

Dollarama Inc.

Condensed Interim Consolidated Financial
Statements

**For the 13-week and 26-week periods ended
August 2, 2015 and August 3, 2014**

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

Dollarama Inc.

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

	Note	August 2, 2015 \$	February 1, 2015 \$
Assets			
Current assets			
Cash and cash equivalents		54,121	40,203
Accounts receivable		7,662	10,004
Deposits and prepaid expenses		7,273	5,213
Merchandise inventories		460,096	408,919
Derivative financial instruments	6	68,743	84,009
		<u>597,895</u>	<u>548,348</u>
Non-current assets			
Property and equipment		307,795	290,632
Intangible assets		134,685	134,076
Goodwill		<u>727,782</u>	<u>727,782</u>
Total assets		<u>1,768,157</u>	<u>1,700,838</u>
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		125,241	175,739
Dividend payable		11,542	10,480
Income taxes payable		13,203	25,427
Current portion of long-term debt	7	3,597	3,846
		<u>153,583</u>	<u>215,492</u>
Non-current liabilities			
Long-term debt	7	685,696	560,641
Deferred income tax		125,152	122,184
Finance lease obligations		1,082	1,566
Deferred rent and tenant inducements		<u>65,397</u>	<u>60,475</u>
Total liabilities		<u>1,030,910</u>	<u>960,358</u>
Commitments	11		
Shareholders' equity			
Share capital		457,939	462,734
Contributed surplus		17,656	15,338
Retained earnings		193,515	196,112
Accumulated other comprehensive income		<u>68,137</u>	<u>66,296</u>
Total shareholders' equity		<u>737,247</u>	<u>740,480</u>
Total liabilities and shareholders' equity		<u>1,768,157</u>	<u>1,700,838</u>

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

Dollarama Inc.

Consolidated Interim Statement of Changes in Shareholders' Equity

For the 26-week periods ended

(Unaudited, expressed in thousands of Canadian dollars except share amounts)

	Note	Number of common shares ⁽¹⁾	Share capital \$	Contributed surplus \$	Retained earnings \$	Accumulated other comprehensive income \$	Total \$
Balance – February 2, 2014		138,957,738	493,602	10,884	346,478	13,202	864,166
Net earnings for the period		-	-	-	122,120	-	122,120
Other comprehensive loss							
Unrealized loss on derivative financial instruments, net of reclassification adjustment and income tax of \$3,562		-	-	-	-	(9,767)	(9,767)
Dividends declared		-	-	-	(21,470)	-	(21,470)
Repurchase and cancellation of shares	8	(6,368,540)	(22,620)	-	(258,094)	-	(280,714)
Share-based compensation	8	-	-	2,769	-	-	2,769
Issuance of common shares		80,194	943	-	-	-	943
Reclassification related to exercise of share options		-	539	(539)	-	-	-
Balance – August 3, 2014		132,669,392	472,464	13,114	189,034	3,435	678,047
Balance – February 1, 2015		129,790,354	462,734	15,338	196,112	66,296	740,480
Net earnings for the period		-	-	-	160,250	-	160,250
Other comprehensive income							
Unrealized gain on derivative financial instruments, net of reclassification adjustment and income tax of \$(686)		-	-	-	-	1,841	1,841
Dividends declared		-	-	-	(23,191)	-	(23,191)
Repurchase and cancellation of shares	8	(2,068,376)	(7,347)	-	(139,656)	-	(147,003)
Share-based compensation	8	-	-	3,109	-	-	3,109
Issuance of common shares		110,762	1,761	-	-	-	1,761
Reclassification related to exercise of share options		-	791	(791)	-	-	-
Balance – August 2, 2015		127,832,740	457,939	17,656	193,515	68,137	737,247

(1) Numbers of common shares as at February 2, 2014 and August 3, 2014, including changes in the share capital between these two dates, reflect the retrospective application of the Share Split (refer to Note 8).

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

Dollarama Inc.

Consolidated Interim Statement of Net Earnings and Comprehensive Income

For the 13-week and 26-week periods ended

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

	Note	13-week periods ended		26-week periods ended	
		August 2, 2015	August 3, 2014	August 2, 2015	August 3, 2014
		\$	\$	\$	\$
Sales		653,290	572,603	1,219,360	1,073,744
Cost of sales	13	402,708	366,037	764,988	689,683
Gross profit		250,582	206,566	454,372	384,061
General, administrative and store operating expenses		103,722	97,984	201,593	189,279
Depreciation and amortization	13	11,775	9,346	22,926	18,131
Operating income		135,085	99,236	229,853	176,651
Net financing costs		4,429	5,093	9,991	9,578
Earnings before income taxes		130,656	94,143	219,862	167,073
Provision for income taxes	9	35,186	25,247	59,612	44,953
Net earnings for the period		95,470	68,896	160,250	122,120
Other comprehensive income (loss)					
<i>Items to be reclassified subsequently to net earnings</i>					
Unrealized gain (loss) on derivative financial instruments, net of reclassification adjustment		37,023	(3,926)	2,527	(13,329)
Income taxes relating to component of other comprehensive income (loss)		(9,905)	1,049	(686)	3,562
Total other comprehensive income (loss), net of income taxes		27,118	(2,877)	1,841	(9,767)
Total comprehensive income for the period		122,588	66,019	162,091	112,353
Earnings per common share					
Basic net earnings per common share (restated) ⁽¹⁾		\$0.74	\$0.52	\$1.24	\$0.91
Diluted net earnings per common share (restated) ⁽¹⁾	10	\$0.74	\$0.51	\$1.23	\$0.90
Weighted average number of common shares outstanding during the period (thousands) (restated) ⁽¹⁾		128,433	133,438	129,001	135,080
Weighted average number of diluted common shares outstanding during the period (thousands) (restated) ⁽¹⁾	10	129,538	133,968	130,056	135,590

⁽¹⁾ Numbers of common shares and amounts per common share as at August 3, 2014 reflect the retrospective application of the Share Split (refer to Note 8).

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

Dollarama Inc.

Consolidated Interim Statement of Cash Flows

For the 13-week and 26-week periods ended

(Unaudited, expressed in thousands of Canadian dollars)

		13-week periods ended		26-week periods ended	
	Note	August 2, 2015	August 3, 2014	August 2, 2015	August 3, 2014
		\$	\$	\$	\$
Operating activities					
Net earnings for the period		95,470	68,896	160,250	122,120
Adjustments for:					
Depreciation of property and equipment and amortization of intangible assets	13	11,775	9,346	22,926	18,131
Amortization of deferred tenant allowances		(1,504)	(1,247)	(2,602)	(2,221)
Amortization of deferred leasing costs		152	153	303	306
Amortization of debt issue costs		318	277	663	508
Excess of receipts (disbursements) over amount recognized on derivative financial instruments		7,135	(4,745)	17,793	(4,190)
Deferred lease inducements		1,016	725	2,288	1,588
Deferred tenant allowances		2,250	1,589	5,236	3,711
Share-based compensation	8	1,544	1,452	3,109	2,769
Net financing costs on long-term debt		(3,721)	(2,429)	(250)	656
Deferred income taxes		(2,611)	3,789	2,282	4,890
Loss on disposal of assets		183	615	357	543
Cash generated before working capital components		112,007	78,421	212,355	148,811
Changes in non-cash working capital components	14	48,779	54,196	(7,902)	33,459
Cash generated before interest and taxes		160,786	132,617	204,453	182,270
Interest paid		(8,042)	(6,754)	(8,570)	(7,419)
Income taxes paid		(27,943)	(18,999)	(70,570)	(49,630)
Net cash generated from operating activities		124,801	106,864	125,313	125,221
Investing activities					
Additions to property and equipment		(18,857)	(14,897)	(37,182)	(32,043)
Additions to intangible assets		(2,858)	(2,202)	(4,557)	(4,377)
Proceeds on disposal of property and equipment		219	10	381	144
Net cash used in investing activities		(21,496)	(17,089)	(41,358)	(36,276)
Financing activities					
Proceeds from long-term debt	7	-	150,000	124,834	150,000
Net proceeds (repayments) from (of) Credit Facility	7	10,000	(105,000)	-	35,000
Payment of debt issue costs		-	(751)	(443)	(751)
Repayment of finance lease		(243)	(234)	(483)	(466)
Issuance of common shares		192	-	1,761	943
Dividends paid		(11,649)	(10,857)	(22,129)	(20,680)
Repurchase and cancellation of shares		(111,494)	(132,338)	(173,577)	(296,476)
Net cash used in financing activities		(113,194)	(99,180)	(70,037)	(132,430)
Increase (decrease) in cash and cash equivalents		(9,889)	(9,405)	13,918	(43,485)
Cash and cash equivalents – beginning of period		64,010	37,390	40,203	71,470
Cash and cash equivalents – end of period		54,121	27,985	54,121	27,985

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

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 2, 2015

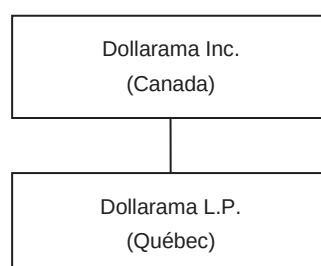
(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

1 General information

Dollarama Inc. (the “Corporation”) was formed on October 20, 2004 under the Canada Business Corporations Act. The Corporation operates dollar stores in Canada that sell all items for \$3.00 or less. As at August 2, 2015, the Corporation maintains retail operations in every Canadian province. The Corporation’s corporate headquarters, distribution centre and warehouses are located in the Montreal area. The Corporation is listed on the Toronto Stock Exchange (“TSX”) and is incorporated and domiciled in Canada.

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

As at August 2, 2015, the significant entities within the legal structure of the Corporation are as follows:



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

2 Basis of preparation

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors for issue on September 10, 2015.

The information on numbers of common shares and outstanding and exercisable options to purchase common shares as well as earnings per common share for the 13-week and 26-week periods ended August 3, 2014 presented in these condensed interim consolidated financial statements has been retrospectively restated to reflect the Share Split (refer to Note 8).

The Corporation prepares its condensed interim consolidated financial statements in accordance with generally accepted accounting principles in Canada (“GAAP”) as set out in the CPA Canada Handbook – Accounting under Part I, which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, “Interim Financial Reporting”. In accordance with GAAP, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation’s audited annual consolidated financial statements for the year ended February 1, 2015 (“Fiscal 2015”), which have been prepared in accordance with IFRS as issued by the IASB. In management’s opinion, the unaudited condensed interim consolidated financial statements reflect all the adjustments that are necessary for a fair presentation of the results for the interim period presented.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 2, 2015

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

3 Summary of significant accounting policies

These condensed interim consolidated financial statements have been prepared using the accounting policies as outlined in note 3 of the Fiscal 2015 consolidated financial statements.

4 Significant standards and interpretations not yet adopted

The following standards and amendments to existing standards were released by the IASB in May 2014 and July 2014. The Corporation is evaluating whether to early adopt these standards but does not expect any significant changes upon adoption.

- In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers. IFRS 15 replaces all previous revenue recognition standards, including IAS 18 – Revenue. On July 22, 2015, the IASB affirmed its proposal to defer the effective date of IFRS 15 from January 1, 2017 to annual periods beginning on or after January 1, 2018, with early adoption permitted.
- In July 2014, the IASB issued the final version of IFRS 9, “Financial Instruments” concerning classification and measurement, impairment and hedge accounting, to supersede IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 will be effective for years beginning on or after January 1, 2018 with early adoption permitted.

5 Critical accounting estimates and judgments

The preparation of condensed interim consolidated financial statements requires management to make estimates and assumptions using judgment that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense during the reporting period. Estimates and other judgments are continually evaluated and are based on management’s experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

In preparing these condensed interim consolidated financial statements, the significant estimates and judgments made by management in applying the Corporation’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for Fiscal 2015 (refer to note 5 of the Fiscal 2015 consolidated financial statements).

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 2, 2015

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

6 Derivative financial instruments

Fair value of financial instruments

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

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

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

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

A summary of the aggregate contractual nominal value, statement of financial position location and estimated fair values of derivative financial instruments as at August 2, 2015 and February 1, 2015 is as follows:

	Contractual nominal value US\$	Average contract rate	Statement of financial position Location	Fair value - Asset Significant other observable inputs (Level 2)	Nature of hedging relationship Recurring
As at August 2, 2015					
Hedging instruments					
Foreign exchange forward contracts	<u>550,549</u>	1.18	Current assets	<u>68,743</u>	Cash flow hedge
As at February 1, 2015					
Hedging instruments					
Foreign exchange forward contracts	<u>469,828</u>	1.09	Current assets	<u>84,009</u>	Cash flow hedge

The Corporation is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative financial instruments is currency risk. Foreign exchange forward contracts are entered into in order to manage the currency fluctuation risk associated with forecasted US dollar merchandise purchases sold in stores.

For foreign exchange forward contracts, the Corporation formally documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedging transactions.

Foreign exchange forward contracts are designated as hedging instruments and recorded at fair value, determined using market prices and other observable inputs. The Corporation designates its foreign exchange forward contracts as hedges of the variability in highly probable future cash flows attributable to a recognized forecasted transaction (cash flow hedges). The fair value of the foreign exchange forward contracts is determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present values.

During the 26-week period ended August 2, 2015, \$25,414 (August 3, 2014 - \$10,789) was reclassified from accumulated other comprehensive income (AOCI) to net earnings. The Corporation has a master netting agreement but no amounts have been netted as at August 2, 2015 or August 3, 2014.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 2, 2015

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

7 Long-term debt

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

	August 2, 2015	February 1, 2015
	\$	\$
Senior unsecured notes bearing interest at a variable rate equal to 3-month bankers' acceptance rate (CDOR) plus 54 basis points payable quarterly, maturing May 16, 2017 (the "Floating Rate Notes")	274,834	150,000
Senior unsecured notes bearing interest at a fixed annual rate of 3.095% payable in equal semi-annual instalments, maturing November 5, 2018 (the "Fixed Rate Notes")	400,000	400,000
Accrued interest on the Floating Rate Notes and Fixed Rate Notes	3,597	3,846
Unsecured revolving credit facility maturing December 13, 2019 (the "Credit Facility")	15,000	15,000
Less: Unamortized debt issue costs	(4,138)	(4,359)
	689,293	564,487
Current portion	(3,597)	(3,846)
	685,696	560,641

Floating Rate Notes

On April 8, 2015, the Corporation issued additional floating rate senior unsecured notes due May 16, 2017 in the aggregate principal amount of \$125,000 (the "Additional Floating Rate Notes") by way of private placement, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The Additional Floating Rate Notes constitute an increase to the \$150,000 aggregate principal amount of floating rate senior unsecured notes due May 16, 2017 issued by the Corporation on May 16, 2014 (the "Original Floating Rate Notes").

The Additional Floating Rate Notes were issued at a discount of 0.336% of the principal amount thereof, for aggregate gross proceeds of \$124,580. Proceeds were used by the Corporation to repay indebtedness outstanding under the Credit Facility and for general corporate purposes. As of the date of issuance, the effective spread over the 3-month bankers' acceptance rate (CDOR) for the Additional Floating Rate Notes was 70 basis points (or 0.70%). Once issued, the Additional Floating Rate Notes bear interest at the same rate as the Original Floating Rate Notes, such rate being equal to the applicable 3-month bankers' acceptance rate (CDOR) plus 54 basis points (or 0.54%), to be set quarterly on the 16th day of May, August, November and February of each year. Interest on the Additional Floating Rate Notes is payable in cash quarterly, in arrears, on the 16th day of May, August, November and February of each year until their maturity, concurrently with the payment of interest on the Original Floating Rate Notes. All other terms and conditions applicable to the Original Floating Rate Notes also apply to the Additional Floating Rate Notes, and the Additional Floating Rate Notes are treated as a single series with the Original Floating Rate Notes (collectively, the "Floating Rate Notes").

As at August 2, 2015, the carrying value of the Floating Rate Notes was \$274,642 (February 1, 2015 - \$149,541). The fair value of the Floating Rate Notes as at August 2, 2015 was determined to be \$274,197 valued as a level 2 in the fair value hierarchy (February 1, 2015 - \$149,566). The Floating Rate Notes are due on May 16, 2017.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 2, 2015

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

7 Long-term debt (cont'd)

Fixed Rate Notes

As at August 2, 2015, the carrying value of the Fixed Rate Notes was \$401,330 (February 1, 2015 – \$401,119). The fair value of the Fixed Rate Notes as at August 2, 2015 was determined to be \$415,008 valued as a level 2 in the fair value hierarchy (February 1, 2015 – \$418,688). The Fixed Rate Notes are due on November 5, 2018.

Credit Facility

As at August 2, 2015, \$15,000 were outstanding under the Credit Facility (February 1, 2015 – \$15,000), and letters of credit issued for the purchase of inventories amounted to \$3,266 (February 1, 2015 – \$499). As at August 2, 2015, the Corporation was in compliance with all of its financial covenants.

8 Share capital

Share split by way of share dividend

On November 17, 2014, the Corporation paid to shareholders of record at the close of business on November 10, 2014 a share dividend of one common share for each issued and outstanding common share of the Corporation, which had the same effect as a two-for-one share split of the Corporation's outstanding common shares (the "Share Split"). The common shares began trading on an ex-dividend basis (on a split basis) on November 18, 2014. Information on numbers of common shares, outstanding and exercisable options to purchase common shares as well as earnings per common share for the 13-week and 26-week periods ended August 3, 2014 has been retrospectively restated to reflect the Share Split.

Normal course issuer bid ("NCIB")

On June 12, 2014, the Corporation launched a normal course issuer bid to repurchase for cancellation up to 4,683,858 common shares (representing 3.5% of the common shares issued and outstanding as at the close of markets on June 11, 2014) during the 12-month period from June 17, 2014 to June 16, 2015 (the "2014-2015 NCIB").

On June 10, 2015, the Corporation renewed its normal course issuer bid to repurchase for cancellation up to 4,500,765 common shares (representing 3.5% of the common shares issued and outstanding as at the close of markets on June 9, 2015) during the 12-month period from June 17, 2015 to June 16, 2016 (the "2015-2016 NCIB").

The total number of common shares repurchased for cancellation under the 2014-2015 NCIB and the 2015-2016 NCIB during the 13-week period ended August 2, 2015 amounted to 1,531,154 common shares (August 3, 2014 – 2,788,080 common shares under the NCIB then in effect, taking into account the Share Split) for a total cash consideration of \$111,494 (August 3, 2014 – \$126,908). For the 13-week period ended August 2, 2015, the Corporation's share capital was reduced by \$5,439 (August 3, 2014 - \$9,903) and the remaining \$106,055 (August 3, 2014 - \$117,005) was accounted for as a reduction of retained earnings.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 2, 2015

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

8 Share capital (cont'd)

The total number of common shares repurchased for cancellation under the 2014-2015 NCIB and the 2015-2016 NCIB during the 26-week period ended August 2, 2015 amounted to 2,068,376 common shares (August 3, 2014 – 6,368,540 common shares under the NCIB then in effect, taking into account the Share Split) for a total cash consideration of \$147,003 (August 3, 2014 – \$280,714). For the 26-week period ended August 2, 2015, the Corporation's share capital was reduced by \$7,347 (August 3, 2014 - \$22,620) and the remaining \$139,656 (August 3, 2014 - \$258,094) was accounted for as a reduction of retained earnings.

Share-based compensation

Outstanding and exercisable share options for the 26-week periods ended on the dates provided below are as follows:

	August 2, 2015		August 3, 2014	
	Number of share options	Weighted average exercise price (\$)	Number of share options ⁽¹⁾	Weighted average exercise price ⁽¹⁾ (\$)
Outstanding – beginning of period	2,263,348	35.71	1,809,348	31.00
Granted	410,000	71.14	644,000	44.39
Forfeited	-	-	(25,600)	36.01
Exercised	(125,048)	22.40	(96,900)	17.50
Outstanding – end of period	2,548,300	42.06	2,330,848	35.21
Exercisable – end of period	673,100	32.84	355,676	28.28

⁽¹⁾ Retrospectively restated to reflect the Share Split.

During the 13-week and 26-week periods ended August 2, 2015, the Corporation recognized a share-based compensation expense of \$1,544 and \$3,109, respectively (13-week and 26-week periods ended August 3, 2014 - \$1,452 and \$2,769, respectively).

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 2, 2015

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

8 Share capital (cont'd)

Information relating to share options outstanding as at August 2, 2015 is as follows:

Range of exercise prices	Share options outstanding			Share options exercisable		
	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price (\$)	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price (\$)
\$6.00-\$8.75	42	17,000	7.29	42	17,000	7.29
\$8.76-\$13.25	53	4,000	11.21	53	4,000	11.21
\$13.26-\$18.89	68	40,400	15.27	68	24,800	15.15
\$18.90-\$27.01	78	298,300	22.03	78	148,700	21.94
\$27.02-\$40.97	92	1,088,200	36.41	92	362,600	36.26
\$40.98-\$56.17	105	690,400	44.97	104	116,000	44.39
\$56.18-\$75.49	116	410,000	71.14	-	-	-
	97	2,548,300	42.06	89	673,100	32.84

The weighted average fair value of the share options granted during the 26-week periods ended on the dates provided below was estimated at the grant date based on the Black-Scholes option pricing model using the following assumptions:

	26-week periods ended	
	August 2, 2015	August 3, 2014
Dividend yield	0.5%	0.7%
Risk-free interest rate	0.9%	1.9%
Expected life	6.3 years	6.4 years
Expected volatility	19.3%	20.3%
Weighted average fair value of share options estimated at the grant date	\$13.96	\$9.93 ⁽¹⁾

⁽¹⁾ Retrospectively restated to reflect the Share Split.

The expected life is estimated using the average of the vesting period and the contractual life of the share options. Expected volatility is estimated based on the Corporation's publicly traded share price.

9 Income taxes

The income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. The statutory income tax rate for the 13-week and 26-week periods ended August 2, 2015 was 26.7% (August 3, 2014 - 26.7%). The Corporation's effective income tax rate for the 13-week and 26-week periods ended August 2, 2015 was 26.9% and 27.1%, respectively (13-week and 26-week periods ended August 3, 2014 - 26.8% and 26.9%, respectively).

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 2, 2015

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

10 Earnings per common share

Diluted net earnings per common share for the 13-week and 26-week periods ended on the dates provided below were calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares as follows:

	13-week periods ended		26-week periods ended	
	August 2, 2015	August 3, 2014 ⁽¹⁾	August 2, 2015	August 3, 2014 ⁽¹⁾
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	\$95,470	\$68,896	\$160,250	\$122,120
Weighted average number of common shares outstanding during the period (<i>thousands</i>)	128,433	133,438	129,001	135,080
Assumed share options exercised (<i>thousands</i>)	1,105	530	1,055	510
Weighted average number of common shares for diluted net earnings per common share (<i>thousands</i>)	129,538	133,968	130,056	135,590
Diluted net earnings per common share	\$0.74	\$0.51	\$1.23	\$0.90

⁽¹⁾ Retrospectively restated to reflect the Share Split.

11 Commitments

As at August 2, 2015, contractual obligations for operating leases amounted to approximately \$955,078 (August 3, 2014 – \$862,116). The leases extend over various periods up to the year 2039.

The basic rent and contingent rent expense of operating leases for stores, warehouses, distribution centre and corporate headquarters included in the interim consolidated statement of net earnings and comprehensive income are as follows:

	13-week periods ended		26-week periods ended	
	August 2, 2015	August 3, 2014	August 2, 2015	August 3, 2014
	\$	\$	\$	\$
Basic rent	36,065	32,495	73,961	66,518
Contingent rent	992	914	2,050	1,865
	37,057	33,409	76,011	68,383

12 Related party transactions

Expenses charged by entities controlled by a director, which comprise mainly rent, totalled \$5,235 and \$10,871, respectively, for the 13-week and 26-week periods ended August 2, 2015 (13-week and 26-week periods ended August 3, 2014 - \$4,845 and \$10,063, respectively).

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

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 2, 2015

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

13 Expenses by nature included in the interim consolidated statement of net earnings

	13-week periods ended		26-week periods ended	
	August 2, 2015	August 3, 2014	August 2, 2015	August 3, 2014
	\$	\$	\$	\$
Sales	653,290	572,603	1,219,360	1,073,744
Cost of sales:				
Merchandise, labour, transport and other costs	341,428	311,398	640,378	579,145
Occupancy costs	61,280	54,639	124,610	110,538
Total cost of sales	402,708	366,037	764,988	689,683
Depreciation and amortization:				
Depreciation of property and equipment	9,851	8,033	19,281	15,606
Amortization of intangible assets	1,924	1,313	3,645	2,525
Total depreciation and amortization	11,775	9,346	22,926	18,131
Employee benefits	76,076	70,402	149,968	139,599
Net financing costs	4,429	5,093	9,991	9,578

14 Interim consolidated statement of cash flows information

The changes in non-cash working capital components on the dates provided below are as follows:

	13-week periods ended		26-week periods ended	
	August 2, 2015	August 3, 2014	August 2, 2015	August 3, 2014
	\$	\$	\$	\$
Accounts receivable	350	557	2,342	(142)
Deposits and prepaid expenses	19,371	15,045	(2,060)	(1,214)
Merchandise inventories	(10,382)	(8,161)	(51,177)	(5,111)
Accounts payable and accrued liabilities	1,637	25,297	(15,353)	(137)
Income taxes payable	37,803	21,458	58,346	40,063
	48,779	54,196	(7,902)	33,459

15 Event after the reporting period

Quarterly cash dividend

On September 10, 2015, the Corporation's Board of Directors announced that it had approved a quarterly cash dividend for holders of its common shares of \$0.09 per common share. The Corporation's quarterly cash dividend will be paid on November 4, 2015 to shareholders of record at the close of business on October 1, 2015 and is designated as an "eligible dividend" for Canadian tax purposes.