Dollarama Inc.

Consolidated Financial Statements

January 30, 2022 and January 31, 2021

(Expressed in thousands of Canadian dollars,
unless otherwise noted)

Independent Practitioner's Limited Assurance Report on Compliance

To the Directors of Dollarama Inc.

We have undertaken a limited assurance engagement of the accompanying statement of Dollarama's compliance as at January 30, 2022, with the Leverage Ratio and Interest Coverage Ratio established in subsection 12.11.1 and 12.11.2 of the Third Amended and Restated Credit Agreement dated as of February 14, 2020, as amended by the First Amending Agreement dated as of March 13, 2020, the Second Amending Agreement dated as of September 21, 2020, the Third Amending Agreement dated as of March 9, 2021 and the Fourth Amending Agreement dated as of July 6, 2021 (together, the specified requirements) (the statement) with Royal Bank of Canada as administrative agent and the other lenders (as named in the Third Amended and Restated Credit Agreement dated as of February 14, 2020, as amended, collectively, the Lenders).

Management's responsibility

Management is responsible for measuring and evaluating Dollarama's compliance with the specified requirements and for preparing Dollarama's statement of compliance. Management is also responsible for such internal control as management determines necessary to enable Dollarama's compliance with the specified requirements.

Our responsibility

Our responsibility is to express a limited assurance conclusion on management's statement based on the evidence we have obtained. We conducted our limited assurance engagement in accordance with Canadian Standard on Assurance Engagements 3530, *Attestation Engagements to Report on Compliance*. This standard requires us to conclude whether anything has come to our attention that causes us to believe that management's statement that Dollarama complied with the specified requirements is not fairly stated, in all material respects.

A limited assurance engagement involves performing procedures (primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures) and evaluating the evidence obtained. The procedures are selected based on our professional judgment, which includes identifying areas where the risks of material misstatement in management's statement of the entity's compliance with the specified requirements are likely to arise.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

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Our independence and quality control
We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that management's statement that Dollarama complied as at January 30, 2022 with the specified requirements, is not fairly stated, in all material respects.

We do not provide a legal opinion on Dollarama's compliance with the specified requirements.

Purpose of statement and restriction on distribution and use of our report
Management's statement of compliance has been prepared to report Dollarama's compliance with the specified requirements. As a result, management's statement of compliance may not be suitable for another purpose. Our report is intended solely for Dollarama and the Lenders.

We acknowledge the disclosure of our report, in full only, by Dollarama at its discretion, to the Lenders. We make no representations or warranties of any kind to the Lenders or any other third party in respect of this report.

Our report should not be distributed to parties other than Dollarama or the Lenders.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
March 30, 2022

[1] FCPA auditor, FCA, public accountancy permit No. A122718

Dollarama Inc.

Consolidated Statements of Financial Position as at
(Expressed in thousands of Canadian dollars)

	Note	January 30, 2022 $	January 31, 2021 $
Assets			
Current assets			
Cash		71,058	439,144
Accounts receivable		26,260	20,546
Prepaid expenses		13,135	9,549
Inventories		590,927	630,655
Derivative financial instruments	14	15,987	468
		717,367	1,100,362
Non-current assets			
Right-of-use assets	6	1,480,255	1,344,639
Property, plant and equipment	7	761,876	709,469
Intangible assets	8	164,066	161,791
Derivative financial instruments	14	290	314
Goodwill	8	727,782	727,782
Equity-accounted investment	9	211,926	179,389
Total assets		4,063,562	4,223,746
Liabilities and shareholders' equity (deficit)			
Current liabilities			
Accounts payable and accrued liabilities	10	283,125	253,072
Short-term borrowings	11	89,386	-
Dividend payable	12	14,891	14,583
Derivative financial instruments	14	3,435	25,821
Income taxes payable		62,516	12,975
Current portion of long-term debt	11	257,674	832,821
Current portion of lease liabilities	6	200,864	181,893
		911,891	1,321,165
Non-current liabilities			
Non-current portion of long-term debt	11	1,539,240	1,044,079
Non-current portion of lease liabilities	6	1,526,564	1,401,769
Deferred income taxes	13	151,901	121,879
Total liabilities		4,129,596	3,888,892
Shareholders' equity (deficit)			
Share capital	12	479,446	485,487
Contributed surplus	12	32,924	28,527
Deficit	12	(578,079)	(149,983)
Accumulated other comprehensive loss	12	(325)	(29,177)
Total shareholders' equity (deficit)		(66,034)	334,854
Total liabilities and shareholders' equity (deficit)		4,063,562	4,223,746

Approved by the Board of Directors

(signed) "Stephen Gunn"
Stephen Gunn, Director

(signed) "Huw Thomas"
Huw Thomas, Director

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

Dollarama Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficit) for the years ended
(Expressed in thousands of Canadian dollars, except share amounts)

	Note	Number of common shares	Share capital $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total $
Balance – February 2, 2020	12	310,231,037	448,704	29,108	(574,110)	4,102	(92,196)
Net earnings		-	-	-	564,348	-	564,348
Other comprehensive loss		-	-	-	-	(32,620)	(32,620)
Total comprehensive income (loss)		-	-	-	564,348	(32,620)	531,728
Transfer of realized cash flow hedge gains to inventory		-	-	-	-	(659)	(659)
Dividends declared	12	-	-	-	(55,616)	-	(55,616)
Repurchase and cancellation of common shares	12	(1,621,708)	(2,437)	-	(84,605)	-	(87,042)
Share-based compensation	12	-	-	6,240	-	-	6,240
Issuance of common shares	12	1,657,100	32,399	-	-	-	32,399
Reclassification for the exercise of share options	12	-	6,821	(6,821)	-	-	-
Balance – January 31, 2021	12	310,266,429	485,487	28,527	(149,983)	(29,177)	334,854
Net earnings		-	-	-	663,169	-	663,169
Other comprehensive loss		-	-	-	-	(1,070)	(1,070)
Total comprehensive income (loss)		-	-	-	663,169	(1,070)	662,099
Transfer of realized cash flow hedge losses to inventory		-	-	-	-	29,922	29,922
Dividends declared	12	-	-	-	(60,772)	-	(60,772)
Repurchase and cancellation of common shares	12	(18,176,760)	(29,425)	-	(1,030,493)	-	(1,059,918)
Share-based compensation	12	-	-	8,617	-	-	8,617
Issuance of common shares	12	723,900	19,164	-	-	-	19,164
Reclassification for the exercise of share options	12	-	4,220	(4,220)	-	-	-
Balance – January 30, 2022	12	292,813,569	479,446	32,924	(578,079)	(325)	(66,034)

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

Dollarama Inc.

Consolidated Statements of Net Earnings and Comprehensive Income for the years ended
(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	January 30, 2022	January 31, 2021
		$	**$**
Sales		4,330,761	4,026,259
Cost of sales	17	2,428,536	2,261,248
Gross profit		1,902,225	1,765,011
General, administrative and store operating expenses		652,832	654,032
Depreciation and amortization	17	297,960	269,633
Share of net earnings of equity-accounted investment	9	(33,184)	(19,654)
Operating income		984,617	861,000
Financing costs	17	91,216	95,646
Earnings before income taxes		893,401	765,354
Income taxes	13	230,232	201,006
Net earnings		663,169	564,348
Other comprehensive income			
Items that may be reclassified subsequently to net earnings			
Realized gains (losses) on financial instruments not subject to basis adjustment		723	(460)
Reclassification of amortization of net gains on financial instruments not subject to basis adjustments		(435)	(354)
Foreign currency translation adjustments		614	(8,061)
Share of other comprehensive loss of equity-accounted investment	9	(1,217)	(3,588)
Income tax recovery relating to these items		115	240
Items that will not be reclassified subsequently to net earnings			
Unrealized losses on derivative financial instruments subject to basis adjustments		(294)	(27,750)
Income tax recovery (expense) relating to these items		(576)	7,353
Total other comprehensive loss, net of income taxes		(1,070)	(32,620)
Total comprehensive income		662,099	531,728
Earnings per common share			
Basic net earnings per common share	15	$2.19	$1.82
Diluted net earnings per common share	15	$2.18	$1.81
Weighted average number of common shares outstanding (*thousands*)	15	302,963	310,738
Weighted average number of diluted common shares outstanding (*thousands*)	15	304,416	312,455

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

Dollarama Inc.

Consolidated Statements of Cash Flows for the years ended
(Expressed in thousands of Canadian dollars)

	Note	January 30, 2022 $	January 31, 2021 $
Operating activities			
Net earnings		663,169	564,348
Adjustments to reconcile net earnings to net cash generated from operating activities:			
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	17	297,960	269,633
Amortization of debt issue costs	17	2,316	2,673
Amortization of net gains on bond lock and bond forward contracts		(435)	(354)
Share-based compensation	12	8,617	6,240
Financing costs on short-term borrowings and long-term debt and realized gains (losses) on financial instruments		352	(816)
Deferred income taxes	13	19,529	15,843
Gain on lease remeasurements		(2,535)	(4,822)
Share of net earnings of equity-accounted investment	9	(33,184)	(19,654)
		955,789	833,091
Changes in non-cash working capital components	18	110,094	55,531
Net cash generated from operating activities		1,065,883	888,622
Investing activities			
Additions to equity-accounted investment	9	-	(97,281)
Additions to property, plant and equipment	7	(136,772)	(140,040)
Additions to intangible assets	8	(22,740)	(27,797)
Proceeds from disposal of property, plant and equipment		839	593
Net cash used in investing activities		(158,673)	(264,525)
Financing activities			
Proceeds from long-term debt issued (1.505% Fixed Rate Notes)	11	-	300,000
Proceeds from long-term debt issued (1.871% Fixed Rate Notes)	11	375,000	-
Proceeds from long-term debt issued (2.443% Fixed Rate Notes)	11	375,000	-
Net proceeds from short-term borrowings	11	88,381	-
Repayment of the Series 2 Floating Rate Notes or the Series 3 Floating Rate Notes (as applicable)	11	(300,000)	(300,000)
Repayment of the 2.337% Fixed Rate Notes	11	(525,000)	-
Payment of debt issue costs	11	(4,174)	(2,200)
Principal elements of lease liabilities	6	(183,285)	(163,804)
Issuance of common shares	12	19,164	32,399
Dividends paid	12	(60,464)	(54,770)
Repurchase and cancellation of common shares	12	(1,059,918)	(87,042)
Net cash used in financing activities		(1,275,296)	(275,417)
Change in cash		(368,086)	348,680
Cash – beginning of year		439,144	90,464
Cash – end of year		71,058	439,144

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

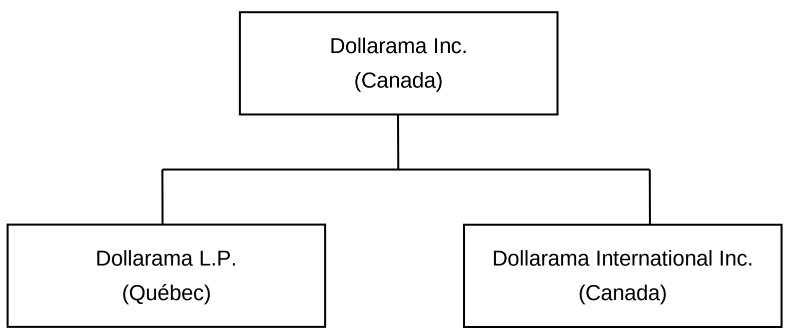
1 General information

Dollarama Inc. (the “Corporation”) was formed on October 20, 2004 under the Canada Business Corporations Act. The Corporation offers a broad assortment of general merchandise, consumable products and seasonal items at select, fixed price points up to $4.00 in-store and online in Canada. As at January 30, 2022, the Corporation maintains retail operations in every Canadian province and in the Yukon.

The Corporation’s head and registered office is located at 5805 Royalmount Avenue, Montreal, Quebec, H4P 0A1. The Corporation’s warehousing and distribution operations are also located in the Montreal area. The Corporation is listed on the Toronto Stock Exchange (“TSX”) under the symbol “DOL”.

The Corporation’s fiscal year ends on the Sunday closest to January 31 of each year and usually has 52 weeks. However, as is traditional with the retail calendar, every five or six years, a week is added to the fiscal year. The fiscal years ended January 30, 2022 and January 31, 2021 were comprised of 52 weeks.

As at January 30, 2022, the significant entities within the structure of the Corporation are as follows:



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

Dollarama International Inc. (“Dollarama International”) has retail operations in Latin America through its 50.1% equity investment in Dollarcity, a value retailer headquartered in Panama. Dollarcity offers a broad assortment of general merchandise, consumable products and seasonal items at select, fixed price points up to US$4.00 (or the equivalent in local currency) in stores located in El Salvador, Guatemala, Colombia and Peru. Dollarama International also sells merchandise and renders services to Dollarcity. For the fiscal years ended January 30, 2022 and January 31, 2021, sales by Dollarama International to Dollarcity represented approximately 1% of the Corporation’s total consolidated sales.

2 Basis of preparation

The Corporation prepares its consolidated financial statements in accordance with generally accepted accounting principles in Canada (“GAAP”) as set out in the CPA Canada Handbook – Accounting under Part I, which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments, which are measured at fair value. The accounting policies of the Corporation have been applied consistently to all fiscal years in these consolidated financial statements, except for newly adopted amendments described below.

These consolidated financial statements were approved by the board of directors of the Corporation for issue on March 30, 2022.

Seasonality of operations

The Corporation’s sales generally increase ahead of major holidays, with December representing the highest proportion of sales, but otherwise experience limited seasonal fluctuations. However, the occurrence of certain events that are beyond the Corporation’s control, such as unusually adverse weather or an epidemic or pandemic outbreak (like the COVID-19 pandemic), and that cause disruption in its operations could materially adversely affect the business and financial results of the Corporation.

3 Summary of significant accounting policies

Subsidiaries

Subsidiaries are all entities over which the Corporation has control. The Corporation determines control based on its ability to exercise power that significantly affects the entities’ relevant day-to-day activities. Control is also determined by the Corporation’s exposure to the variability in returns on investment in the entity, whether favorable or unfavorable. Furthermore, control is defined by the Corporation’s ability to direct the decisions made by the entity which ultimately impact return on investment. The existence and effect of substantive voting rights are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is determined and they are deconsolidated from the date on which control is deemed to have ceased.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries’ accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Corporation. All entities considered as subsidiaries of the Corporation for accounting purposes are wholly-owned subsidiaries.

Equity-accounted investment

The equity method of accounting is used by the Corporation to account for investments in affiliated companies when the Corporation has significant influence, but not control over the affiliated companies’ operations.

3 Summary of significant accounting policies (cont'd)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is also the Corporation's functional currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in net earnings, except where hedge accounting is applied as described below under "Derivative financial instruments".

Segment information

The Corporation has only one reportable segment, which is consistent with the internal reporting provided to the chief operating decision-maker.

Financial assets

The Corporation applies the hedge accounting requirements of IFRS 9, "Financial Instruments" to all existing qualifying hedge relationships.

On initial recognition, the Corporation determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through other comprehensive income (FVOCI) or through profit or loss (FVTPL)

The classification under IFRS 9 is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Contracts with embedded derivatives where the host is a financial asset will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met:

1. Held within a business model whose objective is to hold assets to collect contractual cash flows; and
2. Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 Summary of significant accounting policies (cont'd)

Financial assets classified at amortized cost are initially measured at fair value adjusted for directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment loss. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of net earnings and comprehensive income.

Financial assets at fair value through profit or loss (FVTPL) are initially and subsequently recognized at fair value; transaction costs are expensed in net earnings. The effective portion of gains and losses on hedging instruments is accounted for in other comprehensive income in the period in which they occur.

The table below summarizes the classification and measurement of the Corporation's financial assets.

	IFRS 9 Classification
Cash	Amortized cost
Accounts receivable	Amortized cost
Derivative financial instruments	FVTPL

The Corporation estimates the expected credit losses associated with financial assets accounted for at amortized cost. The impairment methodology used depends on whether there is a significant increase in the credit risk or not. For accounts receivables, the Corporation measures loss allowances at an amount equal to lifetime expected credit loss (ECL).

Financial liabilities

Financial liabilities comprise accounts payable and accrued liabilities, dividend payable, derivative financial instruments, short-term borrowings, long-term debt and lease obligations.

Long-term debt is recognized initially at fair value, net of recognized transaction costs, and is subsequently measured at amortized cost, being the carrying value. Any difference between the carrying value and the redemption value is recognized in the consolidated statement of net earnings and comprehensive income using the effective interest rate method.

Fees paid on the establishment of revolving credit facilities are capitalized as a prepayment for liquidity services and amortized over the term of the facility to which they relate; whereas fees paid upon the issuance of notes reduce their carrying value.

Financial liabilities are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the financial liabilities for at least 12 months after the statement of financial position date.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

3 Summary of significant accounting policies (cont'd)

Derivative financial instruments

The Corporation uses derivative financial instruments in the management of its foreign currency and interest rate exposure. Derivative financial instruments designated as hedging instruments are recorded at fair value, determined using market prices and other observable inputs.

When hedge accounting is applied, the Corporation documents at inception the relationships between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking derivatives to specific assets and liabilities on the consolidated statement of financial position or to specific firm commitments or forecasted transactions.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as held for trading for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period, or non-current assets or liabilities if their maturity exceeds 12 months.

Cash flow hedges

The Corporation uses foreign exchange forward contracts and zero cost collar contracts to mitigate the risk associated with fluctuations in the U.S. dollar against the Canadian dollar. These derivative financial instruments are used for risk management purposes and are designated as hedges of future forecasted purchases of merchandise or hedges of U.S. dollar borrowings converted into Canadian dollar borrowings under the US commercial paper program. Foreign exchange forward contracts and zero cost collar contracts are designated as hedging instruments and are recorded at fair value, determined using market prices and other observable inputs.

For the cash flow hedges of future forecasted purchases of merchandise, the effectiveness portion of the changes in the fair value is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in earnings. The accumulated realized gains or losses as a result of cash flow hedges on foreign exchange contracts and zero cost collar contracts are reclassified from shareholders' equity (deficit) to the carrying value of inventory (known as a basis adjustment). These accumulated gains and losses recorded in inventory are then subsequently reclassified to the consolidated statement of net earnings and comprehensive income in the same period during which the inventory is sold and recognized as a cost of sales.

For the cash flow hedges of U.S. dollar borrowings under the US commercial paper program, the fluctuations in fair value of the hedged item and hedging instrument are recognized in net earnings and the forward points variations are recorded in other comprehensive income at every reporting period.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in shareholders' equity (deficit) at that time remains in shareholders' equity (deficit) and is recognized as part of the carrying value of the hedged transaction when the forecasted non-financial item is recognized.

3 Summary of significant accounting policies (cont'd)

For cash flow hedges associated with interest rate risk such as a bond forward sale, the derivative is recorded on the consolidated statement of financial position at fair value. The effective portion of changes in the fair value of the derivative is recorded to other comprehensive income and reclassified to earnings over the same period as the hedged interest payments are recorded in earnings.

Movements on the hedging reserve in shareholders' equity (deficit) are shown in the consolidated statement of changes in shareholders' equity (deficit).

Fair value hedges

The Corporation mainly uses interest rate swaps to hedge changes in the fair value of the issued fixed rate Senior Unsecured Notes. The changes in the fair value of the derivatives are recorded in net earnings as financing costs together with the changes in the fair value of the hedged items attributable to the hedged risk. Any fair value hedge ineffectiveness is recognized in net earnings immediately.

Hedge accounting is discontinued if a derivative instrument is sold, terminated or otherwise de-designated. If fair value hedge accounting is discontinued, the previously hedged item is no longer adjusted for changes in fair value through the consolidated statement of net earnings and comprehensive income and the cumulative net gain or loss on the hedged asset or liability at the time of de-designation is amortized to financing costs over the expected remaining life of the hedged item.

Derivatives where hedge accounting is not applied

Derivative financial instruments which are not designated as hedges or have ceased to be effective prior to maturity are recorded at their fair values under assets or liabilities, with changes in their fair values recorded in net earnings.

Property, plant and equipment

Property, plant and equipment are carried at cost and depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Store and warehouse equipment	7 to 15 years
Vehicles	5 years
Building and roof	20 - 50 years
Leasehold improvements	Shorter of useful life or lease term
Computer equipment	5 years

3 Summary of significant accounting policies (cont'd)

The Corporation recognizes in the carrying amount of property, plant and equipment the full purchase price of assets acquired or constructed as well as the costs incurred that are directly incremental as a result of the construction of a specific asset, when they relate to bringing the asset into working condition.

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized. The rate for calculating the capitalized financing cost is based on the Corporation's weighted average cost of borrowing experienced during the reporting period.

The Corporation also capitalizes the cost of replacing parts of an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate. If the expected residual value of an asset is equal to or greater than its carrying value, depreciation on that asset is ceased. Depreciation is resumed when the expected residual value falls below the asset's carrying value. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized directly in the consolidated statement of net earnings and comprehensive income.

Goodwill and intangible assets

The Corporation classifies intangible assets into three categories: (1) intangible assets with finite lives subject to amortization, (2) intangible assets with indefinite lives not subject to amortization and (3) goodwill.

Intangible assets with finite lives subject to amortization

The Corporation determines the useful lives of identifiable intangible assets based on the specific facts and circumstances related to each intangible asset. Finite life intangible assets which consist of computer software are carried at cost and depreciated on a straight-line basis over an estimated useful life of 5 years.

The Corporation recognizes in the carrying amount of intangible assets with finite lives subject to amortization the full purchase price of the intangible assets developed or acquired as well as other costs incurred that are directly incremental as a result of the development of a specific intangible asset, when they relate to bringing the asset into working condition.

Intangible assets with indefinite lives not subject to amortization and goodwill

Dollarama's trade name and goodwill were accounted for upon the acquisition, in November 2004, of 80% of the common equity of the Corporation's predecessor.

The trade name is the Corporation's only intangible asset with an indefinite life not subject to amortization. The trade name is recorded at cost.

3 Summary of significant accounting policies (cont'd)

Goodwill represents the excess of the consideration transferred over the share of the net identifiable assets acquired of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill is subsequently measured at cost less any accumulated impairment losses.

Trade name and goodwill are tested for impairment at the entity's level annually, as at the statement of financial position date, or more frequently if events or circumstances indicate that it may be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of annual impairment testing, trade name and goodwill are allocated to one group of cash-generating units ("CGU") solely which represents the lowest level within the Corporation at which trade name and goodwill are monitored for internal management purposes.

Impairment of non-financial assets

Assets that are subject to amortization are periodically reviewed for indicators of impairment. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, the asset or CGU is tested for impairment. To the extent that the asset or CGU's carrying amount exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of net earnings and comprehensive income. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU. The fair value is the price that could be received for an asset or CGU in an orderly transaction between market participants at the measurement date, less costs of disposal. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs – these are individual stores). Management undertakes an assessment of relevant market data, which includes the current publicly quoted market capitalization of the Corporation.

Cash

Cash can include highly liquid investments with original maturities from the date of purchase of three months or less. The majority of payments due from financial institutions for the settlement of credit card and debit card transactions are processed within one business day, and are therefore classified as cash.

Inventories

The Corporation's inventories at the distribution centre, warehouses and stores consist of merchandise purchased and held for resale and are valued at the lower of cost and net realizable value.

Cost is determined at the distribution centre and warehouses on a weighted average cost basis and is then assigned to store inventories using the retail inventory method. Costs of inventories include amounts paid to suppliers, duties and freight into the warehouses as well as costs directly associated with warehousing and distribution to stores and receiving at stores.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3 Summary of significant accounting policies (cont'd)

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are obligations to pay for goods acquired from suppliers or for services rendered by employees and service providers in the ordinary course of business. Accounts payable and accrued liabilities are classified as current liabilities if payment is due or expected within one year or less. Otherwise, they are presented as non-current liabilities.

Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost.

Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and if it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are not recognized for future operating losses.

If the effect of time value of money is material, provisions are measured at the present value of cash flows expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as accretion expense under financing costs in the consolidated statement of net earnings and comprehensive income.

Share capital

Common shares are classified as shareholders' equity (deficit). Incremental costs directly attributable to the issuance of shares or options are shown in shareholders' equity (deficit) as a deduction, net of tax, from the proceeds of issuance.

When the Corporation repurchases common shares under its normal course issuer bid, the portion of the price paid for the common shares that corresponds to the book value of those shares is recognized as a reduction of share capital. The portion of the price paid that is in excess of the book value is recognized as a reduction of retained earnings. As a direct result of the fact that the price paid for each common share exceeds its book value, the Corporation's shareholders' equity is in a deficit position.

Dividends declared

Dividend distributions to the Corporation's shareholders are recognized as a liability in the Corporation's consolidated financial statements in the period in which the dividends are declared by the board of directors.

Employee future benefits

A defined contribution pension plan is a post-employment benefit plan under which the Corporation pays fixed contributions into a separate legal entity as well as to plans administered by the provincial and federal governments and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in net earnings when they are due.

3 Summary of significant accounting policies (cont'd)

The Corporation offers a defined contribution pension plan to eligible employees whereby it matches an employee's contributions up to 5% of the employee's salary, subject to a maximum of 50% of the RRSP annual contribution limit.

Short-term employee benefits

Liabilities for bonus plans are recognized based on a formula that takes into consideration individual performance and contributions to the profitability of the Corporation.

Termination benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognizes termination benefits when it is demonstrably committed to providing termination benefits as a result of an offer made.

Income taxes

The income tax expense for the year comprises current and deferred tax. Tax is recognized in net earnings, except to the extent that it relates to items recognized in other comprehensive income or directly in shareholders' equity (deficit). In this case, tax is recognized in other comprehensive income or directly in shareholders' equity (deficit).

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from initial recognition of goodwill or if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 Summary of significant accounting policies (cont'd)

Revenue recognition

Under IFRS 15, "Revenue from Contracts with Customers", revenue is recognized when control of a good or service is transferred to a customer. A five-step recognition model is used to apply the standard as follows: (1) identify the contract(s) with the customer; (2) identify the separate performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied. The vast majority of the Corporation's revenue comes from the sale of products that are recognized at a point in time. Sales of products in the consolidated statement of net earnings and comprehensive income are recognized by the Corporation when control of the goods has been transferred, being when the customer tenders payment and takes possession of the merchandise and that all obligations have been fulfilled. Revenue is recognized for goods shipped when the goods leave the port; and revenue is recognized for services when services have been rendered, which can occur discretely or over time.

The recognition of revenue at the store occurs at the time a customer tenders payment for and takes possession of the merchandise. Gift cards sold are recorded as a liability, and revenue is recognized when gift cards are redeemed. Online sales are recognized when control of goods has passed to the customer.

All sales are final. Revenue is shown net of sales tax and discounts.

Gross versus net

The Corporation may enter into arrangements for the sale of products to customers. When the Corporation acts as the principal in these arrangements, it recognizes revenue based on the amounts billed to customers. Otherwise, the Corporation recognizes the net amount that it retains as revenue.

Cost of sales

Cost of sales includes the cost of inventories purchased, outbound transportation costs, warehousing and distribution costs, receiving costs at the store, store, warehouse and distribution centre occupancy costs, as well as the effective portion of change in fair value on qualifying cash flow hedges related to the purchase of inventories.

Vendor rebates

The Corporation records vendor rebates, consisting of volume purchase rebates, when it is probable that they will be received and the amounts are reasonably estimable. The rebates are recorded as a reduction of inventory purchases or, if the related inventory has been sold, as a reduction of cost of sales in the consolidated statement of net earnings and comprehensive income.

General, administrative and store operating expenses

The Corporation includes store and head office salaries and benefits, repairs and maintenance, professional fees, store supplies and other related expenses in general, administrative and store operating expenses.

3 Summary of significant accounting policies (cont'd)

Earnings per common share

Earnings per common share is determined using the weighted average number of common shares outstanding during the fiscal year. Diluted earnings per common share is determined using the treasury share method to evaluate the dilutive effect of share options. Under this method, instruments with a dilutive effect are considered to have been exercised at the beginning of the fiscal year, or at the time of issuance, if later, and the proceeds received are considered to have been used to redeem common shares at the average market price during the fiscal year.

Share-based compensation

Share options

The Corporation recognizes a compensation expense for share options granted based on the fair value of those options at the grant date, using the Black-Scholes option pricing model. The options granted by the Corporation vest in tranches (graded vesting); accordingly, the expense is recognized in vesting tranches.

The total amount to be expensed is determined by reference to the fair value of the options granted.

The impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and retaining an employee of the entity over a specified time period) are excluded from the fair value calculation. Non-market performance vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Corporation revises its estimates of the number of options that are expected to vest based on the non-market performance vesting conditions. The Corporation recognizes the impact of the revision to original estimates, if any, in the consolidated statement of net earnings and comprehensive income, with a corresponding adjustment to contributed surplus.

When option holders exercise their options, the cash paid for the shares issued is credited, together with the related compensation costs, to share capital (nominal value).

Performance share units

On March 30, 2021, the board of directors approved the introduction of a new performance component to the Corporation's long-term incentive plan ("LTIP"), namely performance share units ("PSUs"), to be awarded annually concurrently with share options. Awards under the LTIP are now allocated so that at all times PSUs represent a minimum of 50% of the target dollar value of the LTIP award. PSUs will be settled shortly after the vesting determination date, following the expiry of the three-year performance period of each grant, in common shares of the Corporation purchased on the open market. Vesting will be based upon the achievement of performance objectives established at the time of the award by the board of directors.

The PSU grants are equity-settled transactions whereby the compensation expense is measured based on an estimated fair value at the grant date and recognized over the related performance period of three years with a corresponding increase in contributed surplus.

3 Summary of significant accounting policies (cont'd)

Leases

Under IFRS 16, "Leases", the Corporation assesses whether a contract is or contains a lease, at the inception of the contract. The Corporation recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and some leases of low-value assets. For these leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Corporation's implicit interest rate, if that rate can be readily determined, or the Corporation's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, which are initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Corporation remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, in which cases the lease liability is remeasured by discounting the revised lease payments using the same discount rate used in initially setting up the liability (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

The right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset.

3 Summary of significant accounting policies (cont'd)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability nor the right-of-use assets. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Cost of sales" or "General, administrative and store operating expenses" in the consolidated statement of net earnings.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and to instead account for any lease and associated non-lease components as a single arrangement. The Corporation has elected to use the practical expedient, and treats the different components identified in a lease as a single lease component.

4 New accounting standards

New accounting standards announced and adopted

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

On March 31, 2021, the IASB extended by 12 months the availability of the practical expedient issued in May 2020 which relieves lessees from assessing whether a COVID-19 related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change if the change were not a lease modification. The 2021 amendments are effective for annual reporting periods beginning on or after April 1, 2021. The Corporation adopted the "COVID-19-Related Rent Concessions" amendment to IFRS 16. Application of the practical expedient and its extension did not have an impact on the financial results of the Corporation.

Libor Reform with Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16

In August 2020, the IASB issued Interest Rate Benchmark Reform Phase 2 (the "Reform Phase 2"), which complemented the Reform Phase 1 and amended various standards requiring interest rates or interest rate calculations. The Reform Phase 2 provides guidance on the impacts on the financial statements after the London Inter-bank Offered Rate reform and its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021. The Corporation adopted these amendments and their application did not have a significant impact on the Corporation's financial statements.

New accounting standards announced but not yet adopted

A number of new standards and amendments to standards and interpretations are effective for the fiscal year beginning in 2022 or after. None of these new standards or amendments are expected to have a significant impact on the consolidated financial statements of the Corporation.

5 Critical accounting estimates and judgments

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

The following discusses the most significant accounting judgments and estimates that the Corporation made in the preparation of the consolidated financial statements.

Valuation of inventories

Estimate - Store inventories are valued at the lower of cost and net realizable value, with cost being determined by the retail inventory method. Under the retail inventory method, inventories are converted to a cost basis by applying an average cost-to-sell ratio. Inventories that are at the distribution centre or warehouses and inventories that are in transit from suppliers are measured at the lower of cost and net realizable value, with cost determined on a weighted average cost basis.

Inventories include items that have been marked down to management's best estimate of their net realizable value and are included in cost of sales in the period in which the markdown is determined. The Corporation estimates its inventory provisions based on the consideration of a variety of factors, including quantities of slow-moving or carryover seasonal merchandise on hand, historical markdown statistics, future merchandising plans and inventory shrinkage. The accuracy of the Corporation's estimates can be affected by many factors, some of which are beyond its control, including changes in economic conditions and consumer buying trends.

Historically, the Corporation has not experienced significant differences in its estimates of markdowns compared with actual results. Changes to the inventory provisions and especially shrinkage can have a material impact on the results of the Corporation.

Lease term

Estimate - In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods covered by termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not be terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. Also, under IFRS 16, estimates due to the incremental borrowing rate are used for measurement of the lease liabilities.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

6 Leases

As at January 30, 2022, the Corporation owned one store, one distribution centre, one warehouse and leased 1,420 stores, its head office, five warehouses and some equipment.

The initial lease term of stores typically runs for a period of approximately 10 years. Many leases include one or more options to renew the lease for additional periods of five years each after the end of the initial term. These terms are used to maximize operational flexibility in terms of managing contracts. Extension options held are either at a fixed rate or at fair market value and are exercisable only by the Corporation and not by the respective lessor. During the year, the financial impact of revising the lease terms to reflect the effect of exercising extension options was an increase in recognized lease liabilities of $28,479 (January 31, 2021 – $12,707).

Some leases provide for additional lease payments that are based on changes in local price indices, or variable lease payments that are based on a percentage of sales that the Corporation makes at the leased store in the period. Some also require the Corporation to make payments that relate to the property taxes levied on the lessor and/or insurance payments made by the lessor; these amounts are generally determined annually.

a) Additions to right-of-use assets

Additions to the right-of-use assets during the fiscal year ended January 30, 2022 amounted to $337,421 (January 31, 2021 – $241,139).

b) Amounts recognized in the consolidated statement of net earnings

	January 30, 2022 $	January 31, 2021 $
Depreciation of right-of-use assets	193,844	176,704
Gain on lease remeasurements	(2,410)	(4,855)
Interest on lease liabilities	46,297	47,115
Variable lease expenses not included in the measurement of lease liabilities	94,227	90,708
Expenses relating to short-term leases	18,703	18,272

c) Amounts recognized in the consolidated statement of cash flows

	January 30, 2022 $	January 31, 2021 $
Lease cash flows		
Fixed payments	240,782	224,276
Variable payments	92,088	95,944
Short-term leases	18,703	18,272
Tenant incentives received	(11,200)	(13,357)
	340,373	325,135
Principal elements of lease liabilities		
Fixed payments	240,782	224,276
Tenant incentives received	(11,200)	(13,357)
Interest on lease liabilities	(46,297)	(47,115)
	183,285	163,804

(Expressed in thousands of Canadian dollars, unless otherwise noted)

7 Property, plant and equipment

	Land	Buildings	Store and warehouse equipment	Computer equipment	Vehicles	Leasehold improvements	Total
	$	$	$	$	$	$	$
Cost							
Balance February 2, 2020	70,345	89,329	504,721	52,326	5,364	405,610	1,127,695
Additions	-	241	79,248	10,498	1,516	48,537	140,040
Retirement	-	-	(13,620)	(713)	(1,410)	(2,961)	(18,704)
Balance January 31, 2021	70,345	89,570	570,349	62,111	5,470	451,186	1,249,031
Accumulated							
Balance February 2, 2020	-	4,136	274,744	33,791	1,983	169,030	483,684
Depreciation	-	2,331	32,677	8,781	1,077	29,090	73,956
Retirement	-	-	(13,620)	(713)	(971)	(2,774)	(18,078)
Balance January 31, 2021	-	6,467	293,801	41,859	2,089	195,346	539,562
Net book value							
Balance January 31, 2021	70,345	83,103	276,548	20,252	3,381	255,840	709,469
Cost							
Balance January 31, 2021	70,345	89,570	570,349	62,111	5,470	451,186	1,249,031
Additions	-	76	68,601	13,342	1,305	53,448	136,772
Retirement	-	-	(3,625)	(1,415)	(1,435)	(2,754)	(9,229)
Balance January 30, 2022	70,345	89,646	635,325	74,038	5,340	501,880	1,376,574
Accumulated							
Balance January 31, 2021	-	6,467	293,801	41,859	2,089	195,346	539,562
Depreciation	-	2,333	40,228	8,754	1,072	31,264	83,651
Retirement	-	-	(3,613)	(1,415)	(967)	(2,520)	(8,515)
Balance January 30, 2022	-	8,800	330,416	49,198	2,194	224,090	614,698
Net book value							
Balance January 30, 2022	70,345	80,846	304,909	24,840	3,146	277,790	761,876

(Expressed in thousands of Canadian dollars, unless otherwise noted)

8 Intangible assets and goodwill

	Computer software $	Trade name [(1)] $	Total intangible assets $	Goodwill $
Cost				
Balance February 2, 2020	122,379	108,200	230,579	727,782
Additions	27,797	-	27,797	-
Balance January 31, 2021	150,176	108,200	258,376	727,782
Accumulated amortization				
Balance February 2, 2020	77,612	-	77,612	-
Amortization	18,973	-	18,973	-
Balance January 31, 2021	96,585	-	96,585	-
Net book value				
Balance January 31, 2021	53,591	108,200	161,791	727,782
Cost				
Balance January 31, 2021	150,176	108,200	258,376	727,782
Additions	22,740	-	22,740	-
Balance January 30, 2022	172,916	108,200	281,116	727,782
Accumulated amortization				
Balance January 31, 2021	96,585	-	96,585	-
Amortization	20,465	-	20,465	-
Balance January 30, 2022	117,050	-	117,050	-
Net book value				
Balance January 30, 2022	55,866	108,200	164,066	727,782

(1) Intangible assets with indefinite lives are not subject to amortization.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

9 Equity-accounted investment

The final purchase price for the 50.1% equity interest held in Dollarcity was calculated following completion of the audit of Dollarcity's financial statements for the 12-month period ended June 30, 2020 and amounted to US$92,700 ($122,079). On September 10, 2020, the Corporation paid the balance of purchase price of US$52,700 ($69,279). This is in addition to a cash payment of US$40,000 ($52,800) made on August 14, 2019, when the Corporation closed the acquisition.

On May 8, 2020, the Corporation, through Dollarama International, and Dollarcity's founding stockholders, each made a capital contribution to Dollarcity to cover their pro rata share of the costs associated with a series of transactions aimed at bringing real estate assets into the Dollarcity group, eliminating existing related-party transactions and insourcing some logistics activities. The Corporation's capital contribution amounted to US$20,040 ($28,002) and was added to the equity-accounted investment of the Corporation in Dollarcity.

The change in the carrying amount of the investment was as follows:

	January 30, 2022 $	January 31, 2021 $
Balance, beginning of year	179,389	143,421
Investment	-	28,002
Share of net earnings	33,184	19,654
Share of other comprehensive loss	(1,217)	(3,588)
Foreign currency translation adjustments	570	(8,100)
Balance, end of year	211,926	179,389

10 Accounts payable and accrued liabilities

	January 30, 2022 $	January 31, 2021 $
Trade accounts payable	66,646	66,691
Employee benefits payable	66,485	61,793
Inventories in transit	53,879	43,436
Sales tax payable	41,443	34,642
Rent and other expenses	54,672	46,510
	283,125	253,072

(Expressed in thousands of Canadian dollars, unless otherwise noted)

11 Debt

Long-term debt outstanding consists of the following as at:	**January 30, 2022** **$**	**January 31, 2021** **$**
Senior unsecured notes bearing interest at:		
Fixed annual rate of 2.443% payable in equal semi-annual instalments, maturing July 9, 2029 (the "2.443% Fixed Rate Notes")	375,000	-
Fixed annual rate of 1.505% payable in equal semi-annual instalments, maturing September 20, 2027 (the "1.505% Fixed Rate Notes")	300,000	300,000
Fixed annual rate of 1.871% payable in equal semi-annual instalments, maturing July 8, 2026 (the "1.871% Fixed Rate Notes")	375,000	-
Fixed annual rate of 3.55% payable in equal semi-annual instalments, maturing November 6, 2023 (the "3.55% Fixed Rate Notes")	500,000	500,000
Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022 (the "2.203% Fixed Rate Notes")	250,000	250,000
Fixed annual rate of 2.337% payable in equal semi-annual instalments, repaid on July 22, 2021 (the "2.337% Fixed Rate Notes", and collectively with the 2.443% Fixed Rate Notes, the 1.505% Fixed Rate Notes, the 1.871% Fixed Rate Notes, the 3.55% Fixed Rate Notes and the 2.203% Fixed Rate Notes, the "Fixed Rate Notes")	-	525,000
Variable rate equal to 3-month bankers' acceptance rate (CDOR) plus 27 basis points payable quarterly, repaid on February 1, 2021 (the "Series 3 Floating Rate Notes" or "Floating Rate Notes")	-	300,000
Less: Unamortized debt issue costs	(8,009)	(6,151)
Accrued interest on Floating Rate Notes and Fixed Rate Notes (collectively, the "Senior Unsecured Notes")	7,850	8,051
Fair value hedge - basis adjustment on interest rate swap	(2,927)	-
	1,796,914	1,876,900
Current portion (includes unamortized debt issue costs, accrued interest on the Senior Unsecured Notes, and the Senior Unsecured Notes with a maturity date falling within the next 52-week period, when applicable)	(257,674)	(832,821)
	1,539,240	1,044,079

(Expressed in thousands of Canadian dollars, unless otherwise noted)

11 Debt (cont'd)

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at January 30, 2022 and January 31, 2021. The fair value of the Senior Unsecured Notes was determined as a level 2 in the fair value hierarchy.

	January 30, 2022		January 31, 2021	
	Carrying value $	**Fair value $**	**Carrying value $**	**Fair value $**
Fixed Rate Notes				
2.443% Fixed Rate Notes	373,809	361,913	-	-
1.505% Fixed Rate Notes	300,277	280,650	300,089	300,660
1.871% Fixed Rate Notes	373,948	363,675	-	-
3.55% Fixed Rate Notes	502,387	512,950	501,716	537,250
2.203% Fixed Rate Notes	251,052	251,600	250,856	257,000
2.337% Fixed Rate Notes	-	-	525,127	529,725
Floating Rate Notes				
Series 3 Floating Rate Notes	-	-	300,566	300,030
	1,801,473	1,770,788	1,878,354	1,924,665

Fixed Rate Notes

On September 18, 2020, the Corporation issued the 1.505% Fixed Rate Notes at par, for aggregate gross proceeds of $300,000, by way of private placement, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 1.505% Fixed Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS Limited. The 1.505% Fixed Rate Notes bear interest at a rate of 1.505% per annum, payable in equal semi-annual instalments, in arrears, on March 20 and September 20 of each year until maturity on September 20, 2027.

On July 8, 2021, the Corporation issued the 1.871% Fixed Rate Notes and the 2.443% Fixed Rate Notes by way of private placement, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 1.871% Fixed Rate Notes were issued at par for aggregate gross proceeds of $375,000 and bear interest at a fixed rate of 1.871% per annum, payable in semi-annual instalments, in arrears, on January 8 and July 8 of each year until maturity on July 8, 2026. The 2.443% Fixed Rate Notes were issued at par for aggregate gross proceeds of $375,000 and bear interest at a fixed rate of 2.443% per annum, payable in semi-annual instalments, in arrears, on January 9 and July 9 of each year until maturity on July 9, 2029. The 1.871% Fixed Rate Notes and the 2.443% Fixed Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS Limited.

11 Debt (cont'd)

Credit Agreement

On July 6, 2021, the Corporation and the lenders entered into a fourth amending agreement to the Third Amended and Restated Credit Agreement (the "TARCA") in order to, among other things, extend (i) the term of Facility A in the amount of $250,000 from September 27, 2024 to July 6, 2026, (ii) the term of Facility B, in the amount of $200,000, from September 29, 2023 to July 5, 2024, (iii) the term of Facility C, in the amount of $50,000, from September 29, 2023 to July 5, 2024, and (iv) the term of Facility D, in the amount of $300,000, from September 20, 2021 to July 6, 2022.

Under the TARCA, the Corporation may, under certain circumstances and subject to receipt of additional commitments from existing lenders or other eligible institutions, request increases to committed facilities up to an aggregate amount, together with all then-existing commitments, of $1,500,000.

The TARCA requires the Corporation to respect a minimum interest coverage ratio and a maximum leverage ratio, each tested quarterly on a consolidated basis. The Corporation has the option to borrow in Canadian or U.S. dollars.

The Credit Facility remains guaranteed by Dollarama L.P. and Dollarama GP Inc. (collectively, with the Corporation, the "Credit Parties"). The TARCA contains restrictive covenants that, subject to certain exceptions, limit the ability of the Credit Parties to, among other things, incur, assume, or permit to exist senior ranking indebtedness or liens, engage in mergers, acquisitions, asset sales or sale leaseback transactions, alter the nature of the business and engage in certain transactions with affiliates. The TARCA also limits the ability of the Corporation to make loans, declare dividends and make payments on, or redeem or repurchase equity interests if there exists a default or an event of default thereunder.

As at January 30, 2022 and January 31, 2021, no amount was outstanding under the TARCA. As at January 30, 2022, the Corporation had $71,058 of cash on hand and $798,730 available under its Credit Facility, of which $89,386 were reserved to serve as a backstop for outstanding amounts under the US commercial paper program. As at January 30, 2022, there were letters of credit issued for the purchase of inventories which amounted to $1,270 (January 31, 2021 – $1,105) and the Corporation was in compliance with all of its financial covenants.

Short-term borrowings

Under the terms of the US commercial paper program, the Corporation may issue, from time to time, unsecured commercial paper notes with maturities not in excess of 397 days from the date of issue (the "USCP Notes"). The aggregate principal amount of USCP Notes outstanding at any one time under the US commercial paper program may not exceed US$500,000. The Corporation uses derivative financial instruments to convert the net proceeds from the issuance of USCP Notes into Canadian dollars, and uses those proceeds for general corporate purposes.

The USCP Notes are direct unsecured obligations of the Corporation and rank equally with all of its other unsecured and unsubordinated indebtedness. The USCP Notes are unconditionally guaranteed by Dollarama L.P. and Dollarama GP Inc., each a wholly-owned subsidiary of the Corporation.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

11 Debt (cont'd)

As at January 30, 2022, the USCP Notes outstanding had carrying values that approximated their fair values, and their fair value was determined as a level 2 in the fair value hierarchy. As at January 30, 2022, the amount outstanding under the US commercial paper program was US$70,000 ($89,386) (January 31, 2021 – no amount outstanding).

12 Shareholders' equity (deficit)

a) Share capital

Normal course issuer bid

On July 5, 2021, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 19,376,824 common shares, representing 7.5% of the public float as at the close of markets on June 30, 2021, during the 12-month period from July 7, 2021 to July 6, 2022 (the "2021-2022 NCIB").

The total number of common shares repurchased for cancellation under the 2021-2022 NCIB and the normal course issuer bid previously in effect during the fiscal year ended January 30, 2022 amounted to 18,176,760 common shares (January 31, 2021 – 1,621,708 common shares under the normal course issuer bids then in effect), for a total cash consideration of $1,059,918 (January 31, 2021 – $87,042). For the fiscal year ended January 30, 2022, the Corporation's share capital was reduced by $29,425 (January 31, 2021 – $2,437) and the remaining $1,030,493 (January 31, 2021 – $84,605) was accounted for as an increase in deficit.

b) Common shares authorized

The Corporation is authorized to issue an unlimited number of common shares. All common shares are issued as fully paid and without par value. Movements in the Corporation's share capital for fiscal years ended on the dates indicated below were as follows:

	January 30, 2022		January 31, 2021	
	Number of common shares	Amount ($)	Number of common shares	Amount ($)
Balance, beginning of year	310,266,429	485,487	310,231,037	448,704
Cancellation under NCIB	(18,176,760)	(29,425)	(1,621,708)	(2,437)
Exercise of share options	723,900	23,384	1,657,100	39,220
Balance, end of year	292,813,569	479,446	310,266,429	485,487

(Expressed in thousands of Canadian dollars, unless otherwise noted)

12 Shareholders' equity (deficit) (cont'd)

c) Contributed surplus

Share-based compensation

Performance share units

On March 30, 2021, the Corporation adopted its PSU plan which is aimed at complementing the Corporation's existing LTIP. Under the plan, the vesting of PSUs is based upon the achievement of performance criteria established at the time of the award by the board of directors. The performance period spans the three fiscal years that begin on the first day of the fiscal year in which the award is made, and the PSUs are settled shortly after the vesting determination date, following the expiry of the three-year performance period. The Fiscal 2022 award will be settled in common shares purchased on the open market.

During the fiscal year ended January 30, 2022, the Corporation recognized a share-based compensation expense for PSUs of $1,631.

Outstanding PSUs for the fiscal year ended on the date indicated below are as follows:

	January 30, 2022
Outstanding – beginning of year	-
Granted [(1)]	103,953
Vested	-
Outstanding – end of year	103,953

[(1)] Vesting varies from 0% to 200% depending on performance against the criteria at the end of the three-year performance period.

Share options

The Corporation established a management option plan whereby its directors, officers and employees may be granted share options to acquire its shares. Under the plan, the Corporation's board of directors determines the number and characteristics of share options granted and share options have a life not exceeding 10 years.

Outstanding share options under the plan are granted with service requirements (or service conditions). These share options were granted to purchase an equivalent number of common shares. There are no share options with non-market performance vesting conditions outstanding. The share options vest over a five-year period, at a rate of 20% annually on the anniversary of the grant date.

During the fiscal year ended January 30, 2022, the Corporation recognized a share-based compensation expense for share options of $6,986 (January 31, 2021 – $6,240).

(Expressed in thousands of Canadian dollars, unless otherwise noted)

12 Shareholders' equity (deficit) (cont'd)

Outstanding and exercisable share options for fiscal years ended on the dates indicated below are as follows:

	January 30, 2022		January 31, 2021	
	Number of share options	Weighted average exercise price ($)	Number of share options	Weighted average exercise price ($)
Outstanding – beginning of year	4,229,500	33.81	5,083,700	26.99
Granted	396,000	56.50	823,000	47.44
Exercised	(723,900)	26.47	(1,657,100)	19.55
Forfeited	(82,500)	46.65	(20,100)	41.72
Outstanding – end of year	3,819,100	37.28	4,229,500	33.81
Exercisable – end of year	2,174,000	29.56	2,159,100	25.12

Information relating to share options outstanding and exercisable as at January 30, 2022 is as follows:

	Share options outstanding			Share options exercisable		
Range of exercise prices	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price ($)	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price ($)
$12.02 - $13.67	14	59,600	12.02	14	59,600	12.02
$13.68 - $18.72	26	683,600	14.80	26	683,600	14.80
$18.73 - $23.68	38	212,500	23.68	38	212,500	23.68
$23.69 - $30.20	50	318,000	30.20	50	318,000	30.20
$30.21 - $37.36	62	463,200	37.36	62	333,600	37.36
$37.37 - $56.50	93	2,082,200	47.84	84	566,700	46.49
	70	3,819,100	37.28	51	2,174,000	29.56

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

	January 30, 2022	January 31, 2021
Exercise price per share	$56.50	$47.44
Dividend yield	0.4%	0.4%
Risk-free interest rate	1.1%	0.5%
Expected life	6.1 years	6.2 years
Expected volatility	26.8%	27.7%
Weighted average fair value of share options estimated at the grant date	$15.30	$12.53

(Expressed in thousands of Canadian dollars, unless otherwise noted)

12 Shareholders' equity (deficit) (cont'd)

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

d) Accumulated other comprehensive loss

Components of accumulated other comprehensive loss include unrealized losses on derivative financial instruments designated as hedging instruments, net of reclassification adjustments and income tax:

	January 30, 2022 $	January 31, 2021 $
Accumulated other comprehensive income (loss) – beginning of year	(29,177)	4,102
Net change in fair value of foreign exchange forward contracts subject to basis adjustments	(294)	(27,750)
Realized gains (losses) on financial instruments	723	(460)
Amortization of net gains on bond lock and bond forward contracts	(435)	(354)
Foreign currency translation adjustments	614	(8,061)
Share of other comprehensive loss of equity-accounted investment	(1,217)	(3,588)
Income tax expense (recoveries) thereon	(461)	7,593
Total other comprehensive loss, net of income tax recovery	(1,070)	(32,620)
Transfer of realized cash flow hedge losses (gains) to inventory	39,954	(901)
Income tax expense (recoveries) thereon	(10,032)	242
Accumulated other comprehensive loss – end of year	(325)	(29,177)

e) Dividends

The table below outlines the amounts of dividends recognized as distributions to holders of common shares in the consolidated statement of changes in shareholders' equity (deficit) during each quarter of the fiscal year ended January 30, 2022 and January 31, 2021.

For the quarters ending	May 2, 2021	August 1, 2021	October 31, 2021	January 30, 2022
Dividend declared	$15,501	$15,311	$15,069	$14,891
Dividend per common share	$0.050	$0.050	$0.050	$0.050
Declaration date	March 30, 2021	June 8, 2021	September 8, 2021	December 7, 2021
Payment date	May 7, 2021	August 6, 2021	November 5, 2021	February 4, 2022

(Expressed in thousands of Canadian dollars, unless otherwise noted)

12 Shareholders' equity (deficit) (cont'd)

For the quarters ending	May 3, 2020	August 2, 2020	November 1, 2020	January 31, 2021
Dividend declared	$13,659	$13,683	$13,691	$14,583
Dividend per common share	$0.044	$0.044	$0.044	$0.047
Declaration date	March 31, 2020	June 9, 2020	September 1, 2020	December 8, 2020
Payment date	May 8, 2020	August 7, 2020	November 6, 2020	February 5, 2021

13 Income taxes

There are transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

a) Deferred income taxes

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	January 30, 2022 $	January 31, 2021 $
Deferred tax assets		
To be recovered after 12 months	456,849	419,277
To be recovered within 12 months	6,822	11,754
Deferred tax liabilities		
To be settled after 12 months	(610,221)	(550,774)
To be settled within 12 months	(5,351)	(2,136)
	(151,901)	(121,879)

Gross movement on the deferred income tax liability is as follows:

	January 30, 2022 $	January 31, 2021 $
Deferred income tax liability - beginning of year	(121,879)	(113,863)
Charged to consolidated statement of net earnings and comprehensive income	(19,529)	(15,843)
Tax recovery (expense) relating to components of other comprehensive loss	(10,493)	7,827
Deferred income tax liability - end of year	(151,901)	(121,879)

(Expressed in thousands of Canadian dollars, unless otherwise noted)

13 Income taxes (cont'd)

The significant movements in deferred income tax liabilities during the year, taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Property, plant and equipment $	Intangible assets and goodwill $	Derivative financial instruments $	Total $
As at February 2, 2020	(400,513)	(121,291)	(1,045)	(522,849)
Charged to consolidated statement of net earnings and comprehensive income	(25,681)	(3,288)	(378)	(29,347)
Credited to components of other comprehensive income	-	-	1,423	1,423
As at January 31, 2021	(426,194)	(124,579)	-	(550,773)
Credited (charged) to consolidated statement of net earnings and comprehensive income	(56,102)	(3,358)	869	(58,591)
Charged to components of other comprehensive income	-	-	(6,220)	(6,220)
As at January 30, 2022	(482,296)	(127,937)	(5,351)	(615,584)

The significant movements in deferred income tax assets during the year, taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Non deductible reserves $	Lease liabilities $	Derivative financial instruments $	Total $
As at February 2, 2020	7,601	401,385	-	408,986
Credited (charged) to consolidated statement of net earnings and comprehensive income	(2,140)	17,774	4,274	19,908
As at January 31, 2021	5,461	419,159	4,274	428,894
Credited to consolidated statement of net earnings and comprehensive income	1,361	37,702	-	39,063
Charged to component of other comprehensive income	-	-	(4,274)	(4,274)
As at January 30, 2022	6,822	456,861	-	463,683

(Expressed in thousands of Canadian dollars, unless otherwise noted)

13 Income taxes (cont'd)

b) Income taxes

	January 30, 2022 $	January 31, 2021 $
Current tax expense in respect of the current year	210,703	185,163
Deferred tax expense relating to the origination and reversal of temporary differences	19,529	15,843
Income taxes	230,232	201,006

Tax on the Corporation's earnings before income taxes differs from the theoretical amount that would arise using the weighted average tax rate applicable to earnings of the consolidated entities as follows:

	January 30, 2022 $	January 31, 2021 $
Earnings before income taxes	893,401	765,354
Tax calculated at domestic rates applicable to income in Canada and the Canadian provinces	236,506	203,309
Tax effects of:		
Permanent differences	(6,888)	(3,541)
Settlement of previous year's tax assessments	604	(160)
Other	10	1,398
Tax expense	230,232	201,006

The income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. The statutory income tax rate for the fiscal year ended January 30, 2022 was 26.5% (January 31, 2021 – 26.6%). The Corporation's effective income tax rate for the fiscal year ended January 30, 2022 was 25.8% (January 31, 2021 – 26.3%).

During the fiscal year ended February 2, 2020, the Corporation acquired 50.1% of Dollarcity's issued and outstanding shares. The aggregate amount of taxable temporary differences associated with this investment in a joint arrangement, for which the deferred tax liabilities have not been recognized as at January 30, 2022, was $59,594. No deferred tax liabilities were recognized on the temporary differences associated with this investment in a joint arrangement since the Corporation jointly controls the timing of the reversal and it is not probable that they will be reversed in the foreseeable future.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

14 Financial instruments

Exposure and management of risk

The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Corporation's financial performance. The Corporation uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the finance department under practices approved by the board of directors of the Corporation. This department identifies, evaluates and hedges financial risks based on the requirements of the organization. The board of directors provides guidance for overall risk management, covering many areas of risk including but not limited to foreign exchange risk, interest rate risk, credit risk and the use of derivative financial instruments.

a) Measurement categories

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recorded in the consolidated statement of net earnings and comprehensive income. Those categories are, for assets, amortized cost, as well as fair value through the consolidated statement of net earnings and comprehensive income and, for liabilities, amortized cost, as well as fair value through the consolidated statement of net earnings and comprehensive income. The following table shows the carrying values of assets and liabilities for each of these categories as at:

	January 30, 2022 $	January 31, 2021 $
Assets		
Amortized cost		
Cash	71,058	439,144
Accounts receivable	26,260	20,546
Total amortized cost	97,318	459,690
Fair value through profit or loss		
Derivative financial instruments	16,277	782
Liabilities		
Amortized cost		
Trade payable and accrued liabilities (1)	237,991	213,883
Short-term borrowings	89,386	-
Dividend payable	14,891	14,583
Lease liabilities	1,727,428	1,583,662
Long-term debt	1,796,914	1,876,900
Total amortized cost	3,866,610	3,689,028
Fair value through profit or loss		
Derivative financial instruments	3,435	25,821

(1) Excluding non-contractual accounts payable.

14 Financial instruments (cont'd)

Fair value measurements

The carrying amounts of financial instruments are presented in the consolidated statement of financial position at fair value or amortized cost according to the Corporation's accounting policies. Current financial assets and liabilities, which include cash, accounts receivable, accounts payable and accrued liabilities, short-term borrowings and dividends payable, approximate fair values due to the immediate or short-term maturities of these financial instruments.

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

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

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

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

b) Derivatives

Foreign exchange forward contracts, zero cost collar contracts and interest rate swap contracts are designated as hedging instruments and are recorded at fair value, determined using market prices and other observable inputs.

The Corporation has master netting agreements for the vast majority of derivative contracts but no amounts have been netted as at January 30, 2022 or January 31, 2021.

A summary of the aggregate contractual nominal value, weighted average contract rate, statement of financial position location and estimated fair values of derivative financial instruments as at January 30, 2022 and January 31, 2021 is as follows:

(Expressed in thousands of Canadian dollars, unless otherwise noted)

14 Financial instruments (cont'd)

	Contractual nominal value	Weighted average contract rate	Statement of financial position	Fair value - Asset (Liability)	Nature of hedging relationship
	USD/CAD	USD/CAD	Location	Significant other observable inputs (Level 2)	Recurring
	$			$	
As at January 30, 2022					
Hedging instruments for the forecasted U.S. dollar merchandise purchases					
USD Foreign exchange forward contracts	525,000	1.25	Current assets	14,544	Cash flow hedge
USD Foreign exchange forward contracts	10,000	1.25	Non-current assets	290	Cash flow hedge
USD Foreign exchange forward contracts	50,000	1.29	Current liabilities	(506)	Cash flow hedge
USD Zero cost collar contracts	40,000	1.22(1) – 1.29(2)	Current assets	450	Cash flow hedge
USD Zero cost collar contracts	5,000	1.25(1) – 1.32(2)	Current liabilities	(2)	Cash flow hedge
	630,000			14,776	
Hedging instruments for the US commercial paper program					
USD Foreign exchange forward contracts	70,000	1.26	Current assets	993	Cash flow hedge
	70,000			993	
Hedging instruments for the fixed to floating interest rate notes					
Interest rate swap contracts	200,000	CDOR (3) + 2.73%	Current liabilities	(2,927)	Fair value hedge
	200,000			(2,927)	
Total	900,000			12,842	
As at January 31, 2021					
Hedging instruments for the forecasted U.S. dollar merchandise purchases					
USD Foreign exchange forward contracts	30,000	1.26	Current assets	420	Cash flow hedge
USD Foreign exchange forward contracts	20,000	1.26	Non-current assets	314	Cash flow hedge
USD Foreign exchange forward contracts	535,000	1.33	Current liabilities	(25,784)	Cash flow hedge
USD Zero cost collar contracts	9,000	1.24(1) – 1.32(2)	Current liabilities	(37)	Cash flow hedge
USD Zero cost collar contracts	24,000	1.25(1) – 1.30(2)	Current assets	48	Cash flow hedge
	618,000			(25,039)	

(1) Put strike
(2) Call strike
(3) 3-month CDOR

14 Financial instruments (cont'd)

The foreign currency forwards are denominated in the same currency as the highly probable future inventory purchases, therefore the hedge ratio is 1:1.

For the year ended January 30, 2022, accumulated fair value losses of $43,387 (January 31, 2021 – accumulated fair value gains of $10,401) on USD foreign exchange forward contracts and USD zero cost collar contracts recorded in the carrying value of inventory were reclassified from inventory to the cost of sales in the consolidated statement of net earnings and comprehensive income.

Hedge ineffectiveness

The Corporation formally documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedging transactions.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases and hedges of U.S. dollar borrowings, the Corporation or any of its subsidiaries enter into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Corporation therefore performs a qualitative assessment of effectiveness.

For hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecasted transaction changes from what was originally estimated or if there are changes in the credit risk of the Corporation or the counterparty. For hedges of U.S. dollar borrowings, ineffectiveness may arise if the terms of the hedging instruments differ from the terms of the hedged item.

For the fiscal years ended January 30, 2022 and January 31, 2021, no ineffectiveness was recognized.

c) Market risk

i. *Foreign exchange risk*

The functional currency of the Corporation is the Canadian dollar ("CAD"). Because cash inflows are primarily denominated in Canadian dollars, the Corporation is exposed to the variability in the CAD/U.S. dollars ("USD") exchange rate when paying expenses with USD that relate to merchandise and when accounting for the Corporation's share of the net earnings of Dollarcity.

Foreign exchange forward contracts and zero cost collar contracts are entered into in order to manage the currency fluctuation risk associated with forecasted US dollar merchandise purchases sold in stores, as well as the hedges of U.S. dollar borrowings converted into Canadian dollar borrowings under the US commercial paper program. These contracts are purchased for cash flow hedging as part of the Corporation's risk management process and are designated as the hedging item of highly probable future purchases of merchandise and USCP notes (the "hedged item"). Under the Corporation's policy, the critical terms of the forward contracts and zero cost collar contracts must align with the hedged items.

At each reporting date, the Corporation performs an assessment of effectiveness of its cash flow hedges to ensure that the hedging relationship, between the hedging instrument and the hedged item, remains highly effective.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

14 Financial instruments (cont'd)

Foreign exchange forward contracts and zero cost collar contracts are designated as hedging instruments and recorded at fair value, determined using market prices and other observable inputs. The Corporation designates its foreign exchange forward and zero cost collar contracts as hedges of the variability in highly probable future cash flows attributable to a forecasted transaction (cash flow hedges) or as hedges of U.S. dollar borrowings under the US commercial paper program (cash flow hedges). The fair value of these contracts is determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present values, or using other valuation techniques.

For the fiscal year ended January 30, 2022, accumulated fair value losses of $39,954 (January 31, 2021 – accumulated fair value gains of $901) on foreign exchange forward contracts and zero cost collar contracts were reclassified from accumulated other comprehensive income to the carrying value of inventory.

Accumulated fair value gains or losses are recorded in inventory prior to being reclassified in the cost of sales. As a result, adjustments to the consolidated statement of cash flows are made through changes in non-cash working capital. The change in fair value used for calculating hedge ineffectiveness is as follows:

	January 30, 2022 **$**	**January 31, 2021** **$**
Hedged item		
Cash flow hedge on foreign exchange forward and zero cost collar contracts	39,811	(28,651)

As at January 30, 2022 and January 31, 2021, a variation in the CAD of 10% against the USD on monetary accounts in USD would, all other variables constant, have an approximate favorable/unfavorable impact of approximately $328 and $594 on net earnings, respectively.

ii. *Interest rate risk*

The Corporation's interest rate risk arises from long-term debt and short-term borrowings. Long-term debt and short-term borrowings issued at variable rates exposes the Corporation to cash flow interest rate risk. Long-term debt issued at fixed rates exposes the Corporation to fair value interest rate risk.

On a quarterly basis, the Corporation analyzes its interest rate risk exposure. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Corporation calculates the impact on earnings of a defined interest rate shift. The Corporation uses variable rate debt from time to time to finance a portion of its operations and capital expenditures. These obligations expose the Corporation to variability in interest payments due to changes in interest rates. As at January 30, 2022, 100% (84% - January 31, 2021) of the Corporation's short-term borrowings and long-term debt carried a fixed interest rate and none (16% – January 31, 2021) carried a variable interest rate.

14 Financial instruments (cont'd)

The Corporation also uses interest rate swap contracts to mitigate the risk associated with changes in the fair value of the issued 3.55% Fixed Rates Notes maturing November 6, 2023 due to changes in interest rates. These derivative financial instruments are used for risk management purposes and are designated as fair value hedges. Under these interest rates swaps, the Corporation receives a fixed rate of interest and pays interest at a variable rate on the notional amount. These derivatives are designated as hedging instruments and are recorded on the consolidated statement of financial position at fair value.

Also bond forward contracts were used in the first half of Fiscal 2022 in advance of issuing the 1.871% Fixed Rate Notes and the 2.443% Fixed Rate Notes as hedges of interest rates thereof. Upon the pricing of the 1.871% Fixed Rate Notes and the 2.443% Fixed Rate Notes on June 23, 2021, these bond forward contracts were settled and were no longer outstanding as of January 30, 2022. These derivatives were designated as hedging instruments and were recorded on the consolidated statement of financial position at fair value. The gains related to the effective portion of the change in fair value of the derivatives were recorded to other comprehensive income and are being reclassified to net earnings over the same period as the hedged interest payments are recorded in net earnings. The hedged risk was defined as the variability in cash flows associated with coupons paid on the debt to be issued attributable to movements in the CAD benchmark rate. The CAD benchmark rate consisted of the interpolated yield of Government of Canada bond curve with a term corresponding to the expected debt. Cash flows related to the expected bond's credit spread over the CAD benchmark were not designated as part of the hedging relationship.

An analysis by maturities is provided in Note 14 e).

As at January 30, 2022, a variation of 100 basis points of the 3-month CDOR rate would, all other variables constant, have a favorable/unfavorable impact of approximately $1,470 on net earnings (January 31, 2021 – $2,202).

d) Credit risk

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist of cash, accounts receivable and derivative contracts.

The Corporation offsets the credit risk by depositing its cash with major financial institutions whom have been assigned high credit ratings by internationally recognized credit rating agencies.

The Corporation is exposed to credit risk on receivables from landlords for tenant allowances and trade receivables from third parties. In order to mitigate this risk, the Corporation monitors credit risk and may retain offsetting payments until accounts receivable are fully satisfied. Other significant trade receivables are secured with letters of credit, which can be called on if the counterparty is in default under the terms of the agreement.

For purposes of testing the impairment of financial assets, the Corporation applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at January 30, 2022, a significant portion of the accounts receivable are secured by letters of credit. The expected credit loss allowance recorded for accounts receivable was not significant as at January 30, 2022 and January 31, 2021.

14 Financial instruments (cont'd)

The Corporation only enters into derivative contracts with major financial institutions for the purchase of USD forward, zero cost collar contracts and interest rate swap contracts, as described above, and has master netting agreements in place for the vast majority of those derivative contracts.

e) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation mitigates liquidity risk through continuous monitoring of its debt which is guaranteed by Dollarama L.P. and Dollarama GP Inc.

The Corporation's objective is to maintain sufficient liquidity to meet its financial liabilities as they become due and remain compliant with financial and non-financial covenants under the Credit Agreement and under the trust indentures governing the Senior Unsecured Notes. The Corporation manages liquidity risk through various means, including monitoring cash balances and planned cash flows generated from operations and used for investing in capital assets.

As at January 30, 2022, the Corporation had Senior Unsecured Notes outstanding for an aggregate principal amount of $1,800,000 (January 31, 2021 – $1,875,000) and had authorized and available credit in the amount of $798,730 (January 31, 2021 – $798,895) under the Credit Facility (refer to Note 11) of which $89,386 were reserved to serve as a backstop for outstanding amounts under the US commercial paper program.

Management estimates that, as at January 30, 2022 and January 31, 2021, the average time to maturity of the Corporation's committed debt portfolio, which consists of the Senior Unsecured Notes, amounts drawn on the Credit Facility and the USCP Notes, was 3.8 years and 2.2 years, respectively.

14 Financial instruments (cont'd)

The table below analyzes the Corporation's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as at January 30, 2022. Trade payable and accrued liabilities exclude liabilities that are not contractual (such as income tax liabilities that are created as a result of statutory requirements imposed by governments).

(dollars in thousands)	**Less than 3 months**	**3 months to 1 year**	**1-5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Trade payable and accrued liabilities	237,991	-	-	-	237,991
Dividend payable	14,891	-	-	-	14,891
Lease liabilities [(1)]	78,253	166,907	854,611	865,552	1,965,323
Principal repayment on:					
2.443% Fixed Rate Notes	-	-	-	375,000	375,000
1.505% Fixed Rate Notes	-	-	-	300,000	300,000
1.871% Fixed Rate Notes	-	-	375,000	-	375,000
3.55% Fixed Rate Notes	-	-	500,000	-	500,000
2.203% Fixed Rate Notes	-	250,000	-	-	250,000
USCP Notes	89,386	-	-	-	89,386
Interest payments on:					
2.443% Fixed Rate Notes	-	9,161	36,645	22,903	68,709
1.505% Fixed Rate Notes	2,258	2,258	18,060	4,514	27,090
1.871% Fixed Rate Notes	-	7,016	24,557	-	31,573
3.55% Fixed Rate Notes	-	17,750	17,750	-	35,500
2.203% Fixed Rate Notes	-	5,507		-	5,507
	422,779	458,599	1,826,623	1,567,969	4,275,970

(1) Represent the basic annual rent and other charges paid to landlords that are fixed or that vary based on an index or a rate.

14 Financial instruments (cont'd)

f) Capital management

The Corporation's capital structure consists of common shares, the Senior Unsecured Notes, the Credit Facility, the USCP Notes, share options and PSUs, equity (deficit) and accumulated other comprehensive income. The Corporation manages its capital structure and makes changes pursuant to economic conditions and conditions related to its assets.

The Corporation monitors capital using a number of financial metrics, including but not limited to the leverage ratio, defined as adjusted total debt (sum of (i) total long-term debt and (ii) total lease liabilities) over consolidated EBITDA (earnings before interest, taxes, depreciation and amortization).

The Corporation's objectives when managing capital are to:

- provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations; and
- ensure sufficient liquidity to pursue its growth strategy.

In managing its capital structure, the Corporation monitors performance throughout the year to ensure working capital requirements are funded from operations, available cash on deposit and, where applicable, bank borrowings and USCP Notes. The Corporation manages its capital structure and may make adjustments to it in order to support the broader corporate strategy or in response to changes in economic conditions and risk. In order to maintain or adjust its capital structure, the Corporation may: issue shares or new debt; reduce the amount of existing debt; repurchase shares for cancellation under a normal course issuer bid; and adjust the amount of dividends paid to shareholders.

The Corporation is subject to financial covenants under the Credit Agreement and the trust indentures governing the Senior Unsecured Notes, which are measured on a quarterly basis. These covenants include a leverage ratio and an interest coverage ratio. As at January 30, 2022, the Corporation was in compliance with all such covenants.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

15 Earnings per common share

a) Basic

Basic earnings per common share is calculated by dividing the profit attributable to shareholders of the Corporation by the weighted average number of common shares outstanding during the year.

	January 30, 2022	**January 31, 2021**
Net earnings attributable to shareholders of the Corporation	$663,169	$564,348
Weighted average number of common shares outstanding during the year *(thousands)*	302,963	310,738
Basic net earnings per common share	$2.19	$1.82

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. For the share options, the Corporation's only category of dilutive potential common shares, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Corporation's shares) based on the exercise price of outstanding share options. The number of shares as calculated above is then compared with the number of shares that would have been issued assuming the exercise of the share options, plus any unrecognized compensation costs.

	January 30, 2022	**January 31, 2021**
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	$663,169	$564,348
Weighted average number of common shares outstanding during the year (*thousands*)	302,963	310,738
Assumed share options exercised (*thousands*)	1,453	1,717
Weighted average number of common shares for diluted net earnings per common share *(thousands)*	304,416	312,455
Diluted net earnings per common share	$2.18	$1.81

As at January 30, 2022, 453,000 share options have an anti-dilutive effect since the average market price of the underlying shares was lower than the sum of the exercise price and the unearned shared-based compensation of those share options under the treasury stock method (January 31, 2021 – 1,342,600).

(Expressed in thousands of Canadian dollars, unless otherwise noted)

16 Related party transactions

a) Rossy family

As at January 30, 2022, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled $34,730 (January 31, 2021 – $44,110).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled $6,281 for the year ended January 30, 2022 (January 31, 2021 – $6,370).

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

b) Dollarcity

In 2013, Dollarama International, the Corporation's wholly-owned subsidiary, entered into a licensing and services agreement with Dollarcity (the "LSA") expiring on February 4, 2022. As at January 30, 2022, the account receivable from Dollarcity for the goods sold, assets licensed, and services provided under the LSA totalled $15,965 (January 31, 2021 – $14,752), which amount is partly guaranteed by a letter of credit up to US$10,000 ($12,770) (January 31, 2021 – US$10,000 ($12,777)). For the year ended January 30, 2022, the goods sold to Dollarcity that were shipped directly from the Corporation's warehouses amounted to $36,644 (January 31, 2021 – $16,846).

Under the Stockholders Agreement dated August 14, 2019, Dollarcity's founding stockholders have a put right pursuant to which they can require, in certain circumstances, that Dollarama International purchase shares of Dollarcity held by them at fair market value. This right is exercisable in the ordinary course commencing on October 1, 2022, and is subject to certain transaction size thresholds, required ownership thresholds and freeze periods, among other conditions and restrictions. This right may also be exercised upon the occurrence of certain extraordinary events, including a change in control of the Corporation and a sale of Dollarcity.

The financial information provided below represents the Corporation's 50.1% share of Dollarcity's net earnings and other comprehensive loss for the years ended December 31, 2020 and December 31, 2021, corresponding to Dollarcity's year-end.

	January 30, 2022 $	January 31, 2021 $
Net earnings	33,184	19,654
Other comprehensive loss	(1,217)	(3,588)
Total comprehensive income	31,967	16,066

(Expressed in thousands of Canadian dollars, unless otherwise noted)

16 Related party transactions (cont'd)

c) Compensation of key management and directors

The Company considers key management to be the members of the board of directors, the Chief Executive Officer and the executive team that have the authority and responsibility for planning, directing and controlling the activities of the Corporation. The remuneration paid to members of key management as well as share-based payments during the fiscal years ended on the dates indicated below were as follows:

	January 30, 2022 $	January 31, 2021 $
Short-term benefits	8,159	6,703
Defined contribution pension plan	88	60
Share-based payments	6,513	4,741
	14,760	11,504

Under their respective employment agreements and assuming their termination without cause or constructive termination occurred on January 30, 2022, the members of key management would be entitled to receive potential incremental payouts representing approximately $11,145. Upon termination without cause or constructive termination, the vested options held by a member of key management at the date of termination continue to be exercisable by the member of key management until the earlier of (i) the date that is 30 days after the date of termination and (ii) the date which is ten (10) years from the date of the grant. Assuming their termination occurred on January 28, 2022, the last business day of the Corporation's fiscal year ended January 30, 2022, the members of key management, as a group, would be entitled to receive, upon exercise of their options, amounts representing $54,730.

(Expressed in thousands of Canadian dollars, unless otherwise noted)

17 Expenses by nature included in the consolidated statement of net earnings and comprehensive income

	January 30, 2022 $	January 31, 2021 $
Cost of sales		
Cost of goods sold, labour, transport and other costs	2,281,794	2,117,533
Occupancy costs	146,742	143,715
Total cost of sales	2,428,536	2,261,248
Depreciation and amortization		
Depreciation of property, plant and equipment and right-of-use assets[(1)]	277,495	250,660
Amortization of intangible assets	20,465	18,973
Total depreciation and amortization	297,960	269,633

(1) Includes depreciation expenses relating to the warehouses and distribution center totalling $12,175 (January 31, 2021 – $11,630)

	January 30, 2022 $	January 31, 2021 $
Employee benefits		
Salaries	501,953	508,686
Share based compensation	8,617	6,240
Defined contribution pension plan	7,679	6,495
Total employee benefit expense	518,249	521,421
Financing costs		
Banking fees and interest expense on debt and lease liabilities	88,900	92,973
Amortization of debt issue costs	2,316	2,673
Total financing costs	91,216	95,646

(Expressed in thousands of Canadian dollars, unless otherwise noted)

18 Details of statement of cash flows

a) Changes in non-cash working capital

The changes in non-cash working capital components for the fiscal years ended on the dates indicated below are as follows:

	January 30, 2022 $	January 31, 2021 $
Accounts receivable	(5,699)	14,061
Prepaid expenses	(3,586)	386
Prepaid income taxes	-	1,777
Inventories	39,729	(7,164)
Accounts payable and accrued liabilities	30,105	33,727
Income taxes payable	49,545	12,744
	110,094	55,531
Cash paid for income taxes	161,310	170,207
Cash paid for interest	91,811	93,877
Cash received for interest	4,681	4,158

Cash paid and received for income taxes and interest are cash flows used in operating activities.

b) Financing activities

Changes in liabilities arising from financing activities comprise the following:

	January 30, 2022			January 31, 2021	
	Short-term borrowings $	Long-term debt $	Lease liabilities $	Long-term debt $	Lease liabilities $
Balance, beginning of year	-	1,876,900	1,583,662	1,876,783	1,514,748
Non-cash changes:					
Amortization of debt issue costs	-	2,316	-	2,673	-
Financing costs on short-term borrowings and long-term debt	-	(201)	-	(356)	-
Other	1,005	(2,927)	-	-	-
Net increase in lease liabilities	-	-	327,051	-	232,718
Cash changes:					
Net repayments of long-term debt	-	(75,000)	-	-	-
Payment of debt issue costs	-	(4,174)	-	(2,200)	-
Net proceeds of short-term borrowings	88,381	-	-	-	-
Net payment of lease liabilities	-	-	(183,285)	-	(163,804)
Balance, end of year	89,386	1,796,914	1,727,428	1,876,900	1,583,662

19 Event after the reporting period

Quarterly cash dividend

On March 30, 2022, the Corporation announced that its board of directors approved a 10.0% increase of the quarterly cash dividend for holders of common shares, from $0.0503 to $0.0553 per common share. This dividend is payable on May 6, 2022 to shareholders of record at the close of business on April 15, 2022. The dividend is designated as an “eligible dividend” for Canadian tax purposes.