ARITZIA

Aritzia Inc.

Consolidated Financial Statements
February 25, 2018 and February 26, 2017
(in thousands of Canadian dollars)

May 10, 2018

Independent Auditor's Report

To the Shareholders of Aritzia Inc.

We have audited the accompanying consolidated financial statements of Aritzia Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at February 25, 2018 and February 26, 2017 and the consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aritzia Inc. and its subsidiaries as at February 25, 2018 and February 26, 2017 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Signed "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Aritzia Inc.

Consolidated Statements of Financial Position

As at February 25, 2018 and February 26, 2017

(in thousands of Canadian dollars)

	Note	February 25, 2018	February 26, 2017
Assets			
Current assets			
Cash and cash equivalents		$ $112,475	$ 79,527
Accounts receivable		2,413	2,624
Inventory	*5*	78,833	74,184
Income taxes recoverable		1,728	-
Prepaid expenses and other current assets		15,307	12,743
Total current assets		210,756	169,078
Property and equipment	*6*	135,672	95,695
Intangible assets	*7*	61,387	58,484
Goodwill	*7*	151,682	151,682
Other assets		1,664	2,052
Deferred tax assets	*16*	6,517	9,854
Total assets		$ 567,678	$ 486,845
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	*8*	$ 66,195	$ 50,484
Income taxes payable		–	19,222
Current portion of lease obligations	*6*	399	766
Current portion of long-term debt	*10*	19,127	15,288
Deferred revenue		19,308	15,749
Total current liabilities		105,029	101,509
Other non-current liabilities	*9*	59,566	47,711
Deferred tax liabilities	*16*	17,922	16,555
Lease obligations	*6*	–	983
Long-term debt	*10*	99,460	118,479
Total liabilities		281,977	285,237
Shareholders' Equity			
Share capital	*12*	171,130	131,853
Contributed surplus		76,522	88,612
Retained earnings (deficit)		38,613	(18,480)
Accumulated other comprehensive loss		(564)	(377)
Total shareholders' equity		285,701	201,608
Total liabilities and shareholders' equity		$ 567,678	$ 486,845

Commitments and contingencies (note 18)

Subsequent events (notes 18 and 23)

Approved by the Board of Directors

Brian Hill Director Marni Payne Director

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

Aritzia Inc.

Consolidated Statements of Operations

For the years ended February 25, 2018 and February 26, 2017

(in thousands of Canadian dollars, except number of shares and per share amounts)

	Note	February 25, 2018	February 26, 2017
Net revenue		$ 743,267	$ 667,181
Cost of goods sold	*15*	447,776	401,658
Gross profit		295,491	265,523
Operating expenses			
Selling, general and administrative		183,857	178,773
Stock-based compensation expense	*13, 15*	17,240	103,044
Income (loss) from operations		94,394	(16,294)
Finance expense	*15*	5,221	10,455
Other expense (income), net		1,890	(1,362)
Income (loss) before income taxes		87,283	(25,387)
Income tax expense	*16*	30,190	30,722
Net income (loss)		$ 57,093	$ (56,109)
Net income (loss) per share			
Basic	*14*	$ 0.52	$ (0.54)
Diluted	*14*	0.49	(0.54)
Weighted average number of shares outstanding *(thousands)*			
Basic	*14*	110,180	104,787
Diluted	*14*	116,280	104,787

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

Aritzia Inc.

Consolidated Statements of Comprehensive Income (Loss)

For the years ended February 25, 2018 and February 26, 2017

(in thousands of Canadian dollars)

	February 25, 2018	February 26, 2017
Net income (loss)	$ 57,093	$ (56,109)
Other comprehensive loss		
Items that are or may be reclassified subsequently to net income:		
Foreign currency translation adjustment	(187)	(59)
Comprehensive income (loss)	$ 56,906	$ (56,168)

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

Aritzia Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended February 25, 2018 and February 26, 2017

(in thousands of Canadian dollars, except number of shares)

	Class A common shares		Class C common shares		Multiple voting shares		Subordinate voting shares		Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Total shareholders' equity
	Shares	Amounts	Shares	Amounts	Shares	Amounts	Shares	Amounts				
Balance, February 28, 2016	110,987,688	$ 66,507	62,781,263	$ 8,864	-	$ -	-	$ -	$ -	$ 37,629	$ (318)	$ 112,682
Net loss	-	-	-	-	-	-	-	-	-	(56,109)	-	(56,109)
Share exchange pre-IPO (note 12)	(110,987,688)	(66,507)	(62,781,263)	(8,864)	168,715,036	72,343	5,053,915	3,028	-	-	-	-
Share consolidation (note 12)	-	-	-	-	(68,638,488)	-	(2,056,089)	-	-	-	-	-
Stock-based compensation liability modification to equity (note 13)	-	-	-	-	-	-	-	-	107,215	-	-	107,215
Options exercised (note 13)	-	-	-	-	-	-	5,698,087	56,482	(48,536)	-	-	7,946
Share exchange at IPO (note 12)	-	-	-	-	(24,880,069)	-	24,880,069	-	-	-	-	-
Share exchange at Secondary Offering (note 12)	-	-	-	-	(19,440,477)	-	19,440,477	-	-	-	-	-
Stock-based compensation expense (note 13)	-	-	-	-	-	-	-	-	29,933	-	-	29,933
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-	(59)	(59)
Balance, February 26, 2017	-	$ -	-	$ -	55,756,002	$ 72,343	53,016,459	$ 59,510	$ 88,612	$ (18,480)	$ (377)	$ 201,608
Net income	-	-	-	-	-	-	-	-	-	57,093	-	57,093
Options exercised (note 13)	-	-	-	-	-	-	3,258,882	39,277	(29,002)	-	-	10,275
Stock-based compensation expense (note 13)	-	-	-	-	-	-	-	-	16,912	-	-	16,912
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-	(187)	(187)
Balance, February 25, 2018	-	$ -	-	$ -	55,756,002	$ 72,343	56,275,341	$ 98,787	$ 76,522	$ 38,613	$ (564)	$ 285,701

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

Aritzia Inc.

Consolidated Statements of Cash Flows

For the years ended February 25, 2018 and February 26, 2017

(in thousands of Canadian dollars)

	Note	February 25, 2018	February 26, 2017
Operating activities			
Net income (loss) for the year		$ 57,093	$ (56,109)
Adjustments for:			
Depreciation and amortization		22,844	21,129
Finance expense		5,221	10,455
Stock-based compensation expense	*13, 15*	17,240	103,044
Amortization of deferred rent		8,370	2,866
Amortization of deferred lease inducements		(3,224)	(2,517)
Unrealized foreign exchange gain on forward contracts	*11*	(233)	(181)
Other		(199)	-
Income tax expense	*16*	30,190	30,722
Proceeds from deferred lease inducements		7,077	8,064
Cash generated before non-cash working capital balances and interest and income taxes		144,379	117,473
Net change in non-cash working capital balances	*20*	13,013	20,814
Cash generated before interest and income taxes		157,392	138,287
Interest paid		(5,314)	(6,958)
Income taxes paid		(46,720)	(19,227)
Net cash generated from operating activities		105,358	112,102
Financing activities			
Repayment of long-term debt	*10*	(15,321)	(11,491)
Repayment of lease obligations	*6*	(928)	(755)
Payment of financing fees	*10*	-	(827)
Proceeds from options exercised	*13*	10,275	8,013
Net cash used in financing activities		(5,974)	(5,060)
Investing activities			
Purchase of property and equipment	*6*	(61,061)	(29,807)
Purchase of intangible assets	*7*	(5,269)	(1,329)
Net cash used in investing activities		(66,330)	(31,136)
Effect of exchange rate changes on cash and cash equivalents		(106)	35
Increase in cash and cash equivalents		32,948	75,941
Cash and cash equivalents - Beginning of year		79,527	3,586
Cash and cash equivalents - End of year		$ 112,475	$ 79,527

Supplemental cash flow information (note 20)

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

(in thousands of Canadian dollars, unless otherwise noted)

1 Nature of operations and basis of presentation

Nature of operations

Aritzia Inc. and its subsidiaries (collectively referred to as the "Company") is a vertically integrated design house of exclusive fashion brands. The Company designs apparel and accessories for its collection of exclusive brands and sells them under the Aritzia banner. The Company's range of women's fashion apparel and accessories addresses a range of style preferences and lifestyle requirements. As at February 25, 2018, there were 85 retail stores (February 26, 2017 – 79 retail stores).

Aritzia Inc. is a corporation governed by the Business Corporations Act (British Columbia). The address of its registered office is 666 Burrard Street, Suite 1700, Vancouver, B.C., Canada, V6C 2X8. On August 10, 2016, the Company changed its name from Aritzia Capital Corporation to Aritzia Inc.

On October 3, 2016, the Company completed an initial public offering (the "IPO") of its subordinate voting shares through a secondary sale of shares by its principal shareholders.

The IPO of 25,000,000 subordinate voting shares at $16.00 per subordinate voting share raised gross proceeds of $400.0 million for the selling shareholders. In addition, such shareholders of the Company granted the underwriters an over-allotment option to purchase from the selling shareholders an additional 3,750,000 subordinate voting shares at an exercise price of $16.00 per subordinate voting share. The over-allotment option was fully exercised after the IPO and raised additional gross proceeds of $60.0 million for the selling shareholders. Underwriting fees were paid by the selling shareholders, and other expenses related to the IPO of approximately $7.7 million were incurred and are being paid by the Company.

On January 26, 2017, the Company completed a secondary offering (the "Secondary Offering") on a bought deal basis of its subordinate voting shares through a secondary sale of shares by certain shareholders, as well as a concurrent block trade by a group of employees of the Company (the "Concurrent Block Trade").

The Secondary Offering of 20,100,000 subordinate voting shares and the sale of 1,788,366 subordinate voting shares through the Concurrent Block Trade raised gross proceeds of $382.0 million for the selling shareholders, at a price of $17.45 per subordinate voting share. Underwriting fees were paid by the selling shareholders, and other expenses related to the Secondary Offering of approximately $0.8 million were incurred and paid by the Company.

The Company's subordinate voting shares are listed on the Toronto Stock Exchange under the stock symbol "ATZ".

(in thousands of Canadian dollars, unless otherwise noted)

Basis of preparation

The Company's fiscal year-end is the Sunday closest to the last day of February, typically resulting in a 52-week year, but occasionally giving rise to an additional week, resulting in a 53-week year, which last occurred in fiscal 2013. All references to 2018 and 2017 represent the fiscal years ended February 25, 2018 and February 26, 2017, respectively.

Seasonality of operations

The Company's business is affected by the pattern of seasonality common to most retail apparel businesses. Historically, the Company has recognized a significant portion of its operating profit in the third and fourth fiscal quarters of each year as a result of increased net revenue during the back-to-school and holiday season.

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared on a historical cost basis, except for derivative instruments, the cash-settled legacy option plan and Deferred Share Units ("DSUs") as disclosed in the accounting policies set out in note 2.

These consolidated financial statements were authorized for issue by the Board of Directors on May 10, 2018.

2 Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, including Aritzia LP and United States of Aritzia Inc. All intercompany transactions and balances are eliminated on consolidation, and consistent accounting policies are applied across the Company.

Functional and presentation currency

The functional currency for each entity included in these consolidated financial statements is the currency of the primary economic environment in which the entity operates. These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

U.S. operations

Assets and liabilities of the Company's U.S. operations have a functional currency of U.S. dollars and are translated into Canadian dollars at the exchange rate in effect at the reporting date. Revenues and

(in thousands of Canadian dollars, unless otherwise noted)

expenses are translated into Canadian dollars at average exchange rates during the reporting period. The resulting unrealized translation gains or losses are included in other comprehensive income (loss).

Translation of other foreign currency transactions and balances

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currencies at the exchange rate at that date. Other consolidated statement of financial position items denominated in foreign currencies are translated into the functional currencies at the exchange rate prevailing at the respective transaction dates. Revenues and expenses denominated in foreign currencies are translated into the functional currencies at average exchange rates during the period. The resulting gains or losses on translation are included in the determination of net income (loss).

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and term deposits with an original maturity of less than three months. At February 25, 2018, the Company had $108.3 million in cash held in term deposits classified as cash equivalents (February 26, 2017 - $68.8 million).

Accounts receivable

Accounts receivable primarily comprise landlord lease inducement receivables and duty drawback receivables from the relevant governmental authorities. The Company records a landlord lease inducement receivable when the Company has fulfilled certain requirements under the lease agreement to be eligible to receive cash. An allowance for doubtful accounts represents management's best estimate of probable credit losses in accounts receivable. Receivables are written off against the allowance when management believes that the amount receivable will not be recovered. At February 25, 2018 and February 26, 2017, the Company recorded no allowance for doubtful accounts.

Prepaid expenses and other current assets

Prepaid expenses and other current assets comprise prepaid expenses, deposits and packaging supplies.

Inventory

Inventory, consisting of finished goods, is stated at lower of cost and net realizable value. Cost is determined using weighted average costs. Cost of inventories includes the cost of merchandise and all costs incurred to deliver inventory to the Company's distribution centres including freight and duty.

The Company periodically reviews its inventories and makes provisions as necessary to appropriately value obsolete or damaged goods. In addition, as part of inventory valuations, the Company accrues for inventory shrinkage for lost or stolen items based on historical trends.

(in thousands of Canadian dollars, unless otherwise noted)

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The Company capitalizes borrowing costs incurred as part of the financing of the acquisition and construction of property and equipment. Maintenance and repairs are expensed as incurred. Cost and related accumulated depreciation for property and equipment are removed from the accounts upon their sale or disposition and the resulting gain or loss is reflected in the results of operations.

Depreciation is recognized in net income (loss) on a straight-line basis over the estimated useful lives of each component of an item of property and equipment, commencing when the assets are ready for use, as follows:

Computer hardware and software	3 - 10 years
Furniture and equipment	3 - 10 years
Leasehold improvements	shorter of lease term and estimated useful life

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. Depreciation expense is recorded in the consolidated statements of operations in cost of goods sold and selling, general and administrative expenses.

Intangible assets

Intangible assets are recorded at cost and include trade names, trademarks, non-competition agreements, retail leases and internally developed computer software.

Significant costs to purchase any trademarks from third parties are capitalized and amortized over the useful lives of the assets. Cost includes all expenditures that are directly attributable to the acquisition or development of the asset.

The Company capitalizes, in intangible assets, direct costs incurred during the application and infrastructure development stages of developing computer software for internal use. All costs incurred during the preliminary project stage, including project scoping, identification and testing of alternatives, are expensed as incurred.

(in thousands of Canadian dollars, unless otherwise noted)

The Aritzia trade name has been determined to have an indefinite life and is not amortized. The remaining intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Other trade names and trademarks	term of registration or up to a maximum of 20 years
Retail leases included in other intangible assets	term of lease
Computer software	3 - 7 years

Estimates of useful lives, residual values and methods of amortization are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate. Amortization expense is recorded in the consolidated statements of operations in cost of goods sold and selling, general and administrative expenses.

Goodwill

Goodwill represents non-identifiable intangible assets acquired on business combinations.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit or "CGU"). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Leases

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is reassessed if the terms of the lease are changed.

(in thousands of Canadian dollars, unless otherwise noted)

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not assumed by the Company are classified as operating leases. The Company carries on its operations in premises under leases of varying terms, which are accounted for as operating leases. Operating leases are recorded on a straight-line basis over the term of the lease beginning on the possession date. Accordingly, reasonably assured rent escalations are amortized over the lease term, and free-rent periods are allocated to a portion of rent expense. The difference between the recognized rental expense and the total rental payments is reflected in the consolidated statements of financial position as a deferred lease liability. Contingent rental payments based on sales volumes are recorded in the period in which the sales occur.

Tenant allowances are recorded as deferred lease credits on the consolidated statements of financial position and amortized as a reduction of rent expense over the term of the respective leases.

Finance leases

Finance leases are capitalized at the commencement of the lease at the inception-date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance expense in the consolidated statements of operations. An asset under a finance lease is depreciated over the shorter of the useful life of the asset and the lease term.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company may be required to settle. The Company's asset retirement obligations are primarily associated with leasehold improvements that the Company is contractually obligated to remove at the end of a lease. At inception of a lease with such conditions, the Company recognizes the best estimate of the fair value of the liability, with a corresponding increase in the carrying value of the related asset. The liability, recorded in other non-current liabilities, is estimated based on a number of assumptions requiring management's judgment, including store closing costs, cost inflation rates and discount rates, and is accreted to its projected future value over time. The capitalized asset is depreciated over its useful life. Upon satisfaction of the asset retirement obligation conditions, differences between the recorded asset retirement obligation liability and the actual retirement costs incurred are recognized as a gain or loss in the consolidated statements of operations.

(in thousands of Canadian dollars, unless otherwise noted)

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provision of the financial instrument. Financial assets are derecognized when the contractual rights to receive cash flows from the financial asset expire and financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. All financial instruments upon initial recognition are measured at fair value and are classified as financial assets or financial liabilities at fair value through profit or loss ("FVTPL"), loans and receivables, other financial liabilities or derivative instruments. Loans and receivables and other financial liabilities are measured at amortized cost and derivative instruments are measured at FVTPL. The following classifications have been applied:

- cash and cash equivalents and accounts receivable are classified as loans and receivables;
- bank indebtedness, accounts payable and accrued liabilities, lease obligations and long-term debt are classified as other financial liabilities; and
- foreign currency forward contracts are classified as financial assets or financial liabilities at FVTPL.

Bank indebtedness and long-term debt are initially recognized at fair value, net of recognized transaction costs, and subsequently measured at amortized cost using the effective interest rate method.

Financial assets and financial liabilities are measured at fair value using a valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy of a particular asset or liability depends on the inputs used in the valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally derived (unobservable). Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs based on a company's own assumptions about market participant assumptions using the best information available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that a company has the ability to access at the measurement date.

Level 2 - Valuations based on quoted inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

(in thousands of Canadian dollars, unless otherwise noted)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements 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.

Share capital

Multiple voting shares and subordinate voting shares are classified as shareholders' equity. Incremental costs directly attributable to the issuance of shares are shown in equity as a deduction, net of tax, from the proceeds of the issuance. When share capital recognized as equity is re-purchased for cancellation, the amount of consideration paid, which includes directly attributable costs, net of tax, is recognized as a deduction from equity. The excess of the purchase price over the carrying amount of the shares is charged to retained earnings.

Revenue recognition

Net revenue reflects the Company's sales of merchandise, less returns and discounts. Retail revenue is recognized when the customer receives and pays for the merchandise at the point of sale, net of an estimated allowance for returns. For merchandise that is ordered and paid in a store and subsequently picked up by the customer, revenue is deferred until the customer receives the merchandise. eCommerce revenue is recognized at the estimated date of receipt of the merchandise by the customer, net of an estimated allowance for returns. Revenues are reported net of sales taxes collected from various governmental agencies.

Receipts from the sale of gift cards are treated as deferred revenue. When gift cards are redeemed for merchandise, the Company recognizes the related revenue. The Company estimates gift card breakage, to the extent management determines there is no requirement for remitting card balances to government agencies under unclaimed property laws, and recognizes revenue in proportion to actual gift card redemptions as a component of net revenue.

The Company recognizes promotional gift cards as a reduction of revenue upon redemption.

Cost of goods sold

Cost of goods sold includes inventory and product-related costs and occupancy costs, as well as depreciation expense for the Company's stores and distribution centres.

Selling, general and administrative

Selling, general and administrative expenses consist of selling expenses that are generally variable with revenues and general and administrative operating expenses that are primarily fixed. Selling, general and administrative expenses also include depreciation and amortization expense for all support office assets and intangible assets.

(in thousands of Canadian dollars, unless otherwise noted)

Store opening costs

Store opening costs are expensed as incurred.

Employee benefits

Short-term employee benefit obligations, which include wages, salaries, compensated absences and bonuses, are expensed as the related service is provided.

Termination benefits are recognized as an expense when the Company has demonstrated commitment, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Income tax expense

Current and deferred income taxes are recognized in the Company's net income (loss), except to the extent that they relate to a business combination or items recognized directly in equity or other comprehensive income (loss).

Current taxes are recognized for the estimated taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting nor taxable income or loss. In addition, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the asset and liability, using tax rates enacted or substantively enacted at the year-end date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(in thousands of Canadian dollars, unless otherwise noted)

Stock-based compensation expense

Stock Option Plans

The Company has a legacy Equity Incentive Plan (the "Legacy Plan") pursuant to which it has granted time-based and performance-based stock options to directors, employees, consultants and advisors. Concurrent with the IPO, the Company amended and restated the Legacy Plan to comply with public company provisions as required by the Toronto Stock Exchange. The Company also implemented a new stock option plan (the "2016 Option Plan"), pursuant to which it can grant time-based stock options to acquire subordinate voting shares to directors, executive officers, employees and consultants.

The Legacy Plan in effect prior to the IPO provided that the Board of Directors, at its sole discretion, could elect to settle vested time-based options in cash upon the request of an option holder under certain circumstances. As a result of the Company having historically cash-settled vested time-based options for certain option holders prior to the IPO, the Company was considered to have a cash-settled plan.

Prior to the IPO, as a cash-settled plan, the Company was required to record a liability for the potential future settlement of the vested time-based options at each reporting date by reference to the fair value of the liability. The liability was adjusted each reporting period for changes in the fair value of the options, with the corresponding amount reflected in the consolidated statements of operations. The fair value of the liability was determined using the Black-Scholes option pricing model.

The Company had both time-based and performance-based options prior to the IPO. After the IPO, the Company has only time-based options. For awards with service conditions that are subject to graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. In addition, the total amount of compensation expense to be recognized is based on the number of awards expected to vest and is adjusted to reflect those awards that do ultimately vest. For awards with performance conditions, the Company recognizes the compensation expense if and when the Company concludes that it is probable that the performance conditions will be achieved. The Company reassesses the probability of achieving the performance conditions at each reporting date.

Deferred Share Units

In conjunction with the IPO, the Company adopted the Director Deferred Share Unit Program for non-employee board members. DSUs are grants of notional subordinate voting shares that are redeemable for cash based on the market value of the Company's shares and are non-dilutive to shareholders. The cost of the service received as consideration is initially measured based on the market value of the Company's shares at the date of grant. The grant-date fair value is recognized as stock-based compensation expense with a corresponding increase recorded in other liabilities. DSUs are remeasured at each reporting date based on the market value of the Company's shares with changes in fair value recognized as stock-based compensation expense for the proportion of the service that has been rendered at that date.

(in thousands of Canadian dollars, unless otherwise noted)

Net income (loss) per share

Basic net income (loss) per share is calculated by dividing the net income (loss) for the fiscal year attributable to shareholders of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the year.

In calculating diluted net income (loss) per share for options that can be settled in either shares or cash, the more dilutive of the cash-settled and equity-settled method is used. Diluted net income (loss) per share, assuming cash settlement, is calculated consistent with basic net income (loss) per share, as the accounting for the liability is based on the fair value alternative and cash settlement would not result in the issuance of additional equity instruments. Diluted net income (loss) per share, assuming equity settlement, is calculated for dilutive share options by adjusting the numerator to reflect what income would have been if the grant date fair value was reflected in net income and by adjusting the denominator by the weighted average number of shares that would be included under the treasury stock method.

3 Significant new accounting standards

Standards recently adopted

In December 2014, the IASB issued amendments to International Accounting Standard ("IAS") 1, "Presentation of Financial Statements", as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company adopted IAS 1 for its consolidated financial statements during the year ended February 26, 2017, and no material changes have been made as a result of this amendment to IAS 1.

In January 2016, the IASB issued amendments to IAS 7, "Statement of Cash Flows", which are effective for annual periods beginning on or after January 1, 2017. The amendments clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Company adopted amendments to IAS 7 for its consolidated financial statements during the year ended February 25, 2018. Implementation of the standard has not had a material effect on the consolidated financial statements.

Standards issued but not yet adopted

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". The new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The implementation of the standard is not expected to have a material quantitative impact on the consolidated financial statements. The Company is currently evaluating the effects of

(in thousands of Canadian dollars, unless otherwise noted)

disclosure requirements of IFRS 15 on its consolidated financial statements and expects to apply the standard in accordance with its future mandatory effective date.

In July 2014, the IASB issued the final version of IFRS 9, "Financial Instruments", which reflects all phases of the financial instruments project and replaces IAS 39, "Financial Instruments: Recognition and Measurement", and all previous versions of IFRS 9. The new standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company has determined that the adoption of IFRS 9 will have no material impact on its consolidated financial statements with respect to its historical debt modifications. The Company is currently evaluating the effects of the disclosure requirements of IFRS 9 on its consolidated financial statements and expects to apply the standard in accordance with its future mandatory effective date.

In January 2016, the IASB issued IFRS 16, "Leases", which sets out a new model for lease accounting replacing IAS 17. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as finance and operating leases. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. While the Company is currently evaluating the impact this new guidance will have on its consolidated financial statements, the recognition of certain leases is expected to increase the assets and liabilities on the consolidated statement of financial position upon adoption. As a result, the Company expects IFRS 16 to have a fundamental change on the consolidated statements of financial position. The Company expects to apply the standard in accordance with its future mandatory effective date.

In June 2016, the IASB issued amendments to IFRS 2, "Share-based Payment", clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification from cash-settled to equity-settled. The amendments to IFRS 2 are effective prospectively for annual periods beginning on or after January 1, 2018, with early application permitted. The Company has determined that the adoption of IFRS 2 will have no material impact on its consolidated financial statements.

(in thousands of Canadian dollars, unless otherwise noted)

4 Critical accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are continuously evaluated and are based on management's best judgments and experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Significant judgments and estimates made by management in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

- The provision recorded to remeasure inventories based on the lower of cost and net realizable value (note 5), which is a critical estimate.

- Property and equipment impairment testing, which is influenced by judgment in defining a CGU and determining the indicators of impairment, and estimates used to measure impairment losses, if any (note 6). These estimates include future cash flow projections, growth rates and discount rates.

- Goodwill and indefinite life intangible asset impairment testing, which requires management to make critical estimates in the impairment testing model. On an annual basis, the Company tests whether goodwill and indefinite life intangible assets are impaired. The recoverable value is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates (note 7).

- Stock-based compensation expense, which requires the use of estimates in the Black-Scholes option pricing model (note 13). The classification of stock options as an equity-settled or cash-settled plan is influenced by judgment in determining the expected settlement of the option. Judgement is also required in determining the timing of expense recognition for performance-based options.

- Income taxes, which requires judgment to determine when tax losses, credits and provisions are recognized based on tax rules in various jurisdictions (note 16).

(in thousands of Canadian dollars, unless otherwise noted)

5 Inventory

	February 25, 2018	February 26, 2017
Finished goods	$ 60,385	$ 68,620
Finished goods in transit	18,448	5,564
	$ 78,833	$ 74,184

The Company records a reserve to value inventory to its estimated net realizable value. This resulted in an expense in cost of goods sold of $2.0 million for the year ended February 25, 2018 (February 26, 2017 - $2.6 million). No inventory write-downs recorded in previous periods were reversed.

All of the Company's inventory is pledged as security for the Credit Facilities (note 10).

6 Property and equipment

	Leasehold improvements	Furniture and equipment	Computer hardware	Computer software	Construction-in-progress	Total
Cost						
Balance, February 28, 2016	$ 116,979	$ 25,999	$ 18,366	$ 6,510	$ 4,077	$ 171,931
Additions	15,339	4,920	1,479	919	11,323	33,980
Transfers from construction-in-progress	595	173	4	35	(807)	-
Dispositions	(50)	(16)	(9,135)	(24)	-	(9,225)
Foreign exchange	(1,558)	(239)	(592)	688	(111)	(1,812)
Balance, February 26, 2017	131,305	30,837	10,122	8,128	14,482	194,874
Additions	29,906	7,317	4,000	981	20,194	62,398
Transfers from construction-in-progress	9,844	718	355	8	(10,925)	-
Dispositions	-	(337)	(1,784)	(2,847)	-	(4,968)
Foreign exchange	(1,450)	(321)	(68)	(149)	(402)	(2,390)
Balance, February 25, 2018	$ 169,605	$ 38,214	$ 12,625	$ 6,121	$ 23,349	$ 249,914
Accumulated depreciation						
Balance, February 28, 2016	$ 55,425	$ 15,676	$ 14,768	$ 4,572	$ -	$ 90,441
Depreciation	12,856	3,211	1,652	1,219	-	18,938
Dispositions	(50)	(16)	(9,135)	(24)	-	(9,225)
Foreign exchange	(859)	(155)	(75)	114	-	(975)
Balance, February 26, 2017	67,372	18,716	7,210	5,881	-	99,179
Depreciation	13,846	3,465	2,300	1,321	-	20,932
Dispositions	-	(185)	(1,679)	(2,770)	-	(4,634)
Foreign exchange	(849)	(180)	(66)	(140)	-	(1,235)
Balance, February 25, 2018	$ 80,369	$ 21,816	$ 7,765	$ 4,292	$ -	$ 114,242
Net carrying value						
Balance, February 25, 2018	$ 89,236	$ 16,398	$ 4,860	$ 1,829	$ 23,349	$ 135,672
Balance, February 26, 2017	63,933	12,121	2,912	2,247	14,482	95,695

Construction-in-progress includes store build costs for stores not yet opened and support office projects not put into use.

(in thousands of Canadian dollars, unless otherwise noted)

During the year ended February 25, 2018, interest of $239 was capitalized to assets under construction (February 26, 2017 - $208). These interest costs relating to qualifying assets were capitalized at a weighted average rate of 3.21% (February 26, 2017 - 3.97%).

As at February 25, 2018, an amount of $1.3 million (February 26, 2017 - $2.8 million) of the furniture and equipment, computer hardware and computer software was held under finance leases. Accumulated depreciation relating to this property and equipment amounted to $1.0 million (February 26, 2017 - $1.5 million).

Minimum annual payments for the Company's finance lease obligations are as follows:

2019	$ 408
Thereafter	-
Total minimum lease payments	408
Less: amount representing interest	(9)
	$ 399

7 Goodwill and intangible assets

	Indefinite life trade name	Definite life trade name	Trademarks	Computer software	Other intangible assets	Total intangible assets	Goodwill
Cost							
Balance, February 28, 2016	$ 46,092	$ 17,175	$ 1,709	$ 19,834	$ 3,519	$ 88,329	$ 151,682
Additions	-	-	-	2,076	-	2,076	-
Balance, February 26, 2017	46,092	17,175	1,709	21,910	3,519	90,405	151,682
Additions	-	-	-	4,815	-	4,815	-
Balance, February 25, 2018	$ 46,092	$ 17,175	$ 1,709	$ 26,725	$ 3,519	$ 95,220	$ 151,682
Accumulated amortization							
Balance, February 28, 2016	$ -	$ 8,864	$ 1,709	$ 15,715	$ 3,519	$ 29,807	$ -
Amortization	-	719	-	1,395	-	2,114	-
Balance, February 26, 2017	-	9,583	1,709	17,110	3,519	31,921	-
Amortization	-	657	-	1,255	-	1,912	-
Balance, February 25, 2018	$ -	$ 10,240	$ 1,709	$ 18,365	$ 3,519	$ 33,833	$ -
Net carrying value							
Balance, February 25, 2018	$ 46,092	$ 6,935	$ -	$ 8,360	$ -	$ 61,387	$ 151,682
Balance, February 26, 2017	46,092	7,592	-	4,800	-	58,484	151,682

(in thousands of Canadian dollars, unless otherwise noted)

Until December 19, 2005, the operations of the Company were owned by a private, closely held Canadian company. On December 19, 2005, a company owned by funds managed by Berkshire Partners LLC ("Berkshire") purchased the majority of the operations through a newly created company, Aritzia Capital Corporation. The acquisition transaction was treated as a business combination and the identified assets and liabilities that were acquired were measured at their acquisition date fair values, including goodwill and the indefinite life trade name.

Goodwill and the indefinite life trade name are monitored and allocated to the group of CGUs at a country level, based on the expected future benefits to be derived.

In assessing goodwill and the indefinite life trade name for impairment, the Company compared the aggregate recoverable amount of the assets included in each of the CGUs to their respective carrying amounts. The recoverable amounts have been determined based on the higher of the value in use and fair value less costs of disposal. The Company performed its annual impairment test of goodwill and the indefinite life trade name on the first day of the fourth quarter in fiscal 2018 and fiscal 2017.

The recoverable amount of goodwill and the indefinite life trade name was based on value in use, calculated using discounted cash flows over five years with a terminal value generated from continuing use of the CGUs. Cash flows were projected based on actual operating results and growth assumptions of 2.00% to account for what management believes approximates inflationary increases. A pre-tax discount rate of 15.91% was used in the model.

As at February 25, 2018 and February 26, 2017, management has determined that there was no impairment of goodwill or the indefinite life trade name.

8 Accounts payable and accrued liabilities

	February 25, 2018	February 26, 2017
Trade accounts payable	$ 43,443	$ 30,028
Other non-trade payables	6,709	6,182
Employee benefits payable	16,043	14,274
	$ 66,195	$ 50,484

(in thousands of Canadian dollars, unless otherwise noted)

9 Other non-current liabilities

	February 25, 2018	February 26, 2017
Deferred lease liability	$ 37,529	$ 29,970
Deferred lease inducements	20,617	16,675
Asset retirement obligations	916	889
Director Deferred Share Unit Program liability (note 13)	504	177
	$ 59,566	$ 47,711

10 Bank indebtedness and long-term debt

Concurrent with the closing of the IPO in the year ended February 26, 2017, the Company amended its term loan and revolving credit facility (collectively the "Credit Facilities") with its syndicate of lenders. The amendments included allowing the Company to enter into bilateral letters of credit agreements of up to $75.0 million within different lenders, lowering the applicable margin on interest rates and amending other terms and conditions. As a result of the amendments, the Company wrote off financing fees of $2.9 million related to the previous credit facilities in finance expense for the year ended February 26, 2017 (note 15).

a) Long-term debt

	February 25, 2018	February 26, 2017
Term loan	$ 118,738	$ 134,059
Less: Deferred financing fees	(151)	(292)
Term loan, net of deferred financing fees	118,587	133,767
Less: Current portion	(19,127)	(15,288)
Long-term debt	$ 99,460	$ 118,479

The Company has a term loan of $118.7 million (February 26, 2017 - $134.1 million) that matures on May 13, 2019. The Company has the option to borrow using Banker's Acceptance borrowings ("BA"), LIBO rate borrowings ("LIBO"), or Canadian prime rate borrowings ("Prime") plus a marginal interest rate between 0.75% and 3.00% (February 26, 2017 – 0.75% and 3.00%).

During the year ended February 25, 2018, the Company incurred $4.1 million of interest (February 26, 2017 - $5.6 million), at a weighted average rate of 3.21% (February 26, 2017 – 3.97%). At February 25, 2018, the interest rate on the loan was 3.58% (February 26, 2017 - 2.95%), based on a one-month BA rate.

(in thousands of Canadian dollars, unless otherwise noted)

The term loan requires mandatory loan prepayments by the Company of principal and interest if certain events occur. At February 25, 2018 and February 26, 2017, the Company was not required to make a mandatory loan prepayment.

The Company defers third party costs and creditor fees directly associated with acquiring long-term debt. These deferred costs are classified against long-term debt and bank indebtedness and are amortized as finance expense over the expected life of the related indebtedness using the effective interest rate method.

b) Bank indebtedness

As at February 25, 2018, the Company has a revolving credit facility for operations of $70 million (February 26, 2017 - $70.0 million). The revolving credit facility bears interest at BA, LIBO or Prime plus a marginal rate between 0.75% and 3.00% (February 26, 2017 – 0.75% and 3.00%). The amount available under this facility is reduced by certain open letters of credit (note 18(c)) to $54.1 million (February 26, 2017 - $50.7 million). Up to $5.0 million of the facility can be drawn upon by way of a swingline loan. The swingline loan bears interest at Prime plus a marginal rate between 0.75% and 2.00%. At February 25, 2018 and February 26, 2017, no advances were made under this facility.

During the year ended February 25, 2018, the Company incurred interest of $nil (February 26, 2017 - $0.1 million at an average rate of 5.20%) related to the revolving credit facility.

During the year ended February 25, 2018, the Company entered into $75.0 million of trade finance agreements for letters of credit, secured *pari passu* with the Credit Facilities. The interest rate for the letters of credit is between 1.17% and 2.00%. The amount available under these facilities is reduced by certain open letters of credit (note 18(c)) to $70.0 million (February 26, 2017 - $nil).

The Credit Facilities are collateralized by a first priority lien on all assets, leased real property interests and inventory. In addition, the Company is to maintain certain financial covenants. At February 25, 2018 and February 26, 2017, the Company was in compliance with all financial covenants.

(in thousands of Canadian dollars, unless otherwise noted)

11 Derivative financial instruments

The Company uses foreign currency forward contracts to manage its exposure to fluctuations with respect to the U.S. dollar for U.S. dollar merchandise purchases sold in Canada. The fair value of the forward contracts is included in prepaid expenses and other current assets or in accounts payable and accrued liabilities in the consolidated statements of financial position, depending on whether they represent assets or liabilities to the Company.

The amount recorded in the consolidated statements of operations in other expense (income), net relates to the change in fair value of foreign currency forward contracts during the year ended February 25, 2018, which was a gain of $0.2 million (February 26, 2017 – gain of $0.2 million).

The forward contracts generally have a term of no more than 12 months. The notional amount of these contracts outstanding at February 25, 2018 was $30.3 million U.S. dollars at an average forward rate of 1.2494 (February 26, 2017 - $27.5 million U.S. dollars at an average forward rate of 1.3026).

12 Share capital

Prior to the IPO, the Company's authorized share capital consisted of an unlimited number of Class A, Class B, Class C, Class D common shares and preferred shares. There were 110,987,688 Class A common shares and 62,781,263 Class C common shares issued and outstanding. Neither the Class A common shares nor the Class C common shares issued had a par value.

Immediately prior to the closing of the IPO, all of the outstanding Class A and Class C common shares were exchanged for either one multiple voting share or one subordinate voting share. The Company's Class B and Class D common shares and preferred shares were removed from the Company's authorized share capital. The Company's authorized share capital consists of (i) an unlimited number of subordinate voting shares, (ii) an unlimited number of multiple voting shares and (iii) an unlimited number of preferred shares, issuable in series. Each subordinate voting share is entitled to one vote and each multiple voting share is entitled to 10 votes on all matters upon which holders are entitled to vote.

Following the foregoing share exchanges, all of the Company's issued and outstanding multiple voting shares and subordinate voting shares were consolidated on a one-to-0.5931691091 basis.

Concurrent with the IPO and Secondary Offering, the selling shareholders exchanged a certain number of their multiple voting shares for subordinate voting shares.

As at February 25, 2018, there were 55,756,002 (February 26, 2017 – 55,756,002) multiple voting shares and 56,275,341(February 26, 2017 – 53,016,459) subordinate voting shares issued and outstanding. Neither the multiple voting shares nor the subordinate voting shares issued have a par value.

(in thousands of Canadian dollars, unless otherwise noted)

13 Stock options

The Company has granted stock options under the Legacy Plan and the 2016 Option Plan.

Legacy Plan

Prior to the IPO, the Company had both time-based and performance-based options to acquire Class A or Class D common shares. Time-based and performance-based options annually vest pro-rata on the anniversary of the grant date for a period of up to five years. Vested performance-based options become earned and exercisable upon a liquidation event based upon the majority shareholder's achievement of a certain internal rate of return. As a result of the IPO, a liquidation event was triggered and, as such, certain performance-based options under the Legacy Plan became earned and exercisable.

In connection with the IPO, options to acquire Class A and Class D common shares were also consolidated on a one-to-0.5931691091 basis for options exercisable to acquire subordinate voting shares at a post-consolidated exercise price such that the in-the-money value of such options remained unchanged.

Following completion of the IPO, no additional options will be granted under the Legacy Plan, and the outstanding options under the Legacy Plan are exercisable for subordinate voting shares of the Company. Outstanding stock options have a term of 10 years to 15 years. Transactions for stock options granted under the Legacy Plan for the years ended February 25, 2018 and February 26, 2017 were as follows:

	February 25, 2018		February 26, 2017[1]	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, at beginning of year	11,288,672	$ 3.82	16,766,534	$ 2.83
Granted	-	-	874,924	7.09
Exercised	(3,258,882)	3.15	(5,698,087)	1.42
Forfeited	(260,026)	4.28	(121,662)	4.01
Expired	(21,394)	2.36	-	-
Cancelled [2]	-	-	(533,037)	3.56
Outstanding, at end of year	7,748,370	$ 4.09	11,288,672	$ 3.82
Exercisable, at end of year	5,546,773	$ 3.44	7,602,406	$ 3.03

(1) This table reflects the options and exercise price after the one-to-0.5931691091 share consolidation which took effect immediately prior to the closing of the IPO.

(2) Upon closing of the IPO, the Company cancelled 533,037 performance-based options under the Legacy Plan.

(in thousands of Canadian dollars, unless otherwise noted)

Information relating to stock options outstanding and exercisable as at February 25, 2018 is as follows:

	Stock options outstanding			Stock options exercisable		
Exercise prices per share	Number of stock options	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number of stock options	Weighted average remaining contractual life (in years)	Weighted average exercise price
$0.01 to $3.19	2,570,587	2.49	$1.77	2,434,392	2.28	$1.69
$3.20 to $5.07	2,798,502	4.66	$4.29	2,371,593	4.36	$4.37
$5.08 to $7.09	2,379,281	7.84	$6.36	740,788	7.75	$6.20
	7,748,370	4.92	$4.09	5,546,773	3.90	$3.44

a) Time-based options

The Legacy Plan in effect prior to the IPO provided that the Board of Directors, at its sole discretion, could elect to settle vested time-based options in cash upon the request of an option holder under certain circumstances. As a result of the Company having historically cash-settled vested time-based options for certain option holders prior to the IPO, the Company was considered to have a cash-settled plan. As a cash-settled plan, the Company was required to record a liability for the potential future settlement of the vested time-based options at each reporting date by reference to the fair value of the liability. Concurrent with the IPO, the Company amended the Legacy Plan to remove the cash settlement feature as of September 30, 2016. As a result of this modification, the Company accounts for the time-based options as an equity-settled plan from the date of modification.

The fair value of the recorded liability in relation to the time-based options at the date of modification, September 30, 2016, was $107.2 million. This amount has been reclassified to contributed surplus on the consolidated statements of financial position.

The weighted average fair value of the time-based stock options at the date of modification was estimated based on the Black-Scholes option pricing model using the following assumptions:

Dividend yield	0.0%
Expected volatility	44.0%
Risk-free interest rate	1.0%
Expected life	1.2 to 5.7 years
Exercise price (post share consolidation)	$0.01 to $7.09
Weighted average fair value of stock options estimated at the date of modification	$11.51

The computation of expected volatility was based on the historical volatility of comparable companies from a representative peer group of publicly traded retail apparel companies. The expected life estimate was determined by management based on a number of factors including vesting terms, exercise behaviour and the contractual term of the options.

(in thousands of Canadian dollars, unless otherwise noted)

For the year ended February 25, 2018, stock-based compensation expense in relation to the time-based options was $4.5 million (February 26, 2017 - $76.1 million). Included in the expense for the year ended February 26, 2017 was an adjustment for the fair value of the options based on an updated estimated share price of the Company up to the date of the plan modification, from being cash-settled to equity-settled, on September 30, 2016.

b) Performance-based options

The performance-based options are equity-settled. As such, the expense associated with performance-based options is recorded as stock-based compensation expense with a corresponding entry made to contributed surplus on the consolidated statements of financial position.

During August 2016, the Company concluded that it is probable that the performance conditions will be achieved and recognized stock-based compensation expense in relation to the performance-based options of $22.5 million during the 13-week period ended August 28, 2016. For the year ended February 25, 2018, the Company recognized stock-based compensation expense of $1.2 million (February 26, 2017 - $23.6 million).

The weighted average fair value of the performance-based stock options at the date of grant was estimated based on the Black-Scholes option pricing model using the following assumptions:

Dividend yield	0.0%
Expected volatility	43.1% to 54.8%
Risk-free interest rate	1.0% to 3.5%
Expected life	0.8 to 10.0 years
Exercise price (post share consolidation)	$0.01 to $7.09
Weighted average fair value of stock options estimated at the date of grant	$3.51

2016 Option Plan

Concurrent with the IPO, the Company adopted the 2016 Option Plan pursuant to which it can grant share options to acquire subordinate voting shares to directors, executive officers, employees and consultants. The options vest annually pro-rata on the anniversary of the grant date over a period of five years.

(in thousands of Canadian dollars, unless otherwise noted)

Transactions for stock options granted under the 2016 Option Plan for the years ended February 25, 2018 and February 26, 2017 are as follows:

	February 25, 2018		February 26, 2017	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, at beginning of year	3,263,759	$ 16.12	-	$ -
Granted	2,786,295	13.75	3,263,759	16.12
Forfeited	(430,807)	16.07	-	-
Cancelled	(671,899)	16.00	-	-
Outstanding, at end of year	4,947,348	$ 14.80	3,263,759	$ 16.12
Exercisable, at end of year	456,929	$ 16.14	-	$ -

Information relating to stock options outstanding and exercisable as at February 25, 2018 is as follows:

	Stock options outstanding			Stock options exercisable		
Exercise prices per share	Number of stock options	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number of stock options	Weighted average remaining contractual life (in years)	Weighted average exercise price
$13.27 to $14.12	2,332,069	6.76	$13.66	-	-	-
$14.13 to $16.60	2,615,279	5.74	$15.82	456,929	5.67	$16.14
	4,947,348	6.22	$14.80	456,929	5.67	$16.14

The weighted average fair value of the time-based stock options granted during the year ended February 25, 2018 was estimated at the date of the grant based on the Black-Scholes option pricing model using the following assumptions:

Dividend yield	0.0%
Expected volatility	42.0% to 43.0%
Risk-free interest rate	1.1% to 2.1%
Expected life	6.0 to 7.0 years
Exercise price	$13.27 to $14.20
Weighted average fair value of share options estimated at the date of grant	$5.96

Stock-based compensation expense in relation to the time-based options under the 2016 Option Plan for the year ended February 25, 2018 was $11.2 million (February 26, 2017 - $3.1 million). Included in the expense for the year ended February 25, 2018 was $2.3 million recognized from the cancellation of 671,889 time-based options granted to a director and officer of the Company. The cancellation of these options resulted in accelerated vesting in accordance with IFRS 2.

(in thousands of Canadian dollars, unless otherwise noted)

Director Deferred Share Unit Program

The Director Deferred Share Unit Program was adopted in conjunction with the IPO for non-employee board members. Each eligible director receives a portion of his or her annual director retainer in DSUs.

The grant of DSUs does not entitle any eligible director to dividends or other distributions on the Company's subordinate voting shares, or to exercise voting rights or any other rights attaching to the ownership of the subordinate voting shares, provided that the Board may determine if and when DSUs are to be credited with dividend equivalents based on the dividend policy of the Company at the relevant time.

DSUs vest when granted, but are not redeemable for cash settlement until the eligible director ceases to be a member of the Board. DSUs are granted quarterly and the Company is required to record a liability for the potential future settlement of the DSUs at each reporting date by reference to the fair value of the liability. The fair value of the recorded liability in relation to the DSUs was $0.5 million at February 25, 2018 (February 26, 2017 - $0.2 million), with the expense recorded as stock-based compensation during the year of $0.3 million (February 26, 2017 - $0.2 million).

14 Net income (loss) per share

a) Basic

Basic net income (loss) per share is calculated by dividing the income (loss) attributable to shareholders of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the periods ended on the dates provided below. As all the classes of shares are subject to the same distribution rights, the Company performs the net income (loss) per share calculations as if all shares are a single class.

	February 25, 2018	February 26, 2017 [1]
Net income (loss) attributable to shareholders of the Company	$ 57,093	$ (56,109)
Weighted average number of shares outstanding during the year *(thousands)*	110,180	104,787
Basic net income (loss) per share	$ 0.52	$ (0.54)

[1] The weighted average number of shares outstanding was adjusted after giving effect, on a retrospective basis, to a one-to-0.5931691091 share consolidation that occurred in connection with the IPO.

b) Diluted

In calculating diluted net income (loss) per share for options that can be settled in either shares or cash, the more dilutive of the cash-settled and equity-settled method is used. Accordingly, stock options that are accounted for as cash-settled will require adjustments to the numerator and

(in thousands of Canadian dollars, unless otherwise noted)

denominator if the equity-settled method is determined to have a more dilutive effect. The cash-settled method was more dilutive up to the date of modification for the year ended February 26, 2017.

	February 25, 2018	February 26, 2017[1]
Net income (loss) attributable to shareholders of the Company	$ 57,093	$ (56,109)
Weighted average number of shares for diluted net income (loss) per share *(thousands)*	116,280	104,787
Diluted net income (loss) per share	$ 0.49	$ (0.54)

(1) The weighted average number of shares outstanding was adjusted after giving effect, on a retrospective basis, to a one-to-0.5931691091 share consolidation that occurred in connection with the IPO.

15 Expenses by nature

	Cost of goods sold	
	February 25, 2018	February 26, 2017
Inventory and product-related costs and occupancy costs	$ 429,969	$ 384,543
Depreciation expense	17,807	17,115
	$ 447,776	$ 401,658

	Personnel expenses	
	February 25, 2018	February 26, 2017
Salaries, wages and employee benefits	$ 147,708	$ 139,662
Stock-based compensation expense	17,240	103,044
	$ 164,948	$ 242,706

	Finance expense	
	February 25, 2018	February 26, 2017
Interest expense and banking fees	$ 5,029	$ 6,988
Write-off of deferred financing fees[1]	-	2,867
Amortization of deferred financing fees	192	600
	$ 5,221	$ 10,455

(1) During the year ended February 26, 2017, the Company wrote off financing fees of $2.9 million as a result of the amendment of its Credit Facilities concurrent with the closing of the IPO (note 10).

(in thousands of Canadian dollars, unless otherwise noted)

16 Income taxes

a) Income tax expense

	February 25, 2018	February 26, 2017
Current tax expense		
Current period	$ 26,310	$ 27,305
Adjustment for prior period	(492)	125
	25,818	27,430
Deferred tax expense		
Origination and reversal of temporary differences	2,273	3,167
Adjustment for prior period	270	54
Changes in substantively enacted tax rates	1,829	71
	4,372	3,292
Income tax expense	$ 30,190	$ 30,722

On December 22, 2017, the U.S. Tax Cuts and Jobs Act ("U.S. tax reform") was enacted, reducing the United States federal corporate income tax rate from 35% to 21%. As a result, the Company's U.S. deferred income tax asset was remeasured at the reduced rate, resulting in a deferred income tax expense increase of $1.5 million.

b) Reconciliation of effective tax rate

The Company's income tax expense differs from that calculated by applying the combined substantively enacted Canadian federal and provincial statutory income tax rates for the years ended February 25, 2018 and February 26, 2017 of 26.4% and 26.3%, respectively, as follows:

	February 25, 2018	February 26, 2017
Income (loss) before income taxes	$ 87,283	$ (25,387)
Expected income tax expense (recovery)	$ 23,060	$ (6,687)
Increase (decrease) in income taxes resulting from		
Non-deductible stock-based compensation	4,468	36,089
Other non-deductible amounts	274	703
Foreign tax rate differences	766	321
Changes in substantively enacted tax rates	1,829	71
Adjustment for prior years	(222)	179
Other	15	46
Income tax expense	$ 30,190	$ 30,722

(in thousands of Canadian dollars, unless otherwise noted)

c) Deferred income tax

The tax effects of the significant temporary differences that comprise deferred tax assets and liabilities as at February 25, 2018 and February 26, 2017 are as follows:

	February 25, 2018	February 26, 2017
Deferred tax assets		
Deferred lease liability	$ 17,067	$ 16,431
Stock-based compensation	135	47
Financing and share issuance costs	1,558	1,815
Accounts payable and accrued liabilities	596	805
Other	2,631	2,688
Total deferred tax assets	21,987	21,786
Deferred tax liabilities		
Goodwill and intangible assets	(20,869)	(18,841)
Property and equipment	(12,485)	(9,577)
Other	(38)	(69)
Total deferred tax liabilities	(33,392)	(28,487)
Net deferred tax liability	$ (11,405)	$ (6,701)

The net change in deferred income tax liabilities is recorded as follows:

	February 25, 2018	February 26, 2017
Deferred tax expense recorded in net income	$ 4,372	$ 3,292
Deferred tax expense recorded in other comprehensive income (loss)	332	279
	$ 4,704	$ 3,571

Of the deferred income tax balances, the Company expects $1.7 million of the deferred tax assets to be recovered within 12 months and $0.2 million of the deferred tax liabilities to be settled within 12 months.

The Company intends to indefinitely reinvest the undistributed earnings of its foreign subsidiaries; accordingly, the Company has not recorded a deferred tax liability on these earnings.

(in thousands of Canadian dollars, unless otherwise noted)

17 Segment information

The Company defines an operating segment on the same basis that it uses to evaluate performance internally and to allocate resources by the Chief Operating Decision Maker (the "CODM"). The Company has determined that the Chief Executive Officer is its CODM and there is one operating segment. Therefore, the Company reports as a single segment. This includes all sales channels accessed by the Company's customers, including sales through the Company's eCommerce website and sales at the Company's stores.

The following table summarizes net revenue by geographic location of customers:

	February 25, 2018	February 26, 2017
Canada	$ 548,728	$ 496,292
United States	194,539	170,889
	$ 743,267	$ 667,181

The Company's non-current, non-financial assets (property and equipment, intangible assets and goodwill) are geographically located as follows:

	February 25, 2018	February 26, 2017
Canada	$ 291,270	$ 274,502
United States	57,471	31,359
	$ 348,741	$ 305,861

18 Commitments and contingencies

a) Operating leases

The Company conducts operations from leased stores, distribution centres and administrative offices. For the year ended February 25, 2018, the rent expense under these operating leases was $103.3 million, including $2.0 million of contingent rent (February 26, 2017 - $86.7 million, including $1.6 million of contingent rent).

Leases for certain of the Company's premises include renewal options, rent escalation clauses, and free-rent periods. Minimum annual commitments for the Company's operating leases for its premises, excluding other occupancy charges and additional rent based on a percentage of sales, are as follows:

Less than 1 year	$ 80,470
Between 1 and 5 years	314,467
More than 5 years	262,713
Total	$ 657,650

(in thousands of Canadian dollars, unless otherwise noted)

Subsequent to year end, the Company entered into additional operating leases, increasing the total minimum lease commitments by $46.8 million (excluding other occupancy charges and additional rent based on percentage of sales).

b) Purchase obligations

At February 25, 2018, the Company had purchase obligations of $24.2 million (February 26, 2017 - $24.8 million), which represent commitments for fabric expected to be used during upcoming seasons, made in the normal course of business.

c) Letters of credit

At February 25, 2018, the Company had open letters of credit of $20.9 million (February 26, 2017 - $19.3 million).

19 Related party transactions

The Company is ultimately controlled by Canada Retail Holdings, L.P., also being the Company's ultimate parent.

The Company entered into the following transactions with related parties:

a) Berkshire is the investment manager to private equity funds that indirectly holds an ultimate controlling interest in the Company. Berkshire provided consulting and management advisory services to the Company pursuant to a Management Agreement dated December 19, 2005. Concurrent with the closing of the IPO, the Company terminated the Management Agreement with Berkshire.

During the year ended February 26, 2017, the Company incurred management fees of $190 for services rendered. Total net reimbursements to Berkshire for travel, lodging and other costs for the year ended February 25, 2018 were $66 (February 26, 2017 - $247).

In connection with the IPO and Secondary Offering, the Company reimbursed in aggregate $1.4 million in professional fees and other costs to the principal selling shareholders in accordance with the Company's obligations under the registration rights agreement. At February 25, 2018, $652 was included in accounts payable and accrued liabilities (February 26, 2017 - $948).

b) During the year ended February 25, 2018, the Company purchased $8.3 million (February 26, 2017 - $10.8 million) of merchandise from a company partially owned by private equity funds managed by Berkshire. In August 2017, Berkshire exited its investment from the merchandise company; as such, purchases from the merchandise company subsequent to August 2017 are not considered related party transactions. At February 26, 2017, $47 was included in accounts payable and accrued liabilities.

c) During the year ended February 25, 2018, the Company paid $3.6 million (February 26, 2017 – $2.2 million) for rent of premises and $385 (February 26, 2017 - $nil) for the use of a leased asset wholly or

(in thousands of Canadian dollars, unless otherwise noted)

partially owned by companies that are owned by a director and officer of the Company. At February 25, 2018, $100 (February 26, 2017 - $nil) was included in accounts payable and accrued liabilities.

d) During the year ended February 26, 2017, the Company provided unsecured loans bearing interest at a rate between 1% to 5% to certain employees, with certain repayment terms. As at February 25, 2018, the outstanding balance on the employee loans was $nil (February 26, 2017 - $125) and was included in accounts receivable and/or other assets.

e) Key management includes the Company's directors and executive team. Compensation awarded to key management includes:

	February 25, 2018	February 26, 2017
Salaries, directors' fees and short-term benefits	$ 3,117	$ 3,084
Stock-based compensation expense [1]	7,358	14,781
	$ 10,475	$ 17,865

[1] Included in the expense for the year ended February 25, 2018 was $2.3 million of expense recognized from the cancellation of 671,889 time-based options granted to a director and officer of the Company. The cancellation of these options resulted in accelerated vesting in accordance with IFRS 2.

20 Supplemental cash flow information

	February 25, 2018	February 26, 2017
Net change in non-cash working capital balances		
Accounts receivable	$ 941	$ 959
Inventory	(5,155)	2,695
Prepaid expenses and other current assets	(2,430)	(2,569)
Other assets	300	1,683
Accounts payable and accrued liabilities	15,638	12,367
Deferred revenue	3,719	5,679
	$ 13,013	$ 20,814
Supplemental cash flow information		
Accrued purchases of property and equipment	$ 6,799	$ 5,859
Accrued purchases of intangible assets	271	729

(in thousands of Canadian dollars, unless otherwise noted)

21 Financial instruments and risk management

The Company is exposed to a variety of financial risks in the normal course of operations including currency, interest rate, credit and liquidity risk, as summarized below. The Company's overall risk management program and business practices seek to minimize any potential adverse effects on the Company's consolidated financial performance.

Risk management is carried out under practices approved by the Company's Audit Committee. This includes reviewing and making recommendations to the Board on the adequacy of the Company's risk management policies and procedures with regard to identifying the Company's principal risks and implementing appropriate systems and controls to manage these risks. Risk management covers many areas of risk including, but not limited to, foreign exchange risk, interest rate risk, credit risk and liquidity risk.

Financial instruments by category

The classification of financial instruments and their carrying amounts are as follows:

	February 25, 2018	February 26, 2017
Financial assets		
Cash and cash equivalents	$ 112,475	$ 79,527
Accounts receivable	2,413	2,624
Foreign currency forward contracts	414	181
Financial liabilities		
Accounts payable and accrued liabilities	$ 66,195	$ 50,484
Lease obligations	399	1,749
Long-term debt (net of deferred financing fees)	118,587	133,767

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the immediate or short-term maturity of these financial instruments. The fair value of the lease obligations is approximately equal to their carrying value. For the other financial liabilities, the fair value is as follows:

	February 25, 2018	February 26, 2017
Long-term debt (Level 2)	$ 118,738	$ 134,059
Foreign currency forward contracts (Level 2)	414	181

(in thousands of Canadian dollars, unless otherwise noted)

a) Market risk

Currency risk

The Company is exposed to foreign exchange risk on foreign currency denominated transactions, monetary assets and liabilities denominated in a foreign currency, and net investments in foreign operations. The Company sources the majority of its raw materials and merchandise from various suppliers in Asia and Europe with the vast majority of purchases denominated in U.S. dollars. In addition, the Company operates retail stores in the U.S.A. The Company's foreign exchange risk is primarily with respect to the U.S. dollar but the Company has limited exposure to other currencies as well. Foreign currency forward contracts are used to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada.

As at February 25, 2018, a $0.01 variation in the Canadian dollar against the U.S. dollar on net monetary accounts in U.S. dollars would, all other variables being constant, have an approximate favourable (or unfavourable) impact of $0.1 million on net income (loss).

Interest rate risk

The Company is exposed to changes in interest rates on its cash and cash equivalents, bank indebtedness and long-term debt. Debt issued at variable rates exposes the Company to cash flow interest rate risk. Debt issued at fixed rates exposes the Company to fair value interest rate risk. During the year, the Company had only variable rate debt. An increase (or decrease) in interest rate by 1% would result in an increase (or decrease) of $1.3 million in interest expense on the Credit Facilities.

b) Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, accounts receivable, and derivative contracts used to hedge market risks. The Company offsets credit risks associated with cash and cash equivalents by depositing its cash and cash equivalents with major financial institutions that have been assigned high credit ratings by internationally recognized credit rating agencies. The Company is exposed to credit risk on accounts receivable from its landlords for tenant allowances. To reduce this risk, the Company enters into leases with landlords with established credit history and, for certain leases, the Company may offset rent payments until accounts receivable are fully satisfied. The Company only enters into derivative contracts with major financial institutions, as described above, for the purchase of its foreign currency forward contracts.

(in thousands of Canadian dollars, unless otherwise noted)

c) Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Company manages liquidity risk through various means, including monitoring actual and projected cash flows, taking into account the seasonality of its revenue, income and working capital needs. The Company's revolving credit facility is used to maintain liquidity. As at February 25, 2018, the Company had available credit of $70.0 million (February 26, 2017 - $70.0 million) under its revolving credit facility, of which $nil (February 26, 2017 - $nil) was drawn, and had outstanding letters of credit totalling $15.9 million (February 26, 2017 - $19.3 million), which reduced the availability under this credit facility. The amount drawn under this credit facility is presented as bank indebtedness in current liabilities based on the Company's estimate of what it expects to settle in the next 12 months (note 10). As at February 25, 2018, the Company also had available credit of $75.0 million under trade finance agreements (February 26, 2017 – $nil), of which $5.0 million of letters of credit was outstanding (February 26, 2017 – $nil).

The following table identifies the undiscounted contractual maturities of the Company's financial liabilities as at February 25, 2018:

	Within one year	After one but not more than 5 years	After 5 years	Total
Accounts payable and accrued liabilities	$ 66,195	$ -	$ -	$ 66,195
Lease obligations	399	-	-	399
Assumed interest on long-term debt [(1)]	4,236	761	-	4,997
Long-term debt	19,127	99,611	-	118,738
Total	$ 89,957	$ 100,372	$ -	$ 190,329

(1) based on interest rates in effect as at February 25, 2018

22 Capital management

The Company's objectives when managing capital are to:

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

The Company defines capital as its Credit Facilities and shareholders' equity. The Company's primary uses of capital are to finance increases in non-cash working capital along with capital expenditures for new store additions, existing store expansion and renovation projects, and other infrastructure investments. The

(in thousands of Canadian dollars, unless otherwise noted)

Company currently funds these requirements out of its internally generated cash flows and revolving credit facility.

The Company is subject to financial covenants and collateral pursuant to the Credit Facilities presented in note 10.

23 Subsequent event

On May 10, 2018, the Company announced a normal course issuer bid, under which the Company is authorized to purchase up to 5,429,658 of its subordinate voting shares, representing approximately 10% of the public float, during the twelve month period commencing May 15, 2018 and ending May 14, 2019. Any subordinate voting shares purchased under the normal course issuer bid will be cancelled.