	143	415	370
Inventory	(3 022)	(3 503)	26 283	23 840
Prepaid expenses	854	(2 441)	4 175	(1 904)
Trade and other payables excluding accrued charges of construction in progress	(6 508)	50 759	61 295	66 324
	(8 751)	44 958	92 168	88 630

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

(Unaudited and in thousands of Canadian dollars)

7. OTHER FINANCIAL ASSETS

	July 31, 2021	
	Fair value	Cost
	\$	\$
At fair value through profit or loss		
Liquidities bearing interest from 0.30 % to 0.50 %, maturing no later than 2021	67 198	67 198
Government and corporate bonds	27 708	26 804
Shares of Canadian companies	49 231	41 503
Shares of U.S. companies	59 845	49 373
Total at fair value through profit or loss	203 982	184 878
Total other financial assets	203 982	184 878

	January 31, 2021	
	Fair value	Cost
	\$	\$
At fair value through profit or loss		
Liquidities bearing interest from 0.30% to 0.50%, maturing no later than 2021	64 884	64 884
Government and corporate bonds	26 047	25 142
Shares of Canadian companies	35 243	34 267
Shares of U.S. companies	52 112	48 742
Total at fair value through profit or loss	178 286	173 035
Total other financial assets	178 286	173 035

BMTC Group Inc.
Notes to the Consolidated Financial Statements
(Unaudited and in thousands of Canadian dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Parking lots and buildings	Signs	Leasehold improvements	Automotive equipment	Computer equipment	Furniture and equipment	Leased property	Leased automotive equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross carrying amount										
Balance as at February 1, 2021	57 440	157 875	539	9 719	3 244	8 662	6 686	21 221	1 525	266 911
Additions	-	481	-	-	203	297	124	-	-	1 105
Disposals	-	-	-	-	(22)	-	-	-	-	(22)
Balance as at July 31, 2021	57 440	158 356	539	9 719	3 425	8 959	6 810	21 221	1 525	267 994
Depreciation and impairment										
Balance as at February 1, 2021	-	73 826	436	9 583	2 293	7 991	5 709	7 697	625	108 160
Disposals	-	-	-	-	(20)	-	-	-	-	(20)
Depreciation	-	3 342	12	23	118	140	136	1 749	169	5 689
Balance as at July 31, 2021	-	77 168	448	9 606	2 391	8 131	5 845	9 446	794	113 829
Carrying amount as at July 31, 2021	57 440	81 188	91	113	1 034	828	965	11 775	731	154 165
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	-	19 681	82	-	244	404	183	10	207	20 811
Disposals	(82)	(1 045)	-	-	(436)	(51)	-	-	-	(1 614)
Balance as at January 31, 2021	57 440	157 875	539	9 719	3 244	8 662	6 686	21 221	1 525	266 911
Balance as at February 1, 2020	-	69 742	410	9 537	2 442	7 563	5 358	3 989	301	99 342
Disposals	-	(1 045)	-	-	(403)	(51)	-	-	-	(1 499)
Depreciation	-	5 129	26	46	254	479	351	3 708	324	10 317
Balance as at January 31, 2021	-	73 826	436	9 583	2 293	7 991	5 709	7 697	625	108 160
Carrying amount as at January 31, 2021	57 440	84 049	103	136	951	671	977	13 524	900	158 751

Carrying amount as at July 31, 2021 includes capital assets for which an amount of \$416 is included in accrued expenses. During the first semester ended July 31, 2021, the Company disposed of financial assets in the amount of \$3, which resulted in a gain of \$1.

During the year ended January 31, 2021, the Company disposed of property, plant and equipment assets for an amount of \$153, which resulted in a gain of \$38.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

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

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>July 31, 2021</u>	<u>January 31, 2021</u>
Opening balance	15 295	19 041
Additions	-	217
Interest	302	707
Payments	<u>(2 234)</u>	<u>(4 670)</u>
Closing balance	<u>13 363</u>	<u>15 295</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>
	\$	\$	\$	\$
July 31, 2021	3 611	8 304	1 448	13 363
January 31, 2021	3 718	9 789	1 788	15 295

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 semester ended July 31, 2021, a rental charge of \$787 was recognized in earnings (\$859 for the corresponding period of 2020) in connection with these additional payments.

For the semesters ended July 31, 2021 and 2020, there were no low value or short-term contracts recorded in earnings.

10. BANK BORROWINGS

The Company has an unsecured line of credit in the amount of \$30,000, repayable on demand, bearing interest at the prime rate. The company is subject to certain restrictive covenants, for the period ended July 31, 2021, 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.

	July 31, 2021	January 31, 2021
	\$	\$
Issued and fully paid		
33,678,800 common shares		
(33,880,000 as at January 31, 2021)	<u>2 667</u>	<u>2 683</u>

	July 31, 2021	January 31, 2021
Issued and fully paid		
Beginning of period	33 880 000	34 088 000
Share redemption	<u>(201 200)</u>	<u>(208 000)</u>
Issued and fully paid, end of period	33 678 800	33 880 000
Shares authorized for the share option plan	<u>5 710 864</u>	<u>5 710 864</u>
Total shares authorized	<u>39 389 664</u>	<u>39 590 864</u>

During the period ended July 31, 2021, the Company redeemed 201,200 common shares for a total cash consideration of \$2,861. The redemption premium of \$2,845 for the shares was recognized in retained earnings.

During the year period ended January 31, 2021, the Company redeemed 208,000 common shares for a total cash consideration of \$2,133. The redemption premium of \$2,119 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. On April 1, 2020, options regarding 197,100 Common Shares outstanding with an exercise price of \$17.85, expired without being exercised. As at July 30, 2021, a total of 5,710,864 common shares (5,710,864 common shares as at January 31, 2021) remained authorized for issuance under the Company's share option plan.

BMTC Group Inc.

Notes to the Consolidated Financial Statements

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

12. TRADE AND OTHER PAYABLES

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

	<u>July 31, 2021</u>	<u>January 31, 2021</u>
	\$	\$
Trade accounts payable	45 334	30 846
Accrued expenses	22 856	19 226
Accrued expenses construction in progress	416	451
Employee benefits	14 138	12 562
Customer deposits	87 966	56 901
	<u>170 710</u>	<u>119 986</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>July 31, 2021</u>	<u>Jan. 31, 2021</u>
	\$	\$
Financial assets		
Financial assets at fair value through profit and loss		
Other financial assets	<u>203 982</u>	<u>178 286</u>
Financial assets at amortized cost		
Cash	44 507	5 792
Trade and other receivables	<u>3 481</u>	<u>3 624</u>
	<u>47 988</u>	<u>9 416</u>
Financial liabilities		
Financial liabilities at amortized cost		
Bank overdraft	-	8 986
Trade (excluding employee benefits) and other payables	<u>156 572</u>	<u>107 424</u>
	<u>156 572</u>	<u>116 410</u>

BMTC Group Inc.

Notes to the Consolidated Financial Statements

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

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:

	July 31, 2021		
	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets at fair value			
Liquidities bearing interest	67 198		
Government and corporate bonds	27 708		
Shares of Canadian companies	49 231		
Shares of U.S. companies	59 845		

	January 31, 2021		
	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets at fair value			
Liquidities bearing interest	64 884		
Government and corporate bonds	26 047		
Shares of Canadian companies	35 243		
Shares of U.S. companies	52 112		

BMTC Group Inc.

Notes to the Consolidated Financial Statements

(Unaudited and 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.

	July 31, 2021		July 31, 2020	
	3 month	6 month	3 month	6 month
	\$	\$	\$	\$
Gains (losses) on assets held at the close of the reporting period	5 109	13 530	3 522	(6 491)
Gains (losses) on assets not held at the close of the reporting period		407	-	762
Gains (losses) realized and unrealized on financial assets, fair value	5 109	13 937	3 522	(5 729)

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

(Unaudited and 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 July 31, 2021 and 2020.

	July 31, 2021	July 31, 2020
	\$	\$
Variation		
Income for the period and equity	5 933	3 857

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 are translated into Canadian dollars at the closing rate:

	July 31, 2021	July 31, 2020
	\$	\$
Shares of U.S. companies	59 845	39 028
Trade and other payables in U.S. dollars	(2 407)	(3 018)
Total exposure	57 438	36 010

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 July 31, 2021 and 2020.

	July 31, 2021	July 31, 2020
	\$	\$
Variation		
Income for the period and equity	2 508	1 582

BMTC Group Inc.

Notes to the Consolidated Financial Statements

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

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:

	July 31, 2021	January 31, 2021
Financial asset categories – carrying amounts	\$	\$
Cash	44 507	5 792
Trade and other receivables	3 481	3 624
	<u>47 988</u>	<u>9 416</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. As of July 31, 2021, none of the significant customers and other debtors, unimpaired, are in default.

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

(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	July 31, 2021		
			Under 1 year	2 - 5 ans	More than 5 years
	\$	\$	\$	\$	\$
Trade and other payables excluding customer deposits	82 744	82 744	82 744	-	-
Lease liability	13 363	14 663	4 098	9 042	1 523
	96 107	97 407	86 842	9 042	1 523

	Valeur comptable	Contractual cash flows	January 31, 2021		
			Under 1 year	2 - 5 ans	More than 5 years
	\$	\$	\$	\$	\$
Trade and other payables excluding customer deposits	63 085	63 085	63 085	-	-
Lease liability	15 295	16 896	4 282	10 718	1 896
	78 380	79 981	67 367	10 718	1 896

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

(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:

	July 31, 2021		July 31, 2020	
	3 month	6 month	3 month	6 month
	\$	\$	\$	\$
Net earnings	<u>28 683</u>	<u>39 162</u>	<u>19 579</u>	<u>7 152</u>
Weighted average number of shares to calculate basic and diluted net earnings per share		<u>33 897 988</u>		<u>34 107 678</u>
Net earnings per share Basic and diluted	<u>0,85</u>	<u>1,16</u>	<u>0,57</u>	<u>0,21</u>

16. SUBSEQUENT EVENT

No adjusting or significant non-adjusting event occurred between the reporting date and the date of authorization of the unaudited interim consolidated financial statements.