# Canada Goose Holdings Inc.

Annual Consolidated Financial Statements

March 29, 2020

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Canada Goose Holdings Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Canada Goose Holdings Inc. and subsidiaries (the "Company") as of March 29, 2020 and March 31, 2019, the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for the 52 weeks ended March 29, 2020 and each of the two years in the period ended March 31, 2019, and the related notes and the schedule of Condensed Financial Information of Canada Goose Holdings Inc. (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 29, 2020 and March 31, 2019, and its financial performance and its cash flows for the 52 weeks ended March 29, 2020 and each of the two years in the period ended March 31, 2019, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 29, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 2, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Change in Accounting Principle

As discussed in Note 4 to the financial statements, effective April 1, 2019 the Company adopted IFRS 16*, Leases*, using the modified retrospective approach.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

***Revenue and Trade Receivables - Refer to Notes 2(d) and 10 to the financial statements***

*Critical Audit Matter Description*

Revenue is comprised of wholesale revenue (which includes sales to distributors and retailers) of the Company's products, as well as direct-to-consumer revenue which consists of sales through the Company's e-commerce operations and Company-owned retail stores. Trade receivables consist of amounts owing on product sales where the Company has extended credit to customers.

We identified the performance of incremental audit procedures over revenue and the related trade receivables due to ineffective internal controls for a portion of the year as a critical audit matter. As of March 31, 2019, the Company identified a material weakness over the occurrence and accuracy of revenue and the existence of the related accounts receivable, and access controls over the master data. While the material weakness was remediated by March 29, 2020, the internal controls were ineffective for a portion of the year. Revenue and the related trade receivables were impacted by the ineffective internal controls in respect to pricing, communicating terms of the arrangement and maintaining master data. This required an increased extent of audit effort and a high degree of auditor judgment to assess the sufficiency of the procedures performed and evidence obtained.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to pricing, communicating terms of the arrangement and maintaining master data relating to revenue and the related trade receivable included the following, among others:

- Evaluated the effectiveness of the Company's internal controls over pricing, communicating terms of the arrangement, and access controls over master data.
- Tested pricing and communicating terms of the arrangement of revenue and related trade receivables by:
    - Vouching a sample of recorded revenue transactions to the sales order confirmation, the master price list, evidence of payment received from the customer, third party shipping report, and the proof of delivery.
    - Confirming terms of the arrangement with a selection of customers and reconciling their response to the master data.
    - Testing manual journal entries to the Company's revenue general ledger accounts.
    - Increasing the number of revenue transactions selected for testing from what we would have otherwise selected if the Company's internal controls were designed and operating effectively during the entire year.
- Tested the maintenance of the master data by agreeing a sample of recorded revenue transactions back to the underlying master data (ie. pricing, discounts, terms of the arrangement).

***Inventory - Refer to Notes 2(j) and 11 to the financial statements***

*Critical Audit Matter Description*

Inventory is comprised of raw materials, work-in-process, and finished goods. The cost of finished goods inventories include the cost of raw materials and an applicable share of the cost of labour and fixed and variable production overhead costs, including the depreciation of property, plant and equipment used in the production of finished goods and design costs, and other costs incurred to bring the inventories to their present location and condition.

We identified the performance of incremental audit procedures over inventory due to ineffective internal controls for a portion of the year as a critical audit matter. As of March 31, 2019, the Company identified a material weakness over the existence and valuation of inventory, including inventory costing. While the material weakness was remediated by March 29, 2020, the internal controls were ineffective for a portion of the year. Inventory was impacted by the ineffective internal controls in respect to physical inventory counts for raw materials and finished goods and the determination of standard cost. This required an increased extent of audit effort and a high degree of auditor judgment to assess the sufficiency of the procedures performed and evidence obtained.

*How the Critical Audit Matter was Addressed in the Audit*

Our audit procedures related to physical inventory counts for raw materials and finished goods and the determination of standard cost of inventory included the following, among others:

- Evaluated the effectiveness of the Company’s internal controls over inventory counts for raw materials and finished goods and over the determination of standard cost.
- Tested raw materials and finished goods quantities by physically observing and verifying inventory cycle counts through test counts and tracing test counts to Company’s records.
- Tested that the Company’s standard cost of inventory approximates actual cost by obtaining documents supporting actual cost of raw materials, and finished goods inputs and ensured the variances between standard and actual are appropriately capitalized.
- Increased the number of inventory samples to be counted.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 2, 2020

We have served as the Company's auditor since fiscal 2010.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Canada Goose Holdings Inc.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Canada Goose Holdings Inc. and subsidiaries (the “Company”) as of March 29, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 29, 2020, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the 52 weeks ended March 29, 2020, of the Company and our report dated June 2, 2020, expressed an unqualified opinion on those financial statements, and included an explanatory paragraph regarding the Company’s adoption of IFRS 16, *Leases*.

### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 2, 2020

**Consolidated Statements of Income and Comprehensive Income**
(in millions of Canadian dollars, except per share amounts)

| | | Year ended | | |
|---|---|---|---|---|
| | Notes | March 29, 2020 | March 31, 2019 | March 31, 2018 |
| | | $ | $ | $ |
| Revenue | 6 | 958.1 | 830.5 | 591.2 |
| Cost of sales | 11 | 364.8 | 313.7 | 243.6 |
| **Gross profit** | | 593.3 | 516.8 | 347.6 |
| Selling, general and administrative expenses | | 350.5 | 302.1 | 200.1 |
| Depreciation and amortization | 9, 12, 13 | 50.7 | 18.0 | 9.4 |
| **Operating income** | | 192.1 | 196.7 | 138.1 |
| Net interest and other finance costs | 17 | 28.4 | 14.2 | 12.9 |
| **Income before income taxes** | | 163.7 | 182.5 | 125.2 |
| Income tax expense | 7 | 12.0 | 38.9 | 29.1 |
| **Net income** | | 151.7 | 143.6 | 96.1 |
| **Other comprehensive income (loss)** | | | | |
| Items that will not be reclassified to earnings, net of tax: | | | | |
| Actuarial loss on post-employment obligation | | (0.2) | (0.7) | (0.3) |
| Items that may be reclassified to earnings, net of tax: | | | | |
| Cumulative translation adjustment | | 9.4 | (1.3) | 3.2 |
| Net (loss) gain on derivatives designated as cash flow hedges | | (2.4) | (4.6) | 0.1 |
| Reclassification of net (gain) loss on cash flow hedges to income | | (3.7) | 3.8 | (1.3) |
| Net (loss) gain on derivatives designated as a net investment hedge | | (0.3) | 3.5 | (3.5) |
| **Other comprehensive income (loss)** | | 2.8 | 0.7 | (1.8) |
| **Comprehensive income** | | 154.5 | 144.3 | 94.3 |
| **Earnings per share** | 8 | | | |
| Basic | | $ 1.38 | $ 1.31 | $ 0.90 |
| Diluted | | $ 1.36 | $ 1.28 | $ 0.86 |

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

## Consolidated Statements of Financial Position

(in millions of Canadian dollars)

| | Notes | March 29, 2020 | March 31, 2019 |
|---|---|---|---|
| **Assets** | | $ | $ |
| **Current assets** | | | |
| Cash | | 31.7 | 88.6 |
| Trade receivables | 10 | 32.3 | 20.4 |
| Inventories | 11 | 412.3 | 267.3 |
| Income taxes receivable | 7 | 12.0 | 4.0 |
| Other current assets | 21 | 35.9 | 32.9 |
| **Total current assets** | | 524.2 | 413.2 |
| Deferred income taxes | 7 | 40.8 | 12.2 |
| Property, plant and equipment | 12 | 115.1 | 84.3 |
| Intangible assets | 13 | 161.7 | 155.6 |
| Right-of-use assets | 4, 9 | 211.8 | — |
| Other long-term assets | 21 | 6.0 | 7.0 |
| Goodwill | 5, 14 | 53.1 | 53.1 |
| **Total assets** | | 1,112.7 | 725.4 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 15, 21 | 136.8 | 110.4 |
| Provisions | 16 | 15.6 | 8.1 |
| Income taxes payable | 7 | 13.0 | 18.1 |
| Short-term borrowings | 17 | — | — |
| Lease liabilities | 4, 9 | 35.9 | — |
| **Total current liabilities** | | 201.3 | 136.6 |
| Provisions | 16 | 21.4 | 14.7 |
| Deferred income taxes | 7 | 15.1 | 16.7 |
| Revolving facility | 17 | — | — |
| Term loan | 17 | 158.1 | 145.2 |
| Lease liabilities | 4, 9 | 192.0 | — |
| Other long-term liabilities | 21 | 4.6 | 13.1 |
| **Total liabilities** | | 592.5 | 326.3 |
| **Shareholders' equity** | 18 | 520.2 | 399.1 |
| **Total liabilities and shareholders' equity** | | 1,112.7 | 725.4 |

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

## Consolidated Statements of Changes in Equity
(in millions of Canadian dollars)

| | Notes | Share capital | | | Contributed Surplus | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|---|---|---|---|
| | | Multiple voting shares | Subordinate voting shares | Total | | | | |
| | | $ | $ | $ | $ | $ | $ | $ |
| **Balance at March 31, 2017** | | 2.2 | 101.1 | 103.3 | 4.1 | 40.0 | (1.3) | 146.1 |
| Convert multiple voting shares to subordinate voting shares | 18 | (0.3) | 0.3 | — | — | — | — | — |
| Exercise of stock options | 18 | — | 2.8 | 2.8 | (1.6) | — | — | 1.2 |
| Net income | | — | — | — | — | 96.1 | — | 96.1 |
| Other comprehensive loss | | — | — | — | — | — | (1.8) | (1.8) |
| Recognition of share-based payment | 19 | — | — | — | 2.0 | — | — | 2.0 |
| **Balance at March 31, 2018** | | 1.9 | 104.2 | 106.1 | 4.5 | 136.1 | (3.1) | 243.6 |
| Issuance of subordinate voting shares in business combination | 5 | — | 1.5 | 1.5 | — | — | — | 1.5 |
| Convert multiple voting shares to subordinate voting shares | 18 | (0.5) | 0.5 | — | — | — | — | — |
| Exercise of stock options | 18 | — | 5.0 | 5.0 | (1.9) | — | — | 3.1 |
| Net income | | — | — | — | — | 143.6 | — | 143.6 |
| Other comprehensive income | | — | — | — | — | — | 0.7 | 0.7 |
| Recognition of share-based payment (including tax recovery of $2.8) | 19 | — | — | — | 6.6 | — | — | 6.6 |
| **Balance at March 31, 2019** | | 1.4 | 111.2 | 112.6 | 9.2 | 279.7 | (2.4) | 399.1 |
| IFRS 16 initial application | 4 | — | — | — | — | (4.9) | — | (4.9) |
| Normal course issuer bid purchase of subordinate voting shares | 18 | — | (1.6) | (1.6) | — | (37.1) | — | (38.7) |
| Exercise of stock options | 18 | — | 3.7 | 3.7 | (1.3) | — | — | 2.4 |
| Net income | | — | — | — | — | 151.7 | — | 151.7 |
| Other comprehensive income | | — | — | — | — | — | 2.8 | 2.8 |
| Recognition of share-based payment | 19 | — | — | — | 7.8 | — | — | 7.8 |
| **Balance at March 29, 2020** | | 1.4 | 113.3 | 114.7 | 15.7 | 389.4 | 0.4 | 520.2 |

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

## Consolidated Statements of Cash Flows
(in millions of Canadian dollars)

| | Notes | Year ended March 29, 2020 | March 31, 2019 | March 31, 2018 |
|---|---|---|---|---|
| | | $ | $ | $ |
| **Operating activities** | | | | |
| Net income | | 151.7 | 143.6 | 96.1 |
| Items not affecting cash: | | | | |
| Depreciation and amortization | | 63.1 | 22.7 | 14.2 |
| Income tax expense | | 12.0 | 38.9 | 29.1 |
| Interest expense | | 20.4 | 13.7 | 12.5 |
| Foreign exchange (gain) loss | | (0.7) | 2.7 | (8.6) |
| Acceleration of unamortized costs on debt extinguishment | 17 | 7.0 | — | — |
| Loss on disposal of assets | | 1.7 | 0.2 | 0.2 |
| Share-based payment | 19 | 8.5 | 3.8 | 2.0 |
| | | 263.7 | 225.6 | 145.5 |
| Changes in non-cash operating items | 23 | (130.6) | (100.7) | (2.3) |
| Income taxes paid | | (52.1) | (41.0) | (7.4) |
| Interest paid | | (18.5) | (10.5) | (9.6) |
| **Net cash from operating activities** | | 62.5 | 73.4 | 126.2 |
| **Investing activities** | | | | |
| Purchase of property, plant and equipment | | (45.3) | (30.3) | (26.1) |
| Investment in intangible assets | | (17.0) | (19.0) | (7.7) |
| Business combination | 5 | — | (33.6) | (0.6) |
| **Net cash used in investing activities** | | (62.3) | (82.9) | (34.4) |
| **Financing activities** | | | | |
| Net repayments on debt facilities | 17 | — | — | (8.8) |
| Transaction costs on financing activities | 17 | (2.3) | — | (0.3) |
| Subordinate voting shares purchased for cancellation | 18 | (38.7) | — | — |
| Principal paid on lease liabilities | 9 | (24.7) | — | — |
| Settlement of term loan derivative contracts | 21 | 4.6 | — | — |
| Exercise of stock options | 19 | 2.4 | 3.1 | 1.2 |
| **Net cash (used in) from financing activities** | | (58.7) | 3.1 | (7.9) |
| Effects of foreign currency exchange rate changes on cash | | 1.6 | (0.3) | 1.7 |
| (Decrease) increase in cash | | (56.9) | (6.7) | 85.6 |
| **Cash, beginning of period** | | 88.6 | 95.3 | 9.7 |
| **Cash, end of period** | | 31.7 | 88.6 | 95.3 |

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

## Note 1. The Company

*Organization*

Canada Goose Holdings Inc. and its subsidiaries (the “Company”) design, manufacture, and sell performance luxury apparel for men, women, youth, children, and babies. The Company’s apparel collections include various styles of parkas, lightweight down jackets, rainwear, windwear, knitwear, footwear, and accessories for fall, winter, and spring seasons. The Company’s head office is located at 250 Bowie Avenue, Toronto, Canada M6E 4Y2. The use of the terms “Canada Goose”, “we”, “us” and “our” throughout these notes to the consolidated financial statements refer to the Company.

Canada Goose is a public company listed on the Toronto Stock Exchange and the New York Stock Exchange under the trading symbol “GOOS”. The principal shareholders of the Company are investment funds advised by Bain Capital LP and its affiliates (“Bain Capital”), and DTR LLC, DTR (CG) Limited Partnership, and DTR (CG) II Limited Partnership (collectively “DTR”), entities indirectly controlled by the President and Chief Executive Officer of the Company. The principal shareholders hold multiple voting shares representing 46.4% of the total shares outstanding as at March 29, 2020, or 89.6% of the combined voting power of the total voting shares outstanding. Subordinate voting shares that trade on public markets represent 53.6% of the total shares outstanding as at March 29, 2020, or 10.4% of the combined voting power of the total voting shares outstanding.

*Statement of compliance*

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

These consolidated financial statements were authorized for issuance by the Company’s Board of Directors on June 2, 2020.

*Change in fiscal period*

Effective April 1, 2019, the Company changed its fiscal year from a calendar basis of twelve months ended March 31 to a 52 or 53-week reporting cycle with the fiscal year ending on the Sunday closest to March 31. Each fiscal quarter is 13 weeks. The additional week in a 53-week fiscal year is added to the fourth quarter. The Company's first 53-week fiscal year will occur in fiscal 2022. The 2020 fiscal year comprises four fiscal quarters ending on June 30, 2019, September 29, 2019, December 29, 2019, and March 29, 2020. The Company has not adjusted financial results for quarters prior to fiscal 2020. In these consolidated financial statements, the term "year ended March 29, 2020" refers to the 52-week period ended March 29, 2020 (364 days) and the term "year ended March 31, 2019" refers to the twelve months ended March 31, 2019 (365 days).

*Operating segments*

The Company classifies its business in three operating and reportable segments: Direct-to-Consumer, Wholesale, and Other. The Direct-to-Consumer segment comprises sales through country-specific e-commerce platforms and its Company-owned retail stores located in luxury shopping locations.

The Wholesale segment comprises sales made to a mix of functional and fashionable retailers, including major luxury department stores, outdoor specialty stores, and individual shops, and to international distributors.

In the fourth quarter of fiscal 2020, the Company revised the previous Unallocated segment to the Other segment. The Other segment comprises sales and costs not directly allocated to the Direct-to-Consumer or Wholesale channels, such as sales to employees and selling, general and administrative expenses not directly allocated to the Direct-to-Consumer or Wholesale segments. The Other segment includes the cost of marketing expenditures to build brand awareness across all segments, corporate costs in support of manufacturing operations, other corporate costs and foreign exchange gains and losses not specifically associated with Direct-to-Consumer or Wholesale segment operations. It also includes overhead costs resulting from the temporary closure of our manufacturing facilities in March 2020 due to COVID-19. Comparative information has been restated to conform with the presentation adopted in the current year.

*Seasonality*

Our business is seasonal, and we have historically realized a significant portion of our Wholesale revenue and operating income in the second and third quarters of the fiscal year and Direct-to-Consumer revenue and operating income in the third and fourth quarters of the fiscal year. Thus, lower-than-expected revenue in these periods could have an adverse impact on our annual operating results.

Cash flows from operating activities are typically highest in the third and fourth quarters of the fiscal year due to revenue from the Direct-to-Consumer segment and the collection of trade receivables from Wholesale revenue earlier in the year. Working capital requirements typically increase as inventory builds. Borrowings have historically increased in the first and second quarters and been repaid in the third quarter of the fiscal year.

## Note 2. Significant accounting policies

### (a) Basis of presentation

The consolidated financial statements are presented in Canadian dollars, the Company's functional and presentation currency.

These consolidated financial statements have been prepared on the historical cost basis except for the following items, which are recorded at fair value:

- financial instruments, including derivative financial instruments, at fair value in other comprehensive income and through profit or loss as described in note 21, and
- initial recognition of assets acquired and liabilities assumed in a business combination as described in note 5.

The significant accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements for all periods presented, with the exception of IFRS 16, *Leases* ("IFRS 16") effective April 1, 2019, as described in note 4. The Company elected the modified retrospective approach on adoption of the standard, and has not restated prior periods.

### (b) Principles of consolidation

The consolidated financial statements include the accounts of Canada Goose Holdings Inc. and its subsidiaries. All intercompany transactions and balances have been eliminated.

### (c) Foreign currency translation and transactions

The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which each entity operates. The assets and liabilities of subsidiaries whose functional currency is not the Canadian dollar are translated into the functional currency of the Company using the exchange rate at the reporting date. Revenues and expenses are translated at exchange rates prevailing at the transaction date. The resulting foreign exchange translation differences are recorded as a currency translation adjustment in other comprehensive income.

Foreign currency transactions are translated into the functional currency of each of the Company's subsidiaries using the exchange rates prevailing at the date of the transactions or valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the changes at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income in selling, general and administrative expenses, except when included in other comprehensive income for qualifying cash flow and net investment hedges.

*Change in functional currency of subsidiary*

Each entity within the Company determines its functional currency based on the primary economic environment in which the entity operates. Once an entity's functional currency is determined, it is not changed unless there is a change to the underlying transactions, events, and conditions that determine the entity's primary economic environment.

Through the year ending March 31, 2019, the functional currency of Canada Goose US, Inc., the operating subsidiary in the United States ("U.S."), was determined to be Canadian dollars because its wholesale operations were carried out as an extension of the business of the Canadian parent and were therefore integrated with the Canadian operations.

The U.S. subsidiary is responsible for all of the Company's direct-to-consumer and wholesale operations in the United States, which now include substantial retail operations, assets and related lease financing. The Company reassessed the functional currency of the U.S. subsidiary in light of the change in circumstances and determined it was no longer an integral foreign operation and that the primary economic environment in which it operates is the United States; as a result, the functional currency of the U.S. subsidiary was changed from Canadian dollars to U.S. dollars, effective April 1, 2019. The change was made on a prospective basis.

### (d) Revenue recognition

Revenue comprises of Direct-to-Consumer, Wholesale and Other segment revenues. Revenue is measured at the amount of consideration to which the Company expects to be entitled in exchange for the sale of goods in the ordinary course of the Company's activities. Revenue is presented net of sales tax, estimated returns, sales allowances, and discounts. The Company recognizes revenue when the Company has agreed terms with its customers, the contractual rights and payment terms have been identified, the contract has commercial substance, it is probable that consideration will be collected by the Company, and when control of the goods is transferred to the customer have been met.

It is the Company's policy to sell merchandise through the Direct-to-Consumer channel with a limited right to return, typically within 30 days. Accumulated experience is used to estimate and provide for such returns.

### (e) Business combinations

Acquisitions of businesses are accounted for using the acquisition method as of the acquisition date, which is the date when control is transferred to the Company. The consideration transferred in a business combination is measured at fair value, calculated as the sum of the acquisition date fair values of the assets transferred, liabilities incurred by the Company, and the equity interests issued by the Company in exchange for control of the acquiree. Transaction costs that the Company incurs in connection with a business combination are recognized in the statement of income as incurred.

Goodwill is measured as the excess of the sum of the fair value of the consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

When the consideration transferred in a business combination includes contingent consideration, the contingent consideration is measured at its acquisition date fair value. Contingent consideration is remeasured at subsequent reporting dates at its fair value, and the resulting gain or loss recognized in the statement of income.

### (f) Earnings per share

Basic earnings per share is calculated by dividing net income attributable to ordinary equity holders by the weighted average number of multiple and subordinated voting shares outstanding during the year.

Diluted earnings per share is calculated by dividing net income attributable to ordinary equity holders of the Company by the weighted average number of multiple and subordinated voting shares outstanding during the year plus the weighted average number of subordinate shares that would be issued on the exercise of stock options and settlement of restricted share units ("RSUs").

### (g) Income taxes

Current and deferred income taxes are recognized in the statement of income, except when it relates to a business combination, or items recognized in equity or in other comprehensive income.

*Current income tax*

Current income tax is the expected income tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

*Deferred income tax*

Deferred income tax is provided using the liability method for temporary differences at the reporting date between the income tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax is measured using enacted or substantively enacted income tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. A deferred tax asset is recognized for unused income tax losses and credits to the extent that it is probable that future taxable income will be available against which they can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred tax relates to the same taxable entity and the same taxation authority.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

**(h) Cash**

Cash consists of cash and cash equivalents, including cash on hand, deposits in banks, and short-term deposits with maturities of less than three months. The Company uses the indirect method of reporting cash flows from operating activities.

**(i) Trade receivables**

Trade receivables, including credit card receivables, consist of amounts owing on product sales where we have extended credit to customers, and are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less expected credit loss and sales allowances. The allowance for expected credit losses is recorded against trade receivables and is based on historical experience.

**(j) Inventories**

Raw materials, work-in-process, and finished goods are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of work-in-process and finished goods inventories include the cost of raw materials and an applicable share of the cost of labour and fixed and variable production overhead costs, including the depreciation of property, plant and equipment used in the production of finished goods and design costs, and other costs incurred to bring the inventories to their present location and condition.

The Company estimates net realizable value as the amount at which inventories are expected to be sold, taking into consideration fluctuations in selling prices due to seasonality, less estimated costs necessary to complete the sale.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining selling prices. Inventory is adjusted to reflect estimated loss (“shrinkage”) incurred since the last inventory count. Shrinkage is based on historical experience. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in realizable value, the amount of the write-down previously recorded is reversed.

Storage costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period that these costs are incurred.

### (k) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including costs incurred to prepare the asset for its intended use and capitalized borrowing costs, when the recognition criteria are met. The commencement date for capitalization of costs occurs when the Company first incurs expenditures for the qualifying assets and undertakes the required activities to prepare the assets for their intended use.

Property, plant and equipment assets are depreciated on a straight-line basis over their estimated useful lives when the assets are available for use. When significant parts of a fixed asset have different useful lives, they are accounted for as separate components and depreciated separately. Depreciation methods and useful lives are reviewed annually and are adjusted for prospectively, if appropriate. Estimated useful lives are as follows:

| Asset Category | Estimated Useful Life |
|---|---|
| Plant equipment | 10 years |
| Computer hardware | 5 years |
| Leasehold improvements | Lesser of the lease term or useful life of the asset |
| Show displays | 5 years |
| Furniture and fixtures | 5 to 15 years |

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of income when the asset is derecognized.

The cost of repairs and maintenance of property, plant and equipment is expensed as incurred and recognized in the statement of income.

Property, plant and equipment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset is then tested for impairment by comparing its recoverable amount to its carrying value. Any resulting impairment loss is recorded in the statement of income.

### (l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets with finite lives are carried at cost less any accumulated amortization and any accumulated impairment losses.

An internally generated intangible asset is recorded for product development costs which are included within intellectual property. Product development costs are incurred in the design, production and testing of new products where the technical feasibility of commercial manufacturing and sale of the product has been demonstrated.

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

| Asset Category | Estimated Useful Life |
|---|---|
| Brand name | Indefinite |
| Domain name | Indefinite |
| ERP software | 5 to 7 years |
| Computer software | 5 years |
| Intellectual property | 1 to 8 years |

Intangible assets with indefinite useful lives comprise of the Canada Goose and Baffin brand names (note 5) and domain name, which were acquired as part of an acquisition and were recorded at their estimated fair value. The brand names and domain name are considered to have an indefinite life based on a history of revenue and cash flow performance, and the intent and ability of the Company to support the brand with spending to maintain its value for the foreseeable future. The brand names and domain name are tested at least annually for impairment, at the cash-generating unit ("CGU") level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Intangible assets with finite lives are amortized over the useful economic life on a straight-line basis. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income over the asset's estimated useful life.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are included in the statement of income when the asset is derecognized.

Intangible assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset is then tested for impairment by comparing its recoverable amount to its carrying value. Any resulting impairment loss is recorded in the statement of income.

Lease rights in connection with the opening of new Company-owned retail stores are recorded based on the amount paid. Lease rights have a definite useful life of the lease term and are amortized on a straight-line basis over the term. Upon the adoption of IFRS 16, lease rights were transferred from intangible assets and recognized as initial direct costs in the measurement of right-of-use assets (note 4).

**(m) Leases**

The Company recognizes a right-of-use asset and a lease liability based on the present value of the future lease payments at the commencement date. The commencement date is when the lessor makes the leased asset available for use by the Company, typically the possession date. The discount rate used in the present value calculation for lease payments is the incremental borrowing rate for each leased asset or portfolio of leased assets with similar characteristics by reference to the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates. The lease term is determined as the non-cancellable periods of a lease, together with periods covered by a renewal option if the Company is reasonably certain to exercise that option and a termination option if the Company is reasonably certain not to exercise that option.

Leases of low-value assets and short-term leases are not included in the calculation of lease liabilities. These lease expenses are recognized in cost of sales or selling, general, and administrative expenses on a straight-line or other systematic basis.

*Lease liabilities*

Lease liabilities are measured at the present value of future lease payments, discounted using the Company's incremental borrowing rates, and include the fixed payments, variable lease payments that depend on an index or a rate, less any lease incentives receivable. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest rate method. Lease liabilities are remeasured when there are changes to the lease payments, lease term, assessment of an option to purchase the underlying asset, expected residual value guarantee, or future lease payments due to a change in the index or rate tied to the payment.

*Right-of-use assets*

Right-of-use assets are measured at the initial amount of the lease liabilities, lease payments made at or before the commencement date less any lease incentives received, initial direct costs, if any, and decommissioning costs to restore the site to the condition required by the terms and conditions of the lease. Subsequent to initial measurement, the Company applies the cost model to the right-of-use assets and measures the asset at cost less any accumulated depreciation, accumulated impairment losses in accordance with IAS 36, and any remeasurements of the lease liabilities. Assets are depreciated from the commencement date on a straight-line basis over the earlier of the end of the assets' useful lives or the end of the lease terms.

**(n) Goodwill**

Goodwill represents the difference between the purchase price of an acquired business and the Company's share of the net identifiable assets acquired and liabilities assumed and any contingent liabilities assumed. It is initially recorded at cost and subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to CGUs based on the lowest level within the entity in which the goodwill is monitored for internal management purposes. The allocation is made to the CGUs that are expected to benefit from the business combination in which the goodwill arose. Any potential impairment of goodwill is identified by comparing the recoverable amount of a CGU to its carrying value. An impairment loss is recognized if the carrying amount of  CGU exceeds its recoverable amount. Any loss identified is first applied to reduce the carrying amount of goodwill allocated to the CGU, and then to reduce the carrying amounts of the remaining assets in the CGU on a pro-rata basis. The Company tests goodwill for impairment annually at the reporting date.

The recoverable amount of a CGU is the higher of the estimated fair value less costs of disposal or value-in-use of the CGU. In assessing value-in-use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company has determined that the goodwill contributes to the cash flows of seven CGUs (March 31, 2019 - seven CGUs).

**(o) Provisions**

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized in the statement of income.

The provision for warranty returns relates to the Company's obligation for defective goods sold to customers that have yet to be returned for exchange or repair. Accruals for warranty returns are estimated on the basis of historical returns and are recorded so as to allocate them to the same period the corresponding revenue is recognized.

**(p) Employee future benefits**

The Company sponsors a defined benefit pension plan membership, which is limited to certain employees of Canada Goose International AG and other subsidiaries who reside in Switzerland.

The measurement date for the defined benefit pension plan is March 29, 2020, the reporting date. The obligation associated with the Company's defined benefit pension plan is actuarially valued using the projected unit credit method and management's best estimate of the discount rate, future salary increases, mortality rates and retirement rates. Assets are measured at fair value. The obligation in excess of plan assets is recorded as a liability. All actuarial gains or losses, net of tax, are recognized immediately through other comprehensive income.

**(q) Fair values**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Company uses valuation techniques that it believes are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

**Level 2**: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

There was no change in the valuation techniques applied to financial instruments during all periods presented. The following table describes the valuation techniques used in the determination of the fair values of financial instruments:

| **Type** | **Valuation Approach** |
|---|---|
| Cash, trade receivables, accounts payable and accrued liabilities | The carrying amount approximates fair value due to the short term maturity of these instruments. |
| Derivatives (included in other current assets, other long-term assets, accounts payable and accrued liabilities or other long-term liabilities) | Specific valuation techniques used to value derivative financial instruments include:<br>- quoted market prices or dealer quotes for similar instruments;<br>- observable market information as well as valuations determined by external valuators with experience in the financial markets. |
| Short-term borrowings, revolving facility, term loan and lease liabilities | The fair value is based on the present value of contractual cash flows, discounted at the Company's current incremental borrowing rate for similar types of borrowing arrangements or, where applicable, market rates. |

### (r) 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 initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities classified at fair value through profit or loss) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and financial liabilities are measured subsequently as described below.

i) Non-derivative financial assets

Non-derivative financial assets include cash and trade receivables which are measured at amortized cost. The Company initially recognizes receivables and deposits on the date that they are originated. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

ii) Non-derivative financial liabilities

Non-derivative financial liabilities include accounts payable, accrued liabilities, short-term borrowings, the revolving facility, and the term loan. The Company initially recognizes debt instruments on the date that they are originated. All other financial liabilities are recognized initially on the trade date on which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

iii) Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognizing the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument. When a derivative financial instrument, including an embedded derivative, is not designated and effective in a qualifying hedge relationship, all changes in its fair value are recognized immediately in the statement of income; attributable transaction costs are recognized in the statement of income as incurred. The Company does not use derivatives for trading or speculative purposes.

Embedded derivatives are separated from a host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related.

iv) Hedge accounting

The Company is exposed to the risk of currency fluctuations and has entered into currency derivative contracts to hedge its exposure on the basis of planned transactions. Where hedge accounting is applied, the criteria are documented at the inception of the hedge and updated at each reporting date. The Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking the hedging transactions. The Company also documents its assessment, at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair value of a hedging derivative is classified as a current asset or liability when the maturity of the hedged item is less than twelve months, and as a non-current asset or liability when the maturity of the hedged item is more than twelve months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized, net of tax, in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of income. Amounts accumulated in other comprehensive income are transferred to the statement of income in the periods when the hedged item affects net income. When a forecast transaction that is hedged results in the recognition of a non-financial asset or liability, such as inventory, the amounts are included in the measurement of the cost of the related asset or liability. The deferred amounts are ultimately recognized in the statement of income.

Hedges of net investments are accounted for similarly to cash flow hedges, with unrealized gains and losses recognized, net of tax, in other comprehensive income. Amounts included in other comprehensive income are transferred to the statement of income in the period when the foreign operation is disposed of or sold.

**(s) Share-based payments**

Share-based payments are valued based on the grant date fair value of these awards and the Company records compensation expense over the corresponding service period. The fair value of the share-based payments is determined using acceptable valuation techniques.

The Company has issued stock options to purchase subordinate voting shares and RSUs under its equity incentive plans, prior to the public offering on March 21, 2017 (the “Legacy Plan”) and subsequently (the “Omnibus Plan”). Under the terms of the Legacy Plan, options were granted to certain employees of the Company with vesting contingent upon meeting the service, performance goals and exit event conditions of the Legacy Plan. There are two types of stock options: service-vested options are time based and generally vest over five years of service, and performance-based and exit event options vest upon attainment of performance conditions and the occurrence of an exit event. Under the terms of the Omnibus Plan, options are granted to certain executives of the Company with vesting, generally over four years, contingent upon meeting the service conditions of the Omnibus Plan. The compensation expense related to the options and RSUs is recognized ratably over the requisite service period, provided it is probable that the vesting conditions will be achieved and the occurrence of the exit event, if applicable, is probable.

## Note 3. Significant accounting judgments, estimates, and assumptions

The preparation of the consolidated financial statements requires management to make estimates and judgments in applying the Company’s accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management’s historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances.

Management continually evaluates the estimates and judgments it uses. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making these estimates and judgments in these financial statements.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the Company believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

**Functional currency**

*Judgments Made in Relation to Accounting Policies Applied:* The Company assesses the relevant factors related to the primary economic environment in which its entities operate to determine the functional currency. Where the assessment of primary indicators is mixed, management assesses the secondary indicators, including the relationship between the foreign operations and reporting entity.

**Business combinations**

*Key Sources of Estimation:* In a business combination, the identifiable assets acquired and liabilities assumed will be recognized at their fair values. The Company makes judgments and estimates in determining the fair values. The excess of the purchase price over the fair values of identifiable assets acquired and liabilities assumed will be recognized as goodwill, if positive, and if negative, it is recognized in the statement of income.

**Income and other taxes**

*Key Sources of Estimation:* In determining the recoverable amount of deferred tax assets, the Company forecasts future taxable income by legal entity and the period in which the income occurs to ensure that sufficient taxable income exists to utilize the attributes. Inputs to those projections are Board-approved financial forecasts and statutory tax rates.

*Judgments Made in Relation to Accounting Policies Applied:* The calculation of current and deferred income taxes requires management to make certain judgments regarding the tax rules in jurisdictions where the Company performs activities. Application of judgments is required regarding the classification of transactions and in assessing probable outcomes of claimed deductions including expectations about future operating results, the timing and reversal of temporary differences and possible audits of income tax and other tax filings by the tax authorities.

**Trade receivables**

*Key Sources of Estimation:* The Company has a significant number of customers which minimizes the concentration of credit risk. The Company does not have any customers which account for more than 10% of sales or accounts receivable. We make ongoing estimates relating to the ability to collect our accounts receivable and maintain an allowance for estimated credit losses resulting from the inability of our customers to make required payments. In determining the amount of expected credit losses, we consider our historical level of credit losses and make judgments about the creditworthiness of significant customers based on ongoing credit evaluations.

**Inventories**

*Key Sources of Estimation:* Inventories are carried at the lower of cost and net realizable value. In estimating net realizable value, the Company uses estimates related to fluctuations in inventory levels, planned production, customer behaviour, obsolescence, future selling prices, seasonality and costs necessary to sell the inventory. Inventory is adjusted to reflect shrinkage incurred since the last inventory count. Shrinkage is based on historical experience.

**Leases**

*Judgments Made in Relation to Accounting Policies Applied:* The Company exercises judgment when contracts are entered into that may give rise to a right-of-use asset that would be accounted for as a lease. Judgment is required in determining the appropriate lease term on a lease by lease basis. The Company considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option at inception and over the term of the lease, including investments in major leaseholds, operating performance, and changed circumstances. The periods covered by renewal or termination options are only included in the lease term if the Company is reasonably certain to exercise that option. Changes in the economic environment or changes in the retail industry may impact the assessment of the lease term and any changes in the estimate of lease terms may have a material impact on the Company's statement of financial position.

*Key Sources of Estimation:* The critical assumptions and estimates used in determining the present value of future lease payments require the Company to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by incorporating the Company's creditworthiness, the security, term, and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

**Impairment of non-financial assets (goodwill, intangible assets, property, plant & equipment, and right-of-use assets)**

*Judgments Made in Relation to Accounting Policies Applied:* Management is required to use judgment in determining the grouping of assets to identify their CGUs for the purposes of testing non-financial assets for impairment. Judgment is further required to determine appropriate groupings of CGUs for the level at which goodwill and intangible assets are tested for impairment. For the purpose of goodwill and intangible assets impairment testing, CGUs are grouped at the lowest level at which goodwill and intangible assets are monitored for internal management purposes. Judgment is also applied in allocating the carrying amount of assets to CGUs. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed. The Company has concluded that it has seven CGUs (March 31, 2019 - seven CGUs) and tests goodwill and these intangible assets for impairment on that basis.

*Key Sources of Estimation:* In determining the recoverable amount of a CGU or a group of CGUs, various estimates are employed. The Company determines value-in-use by using estimates including projected future revenues, margins, costs, and capital investment consistent with strategic plans presented to the Board of Directors. Fair value less costs of disposal are estimated with reference to observable market transactions. Discount rates are consistent with external industry information reflecting the risk associated with the Company and its cash flows.

**Warranty**

*Key Sources of Estimation:* The critical assumptions and estimates used in determining the warranty provision at the statement of financial position date are: the number of jackets expected to require repair or replacement; the proportion to be repaired versus replaced; the period in which the warranty claim is expected to occur; the cost to repair a jacket; the cost to replace a jacket, and the risk-free rate used to discount the provision to present value.

### Financial instruments

*Key Sources of Estimation:* The critical assumptions and estimates used in determining the fair value of financial instruments are: equity prices; future interest rates; the relative creditworthiness of the Company to its counterparties; estimated future cash flows; discount rates, and volatility utilized in option valuations.

### Share-based payments

*Key Sources of Estimation:* Compensation expense for share-based compensation granted is measured at the fair value at the grant date using the Black Scholes option pricing model for the year ended March 29, 2020; prior to the public offering, the Company used the Monte Carlo valuation model to measure the fair value of options granted. The critical assumptions used under both of these option valuation models at the grant date are: stock price valuation; exercise price; risk-free interest rate; expected time to exercise in years; expected dividend yield, and volatility.

## Note 4. Changes in accounting policies

*Standards issued and adopted*

### Leases

The Company adopted IFRS 16 on April 1, 2019 using the modified retrospective approach with the cumulative effects of initial application recorded in opening retained earnings and no restatement of prior period financial information. Under the modified retrospective approach, the Company measured the right-of-use asset at the carrying value as if the standard had been applied since the commencement date of the lease (typically the possession date), but using the discount rate at the date of initial application.

The Company determined the discount rate at the time of initial adoption to be its incremental borrowing rate for each leased asset or portfolio of leased assets with similar characteristics by reference to the Company's creditworthiness, the security, term, and value of the underlying leased asset, and the economic environment in which the leased asset operates.

Substantially all of the Company's leases are real estate leases for retail stores, manufacturing facilities, and corporate offices. The Company recognized right-of-use assets and lease liabilities for its leases except as permitted by recognition exemptions in the standard for short-term leases with terms of twelve months or less and leases of low-value assets. The depreciation expense on right-of-use assets and interest expense on lease liabilities replaced rent expense, which was previously recognized on a straight-line basis over the lease term under IAS 17.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the Company has applied a single discount rate to a portfolio of leases with reasonably similar underlying characteristics;
- the Company has excluded initial direct costs in the measurement of the right-of-use asset on initial application except to the extent that costs, such as lease rights, were recognized under the previous standard;
- the Company has accounted for leases with a remaining term of less than twelve months as at March 31, 2019 as short-term leases; and

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

- the Company has used hindsight in determining the lease term where the lease contains options to extend or terminate the lease.

On the date of initial application, the impact of adopting IFRS 16 on the Company's statement of financial position as at April 1, 2019 was as follows:

**Condensed Financial Position Information**

Increase (decrease)

| | As previously reported, March 31, 2019 | IFRS 16 initial application | Reclassification of initial direct costs | Income tax | Balance as at April 1, 2019 - IFRS 16 |
|---|---|---|---|---|---|
| **Assets** | $ | $ | $ | $ | $ |
| **Current assets** | | | | | |
| Other current assets | 32.9 | (0.9) | — | — | 32.0 |
| | | | | | |
| Deferred income taxes | 12.2 | — | — | 1.2 | 13.4 |
| Intangible assets | 155.6 | — | (5.5) | — | 150.1 |
| Right-of-use assets | — | 136.6 | 5.5 | — | 142.1 |
| | | | | | |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Lease liabilities | — | 19.2 | — | — | 19.2 |
| | | | | | |
| Deferred income taxes | 16.7 | — | — | (0.5) | 16.2 |
| Lease liabilities | — | 131.6 | — | — | 131.6 |
| Other long-term liabilities | 13.1 | (8.5) | — | — | 4.6 |
| | | | | | |
| **Shareholders' equity** | | | | | |
| Retained earnings | 279.7 | (6.6) | — | 1.7 | 274.8 |

The Company applied the requirements of IAS 36, *Impairment of assets* as at April 1, 2019 on the right-of-use assets and concluded there was no impairment.

The Company used its incremental borrowing rates as at April 1, 2019 to measure lease liabilities. The weighted average incremental borrowing rate was 4.28%. The weighted average lease term remaining as at April 1, 2019 was approximately 8 years.

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

The following table reconciles the lease liabilities recognized on April 1, 2019 and the operating lease commitments disclosed under IAS 17 as at March 31, 2019 discounted using the incremental borrowing rate as at the date of initial application:

| | $ |
|---|---|
| **Operating lease commitment as at March 31, 2019** | 253.4 |
| Operating leases | (3.1) |
| Leases committed not yet commenced | (71.5) |
| **Undiscounted lease payments** | 178.8 |
| Discount at incremental borrowing rate | (28.0) |
| **Lease liabilities recognized as at April 1, 2019** | 150.8 |
| | |
| Current lease liabilities | 19.2 |
| Non-current lease liabilities | 131.6 |
| **Total lease liabilities** | 150.8 |

The adoption of IFRS 16 does not impact the Company's ability to comply with its financial and non-financial covenants as the covenants are calculated as at and during the reporting period in accordance with existing lease guidance at the date of the agreement. As a result of adopting IFRS 16, the Company updated its accounting policies (note 2), and its judgments and key sources of estimation uncertainty (note 3).

*Segment information*

The adoption of IFRS 16 resulted in the Company adjusting its internal financial information used by the chief operating decision maker. Specifically, the change from rent expense, recorded on a straight-line basis in selling, general and administrative expense, to depreciation on right-of-use assets and interest expense on lease liabilities required a different measurement of segment operating income. As a result, expenses in the Company's operating segments now include depreciation and amortization on assets, including right-of-use assets in the current year, directly used in those segments. Prior to the first quarter of fiscal 2020 depreciation and amortization was not allocated to the Company's operating segments. Comparative segment information has been restated to include depreciation and amortization to conform with the presentation adopted in the current year.

**Lease term and useful life of leasehold improvements**

In December 2019, the IFRS Interpretations Committee ("IFRIC") issued a final agenda decision in regards to the determination of the lease term for cancellable or renewable leases under IFRS 16 and whether the useful life of any non-removable leasehold improvements is limited to the lease term of the related lease. The Company assessed the impact of this interpretation on leases recognized under IFRS 16 and concluded the agenda decisions did not have an impact on the existing treatment.

## Note 5. Business combination

On November 1, 2018, an incorporated subsidiary of the Company, Baffin Limited (“Baffin”), acquired the business of Baffin Inc. (the “Baffin Vendor”), a Canadian designer and manufacturer of performance outdoor and industrial footwear for total purchase consideration of $35.1.

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

Management determined that the assets and processes comprised a business and therefore accounted for the transaction as a business combination using the acquisition method of accounting. The aggregate purchase consideration for the acquired assets, net of the assumed liabilities was as follows:

| | $ |
|---|---|
| Cash | 33.6 |
| Issuance of 16,946 subordinate voting shares | 1.5 |
| **Total purchase consideration** | 35.1 |

In connection with the business combination, a further amount of $3.0 is payable on November 1, 2020 to the Baffin Vendor and is charged to expense over two years.

The Company incurred acquisition-related costs of $1.3 as at March 31, 2019 which were recorded in selling, general and administrative expenses.

Assets acquired and liabilities assumed have been recorded at their fair values at the date of acquisition are as follows:

| | $ |
|---|---|
| Trade receivables | 12.2 |
| Inventories | 15.9 |
| Other current assets | 0.3 |
| Property, plant and equipment | 2.5 |
| Intangible assets | |
| Brand | 2.5 |
| Technology | 2.2 |
| Goodwill | 7.8 |
| Accounts payable and accrued liabilities | (8.3) |
| **Total assets acquired, net of liabilities assumed** | 35.1 |

The fair values of working capital balances, other than inventories, have been measured at their book values at the date of acquisition, which approximate their fair values. The fair value of inventories has been measured at net realizable value, less costs to sell.

The fair value of property, plant and equipment was based on management's assessment of the acquired assets' condition, as well as an evaluation of the current market value for such assets. In addition, the Company also considered the length of time over which the economic benefit of these assets is expected to be realized and estimated the useful life of such assets as of the acquisition date.

Identifiable intangible assets acquired consist of brand and technology. The fair value of the brand was $2.5, measured using the relief-from-royalty approach. The fair value of technology was $2.2, measured using the replacement cost method. Under this method, the technology was valued based upon the costs the Company would incur to develop a similar asset. The Company considered the length of time over which the economic benefits of these assets is expected to be realized and estimated the useful life of such assets accordingly as at the acquisition date. Specifically, the brand was considered to have an indefinite life; accordingly, impairment is assessed annually or earlier if there are indicators of impairment. Technology was considered to have a useful life of 5 years and amortized on a straight-line basis. The excess of the purchase consideration over the fair value of the identifiable assets acquired has been accounted for as goodwill. Goodwill was mainly attributable to the expected future growth potential of the footwear business and is deductible for tax purposes.

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

The results of operations have been consolidated with those of the Company from the date of acquisition including the results from the wholesale business in the Wholesale segment and e-commerce business in the Direct-to-Consumer segment. Pro forma disclosures as if Baffin was acquired at the beginning of the fiscal year have not been presented as they are not considered material to these financial statements.

The controlling shareholder of the Baffin Vendor is employed as a member of key management subsequent to the acquisition. Transactions with the Baffin Vendor and other affiliates in connection with the acquisition and subsequently (including lease of premises and other operating costs) are related party transactions (note 20).

## Note 6. Segment information

The Company has three reportable operating segments: Direct-to-Consumer, Wholesale, and Other. The Company measures each reportable operating segment's performance based on revenue and segment operating income, which is the profit metric utilized by the Company's chief operating decision maker, the President and Chief Executive Officer, for assessing the performance of operating segments. None of the reportable operating segments are reliant on any single external customer.

The Company does not report total assets or total liabilities based on its reportable operating segments.

| | Year ended March 29, 2020 | | | |
|---|---|---|---|---|
| | **Direct-to-Consumer** | **Wholesale** | **Other** | **Total** |
| | **$** | **$** | **$** | **$** |
| Revenue | 525.0 | 424.0 | 9.1 | 958.1 |
| Cost of sales | 130.0 | 226.2 | 8.6 | 364.8 |
| **Gross profit** | 395.0 | 197.8 | 0.5 | 593.3 |
| Selling, general and administrative expenses | 107.4 | 49.9 | 193.2 | 350.5 |
| Depreciation and amortization | 38.6 | 2.8 | 9.3 | 50.7 |
| **Operating income** | 249.0 | 145.1 | (202.0) | 192.1 |
| Net interest and other finance costs | | | | 28.4 |
| **Income before income taxes** | | | | 163.7 |

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

| | Year ended March 31, 2019 | | | |
|---|---|---|---|---|
| | **Direct-to-Consumer** | **Wholesale** | **Other** | **Total** |
| | **$** | **$** | **$** | **$** |
| Revenue | 431.3 | 394.7 | 4.5 | 830.5 |
| Cost of sales | 106.7 | 202.2 | 4.8 | 313.7 |
| **Gross profit** | 324.6 | 192.5 | (0.3) | 516.8 |
| Selling, general and administrative expenses | 93.9 | 39.1 | 169.1 | 302.1 |
| Depreciation and amortization | 7.4 | 2.3 | 8.3 | 18.0 |
| **Operating income** | 223.3 | 151.1 | (177.7) | 196.7 |
| Net interest and other finance costs | | | | 14.2 |
| **Income before income taxes** | | | | 182.5 |

| | Year ended March 31, 2018 | | | |
|---|---|---|---|---|
| | **Direct-to-Consumer** | **Wholesale** | **Other** | **Total** |
| | **$** | **$** | **$** | **$** |
| Revenue | 255.0 | 334.6 | 1.6 | 591.2 |
| Cost of sales | 65.2 | 177.1 | 1.3 | 243.6 |
| **Gross profit** | 189.8 | 157.5 | 0.3 | 347.6 |
| Selling, general and administrative expenses | 58.0 | 34.4 | 107.7 | 200.1 |
| Depreciation and amortization | 3.6 | 2.0 | 3.8 | 9.4 |
| **Operating income** | 128.2 | 121.1 | (111.2) | 138.1 |
| Net interest and other finance costs | | | | 12.9 |
| **Income before income taxes** | | | | 125.2 |

Effective April 1, 2019, the Company changed its measure of segment operating income to include depreciation and amortization on assets, including right-of-use assets in the current period, directly used in those segments. Prior to the first quarter of fiscal 2020, depreciation and amortization were not allocated to the Company's operating segments. In addition, certain selling, general and administrative expenses have been allocated to better align with the operating segment to which they relate. Prior period operating income by segment has been restated to include depreciation and amortization and to conform with the presentation adopted in the current year.

In the fourth quarter of fiscal 2020, the Company also revised the previous Unallocated segment to the Other segment and included sales and costs not directly allocated to the Direct-to-Consumer or Wholesale channels, such as sales to employees. Comparative information has been restated to conform with the presentation adopted in the current year.

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

*Geographic information*

The Company determines the geographic location of revenue based on the location of its customers.

| | Year ended | | |
|---|---|---|---|
| | **March 29, 2020** | **March 31, 2019** | **March 31, 2018** |
| | **$** | **$** | **$** |
| Canada | 293.1 | 293.3 | 228.8 |
| United States | 279.0 | 251.1 | 184.2 |
| Asia | 199.9 | 112.1 | 36.1 |
| Europe and Rest of World | 186.1 | 174.0 | 142.1 |
| **Revenue** | 958.1 | 830.5 | 591.2 |

## Note 7. Income taxes

The components of the provision for income tax are as follows:

| | Year ended | | |
|---|---|---|---|
| | **March 29, 2020** | **March 31, 2019** | **March 31, 2018** |
| | **$** | **$** | **$** |
| **Current income tax expense** | | | |
| Current period | 39.2 | 45.1 | 24.4 |
| Adjustment in respect of prior periods | (0.3) | — | 0.2 |
| | 38.9 | 45.1 | 24.6 |
| **Deferred income tax (recovery) expense** | | | |
| Origination and reversal of temporary differences | (29.4) | (5.7) | 4.3 |
| Effect of change in income tax rates | 2.5 | (0.4) | 0.4 |
| Adjustment in respect of prior periods | — | (0.1) | (0.2) |
| | (26.9) | (6.2) | 4.5 |
| **Income tax expense** | 12.0 | 38.9 | 29.1 |

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

The effective income tax rates differ from the weighted average basic Canadian federal and provincial statutory income tax rates for the following reasons:

| | Year ended | | |
|---|---|---|---|
| | **March 29, 2020** | **March 31, 2019** | **March 31, 2018** |
| | **$** | **$** | **$** |
| Income before income taxes | 163.7 | 182.5 | 125.2 |
| | *25.47%* | *25.43%* | *25.38%* |
| Income tax at expected statutory rate | 41.7 | 46.4 | 31.8 |
| Non-deductible (taxable) items | 0.4 | 0.2 | (0.3) |
| Non-deductible stock option expense | 1.8 | 0.9 | 0.4 |
| Effect of foreign tax rates | (11.8) | (9.4) | (2.9) |
| Non-deductible (taxable) foreign exchange loss (gain) | 0.9 | 0.7 | (0.1) |
| Change in tax law related to Swiss tax reform | (23.1) | — | — |
| Change in tax rates | 2.5 | — | — |
| Other items | (0.4) | 0.1 | 0.2 |
| **Income tax expense** | 12.0 | 38.9 | 29.1 |

The change in the year in the components of deferred tax assets and liabilities are as follows:

| | | Change in the year affecting | | |
|---|---|---|---|---|
| | **March 31, 2019** | **Net income** | **Other comprehensive income** | **March 29, 2020** |
| | **$** | **$** | **$** | **$** |
| Losses carried forward | 3.0 | 0.6 | — | 3.6 |
| Employee future benefits | 0.2 | — | 0.1 | 0.3 |
| Other liabilities | 9.2 | 26.0 | — | 35.2 |
| Unrealized profit in inventory | 8.3 | 8.7 | — | 17.0 |
| Provisions | 3.2 | 1.8 | — | 5.0 |
| Unrealized foreign exchange | (0.3) | 1.1 | 1.6 | 2.4 |
| **Total deferred tax asset** | 23.6 | 38.2 | 1.7 | 63.5 |
| Intangible assets | (4.3) | (1.9) | — | (6.2) |
| Property, plant and equipment | (23.8) | (7.8) | — | (31.6) |
| **Total deferred tax liabilities** | (28.1) | (9.7) | — | (37.8) |
| **Net deferred tax liabilities** | (4.5) | 28.5 | 1.7 | 25.7 |

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

The change in deferred tax assets and liabilities as presented in the statement of financial position are as follows:

| | | Change in the year affecting | | |
|---|---|---|---|---|
| | March 31, 2019 | Net income | Other comprehensive income | March 29, 2020 |
| | $ | $ | $ | $ |
| Deferred tax assets | 12.2 | 28.7 | (0.1) | 40.8 |
| Deferred tax liabilities | (16.7) | (0.2) | 1.8 | (15.1) |
| | (4.5) | 28.5 | 1.7 | 25.7 |

Available deferred income tax assets in the amount of $22.0 was not recognized as it is not probable that future taxable income will be available to the Company to utilize the benefits.

The corporate entities within Canada Goose have the following tax-loss carry-forwards that are expected to expire in the following years, if not utilized.

| | $ |
|---|---|
| 2038 | 2.0 |
| 2039 | 4.6 |
| 2040 | 2.7 |
| 2041 and thereafter | 4.5 |
| | 13.8 |

The Company does not recognize tax on unremitted earnings from foreign subsidiaries as it is management's intent to reinvest these earnings indefinitely. Unremitted earnings from foreign subsidiaries were $222.1 as at March 29, 2020 (March 31, 2019 - $119.1, March 31, 2018 - $48.4).

As at March 29, 2020, in addition to the amount charged to profit or loss and other comprehensive income, a tax recovery of less than $0.1 (March 31, 2019 - $2.8) was recognized directly in equity related to excess tax deductions on share-based payments for stock options exercised.

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

## Note 8. Earnings per share

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

| | Year ended | | |
|---|---|---|---|
| | **March 29, 2020** | **March 31, 2019** | **March 31, 2018** |
| | **$** | **$** | **$** |
| **Net income** | 151.7 | 143.6 | 96.1 |
| Weighted average number of multiple and subordinate voting shares outstanding | 109,892,031 | 109,422,574 | 107,250,039 |
| Weighted average number of shares on exercise of stock options and RSUs | 1,276,757 | 2,345,010 | 4,269,199 |
| **Diluted weighted average number of multiple and subordinate voting shares outstanding** | 111,168,788 | 111,767,584 | 111,519,238 |
| **Earnings per share** | | | |
| Basic | $ 1.38 | $ 1.31 | $ 0.90 |
| Diluted | $ 1.36 | $ 1.28 | $ 0.86 |

## Note 9. Leases

*Right-of-use assets*

The following table presents changes in the cost and the accumulated depreciation of the Company's right-of-use assets:

| | Retail stores | Manufacturing facilities | Other | Total |
|---|---|---|---|---|
| **Cost** | **$** | **$** | **$** | **$** |
| **March 31, 2019** | — | — | — | — |
| Initial application of IFRS 16 (note 4) | 97.0 | 27.2 | 12.4 | 136.6 |
| Reclassification of initial direct costs (note 4 and 13) | 5.5 | — | — | 5.5 |
| Additions | 82.8 | 6.7 | 5.2 | 94.7 |
| Lease extensions and others | 1.1 | 2.7 | — | 3.8 |
| Impact of foreign currency translation | 5.1 | — | 0.4 | 5.5 |
| **March 29, 2020** | 191.5 | 36.6 | 18.0 | 246.1 |

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

| | Retail stores | Manufacturing facilities | Other | Total |
|---|---|---|---|---|
| **Accumulated depreciation** | **$** | **$** | **$** | **$** |
| **March 31, 2019** | — | — | — | — |
| Depreciation | 25.7 | 4.8 | 2.6 | 33.1 |
| Impact of foreign currency translation | 1.1 | — | 0.1 | 1.2 |
| **March 29, 2020** | 26.8 | 4.8 | 2.7 | 34.3 |
| | | | | |
| **Net book value** | | | | |
| **March 31, 2019** | — | — | — | — |
| **March 29, 2020** | 164.7 | 31.8 | 15.3 | 211.8 |

*Lease liabilities*

The following table presents the changes in the Company's lease liabilities:

| | Retail stores | Manufacturing facilities | Other | Total |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **March 31, 2019** | — | — | — | — |
| Initial application of IFRS 16 (note 4) | 107.8 | 29.4 | 13.6 | 150.8 |
| Additions | 81.5 | 6.7 | 5.2 | 93.4 |
| Lease extensions and others | 0.9 | 2.7 | — | 3.6 |
| Principal payments | (18.4) | (4.1) | (2.2) | (24.7) |
| Impact of foreign currency translation | 4.5 | — | 0.3 | 4.8 |
| **March 29, 2020** | 176.3 | 34.7 | 16.9 | 227.9 |
| | | | | |
| Current lease liabilities | 27.5 | 5.0 | 3.4 | 35.9 |
| Non-current lease liabilities | 148.8 | 29.7 | 13.5 | 192.0 |
| **March 29, 2020** | 176.3 | 34.7 | 16.9 | 227.9 |

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

Leases of low-value assets and short-term leases are not included in the calculation of lease liabilities. These lease expenses are recognized in cost of sales or selling, general, and administrative expenses on a straight-line or other systematic basis. Rent expense comprise the following:

| | | | Year ended |
|---|---|---|---|
| | March 29, 2020 | March 31, 2019 | March 31, 2018 |
| | $ | $ | $ |
| Variable rent | 15.0 | 8.4 | 2.9 |
| Operating leases | 2.5 | 23.8 | 17.0 |
| | 17.5 | 32.2 | 19.9 |

**Note 10. Trade receivables**

| | March 29, 2020 | March 31, 2019 |
|---|---|---|
| | $ | $ |
| Trade accounts receivable | 32.0 | 19.7 |
| Credit card receivables | 2.1 | 1.6 |
| | 34.1 | 21.3 |
| Less: expected credit loss and sales allowances | (1.8) | (0.9) |
| **Trade receivables, net** | 32.3 | 20.4 |

The following are the continuities of the Company's expected credit loss and sales allowances deducted from trade receivables:

| | March 29, 2020 | | | March 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Expected credit loss | Sales allowances | Total | Expected credit loss | Sales allowances | Total |
| | $ | $ | $ | $ | $ | $ |
| Balance at the beginning of the year | (0.4) | (0.5) | (0.9) | (0.4) | (0.4) | (0.8) |
| Losses recognized | (0.2) | (2.8) | (3.0) | (0.3) | (0.6) | (0.9) |
| Amounts settled or written off during the year | 0.1 | 2.0 | 2.1 | 0.3 | 0.5 | 0.8 |
| Balance at the end of the year | (0.5) | (1.3) | (1.8) | (0.4) | (0.5) | (0.9) |

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

*Trade accounts receivable factoring program*

On December 23, 2019, a subsidiary of the Company in Europe entered into an agreement to factor, on a limited recourse basis, certain of its trade accounts receivable up to a limit of €20.0 in exchange for advanced funding equal to 100% of the principal value of the invoice. Accepted currencies include euros, British pounds sterling, and Swiss francs. The Company is charged a fee of the applicable EURIBOR or LIBOR reference rate plus 1.15% per annum, based on the number of days between the purchase date and the invoice due date, which is lower than the Company's average borrowing rate under its revolving facility. The program is utilized to provide sufficient liquidity to support its international operating cash needs. Upon transfer of the receivables, the Company receives cash proceeds and continues to service the receivables on behalf of the third-party financial institution. The program meets the derecognition requirements in accordance with IFRS 9, *Financial Instruments* as the Company transfers substantially all the risks and rewards of ownership upon the sale of a receivable. These proceeds are classified as cash flows from operating activities in the statement of cash flows.

For the year ended March 29, 2020, the Company received cash proceeds from the sale of trade accounts receivable with carrying values of $7.8 which were derecognized from the Company's statement of financial position. Fees of less than $0.1 were incurred during the year ended March 29, 2020 and included in net interest and other financing costs in the statement of income. At March 29, 2020, the outstanding amount of trade accounts receivable derecognized from the Company's statement of financial position, but which the Company continued to service, was $2.4.

## Note 11. Inventories

| | March 29, 2020 | March 31, 2019 |
|---|---|---|
| | $ | $ |
| Raw materials | 61.5 | 45.7 |
| Work in progress | 19.4 | 19.0 |
| Finished goods | 331.4 | 202.6 |
| **Total inventories at the lower of cost and net realizable value** | 412.3 | 267.3 |

Included in inventory as at March 29, 2020 are provisions for obsolescence and inventory shrinkage in the amount of $17.1 (March 31, 2019 - $16.5).

Amounts charged to cost of sales comprise the following:

| | | | Year ended |
|---|---|---|---|
| | March 29, 2020 | March 31, 2019 | March 31, 2018 |
| | $ | $ | $ |
| Cost of goods manufactured | 352.4 | 309.0 | 238.7 |
| Depreciation and amortization | 12.4 | 4.7 | 4.9 |
| | 364.8 | 313.7 | 243.6 |

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

## Note 12. Property, plant and equipment

The following table presents changes in the cost and the accumulated depreciation on the Company's property, plant and equipment:

| | Plant equipment | Computer equipment | Leasehold improvements | Show displays | Furniture and fixtures | In progress | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **March 31, 2018** | 12.3 | 4.9 | 41.3 | 5.6 | 11.3 | 0.4 | 75.8 |
| Additions | 6.9 | 0.8 | 9.4 | 1.9 | 7.0 | 9.6 | 35.6 |
| Business combination (note 5) | 2.1 | — | 0.4 | — | — | — | 2.5 |
| Disposals | — | (0.3) | (2.5) | — | — | — | (2.8) |
| Transfers | 1.0 | — | 6.2 | 0.1 | 2.0 | (9.3) | — |
| **March 31, 2019** | 22.3 | 5.4 | 54.8 | 7.6 | 20.3 | 0.7 | 111.1 |
| Additions | 4.4 | 1.7 | 17.2 | 2.4 | 3.9 | 23.9 | 53.5 |
| Disposals | (1.6) | (0.1) | (0.2) | (0.1) | (0.3) | — | (2.3) |
| Transfers | 1.5 | 1.7 | 10.6 | 0.3 | 1.6 | (15.7) | — |
| **March 29, 2020** | 26.6 | 8.7 | 82.4 | 10.2 | 25.5 | 8.9 | 162.3 |

| | Plant equipment | Computer equipment | Leasehold improvements | Show displays | Furniture and fixtures | In progress | Total |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **March 31, 2018** | 2.4 | 2.2 | 7.2 | 2.5 | 1.3 | — | 15.6 |
| Depreciation | 1.7 | 1.0 | 6.4 | 1.5 | 3.1 | — | 13.7 |
| Disposals | — | (0.2) | (2.3) | — | — | — | (2.5) |
| **March 31, 2019** | 4.1 | 3.0 | 11.3 | 4.0 | 4.4 | — | 26.8 |
| Depreciation | 2.4 | 1.3 | 10.6 | 2.1 | 4.5 | — | 20.9 |
| Disposals | (0.2) | — | (0.1) | (0.1) | (0.1) | — | (0.5) |
| **March 29, 2020** | 6.3 | 4.3 | 21.8 | 6.0 | 8.8 | — | 47.2 |
| | | | | | | | |
| **Net book value** | | | | | | | |
| **March 31, 2019** | 18.2 | 2.4 | 43.5 | 3.6 | 15.9 | 0.7 | 84.3 |
| **March 29, 2020** | 20.3 | 4.4 | 60.6 | 4.2 | 16.7 | 8.9 | 115.1 |

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

## Note 13. Intangible assets

Intangible assets comprise the following:

| | March 29, 2020 | March 31, 2019 |
|---|---|---|
| | $ | $ |
| Intangible assets with finite lives | 45.9 | 39.8 |
| Intangible assets with indefinite lives: | | |
| Brand name | 115.5 | 115.5 |
| Domain name | 0.3 | 0.3 |
| | 161.7 | 155.6 |

The following table presents the changes in cost and accumulated amortization of the Company's intangible assets with finite lives:

| | Intangible assets with finite lives | | | | | |
|---|---|---|---|---|---|---|
| | ERP software | Computer software | Lease rights | Intellectual property | In progress | Total |
| **Cost** | $ | $ | $ | $ | $ | $ |
| **March 31, 2018** | 4.3 | 11.8 | 6.2 | 3.9 | 5.8 | 32.0 |
| Additions | 3.2 | 1.1 | 0.5 | — | 18.6 | 23.4 |
| Business combination (note 5) | — | — | — | 2.2 | — | 2.2 |
| Transfers | 5.3 | 1.0 | — | 2.9 | (9.2) | — |
| **March 31, 2019** | 12.8 | 13.9 | 6.7 | 9.0 | 15.2 | 57.6 |
| Additions | 0.3 | 1.6 | — | 0.2 | 19.6 | 21.7 |
| IFRS 16 initial direct costs (notes 4 and 9) | — | — | (6.7) | — | — | (6.7) |
| Disposal | — | (0.1) | — | — | — | (0.1) |
| Transfers | 11.3 | 6.0 | — | 4.9 | (22.2) | — |
| **March 29, 2020** | 24.4 | 21.4 | — | 14.1 | 12.6 | 72.5 |

| | ERP software | Computer software | Lease rights | Intellectual property | In progress | Total |
|---|---|---|---|---|---|---|
| **Accumulated amortization** | $ | $ | $ | $ | $ | $ |
| **March 31, 2018** | 1.4 | 4.4 | 0.5 | 2.2 | — | 8.5 |
| Amortization | 4.2 | 2.7 | 0.7 | 1.7 | — | 9.3 |
| **March 31, 2019** | 5.6 | 7.1 | 1.2 | 3.9 | — | 17.8 |
| Amortization | 3.5 | 3.4 | — | 3.1 | — | 10.0 |
| IFRS 16 initial direct costs (notes 4 and 9) | — | — | (1.2) | — | — | (1.2) |
| **March 29, 2020** | 9.1 | 10.5 | — | 7.0 | — | 26.6 |
| | | | | | | |
| **Net book value** | | | | | | |
| **March 31, 2019** | 7.2 | 6.8 | 5.5 | 5.1 | 15.2 | 39.8 |
| **March 29, 2020** | 15.3 | 10.9 | — | 7.1 | 12.6 | 45.9 |

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

Intellectual property consists of product development costs, technology acquired in the Baffin business combination (note 5), and patents and trademarks.

**Indefinite life intangible assets**

Indefinite life intangible assets recorded by the Company are comprised of the Canada Goose and Baffin brand names and domain name associated with the Company's website. The Company expects to renew the registration of the brand names and domain names at each expiry date indefinitely, and expects these assets to generate economic benefit in perpetuity. As such, the Company assessed these intangibles to have indefinite useful lives.

The Company completed its annual impairment tests for the years ended March 29, 2020 and March 31, 2019 for indefinite life intangible assets and concluded that there was no impairment.

***Key Assumptions***

The key assumptions used to calculate the value-in-use (VIU) are consistent with the assumptions used to calculate VIU for goodwill (note 14).

## Note 14. Goodwill

Goodwill arising from business combinations is as follows:

| | March 29, 2020 | March 31, 2019 |
|---|---|---|
| | $ | $ |
| Opening balance | 53.1 | 45.3 |
| Business combination (note 5) | — | 7.8 |
| **Goodwill** | 53.1 | 53.1 |

The Company completed its annual impairment tests in the years ended March 29, 2020 and March 31, 2019 for goodwill and concluded that there was no impairment.

***Key Assumptions***

The key assumptions used to calculate the VIU are those regarding discount rate, revenue and gross margin growth rates, sales channel mix, and growth in selling, general and administrative expenses. These assumptions are considered to be Level 3 in the fair value hierarchy. The goodwill impairment tests resulted in excess of recoverable value over carrying value of at least 56.7% for each CGU. Because the VIU amount exceeds the asset's carrying amount, the asset is not impaired and the fair value less costs of disposition has not been calculated.

Cash flow projections were discounted using the Company's weighted average cost of capital, determined to be 8.50% (March 31, 2019 - 9.25%) based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, country risk premium, country-specific risk premium, a cost of debt based on comparable corporate bond yields and the capital structure of the Company.

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

## Note 15. Accounts payables and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

| | March 29, 2020 | March 31, 2019 |
|---|---|---|
| | $ | $ |
| Trade payables | 52.6 | 46.5 |
| Accrued liabilities | 51.3 | 37.1 |
| Employee benefits | 12.1 | 22.3 |
| Other payables | 20.8 | 4.5 |
| **Accounts payable and accrued liabilities** | 136.8 | 110.4 |

## Note 16. Provisions

Provisions consist primarily of amounts recorded with respect to customer warranty obligations, terminations of sales agents and distributors, sales returns, and asset retirement obligations.

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic resources that will be required to meet the Company's obligations for warranties upon the sale of goods, which may include repair or replacement of previously sold products. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes, customer behaviour and expectations, or other events affecting product quality and production.

The sales contract provision relates to management's estimated cost of the departure of certain third-party dealers and distributors.

Sales returns relate primarily to goods sold through the Direct-to-Consumer sales channel which have a limited right of return (typically within 30 days), or exchange only, in certain jurisdictions. The return period is extended during the holiday shopping period to accommodate a higher volume of activity and purchases given as gifts.

Asset retirement obligations relate to legal obligations associated with the retirement of tangible long-lived assets, primarily for leasehold improvements that the Company is contractually obligated to remove at the end of the lease term. The Company recognizes the liability when such obligations are incurred. The fair value of the liability is estimated based on a number of assumptions requiring management's judgment, including closing costs and inflation rates, and is accreted to its projected future value over time.

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

| | Warranty | Sales contracts | Sales returns | Asset retirement obligations | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **March 31, 2018** | 9.3 | 3.0 | 3.3 | 1.5 | 17.1 |
| Additional provisions recognized | 9.1 | — | 5.9 | 1.3 | 16.3 |
| Reductions resulting from settlement | (5.4) | — | (4.2) | (0.3) | (9.9) |
| Other | (0.7) | — | — | — | (0.7) |
| **March 31, 2019** | 12.3 | 3.0 | 5.0 | 2.5 | 22.8 |
| Additional provisions recognized | 14.5 | — | 15.2 | 1.3 | 31.0 |
| Reductions resulting from settlement | (7.4) | — | (9.8) | — | (17.2) |
| Other | — | — | 0.3 | 0.1 | 0.4 |
| **March 29, 2020** | 19.4 | 3.0 | 10.7 | 3.9 | 37.0 |

Provisions are classified as current and non-current liabilities based on management's expectation of the timing of settlement, as follows:

| | March 29, 2020 | March 31, 2019 |
|---|---|---|
| | $ | $ |
| Current provisions | 15.6 | 8.1 |
| Non-current provisions | 21.4 | 14.7 |
| | 37.0 | 22.8 |

## Note 17. Borrowings

*Short-term borrowings*

On July 18, 2019, a subsidiary of the Company in Greater China entered into an uncommitted loan facility in the amount of RMB 160.0. The facility includes a non-financial bank guarantee facility in the amount of RMB 10.0. The term of each draw on the loan is one, three or six months or such other period as agreed upon and shall not exceed twelve months (including any extension or rollover). The interest rate is equal to 105% of the applicable People's Bank of China Benchmark Lending Rate and payable at one, three or six months, depending on the term of each draw. The facility is guaranteed by the Company and proceeds drawn on the facility will be used to support working capital requirements. As at March 29, 2020, the Company had no amounts owing on the facility.

*Amendments to long-term debt agreements*

During the year ended March 29, 2020, the Company entered into agreements with its lenders to amend the terms of its revolving facility. On May 10, 2019, the first amendment to the revolving facility increased the credit commitment amount to $300.0 with a seasonal increase of up to $350.0 during the peak season (June 1 through November 30) and extended the maturity date from June 3, 2021 to June 3, 2024. Subsequently on February 24, 2020, the Company entered into a second amendment with its lenders to further increase the credit commitment amount to $467.5 with a seasonal increase of up to $517.5 during the peak season (June 1 through November 30). The Company incurred transaction costs of $0.9 in connection with these amendments to the revolving facility. Total deferred transaction costs will be amortized over the extended term to maturity of the facility.

Additionally, the Company entered into an agreement with its lenders to amend the terms of its term loan on May 10, 2019. The amendment to the term loan decreased the interest rate to LIBOR plus 3.50% from LIBOR plus 4.00%, and extended the maturity date from December 2, 2021 to December 2, 2024.

*Revolving facility*

The Company has an agreement with a syndicate of lenders for a senior secured asset-based revolving facility in the amount of $467.5 with an increase in commitments to $517.5 during the peak season (June 1 - November 30) (May 10, 2019 to February 24, 2020 - $300.0 with an increase in commitments to $350.0 during the peak season, prior to May 10, 2019 amendment - $200.0 with an increase in commitments to $250.0 during the peak season). The revolving credit commitment also includes a letter of credit commitment in the amount of $25.0, with a $5.0 sub-commitment for letters of credit issued in a currency other than Canadian dollars, U.S. dollars, euros or British pounds sterling, and a swingline commitment for $25.0. Amounts owing under the revolving facility can be drawn in Canadian dollars, U.S. dollars, euros, British pounds sterling or other currencies. The revolving facility matures on June 3, 2024. Amounts owing under the revolving facility may be borrowed, repaid and re-borrowed for general corporate purposes.

The revolving facility has multiple interest rate charge options that are based on the Canadian prime rate, Bankers' Acceptance rate, the lenders' Alternate Base Rate, European Base Rate, LIBOR rate, or EURIBOR rate plus an applicable margin, with interest payable quarterly or at the end of the then current interest period (whichever is earlier). The Company has pledged substantially all of its assets as collateral for the revolving facility. The revolving facility contains financial and non-financial covenants which could impact the Company's ability to draw funds. As at and during the years ended March 29, 2020 and March 31, 2019, the Company was in compliance with all covenants.

As at March 29, 2020 and March 31, 2019, the Company had repaid all amounts owing on the revolving facility and related deferred financing charges in the amounts of $1.7 and $1.2, respectively, were included in other long-term liabilities. The Company has unused borrowing capacity available under the revolving facility of $226.6 as at March 29, 2020 (March 31, 2019 - $165.5).

As at March 29, 2020, the Company had letters of credit outstanding under the revolving facility of $5.7 (March 31, 2019 - $1.2). In addition to the letters of credit outstanding under the revolving facility, a subsidiary of the Company entered into a guarantee arrangement in the amount of HKD13.9 in connection with a retail lease agreement in Greater China. The subsidiary will reimburse the issuing bank for amounts drawn on the guarantee. As at March 29, 2020, no amounts have been drawn.

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

*Term loan*

The Company has a senior secured loan agreement with a syndicate of lenders that is secured on a split collateral basis alongside the revolving facility, with an aggregate principal amount owing as at March 29, 2020 of $159.3 (US$113.8) (March 31, 2019 - $152.4 (US$113.8)). The term loan bears interest at a rate of LIBOR plus an applicable margin of 3.50% (prior to the May 10, 2019 amendment - LIBOR plus an applicable margin of 4.00%, provided that LIBOR may not be less than 1.00%), payable monthly in arrears. The term loan matures on December 2, 2024. Amounts owing under the term loan may be repaid at any time without premium or penalty, but once repaid may not be reborrowed. The Company has pledged substantially all of its assets as collateral for the term loan. The term loan contains financial and non-financial covenants which could impact the Company's ability to draw funds. As at and during the years ended March 29, 2020 and March 31, 2019, the Company was in compliance with all covenants.

The Company determined that the amendments to the term loan were equivalent to a prepayment at no cost of the original term loan and the origination of the amended term loan at market conditions. The Company has accounted for the amendments to the term loan agreement as a debt extinguishment and re-borrowing of the loan amount. The existing term loan in the amount of $151.7 (US$113.8) and related unamortized costs of $7.0 were derecognized. The acceleration of unamortized costs was included in net interest and other finance costs in the statement of income.

The Company incurred transaction costs of $1.4 in connection with the amendment to the term loan, which are amortized over the new term to maturity using the effective interest rate method.

As the term loan is denominated in U.S. dollars, the Company remeasures the outstanding balance plus accrued interest at each balance sheet date.

The amount outstanding with respect to the term loan is as follows:

| | March 29, 2020 | March 31, 2019 |
|---|---|---|
| | $ | $ |
| Term loan | 159.3 | 152.4 |
| Less unamortized portion of: | | |
| Original issue discount | — | (2.4) |
| Deferred transaction costs | (1.2) | (0.9) |
| Embedded derivative | — | (0.5) |
| Revaluation for interest rate modification | — | (3.4) |
| | 158.1 | 145.2 |

*Hedging transactions on term loan*

The Company entered into derivative transactions to hedge a portion of its exposure to foreign currency exchange risk and interest rate risk related to the term loan denominated in U.S. dollars. The designated hedge transactions remained effective after the amendment to the term loan agreement. Nevertheless, on June 12, 2019, the Company terminated its existing derivative contracts and entered into new derivative transactions to better align with the amended interest rate and term to maturity of the term loan.

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

The Company entered into a cross-currency swap by selling US$70.0 floating rate debt bearing interest at LIBOR plus 3.50% as measured on the trade date, and receiving $93.0 fixed rate debt bearing interest at a rate of 5.02%. This cross-currency swap has been designated at inception and is accounted for as a cash flow hedge, and to the extent that the hedge is effective, unrealized gains and losses are included in other comprehensive income until reclassified to the statement of income as the hedged interest payments and principal repayments (or periodic remeasurements) impact net income.

Concurrently, the Company entered into a second cross-currency swap by selling the $93.0 fixed rate debt bearing interest at a rate of 5.02% and receiving €61.8 fixed rate debt bearing interest at a rate of 3.19%. This cross-currency swap has been designated and is accounted for as a hedge of the net investment in its European subsidiary. Hedges of net investments are accounted for similarly to cash flow hedges, with unrealized gains and losses included in other comprehensive income. Amounts included in other comprehensive income are reclassified to net income in the period when the foreign operation is disposed of or sold.

The Company also entered into a long-dated forward exchange contract by selling $39.6 and receiving US$30.0 as measured on the trade date, to fix the foreign exchange risk on a portion of the term loan borrowings over the revised term to maturity (December 2, 2024). Unrealized gains and losses in the fair value of the forward contract are recognized in selling, general and administrative expenses in the statement of income.

*Net interest and other finance costs*

Net interest and other finance costs consist of the following:

| | Year ended | | |
|---|---|---|---|
| | **March 29, 2020** | **March 31, 2019** | **March 31, 2018** |
| | **$** | **$** | **$** |
| Interest expense | | | |
| Short-term borrowings | 0.2 | — | — |
| Revolving facility | 3.7 | 2.4 | 2.3 |
| Term loan | 8.7 | 11.7 | 10.4 |
| Lease liabilities | 8.4 | — | — |
| Standby fees | 0.8 | 0.6 | 0.4 |
| Acceleration of unamortized costs on debt extinguishment | 7.0 | — | — |
| **Interest expense and other finance costs** | 28.8 | 14.7 | 13.1 |
| Interest income | (0.4) | (0.5) | (0.2) |
| **Net interest and other finance costs** | 28.4 | 14.2 | 12.9 |

## Note 18. Shareholders' equity

The authorized and issued share capital of the Company are as follows:

*Authorized*

The authorized share capital of the Company consists of an unlimited number of subordinate voting shares without par value, an unlimited number of multiple voting shares without par value, and an unlimited number of preferred shares without par value, issuable in series.

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

*Issued*

*Multiple voting shares* **-** Holders of the multiple voting shares are entitled to 10 votes per multiple voting share. Multiple voting shares are convertible at any time at the option of the holder into one subordinate voting share. The multiple voting shares will automatically be converted into subordinate voting shares when they cease to be owned by one of the principal shareholders. In addition, the multiple voting shares of either of the principal shareholders will automatically be converted to subordinate voting shares at such time as the beneficial ownership of that shareholder falls below 15% of the outstanding subordinate voting shares and multiple voting shares outstanding, or additionally, in the case of DTR, when the current President and Chief Executive Officer no longer serves as a director of the Company or in a senior management position.

*Subordinate voting shares* - Holders of the subordinate voting shares are entitled to one vote per subordinate voting share.

The rights of the subordinate voting shares and the multiple voting shares are substantially identical, except for voting and conversion. Subject to the prior rights of any preferred shares, the holders of subordinate and multiple voting shares participate equally in any dividends declared and share equally in any distribution of assets on liquidation, dissolution, or winding up.

***Share capital transactions for the year ended March 29, 2020***

*Normal course issuer bid*

The Board of Directors has authorized the Company to initiate a normal course issuer bid, in accordance with the requirements of the Toronto Stock Exchange, to purchase up to 1,600,000 subordinate voting shares over the 12-month period from May 31, 2019 to May 30, 2020. Purchased subordinate voting shares will be cancelled.

During the year ended March 29, 2020, the Company purchased 853,500 shares for cancellation at an average price per share of $45.35 for total cash consideration of $38.7. The amount paid to purchase subordinate voting shares has been charged to share capital at the average share capital amount per share outstanding of $1.6, with the remaining $37.1 charged to retained earnings.

The transactions affecting the issued and outstanding share capital of the Company are described below:

| | **Multiple voting shares** | | **Subordinate voting shares** | | **Total** | |
|---|---|---|---|---|---|---|
| | **Number** | **$** | **Number** | **$** | **Number** | **$** |
| **March 31, 2019** | 51,004,076 | 1.4 | 59,106,998 | 111.2 | 110,111,074 | 112.6 |
| Purchase of subordinate voting shares | — | — | (853,500) | (38.7) | (853,500) | (38.7) |
| Excess of purchase price over average share capital amount | — | — | — | 37.1 | — | 37.1 |
| Exercise of stock options | — | — | 742,134 | 3.7 | 742,134 | 3.7 |
| Settlement of RSUs | — | — | 3,550 | — | 3,550 | — |
| **March 29, 2020** | 51,004,076 | 1.4 | 58,999,182 | 113.3 | 110,003,258 | 114.7 |

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

***Share capital transactions for the year ended March 31, 2019***

*Secondary offerings*

On June 21, 2018, the Company completed a secondary offering of 10,000,000 subordinate voting shares sold by the principal shareholders and a member of management. The Company received no proceeds from the sale of shares.

In connection with the secondary offering:

a) The principal shareholders converted 9,900,000 multiple voting shares into subordinate voting shares, which were then sold to the public.

b) One member of management exercised stock options to purchase 100,000 subordinate voting shares, which were then sold to the public.

c) The Company incurred transaction costs for the secondary offering in the amount of $1.2 that are included in selling, general and administrative expenses in the year ended March 31, 2019.

On November 26, 2018, the Company completed a secondary offering of 10,000,000 subordinate voting shares sold by the principal shareholders and a member of the Board of Directors. The Company received no proceeds from the sale of shares.

In connection with the secondary offering:

a) The principal shareholders converted 9,990,000 multiple voting shares into subordinate voting shares, which were then sold to the public.

b) A member of the Board of Directors sold 10,000 subordinate voting shares.

c) The Company incurred transaction costs for the secondary offering in the amount of $0.6 that are included in selling, general and administrative expenses in the year ended March 31, 2019.

The transactions affecting the issued and outstanding share capital of the Company in the year ended March 31, 2019 are described below:

| | Multiple voting shares | | Subordinate voting shares | | Total | |
|---|---|---|---|---|---|---|
| | Number | $ | Number | $ | Number | $ |
| **March 31, 2018** | 70,894,076 | 1.9 | 37,497,549 | 104.2 | 108,391,625 | 106.1 |
| Issuance of subordinate voting shares in business combination (note 5) | — | — | 16,946 | 1.5 | 16,946 | 1.5 |
| Convert multiple voting shares to subordinate voting shares | (19,890,000) | (0.5) | 19,890,000 | 0.5 | — | — |
| Exercise of stock options | — | — | 1,702,503 | 5.0 | 1,702,503 | 5.0 |
| **March 31, 2019** | 51,004,076 | 1.4 | 59,106,998 | 111.2 | 110,111,074 | 112.6 |

***Share capital transactions for the year ended March 31, 2018***

*Secondary offering*

On July 5, 2017, the Company completed a secondary offering of 12,500,000 subordinate voting shares sold by the principal shareholders and certain members of management. The Company received no proceeds from the sale of shares.

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

In connection with the secondary offering:

a) The principal shareholders converted 12,414,078 multiple voting shares into subordinate voting shares, which were then sold to the public.
b) Certain members of management exercised stock options to purchase 85,922 subordinate voting shares, which were then sold to the public.
c) The completion of the secondary offering represents an exit event such that 820,543 performance vested exit event stock options that were eligible to vest became vested (note 19).
d) The Company incurred transaction costs for the secondary offering in the amount of $1.5 that are included in selling, general and administrative expenses in the year ended March 31, 2018.

The transactions affecting the issued and outstanding share capital of the Company in the year ended March 31, 2018 are described below:

| | Multiple voting shares | | Subordinate voting shares | | Total | |
|---|---|---|---|---|---|---|
| | Number | $ | Number | $ | Number | $ |
| **March 31, 2017** | 83,308,154 | 2.2 | 23,088,883 | 101.1 | 106,397,037 | 103.3 |
| Convert multiple voting shares to subordinate voting shares | (12,414,078) | (0.3) | 12,414,078 | 0.3 | — | — |
| Exercise of stock options | — | — | 1,994,588 | 2.8 | 1,994,588 | 2.8 |
| **March 31, 2018** | 70,894,076 | 1.9 | 37,497,549 | 104.2 | 108,391,625 | 106.1 |

## Note 19. Share-based payments

The Company has issued stock options to purchase subordinate voting shares under its incentive plans, prior to the public share offering on March 21, 2017, the Legacy Plan, and subsequently, the Omnibus Plan. All options are issued at an exercise price that is not less than market value at the time of grant and expire ten years after the grant date.

*Legacy Plan*

Under the terms of the Legacy Plan, options were granted to certain executives of the Company which are exercisable to purchase subordinate voting shares. The options vest contingent upon meeting the service, performance goals and exit event conditions of the Legacy Plan. No new options will be issued under the Legacy Plan.

a) Service-vested options

   Service-vested options are subject to the executive's continuing employment and generally are scheduled to vest 40% on the second anniversary of the date of grant, 20% on the third anniversary, 20% on the fourth anniversary and 20% on the fifth anniversary.

b) Performance-vested and exit event options

   Performance-vested options that are tied to an exit event are eligible to vest pro rata on the same schedule as service-vested options, but do not vest until the exit event has occurred. All exit event conditions have been met, and no outstanding options are subject to exit event conditions.

   Other performance-vested options vest based on measurable performance targets that do not involve an exit event. Performance-vested options are subject to the executive's continued employment.

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

*Omnibus Plan*

Under the terms of the Omnibus Plan, options are granted to certain employees of the Company which are exercisable to purchase subordinate voting shares. The options vest over four years contingent upon meeting the service conditions of the Omnibus Plan, 25% on each anniversary of the date of grant.

Stock option transactions are as follows:

| | March 29, 2020 | | March 31, 2019 | |
|---|---|---|---|---|
| | Weighted average exercise price | Number of shares | Weighted average exercise price | Number of shares |
| **Options outstanding, beginning of period** | $ 15.75 | 2,037,665 | $ 4.71 | 3,647,571 |
| Granted to purchase shares | $ 59.19 | 558,489 | $ 79.59 | 236,256 |
| Exercised | $ 3.25 | (742,134) | $ 1.85 | (1,702,503) |
| Cancelled | $ 59.83 | (59,297) | $ 10.99 | (143,659) |
| Expired | $ 83.53 | (346) | $ — | — |
| **Options outstanding, end of period** | $ 32.97 | 1,794,377 | $ 15.75 | 2,037,665 |

The following table summarizes information about stock options outstanding and exercisable at March 29, 2020:

| | Options Outstanding | | Options Exercisable | |
|---|---|---|---|---|
| Exercise price | Number | Weighted average remaining life in years | Number | Weighted average remaining life in years |
| $0.02 | 156,247 | 4.1 | 156,247 | 4.1 |
| $0.25 | 74,322 | 4.4 | 74,322 | 4.4 |
| $1.79 | 213,748 | 4.9 | 124,855 | 4.8 |
| $4.62 | 212,033 | 5.9 | 56,541 | 5.9 |
| $8.94 | 133,332 | 6.8 | 79,992 | 6.8 |
| $23.64 | 50,560 | 7.4 | 21,288 | 7.4 |
| $30.73 | 180,798 | 7.2 | 87,378 | 7.2 |
| $31.79 | 35,622 | 7.6 | 15,832 | 7.6 |
| $45.34 | 95,911 | 9.2 | — | — |
| $46.38 | 11,430 | 9.7 | — | — |
| $51.71 | 7,143 | 9.4 | — | — |
| $63.03 | 415,582 | 9.0 | — | — |
| $71.73 | 7,075 | 8.9 | 1,768 | 8.9 |
| $83.53 | 200,574 | 8.2 | 50,126 | 8.2 |
| | 1,794,377 | 7.0 | 668,349 | 5.7 |

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

*Restricted share units*

Under the Omnibus Plan, the Company has granted RSUs to employees of the Company. The RSUs are treated as equity instruments for accounting purposes. We expect that vested RSUs will be paid at settlement through the issuance of one subordinate voting share per RSU. The RSUs vest over a period of three years, a third on each anniversary of the date of grant.

RSUs transactions are as follows:

| | March 29, 2020 | March 31, 2019 |
|---|---|---|
| | Number | Number |
| **RSUs outstanding, beginning of period** | 10,650 | — |
| Granted | 35,171 | 10,650 |
| Settled | (3,550) | — |
| Cancelled | (2,839) | — |
| **RSUs outstanding, end of period** | 39,432 | 10,650 |

Subordinate voting shares, to a maximum of 6,730,983 shares, have been reserved for issuance under equity incentive plans to select employees of the Company, with vesting contingent upon meeting the service, performance goals and other conditions of the Plan.

*Accounting for share-based awards*

For the year ended March 29, 2020, the Company recorded $7.8 as contributed surplus and compensation expense for stock options and RSUs (March 31, 2019 - $3.8, March 31, 2018 - $2.0). Share-based compensation expense is included in selling, general and administrative expenses.

The assumptions used to measure the fair value of options granted under the Black-Scholes option pricing model at the grant date were as follows:

| | March 29, 2020 | March 31, 2019 |
|---|---|---|
| Weighted average stock price valuation | $ 59.19 | $ 79.59 |
| Weighted average exercise price | $ 59.19 | $ 79.59 |
| Risk-free interest rate | 1.50% | 1.82% |
| Expected life in years | 5 | 5 |
| Expected dividend yield | —% | —% |
| Volatility | 40% | 40% |
| Weighted average fair value of options issued | $ 18.11 | $ 32.68 |

## Note 20. Related party transactions

The Company enters into transactions from time to time with its principal shareholders and organizations affiliated with members of the Board of Directors by incurring expenses for business services. During the year ended March 29, 2020, the Company incurred expenses with related parties of $1.7 (March 31, 2019 - $1.0, March 31, 2018 - $1.3) from companies related to certain shareholders. Net balances owing to related parties as at March 29, 2020 were $0.4 (March 31, 2019 - $0.1).

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

With the initial application of IFRS 16, the Company has recognized a lease liability to the Baffin Vendor for the leased premises; the lease liability as at March 29, 2020 was $5.3. During the year ended March 29, 2020, the Company paid principal and interest on the lease liability and other operating costs to entities affiliated with the Baffin Vendor totalling $1.4 (March 31, 2019 - $0.6). In connection with the acquisition of Baffin, the Company agreed to acquire the inventories in transit and purchases of such inventories in the year ended March 31, 2019 amounted to $3.0. No amounts were owing to Baffin entities as at March 29, 2020 and March 31, 2019. Furthermore, $3.0 is payable to the Baffin Vendor on November 1, 2020 and will be charged to expense over two years (note 5).

*Terms and conditions of transactions with related parties*

Transactions with related parties are conducted on terms pursuant to an approved agreement, or are approved by the Board of Directors.

*Key management compensation*

Key management consists of the Board of Directors, the President and Chief Executive Officer and the executives who report directly to the President and Chief Executive Officer.

| | | | Year ended |
|---|---|---|---|
| | March 29, 2020 | March 31, 2019 | March 31, 2018 |
| | $ | $ | $ |
| Short term employee benefits | 9.1 | 13.2 | 10.4 |
| Long term employee benefits | 0.1 | 0.1 | — |
| Termination benefits | — | — | 0.2 |
| Share-based compensation | 5.9 | 2.9 | 1.6 |
| **Compensation expense** | 15.1 | 16.2 | 12.2 |

## Note 21. Financial instruments and fair values

Management assessed that the fair values of cash, trade receivables, accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Company's derivative financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined, in particular, the valuation technique (s) and inputs used.

| Financial assets/ financial liabilities | Fair value hierarchy | Valuation technique(s) and key input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|
| Foreign currency forward contracts | Level 2 | Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. | Increases (decreases) in the forward exchange rate increase (decrease) fair value.<br><br>Increases (decreases) in discount rate decrease (increase) fair value. |
| Foreign currency swap contracts | Level 2 | Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. | Increases (decreases) in the forward exchange rate increase (decrease) fair value.<br><br>Increases (decreases) in discount rate decrease (increase) fair value. |
| Embedded derivative related to term loan interest rate floor | Level 2 | Future cash flows are estimated based on interest rates and forward interest rates, discounted at a rate that reflects the credit risk of the counterparties. | Increases (decreases) in the forward interest rate decrease (increase) fair value.<br><br>Increases (decreases) in the discount rate decrease (increase) fair value.<br><br>Increase (decrease) in the US$:C$ exchange rate decrease (increase) fair value. |

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

The following table presents the fair values and fair value hierarchy of the Company's financial instruments and excludes financial instruments carried at amortized cost that are short-term in nature:

| | March 29, 2020 | | | | | March 31, 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Carrying value | Fair value | Level 1 | Level 2 | Level 3 | Carrying value | Fair value |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Financial assets** | | | | | | | | | | |
| Cash | 31.7 | — | — | 31.7 | 31.7 | 88.6 | — | — | 88.6 | 88.6 |
| Derivatives included in other current assets | — | 11.3 | — | 11.3 | 11.3 | — | 1.8 | — | 1.8 | 1.8 |
| Derivatives included in other long-term assets | — | 5.9 | — | 5.9 | 5.9 | — | 7.0 | — | 7.0 | 7.0 |
| **Financial liabilities** | | | | | | | | | | |
| Derivatives included in accounts payable and accrued liabilities | — | 19.0 | — | 19.0 | 19.0 | — | 1.6 | — | 1.6 | 1.6 |
| Short-term borrowings | — | — | — | — | — | — | — | — | — | — |
| Derivatives included in other long-term liabilities | — | 2.9 | — | 2.9 | 2.9 | — | 4.4 | — | 4.4 | 4.4 |
| Revolving facility | — | — | — | — | — | — | — | — | — | — |
| Term loan | — | — | 158.1 | 158.1 | 159.3 | — | — | 145.2 | 145.2 | 152.4 |
| Lease liabilities | — | — | 227.9 | 227.9 | 227.9 | — | — | — | — | — |

There were no transfers between the levels of the fair value hierarchy.

## Note 22. Financial risk management objectives and policies

The Company's primary risk management objective is to protect the Company's assets and cash flow, in order to increase the Company's enterprise value.

The Company is exposed to capital management risk, market risk, credit risk, and liquidity risk. The Company's senior management and Board of Directors oversee the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

***Capital management***

The Company manages its capital, which consists of equity (subordinate voting shares and multiple shares voting shares), short-term borrowings, and long-term debt (the revolving facility and the term loan), with the objectives of safeguarding sufficient net working capital over the annual operating cycle and providing sufficient financial resources to grow operations to meet long-term consumer demand. Management targets a ratio of trailing 52 or 53-week period adjusted EBITDAR (defined as adjusted earnings before interest, taxes, depreciation, amortization and in fiscal 2019, rent expense) to net debt, reflecting the seasonal change in the business as net working capital builds through the second fiscal quarter. The Board of Directors of the Company monitors the Company's capital management on a regular basis. The Company will continually assess the adequacy of the Company's capital structure and capacity and make adjustments within the context of the Company's strategy, economic conditions, and risk characteristics of the business. Refer to Note 24. Subsequent Events for further enhancements to our capital management program subsequent to March 29, 2020 in response to the impact of COVID-19.

***Market risk***

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise interest rate risk and foreign currency risk.

***Interest rate risk***

The Company is exposed to interest rate risk related to the effect of interest rate changes on borrowings outstanding under short-term borrowings, the revolving facility and the term loan. As at March 29, 2020, the Company had no amounts owing on the short-term borrowings and the revolving facility. The amount outstanding under the term loan was $159.3 as at March 29, 2020 which currently bears interest at 5.10%. Based on the weighted average amount of outstanding borrowings under the short-term borrowings during the year ended March 29, 2020, a 1.00% increase in the average interest rate on our borrowings would have increased annual interest expense by less than $0.1 (March 31, 2019 - $nil). Correspondingly, a 1.00% increase in the average interest rate would have increased annual interest expense on the revolving facility and term loan by $0.9 and $1.5, respectively (March 31, 2019 - $0.6 and $1.5, respectively). Interest rate risk on the term loan is partially mitigated by cross-currency swap hedges. The impact on future interest expense because of future changes in interest rates will depend largely on the gross amount of borrowings at that time.

***Foreign exchange risk***

*Foreign exchange risk in operating cash flows*

The Company's consolidated financial statements are expressed in Canadian dollars, but a substantial portion of the Company's revenues, inventory purchases and expenses are denominated in foreign currencies, primarily U.S. dollars, euros, British pounds sterling, Swiss francs, Chinese yuan, and Hong Kong dollars. The Company has entered into forward foreign exchange contracts to reduce the foreign exchange risk associated with revenues, purchases, and expenses denominated in these currencies. Certain forward foreign exchange contracts were designated at inception and accounted for as cash flow hedges. The operating hedge program for the fiscal years ending March 29, 2020 and March 28, 2021 was initiated during the fourth quarter of the 2019 fiscal year.

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

The Company recognized the following unrealized losses in the fair value of derivatives designated as cash flow hedges in other comprehensive income:

| | | | | | | Year ended |
|---|---|---|---|---|---|---|
| | March 29, 2020 | | March 31, 2019 | | March 31, 2018 | |
| | Net loss | Tax recovery | Net loss | Tax recovery | Net loss | Tax recovery |
| | $ | $ | $ | $ | $ | $ |
| Forward foreign exchange contracts designated as cash flow hedges | (3.7) | 1.1 | (3.9) | 0.8 | (1.4) | 0.5 |

The Company reclassified the following gains and losses from other comprehensive income on derivatives designated as cash flow hedges to locations in the consolidated financial statements described below:

| | | | Year ended |
|---|---|---|---|
| | March 29, 2020 | March 31, 2019 | March 31, 2018 |
| **(Gain) loss from other comprehensive income** | $ | $ | $ |
| Forward foreign exchange contracts designated as cash flow hedges | | | |
| Revenue | (0.2) | 6.5 | — |
| Selling, general and administrative expenses | 1.0 | (4.5) | 0.3 |
| Inventory | 0.1 | (1.0) | — |

During the year ended March 29, 2020, an unrealized loss of $3.2 (March 31, 2019 - unrealized gain of $3.7, March 31, 2018 - unrealized gain of $0.1) on forward exchange contracts that are not treated as hedges has been recorded selling, general and administrative expenses in the statement of income.

Foreign currency contracts outstanding as at March 29, 2020 related to operating cash flows are:

| (in millions) | Aggregate Amounts | | Currency |
|---|---|---|---|
| Forward contract to purchase Canadian dollars | US$ | 127.4 | U.S. dollars |
| | € | 120.4 | euros |
| Forward contract to sell Canadian dollars | US$ | 79.1 | U.S. dollars |
| | € | 57.9 | euros |
| | £ | 0.2 | British pounds sterling |
| Forward contract to purchase euros | CHF | 2.1 | Swiss francs |
| | CNY | 455.1 | Chinese yuan |
| | £ | 30.1 | British pounds sterling |
| | HKD | 47.6 | Hong Kong dollars |
| | SEK | 4.8 | Swedish kronor |
| Forward contract to sell euros | CHF | 13.8 | Swiss francs |
| | £ | 1.8 | British pounds sterling |

Revenues and expenses of all foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are recognized. Appreciating foreign currencies relative to the Canadian dollar, to the extent they are not hedged, will positively impact operating income and net income, while depreciating foreign currencies relative to the Canadian dollar will have the opposite impact.

*Foreign exchange risk on borrowings*

The Company is exposed to fluctuations in the amount owing on the term loan that is denominated in U.S. dollars as at March 29, 2020. Based on the outstanding balance of $159.3 (US$113.8) under the term loan as at March 29, 2020, a $0.01 depreciation in the value of the Canadian dollar relative to the U.S. dollar would result in a decrease in pre-tax income of $1.1 (March 31, 2019 - $1.1) solely as a result of that exchange rate fluctuation's effect on the debt. Appreciating foreign currencies relative to the Canadian dollar, to the extent they are not hedged, will positively impact operating income and net income, while depreciating foreign currencies relative to the Canadian dollar will have the opposite impact.

The Company hedges a portion of its exposure to foreign currency exchange risk on principal and interest payments on its term loan denominated in U.S. dollars (note 17).

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

The Company recognized the following unrealized gains and losses in the fair value of derivatives designed as hedging instruments in other comprehensive income:

| | Year ended | | | | | |
|---|---|---|---|---|---|---|
| | March 29, 2020 | | March 31, 2019 | | March 31, 2018 | |
| | Net gain (loss) | Tax (expense) recovery | Net gain (loss) | Tax (expense) recovery | Net gain (loss) | Tax (expense) recovery |
| | $ | $ | $ | $ | $ | $ |
| Cross-currency swap designated as a cash flow hedge | 1.3 | (0.2) | (0.7) | 0.2 | 1.5 | (0.5) |
| Euro-denominated cross-currency swap designated as a net investment hedge | (0.3) | (0.2) | 3.5 | (1.2) | (3.5) | 1.2 |

The Company reclassified the following gains and losses from other comprehensive income on derivatives designated as hedging instruments to selling, general and administrative expenses:

| | Year ended | | |
|---|---|---|---|
| | March 29, 2020 | March 31, 2019 | March 31, 2018 |
| **(Gain) loss from other comprehensive income** | $ | $ | $ |
| Cross-currency swap designated as a cash flow hedge | (5.3) | 0.4 | 1.1 |

During the year ended March 29, 2020, an unrealized gain of $3.3 (March 31, 2019 - $2.9, March 31, 2018 - $0.3) in the fair value of the long-dated forward exchange contract related to a portion of the term loan balance has been recognized in selling, general and administrative expenses in the statement of income.

***Credit risk***

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Credit risk arises from the possibility that certain parties will be unable to discharge their obligations. The Company has a significant number of customers which minimizes the concentration of credit risk. The Company does not have any customers which account for more than 10% of sales or accounts receivable. The Company has entered into an agreement with a third party who has insured the risk of loss for up to 90% of accounts receivable from certain designated customers subject to a total deductible of less than $0.1, to a maximum of $30.0 per year. As at March 29, 2020, accounts receivable totaling approximately $20.1 (March 31, 2019 - $14.1) were insured under this agreement, representing 89.6% of trade accounts receivable. In addition, the Company routinely assesses the financial strength of its customers and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

Customer deposits are received in advance from certain customers for seasonal orders, and applied to reduce accounts receivable when goods are shipped. Credit terms are normally sixty days for seasonal orders, and thirty days for re-orders. As at March 29, 2020, customer deposits of $2.1 (March 31, 2019 - $0.3) were included in accounts payable and accrued liabilities.

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

The aging of trade receivables is as follows:

| | | | Past due | | |
|---|---|---|---|---|---|
| | **Total** | **Current** | **≤ 30 days** | **31-60 days** | **≥ 61 days** |
| | **$** | **$** | **$** | **$** | **$** |
| Trade accounts receivable | 32.0 | 21.8 | 4.4 | 2.5 | 3.3 |
| Credit card receivables | 2.1 | 2.1 | — | — | — |
| **March 29, 2020** | 34.1 | 23.9 | 4.4 | 2.5 | 3.3 |
| | | | | | |
| Trade accounts receivable | 19.7 | 12.9 | 4.7 | 0.5 | 1.6 |
| Credit card receivables | 1.6 | 1.6 | — | — | — |
| **March 31, 2019** | 21.3 | 14.5 | 4.7 | 0.5 | 1.6 |

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to satisfy the requirements for business operations, capital expenditures, debt service and general corporate purposes, under normal and stressed conditions. The primary source of liquidity is funds generated by operating activities; the Company also relies on short-term borrowings and the revolving facility as sources of funds for short term working capital needs. The Company continuously reviews both actual and forecasted cash flows to ensure that the Company has appropriate capital capacity.

The following table summarizes the amount of contractual undiscounted future cash flow requirements as at March 29, 2020:

| **Contractual obligations** | **2021** | **2022** | **2023** | **2024** | **2025** | **Thereafter** | **Total** |
|---|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| Accounts payable and accrued liabilities | 136.8 | — | — | — | — | — | 136.8 |
| Term loan | — | — | — | — | 159.3 | — | 159.3 |
| Note payable (notes 5, 20) | 3.0 | — | — | — | — | — | 3.0 |
| Interest commitments relating to borrowings[(1)] | 8.1 | 8.1 | 8.1 | 8.1 | 5.4 | — | 37.8 |
| Foreign exchange forward contracts | 7.8 | — | — | — | — | — | 7.8 |
| Lease obligations | 49.0 | 50.0 | 49.5 | 44.5 | 43.0 | 90.8 | 326.8 |
| Pension obligation | — | — | — | — | — | 2.8 | 2.8 |

(1) Interest commitments are calculated based on the term loan balance and the interest rate payable on the loan of 5.10% as at March 29, 2020.

The Company accrues expenses when incurred. Accounts are deemed payable once a past event occurs that requires payment by a specific date.

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

## Note 23. Selected cash flow information

*Changes in non-cash operating items*

| | March 29, 2020 | March 31, 2019 | March 31, 2018 |
|---|---|---|---|
| | **$** | **$** | **$** |
| Trade receivables | (10.6) | 3.4 | (3.1) |
| Inventories | (141.8) | (87.3) | (39.5) |
| Other current assets | 6.1 | (10.3) | (5.6) |
| Accounts payable and accrued liabilities | (1.3) | (14.7) | 41.5 |
| Provisions | 14.5 | 5.6 | 1.6 |
| Deferred rent | — | 3.3 | 2.3 |
| Other | 2.5 | (0.7) | 0.5 |
| **Change in non-cash operating items** | (130.6) | (100.7) | (2.3) |

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

*Changes in liabilities and equity arising from financing activities*

| | Short-term borrowings and revolving facility | Term loan | Net derivative asset on terminated contracts | Lease liabilities | Share capital |
|---|---|---|---|---|---|
| | $ | $ | | | $ |
| **March 31, 2019** [1] | (1.2) | 145.2 | (5.5) | — | 112.6 |
| Cash flows: | | | | | |
| Transaction costs on financing activities | (0.9) | (1.4) | — | — | — |
| Subordinate voting shares purchased for cancellation | — | — | — | — | (38.7) |
| Principal paid on lease liabilities | — | — | — | (24.7) | — |
| Settlement of term loan derivative contracts | — | — | 4.6 | — | — |
| Exercise of stock options | — | — | — | — | 2.4 |
| Non-cash items: | | | | | |
| Amortization of debt costs | | | | | |
| Discount | — | 0.1 | — | — | — |
| Interest rate modification | — | 0.1 | — | — | — |
| Deferred transaction costs | 0.4 | 0.3 | — | — | — |
| Acceleration of unamortized costs on term loan extinguishment | — | 7.0 | — | — | — |
| Unrealized foreign exchange (gain) loss | — | 6.8 | 0.9 | 4.8 | — |
| IFRS 16 initial application (notes 4 and 9) | — | — | — | 150.8 | — |
| Additions and amendments to lease liabilities (note 9) | — | — | — | 97.0 | — |
| Share purchase charge to retained earnings | — | — | — | — | 37.1 |
| Contributed surplus on exercise of stock options | — | — | — | — | 1.3 |
| **March 29, 2020** [1] | (1.7) | 158.1 | — | 227.9 | 114.7 |

[1] Deferred financing charges on the revolving facility are included in other long-term liabilities.

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

| | Revolving facility | Term loan | Share capital |
|---|---|---|---|
| | $ | $ | $ |
| **March 31, 2018** (1) | (1.7) | 137.1 | 106.1 |
| Cash flows: | | | |
| Exercise of stock options | — | — | 3.1 |
| Non-cash items: | | | |
| Issuance of shares in business combination (note 5) | — | — | 1.5 |
| Amortization of debt costs | | | |
| Discount | — | 0.9 | — |
| Embedded derivative | — | 0.2 | — |
| Interest rate modification | — | 1.2 | — |
| Deferred transaction costs | 0.5 | 0.3 | — |
| Unrealized foreign exchange loss | — | 5.5 | — |
| Contributed surplus on exercise of stock options | — | — | 1.9 |
| **March 31, 2019** (1) | (1.2) | 145.2 | 112.6 |

(1) Deferred financing charges on the revolving facility are included in other long-term liabilities.

## Note 24. Subsequent events

*Letter of guarantee facility*

On April 14, 2020, Canada Goose Inc. entered into a letter of guarantee facility in the amount of $10.0. Letters of guarantee are available for terms of up to twelve months. Amounts issued on the facility will be used to finance working capital requirements through letters of guarantee, standby letters of credit, performance bonds, counter guarantees, counter standby letters of credit, or similar credits.

*Restructuring*

On May 20, 2020, the Company underwent a reorganization to address the impact of the COVID-19 pandemic, resulting in the lay-off of 125 employees or approximately 2.5% of its workforce.

*Amendments to the revolving facility*

On May 26, 2020, the Company entered into a further amendment to the revolving facility to increase its ability to borrow against the borrowing base by up to $50.0. The amended revolving facility consists of the existing revolving facility with a reduced commitment in the amount of $417.5 with a seasonal increase of up to $467.5 during the peak season (June 1 - November 30), and a first-in, last-out ("FILO") revolving facility in the amount of $50.0. Borrowings under the existing revolving facility were transferred to the FILO revolving facility on the transaction date and future amounts will be drawn in priority of the FILO revolving facility. Amounts drawn on the FILO revolving facility are subject to an interest rate charge that is 2.00% higher than the existing revolving facility. The FILO revolving facility matures on May 25, 2021 and upon maturity, the credit commitments on the existing revolving facility will be restored.

## SCHEDULE I – CONDENSED FINANCIAL INFORMATION OF CANADA GOOSE HOLDINGS INC. (PARENT COMPANY)

All operating activities of the Company are conducted by its subsidiaries. Canada Goose Holdings Inc. is a holding company and does not have any material assets or conduct business operations other than investments its subsidiaries. The credit agreement of Canada Goose, Inc, a wholly owned subsidiary of Canada Goose Holdings Inc., contains provisions whereby Canada Goose Inc. has restrictions on the ability to pay dividends, loan funds and make other upstream distributions to Canada Goose Holdings Inc.

These condensed parent company financial statements have been prepared using the same accounting principles and policies described in the notes to the consolidated financial statements. Refer to the consolidated financial statements and notes presented above for additional information and disclosures with respect to these condensed financial statements.

**PARENT COMPANY INFORMATION**
**Canada Goose Holdings Inc.**
**Schedule I – Condensed Statements of Income**
(in millions of Canadian dollars)

| | Year ended | | |
|---|---|---|---|
| | **March 29, 2020** | **March 31, 2019** | **March 31, 2018** |
| | **$** | **$** | **$** |
| Equity in comprehensive income of subsidiary | 156.6 | 147.6 | 97.5 |
| Fee income from subsidiary | 7.2 | 3.4 | 0.9 |
| | 163.8 | 151.0 | 98.4 |
| Selling, general and administration expenses | 9.9 | 7.7 | 5.2 |
| **Income before income taxes** | 153.9 | 143.3 | 93.2 |
| Income tax recovery | (0.6) | (1.0) | (1.1) |
| **Net income** | 154.5 | 144.3 | 94.3 |

*The accompanying notes to the condensed financial statements are an integral part of these financial statements.*

**PARENT COMPANY INFORMATION**
**Canada Goose Holdings Inc.**
**Schedule I – Condensed Statements of Financial Position**
(in millions of Canadian dollars)

| | March 29, 2020 | March 31, 2019 |
|---|---|---|
| **Assets** | **$** | **$** |
| **Current assets** | | |
| Cash | 0.6 | 1.1 |
| Other current assets | 0.1 | 0.1 |
| **Total current assets** | 0.7 | 1.2 |
| Note receivable from subsidiary | 54.0 | 43.5 |
| Investment in subsidiary | 497.8 | 384.8 |
| Deferred income taxes | 2.6 | 2.1 |
| **Total assets** | 555.1 | 431.6 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 0.3 | 0.2 |
| Due to subsidiary | 34.6 | 32.3 |
| **Total liabilities** | 34.9 | 32.5 |
| **Shareholders' equity** | | |
| Share capital | 114.7 | 112.6 |
| Contributed surplus | 15.7 | 9.2 |
| Retained earnings | 389.8 | 277.3 |
| **Total shareholders' equity** | 520.2 | 399.1 |
| **Total liabilities & shareholders' equity** | 555.1 | 431.6 |

*The accompanying notes to the condensed financial statements are an integral part of these financial statements.*

**PARENT COMPANY INFORMATION**
**Canada Goose Holdings Inc.**
**Schedule I – Condensed Statements of Changes in Equity**
(in millions of Canadian dollars)

| | Share capital | Contributed surplus | Retained earnings | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance at March 31, 2017** | 103.3 | 4.1 | 38.7 | 146.1 |
| Exercise of stock options | 2.8 | (1.6) | — | 1.2 |
| Net income | — | — | 94.3 | 94.3 |
| Share-based compensation | — | 2.0 | — | 2.0 |
| **Balance at March 31, 2018** | 106.1 | 4.5 | 133.0 | 243.6 |
| Issuance of common shares in business combination | 1.5 | — | — | 1.5 |
| Exercise of stock options | 5.0 | (1.9) | — | 3.1 |
| Net income | — | — | 144.3 | 144.3 |
| Share-based compensation (including equity in contributed surplus of $2.8) | — | 6.6 | — | 6.6 |
| **Balance at March 31, 2019** | 112.6 | 9.2 | 277.3 | 399.1 |
| IFRS 16 initial application in subsidiaries | — | — | (4.9) | (4.9) |
| Normal course issuer bid purchase of subordinate voting shares | (1.6) | — | (37.1) | (38.7) |
| Exercise of stock options | 3.7 | (1.3) | — | 2.4 |
| Net income | — | — | 154.5 | 154.5 |
| Share-based compensation | — | 7.8 | — | 7.8 |
| **Balance at March 29, 2020** | 114.7 | 15.7 | 389.8 | 520.2 |

*The accompanying notes to the condensed financial statements are an integral part of these financial statements.*

**PARENT COMPANY INFORMATION**
**Canada Goose Holdings Inc.**
**Schedule I – Condensed Statements of Cash Flows**
(in millions of Canadian dollars)

| | Year ended | | |
|---|---|---|---|
| | **March 29, 2020** | **March 31, 2019** | **March 31, 2018** |
| | **$** | **$** | **$** |
| **Operating activities** | | | |
| Net income | 154.5 | 144.3 | 94.3 |
| Items not affecting cash: | | | |
| Equity in undistributed earnings of subsidiary | (156.6) | (147.6) | (97.5) |
| Income tax recovery | (0.6) | (1.0) | (1.1) |
| Share-based compensation | 7.8 | 3.8 | 2.0 |
| | 5.1 | (0.5) | (2.3) |
| Changes in assets and liabilities | (9.6) | (1.3) | 2.0 |
| **Net cash used in operating activities** | (4.5) | (1.8) | (0.3) |
| **Investing activities** | | | |
| Dividend received | 38.7 | — | — |
| Investment in shares of subsidiary | — | (1.5) | — |
| **Net cash from (used in) investing activities** | 38.7 | (1.5) | — |
| **Financing activities** | | | |
| Subordinate voting shares purchased for cancellation | (37.1) | — | — |
| Exercise of stock options | 2.4 | 3.1 | 1.2 |
| **Net cash (used in) from financing activities** | (34.7) | 3.1 | 1.2 |
| (Decrease) increase in cash | (0.5) | (0.2) | 0.9 |
| **Cash, beginning of year** | 1.1 | 1.3 | 0.4 |
| **Cash, end of year** | 0.6 | 1.1 | 1.3 |

*The accompanying notes to the condensed financial statements are an integral part of these financial statements.*

**PARENT COMPANY INFORMATION**
**Canada Goose Holdings Inc.**
**Schedule I – Notes to the Condensed Financial Statements**
(in millions of Canadian dollars)

## 1. BASIS OF PRESENTATION

Canada Goose Holdings Inc. (the “Parent Company”) is a holding company that conducts substantially all of its business operations through its subsidiary. The Parent Company (a British Columbia corporation) was incorporated on November 21, 2013.

The Parent Company has accounted for the earnings of its subsidiary under the equity method in these unconsolidated condensed financial statements.

## 2. STATEMENT OF COMPLIANCE

The Parent Company prepared these unconsolidated financial statements in accordance with International Accounting Standards 27, *"Separate Financial Statements"*, as issued by the International Accounting Standards Board.

## 3. COMMITMENTS AND CONTINGENCIES

The Parent Company has no material commitments or contingencies during the reported periods.

## 4. SHAREHOLDERS’ EQUITY

See the Annual Consolidated Financial Statements Note 18 in reference to the normal course issuer bid transaction during the year ended March 29, 2020.