ARITZIA

Aritzia Inc.

Condensed Interim Consolidated
Financial Statements
Third Quarter of Fiscal 2022

For the 13-week and 39-week periods ended
November 28, 2021 and November 29, 2020

Aritzia Inc.

Condensed Interim Consolidated Statements of Financial Position

As at November 28, 2021 and February 28, 2021

(Unaudited, in thousands of Canadian dollars)

	Note	November 28, 2021	February 28, 2021
Assets			
Cash and cash equivalents		**$ 305,932**	$ 149,147
Accounts receivable		**10,477**	6,202
Income taxes recoverable		**4,372**	4,719
Inventory	5,6	**176,861**	171,821
Prepaid expenses and other current assets	1, 13	**40,560**	23,452
Total current assets		**538,202**	355,341
Property and equipment	7	**215,349**	189,568
Intangible assets	5,8	**87,831**	62,049
Goodwill	5,8	**198,322**	151,682
Right-of-use assets	5,9	**370,784**	363,417
Other assets		**4,694**	2,886
Deferred tax assets		**18,469**	15,794
Total assets		**$ 1,433,651**	$ 1,140,737
Liabilities			
Accounts payable and accrued liabilities	10	**$ 216,202**	$ 131,893
Income taxes payable		**41,178**	8,287
Current portion of contingent consideration	5,13	**6,619**	-
Current portion of lease liabilities	9	**87,734**	71,452
Deferred revenue		**68,010**	37,563
Total current liabilities		**419,743**	249,195
Lease liabilities	9	**427,712**	423,380
Other non-current liabilities	11	**21,892**	15,059
Contingent consideration	5,13	**6,618**	-
Non-controlling interest in exchangeable shares liability	5,13	**35,500**	-
Deferred tax liabilities	5	**25,096**	17,985
Long-term debt	12	**-**	74,855
Total liabilities		**$ 936,561**	$ 780,474
Shareholders' equity			
Share capital	14	**$ 242,327**	$ 228,665
Contributed surplus		**57,031**	56,606
Retained earnings		**197,908**	75,216
Accumulated other comprehensive loss		**(176)**	(224)
Total shareholders' equity		**497,090**	360,263
Total liabilities and shareholders' equity		**$ 1,433,651**	$ 1,140,737

Commitments and contingencies (note 21)
Subsequent events (note 24)

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

Aritzia Inc.

Condensed Interim Consolidated Statements of Operations

For the 13-week and 39-week periods ended November 28, 2021 and November 29, 2020

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

		13-week periods ended		39-week periods ended	
	Note	November 28, 2021	November 29, 2020	November 28, 2021	November 29, 2020
Net revenue	17, 20	**$ 453,323**	$ 278,254	**$ 1,050,308**	$ 589,798
Cost of goods sold	1, 18	**243,181**	152,171	**574,862**	380,218
Gross profit		**210,142**	126,083	**475,446**	209,580
Operating expenses					
Selling, general and administrative	1	**110,084**	74,707	**272,581**	178,369
Stock-based compensation expense	15, 18	**9,109**	3,372	**20,406**	6,498
Income from operations		**90,949**	48,004	**182,459**	24,713
Finance expense	9, 12, 18	**6,160**	7,211	**19,110**	21,956
Other income	5, 13, 18	**(6,218)**	(1,532)	**(9,523)**	(1,405)
Income before income taxes		**91,007**	42,325	**172,872**	4,162
Income tax expense	19	**26,066**	11,823	**50,180**	1,005
Net income		**$ 64,941**	$ 30,502	**$ 122,692**	$ 3,157
Net income per share					
Basic	16	**$ 0.59**	$ 0.28	**$ 1.11**	$ 0.03
Diluted	16	**$ 0.56**	$ 0.27	**$ 1.06**	$ 0.03
Weighted average number of shares outstanding (thousands)					
Basic	16	**110,504**	109,494	**110,241**	109,415
Diluted	16	**116,140**	112,903	**115,402**	112,386

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

Aritzia Inc.

Condensed Interim Consolidated Statements of Comprehensive Income

For the 13-week and 39-week periods ended November 28, 2021 and November 29, 2020

(Unaudited, in thousands of Canadian dollars)

	13-week periods ended		39-week periods ended	
	November 28, 2021	**November 29, 2020**	**November 28, 2021**	**November 29, 2020**
Net income	**$ 64,941**	$ 30,502	**$ 122,692**	$ 3,157
Other comprehensive income (loss)				
Items that are or may be reclassified subsequently to net income:				
Foreign currency translation adjustment	**(110)**	67	**48**	283
Comprehensive income	**$ 64,831**	$ 30,569	**$ 122,740**	$ 3,440

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

Aritzia Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the 39-week periods ended November 28, 2021 and November 29, 2020

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

	Multiple voting shares		Subordinate voting shares					
	Shares	Amounts	Shares	Amounts	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance, March 1, 2020	24,537,349	$ 17,737	84,811,212	$ 201,313	$ 57,221	$ 56,476	$ (682)	$ 332,065
Net Income	-	-	-	-	-	3,157	-	3,157
Options exercised (note 15)	-	-	269,780	3,752	(2,617)	-	-	1,135
Stock-based compensation expense on equity-settled plans (note 15)	-	-	-	-	4,313	-	-	4,313
Shares repurchased for cancellation	-	-	(38,664)	(92)	-	(486)	-	(578)
Foreign currency translation adjustment	-	-	-	-	-	-	283	283
Balance, November 29, 2020	24,537,349	$ 17,737	85,042,328	$ 204,973	$ 58,917	$ 59,147	$ (399)	$ 340,375
Balance, February 28, 2021	**24,537,349**	**$ 17,737**	**85,416,470**	**$ 210,928**	**$ 56,606**	**$ 75,216**	**$ (224)**	**$ 360,263**
Net Income	**-**	**-**	**-**	**-**	**-**	**122,692**	**-**	**122,692**
Options exercised (note 15)	**-**	**-**	**828,151**	**13,662**	**(7,706)**	**-**	**-**	**5,956**
Stock-based compensation expense on equity-settled plans (note 15)	**-**	**-**	**-**	**-**	**8,131**	**-**	**-**	**8,131**
Shares exchange at secondary offering (note 14)	**(2,600,000)**	**(1,879)**	**2,600,000**	**1,879**	**-**	**-**	**-**	**-**
Foreign currency translation adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**48**	**48**
Balance, November 28, 2021	**21,937,349**	**$ 15,858**	**88,844,621**	**$ 226,469**	**$ 57,031**	**$ 197,908**	**$ (176)**	**$ 497,090**

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

Aritzia Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the 13-week and 39-week periods ended November 28, 2021 and November 29, 2020

(Unaudited, in thousands of Canadian dollars)

		13-week periods ended		39-week periods ended	
	Note	November 28, 2021	November 29, 2020	November 28, 2021	November 29, 2020
Operating activities					
Net income for the period		**$ 64,941**	$ 30,502	**$ 122,692**	$ 3,157
Adjustments for:					
Depreciation and amortization	7, 8	**11,238**	9,333	**32,459**	28,148
Depreciation on right-of-use assets	9	**17,461**	16,834	**50,465**	49,868
Fair value adjustment for inventory acquired in CYC Design Corporation	5	**1,902**	-	**1,902**	-
Fair value adjustment of non-controlling interest in exchangeable shares liability	5, 18	**2,000**	-	**2,000**	-
Finance expense	18	**6,160**	7,211	**19,110**	21,956
Stock-based compensation expense	15, 18	**9,109**	3,372	**20,406**	6,498
Amortization of deferred lease inducements		**(253)**	(223)	**(790)**	(661)
Unrealized gain on equity derivative contracts	13, 18	**(6,950)**	(1,776)	**(12,186)**	(1,061)
Income tax expense	19	**26,066**	11,823	**50,180**	1,005
Rent concessions relating to lease liabilities	1, 9	**(868)**	(8,118)	**(2,318)**	(11,560)
Proceeds from lease incentives		**2,018**	2,051	**10,114**	6,366
Cash generated before non-cash working capital balances and interest and income taxes		**132,824**	71,009	**294,034**	103,716
Net change in non-cash working capital	23	**88,196**	39,821	**93,106**	48,734
Cash generated before interest and income taxes		**221,020**	110,830	**387,140**	152,450
Interest paid		**(525)**	(1,365)	**(1,878)**	(3,761)
Interest paid on lease liabilities	9	**(6,511)**	(8,507)	**(16,930)**	(17,193)
Income taxes paid		**(4,513)**	(4,657)	**(20,598)**	(4,940)
Net cash generated from operating activities		**209,471**	96,301	**347,734**	126,556
Financing activities					
Proceeds from revolving credit facility	12	**-**	-	**-**	100,000
Repayment of revolving credit facility	12	**-**	(100,000)	**-**	(100,000)
Payment of financing fees	12	**(46)**	-	**(651)**	-
Repayment of principal on lease liabilities	9	**(17,956)**	(16,845)	**(44,341)**	(29,595)
Proceeds from options exercised	15	**3,460**	456	**5,956**	1,135
Shares repurchased for cancellation	14	**-**	-	**-**	(523)
Repayment of long-term debt	12	**-**	-	**(75,000)**	-
Net cash used in financing activities		**(14,542)**	(116,389)	**(114,036)**	(28,983)
Investing activities					
Acquisition of CYC Design Corporation, net of cash acquired	5	**-**	-	**(32,555)**	-
Purchase of property and equipment	7	**(21,588)**	(12,384)	**(45,296)**	(38,830)
Purchase of intangible assets	8	**(748)**	(50)	**(991)**	(650)
Net cash used in investing activities		**(22,336)**	(12,434)	**(78,842)**	(39,480)
Effect of exchange rate changes on cash and cash equivalents		**1,543**	(696)	**1,929**	(1,807)
Change in cash and cash equivalents		**174,136**	(33,218)	**156,785**	56,286
Cash and cash equivalents – Beginning of period		**131,796**	207,254	**149,147**	117,750
Cash and cash equivalents – End of period		**$ 305,932**	$ 174,036	**$ 305,932**	$ 174,036

Supplemental cash flow information (note 23)

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

(Unaudited, 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") are a vertically integrated design house. The Company is a creator and purveyor of Everyday Luxury, home to an extensive portfolio of exclusive brands for every function and individual aesthetic. As at November 28, 2021, the Company had 105 boutiques (November 29, 2020 – 101 boutiques), excluding CYC Design Corporation boutiques, and an eCommerce website, aritzia.com.

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.

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

Basis of presentation

These unaudited condensed interim consolidated financial statements ("interim financial statements") have been prepared under International Financial Reporting Standards ("IFRS") in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), on a basis consistent with those accounting policies followed by the Company in the most recent audited annual consolidated financial statements. Certain information, in particular the accompanying notes normally included in the audited annual consolidated financial statements prepared in accordance with IFRS, has been omitted or condensed. Accordingly, these interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended February 28, 2021 ("Fiscal 2021"). These unaudited condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

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 quarters of each fiscal year as a result of increased net revenue during the back-to-school and holiday seasons.

These interim consolidated financial statements were authorized for issue on January 12, 2022 by the Company's Board of Directors ("Board").

COVID-19 Pandemic

The COVID-19 pandemic continues to have an impact on the global economy and changes in consumer demand and behaviour. On March 16, 2020, in line with recommendations by public health officials and guidance from local government authorities, the Company temporarily closed all of its retail boutiques in

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

Canada and the United States. On May 7, 2020, the Company began a phased reopening of its retail boutiques. As part of the reopening plan, the Company implemented extensive health and safety measures designed to protect its people, clients and communities. As of September 9, 2020, all of the Company's boutiques had reopened. Beginning November 23, 2020 and through the fourth quarter of Fiscal 2021, as a result of the resurgence of COVID-19 and in line with government regulations, the Company temporarily reclosed 39 of its boutiques primarily located in Ontario and Quebec. As at February 28, 2021, 18 of these boutiques remained temporarily closed. Through the first quarter of Fiscal 2022, all of the Company's boutiques were reopened but 34 boutiques were temporarily re-closed based on government and health authority guidance in Ontario, Quebec and Nova Scotia. As at July 12, 2021, all of the Company's boutiques had reopened.

In accordance with the relevant government and health authority guidance, the Company continues to operate its distribution centers and open boutiques under stringent health and safety protocols that include occupancy restrictions, physical distancing and enhanced cleaning programs.

During the 13-week and 39-week periods ended November 28, 2021, the Company recognized payroll subsidies of $nil and $1.8 million, respectively (November 29, 2020 – $1.7 million and $29.6 million, respectively) which were recorded as a reduction in the associated eligible salaries and wage costs, recognized in cost of goods sold and selling, general and administrative expenses in the consolidated statements of operations. During the 13-week and 39-week periods ended November 28, 2021, the Company also recognized rent subsidies of $0.4 million and $1.2 million, respectively (13-week and 39-week periods ended November 29, 2020 - $nil) which were recorded as a reduction in store occupancy costs in cost of goods sold in the consolidated statements of operations. As at November 28, 2021, the Company had $2.1 million of payroll subsidies and $1.9 million of rent subsidies receivable recorded in prepaid expenses and other current assets.

During the 13-week and 39-week periods ended November 28, 2021, the Company recognized $1.1 million and $3.2 million of rent and occupancy concessions, respectively (13-week and 39-week periods ended November 29, 2020 – $9.1 million and $15.9 million, respectively) in cost of goods sold and selling, general and administrative expenses in the consolidated statement of operations.

The CARES Act in the United States further allows the immediate expensing of qualified leasehold improvement property purchased after December 31, 2017 and the carry back of net operating losses to prior years. These two measures resulted in the Company recognizing an income taxes receivable of $4.5 million, to be applied to income taxes payable in prior periods.

The Company's operations continue to be impacted by the COVID-19 pandemic. The extent of the impact of COVID-19 on future periods will depend on future developments, including the duration or resurgence of the pandemic, related government responses and the impact on the global economy, which are uncertain and cannot be predicted. Future closures of the Company's boutiques could result in the reassessment of impairment of property and equipment, definite and indefinite life intangible assets, right-of-use assets and goodwill, and a provision to the net realizable value of the Company's inventories.

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

2 Summary of significant accounting policies

These interim financial statements have been prepared using the accounting policies as outlined in note 2 of the Fiscal 2021 audited consolidated financial statements, with the exception of the accounting standards adopted in the year ending February 27, 2022 (“Fiscal 2022”).

Business combinations

The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. The Company assesses whether the set of assets acquired includes an input and substantive process and whether the acquired set of assets has the ability to produce outputs.

The consideration transferred (including cash and contingent consideration) in the acquisition is measured at fair value, as are the identifiable net assets acquired at the date of the acquisition. The fair value of the purchase consideration is allocated to the fair values of the tangible and intangible assets acquired and liabilities assumed.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at fair value at each reporting date and subsequent changes in the fair value are recognized in profit and loss.

Goodwill is measured at cost, being the difference between the acquisition date fair value of consideration transferred, including the recognized amount of any non-controlling interest in the acquiree over the net fair value amount of the identifiable assets acquired and the liabilities assumed, all measured as at the acquisition date.

The fair values of inventories acquired in a business combination are determined based on the estimated selling price in the ordinary course of business less the estimated costs of sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

The fair values of property and equipment acquired in a business combination are based on either the cost approach or market approach, as applicable. Under the cost approach, the current replacement cost or reproduction cost for each major asset is calculated. Under the market approach, the market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each act knowledgeably and willingly.

The fair values of brands acquired in a business combination are determined using a relief of royalty method. The fair value of off-market leases acquired in a business combination is determined based on the present value of the difference between market rates and rates in the existing leases. The fair vales of non-compete agreements acquired in a business combination are determined using a with-and-without approach based on the difference between two discounted cash flow models and consideration for likelihood of competition.

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

The purchase price allocation may be provisional during a measurement period of up to one year to provide reasonable time to obtain the information necessary to identify and measure the assets acquired and liabilities assumed. Measurement period adjustments are recognized in the period in which the adjustment amount is determined and adjustments to fair values and allocations are retrospectively adjusted.

Transaction costs associated with the acquisition are expensed as incurred.

Non-controlling interest in exchangeable shares liability

Non-controlling interest in exchangeable shares liability represents exchangeable shares that can be put back to the Company's subsidiary at the option of the holder and are measured initially at its fair value at the date of acquisition. Subsequent changes in the fair value are recognized in profit and loss.

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. The Company's financial assets, which includes cash and cash equivalents and accounts receivable, are classified as amortized cost. The Company's financial liabilities, which includes accounts payable and accrued liabilities, are classified as amortized cost. The Company's, equity derivative contracts, contingent consideration and non-controlling interest in exchangeable shares liability are classified as fair value through profit or loss.

3 Significant new accounting standards

Standards issued but not yet adopted

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

In January 2020, IASB issued Classification of Liabilities as Current or Non-Current, which amends IAS 1 – Presentation of Financial Statements. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company does not plan to early adopt the amendments to IAS 1. The implementation of this amendment is not expected to have a significant impact on the Company.

Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between

accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier adoption permitted. The Company is currently assessing the potential impact of these amendments.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

In February 2021, the IASB issued Disclosure of Accounting Policies, which amends IAS 1 and IFRS Practice Statement 2. The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments also clarify that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed. The amendment to IFRS Practice Statement 2 adds guidance and examples to the materiality practice statement, which explains how to apply the materiality process to identify material accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier adoption permitted and are to be applied prospectively. The Company is currently assessing the potential impact of these amendments.

Financial Instruments (Amendments to IFRS 9)

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies which fees should be included when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company is currently assessing the potential impact of these amendments.

4 Critical accounting estimates and judgments

The preparation of unaudited condensed interim 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.

In preparing these interim financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty were the same as those applied in note 4 of the Fiscal 2021 audited consolidated financial statements, with the exception of the critical accounting estimates and judgments applied in Fiscal 2022.

- The Company uses judgment in applying the acquisition method of accounting for business combinations and estimates to value identifiable assets and liabilities at the acquisition date. The Company may engage independent third parties to determine the fair value of inventory, property and equipment and intangible assets. Assumptions and estimates are used to determine cash flow projections, including the period of

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future benefit, future growth and discount rates, among other factors. The values placed on the acquired assets and liabilities assumed affect the amount of goodwill recorded on an acquisition.

- Contingent consideration requires management to use judgment in determining the anticipated amounts that will be paid to the selling shareholders based on the future earnings of the acquired subsidiary. These amounts are required to be estimated on a recurring basis.

- Non-controlling interest in exchangeable shares liability requires management to use judgment in determining the fair value of the obligation on a recurring basis. The fair value estimate includes inputs associated with expected volatility, anticipated timing and discount rate associated with the obligation.

5 Acquisition of CYC Design Corporation

On June 25, 2021, the Company acquired 75% of the common shares in CYC Design Corporation ("CYC"), a leading designer and manufacturer of premium athletic wear, Reigning Champ. This acquisition will accelerate the Company's product expansion into men's wear. The results of operations, financial position, and cash flows of CYC have been included in the Company's consolidated financial statements since the date of acquisition.

Total aggregate consideration for the acquisition of the 75% of the common shares was $46.1 million which consisted of cash consideration of $32.9 million and future cash consideration (the "contingent consideration"). The contingent consideration is based on the future operating results of CYC during the measurement period ending January 31, 2023, and payable in two instalments in May 2022 and May 2023. As at the date of acquisition, the Company recorded a contingent consideration liability of $13.2 million and was based on its expected outcome at the end of the earnout period (note 13).

As part of the acquisition, the remaining common shareholders exchanged their common shares for exchangeable shares. The exchangeable shares can be put back to CYC at specified future dates in May to August in each of 2024, 2025 and 2026, for a formula-based amount dependent on the future performance of CYC in exchange for shares of the Company, resulting in a liability (note 13). The Company also has the ability to call the exchangeable shares in August 2026. The formula-based amount is subject to a capped enterprise value of CYC. As the exchangeable shares are a liability, the Company has treated the acquisition as an acquisition of a 100% interest in the entity, with the non-controlling interest in exchangeable shares liability included in the fair value of the acquired assets and liabilities.

The purchase price allocation may be provisional during a measurement period of up to one year to provide reasonable time to obtain the information necessary to identify and measure the assets acquired and liabilities assumed. As such the purchase price allocation remains provisional, therefore is preliminary and subject to change. Management continues to refine and finalize the purchase price allocation for the fair value of identifiable assets acquired and liabilities assumed and the allocation of goodwill.

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

The provisional acquisition date fair values are as follows:

		As at June 25, 2021
Fair value of consideration		
Cash paid	**$**	**32,878**
Contingent consideration (note 13)		**13,237**
	$	**46,115**
Assets acquired		
Cash	**$**	**323**
Accounts receivable		**1,244**
Inventory		**8,600**
Prepaid expenses and other current assets		**303**
Property and equipment		**2,670**
Intangible assets:		
Brand		**26,200**
Non-compete agreements		**1,200**
Goodwill		**46,640**
Right-of-use assets		**8,264**
	$	**95,444**
Liabilities assumed		
Accounts payable and accrued liabilities	**$**	**1,170**
Income taxes payable		**1,081**
Deferred revenue		**208**
Lease liabilities		**6,264**
Deferred tax liabilities		**7,106**
	$	**15,829**
Net assets acquired	**$**	**79,615**
Non-controlling interest in exchangeable shares liability (note 13)		**(33,500)**
	$	**46,115**

Goodwill is attributable to the expected synergies to be achieved from integrating CYC into the Company's existing business. Goodwill is non-deductible for tax purposes.

For the 13-week and 39-week periods ended November 28, 2021, CYC contributed revenue of $5.9 million and $9.3 million, respectively.

In connection with the acquisition, during the 13-week and 39-week periods ended November 28, 2021, the Company recognized $0.2 million and $2.6 million, respectively, in acquisition-related costs which were expensed as incurred. These costs are included in other income (expense) and include transaction costs such as fees for advisory and professional services.

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

6 Inventory

	November 28, 2021	February 28, 2021
Finished goods	**$ 127,806**	$ 120,182
Finished goods in transit	**42,808**	48,888
Raw materials	**6,247**	2,751
Inventory	**$ 176,861**	$ 171,821

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 $1.9 million and $6.4 million for the 13-week and 39-week periods ended November 28, 2021, respectively (13-week and 39-week periods ended November 29, 2020 - $0.8 million and $3.1 million, respectively). No inventory write-downs recorded in previous periods were reversed.

All of the Company's inventory is pledged as security for the revolving credit facility (note 12).

As part of the CYC acquisition on June 25, 2021, the Company acquired inventory with a fair value of $8.6 million at the time of acquisition. During the 13-week period ended November 28, 2021, the Company recognized $1.9 million relating to the purchase price fair value adjustment included in cost of goods sold for inventory sold.

7 Property and equipment

During the 13-week and 39-week periods ended November 28, 2021, the Company had property and equipment additions of $23.2 million and $52.4 million, respectively (13-week and 39-week periods ended November 29, 2020 - $16.7 million and $38.4 million, respectively), the majority of which were related to leasehold improvements made to its boutiques, the purchase of furniture and equipment for such boutiques and leasehold improvements made to its support office.

As part of the CYC acquisition on June 25, 2021, the Company also acquired $2.7 million of property and equipment, the majority of which were related to leasehold improvements of boutiques (note 5).

8 Goodwill and intangible assets

During the 13-week and 39-week periods ended November 28, 2021, the Company had intangible asset additions of $0.5 million and $1.2 million, respectively (13-week and 39-week periods ended November 29, 2020 - $nil and $0.3 million, respectively), the majority of which were related to internally developed computer software.

As part of the CYC acquisition, the Company also acquired certain intangible assets, the fair value of which was determined to be $27.4 million (note 5). The CYC acquisition also resulted in goodwill of $46.6 million (note 5).

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

9 Leases

The Company has the right to use real estate properties for its boutiques, distribution centers and support offices under non-cancellable lease agreements, together with periods covered by an option to extend or terminate, if the Company is reasonably certain it will exercise those options.

The following table reconciles the change in right-of-use assets for the 39-week period ended November 28, 2021:

		Right-of-use assets
Cost		
Balance, February 28, 2021	**$**	**484,012**
Additions, net of lease incentives received		**59,374**
Fair value adjustment on CYC leases (note 5)		**2,000**
Modifications		**(6,958)**
Foreign exchange		**3,196**
Balance, November 28, 2021	**$**	**541,624**
Accumulated depreciation		
Balance, February 28, 2021	**$**	**120,595**
Depreciation		**50,242**
Amortization of fair value adjustment on CYC leases		**223**
Modifications		**(1,409)**
Foreign exchange		**1,189**
Balance, November 28, 2021	**$**	**170,840**
Net carrying value		
Balance, February 28, 2021	**$**	**363,417**
Balance, November 28, 2021	**$**	**370,784**

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

The following table reconciles the change in lease liabilities for the 39-week period ended November 28, 2021:

		Lease liabilities
Balance, February 28, 2021	**$**	**494,832**
Additions		**70,501**
Interest expense on lease liabilities (note 18)		**16,867**
Repayment of interest and principal on lease liabilities		**(61,271)**
Rent concessions applicable to lease liabilities		**(2,318)**
Modifications		**(6,269)**
Foreign exchange		**3,104**
Balance, November 28, 2021	**$**	**515,446**
Current portion of lease liabilities		**87,734**
Long-term portion of lease liabilities		**427,712**
Lease liabilities	**$**	**515,446**

10 Accounts payable and accrued liabilities

		November 28, 2021		February 28, 2021
Trade accounts payable	**$**	**129,624**	$	96,540
Other non-trade payables		**36,080**		11,521
Employee benefits payable		**45,634**		23,040
Current portion of Director Deferred Share Unit Program and Restricted Share Unit Program liability (note 15)		**4,864**		792
Accounts payable and accrued liabilities	**$**	**216,202**	$	131,893

11 Other non-current liabilities

		November 28, 2021		February 28, 2021
Director Deferred Share Unit Program and Restricted Share Unit Program liability (note 15)	**$**	**14,166**	$	6,930
Deferred lease inducements		**6,499**		6,920
Deferred payroll taxes		**857**		852
Asset retirement obligations		**370**		357
Other non-current liabilities	**$**	**21,892**	$	15,059

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

12 Bank indebtedness and long-term debt

On July 13, 2021, the Company refinanced its term loan and revolving credit facility, extending the term to July 13, 2025. As part of the refinancing, the Company repaid its term loan of $75.0 million and increased its existing revolving credit facility from $100.0 million to $175.0 million. As part of the refinancing, the Company incurred $0.7 million of financing fees which have been deferred and are being amortized over the term of the financing agreement.

The revolving credit facility bears interest at BA, LIBO or Prime plus a marginal rate between 0.50% and 2.50% (February 28, 2021 – 0.50% and 2.50%). Up to $10.0 million of the facility can be drawn upon by way of a swingline loan. As of November 28 2021 and February 28, 2021, no advances were made under the revolving credit facility.

The Company also has letters of credit facilities of $75.0 million, secured pari passu with the revolving credit facility. The interest rate for the letters of credit is between 1.00% and 2.50%. As at November 28, 2021, the amount available under these facilities was reduced to $33.6 million (February 28, 2021 - $33.7 million) by certain open letters of credit (note 21(b)).

The revolving credit facility is collateralized by a first priority lien on all property and equipment, leased real property interests and inventory. In addition, the Company is required to maintain certain financial covenants. As at November 28, 2021 and February 28, 2021, the Company was in compliance with all financial covenants.

13 Financial instruments

In connection with the acquisition of CYC, the Company has entered into two financial instruments that will be revalued on a recurring basis in the financial statements: contingent consideration and non-controlling interest in exchangeable shares liability.

Contingent consideration

The Company has a contingent consideration under the CYC purchase agreement that is based on future operating results of CYC during the measurement period ending January 31, 2023. As at the acquisition date of CYC on June 25, 2021, the Company recorded a contingent consideration liability of $13.2 million (note 5). During the period from the date of acquisition to November 28, 2021, there was no change in fair value of the contingent consideration.

Non-controlling interest in exchangeable shares liability

In conjunction with the acquisition, CYC issued exchangeable shares to minority shareholders (“exchangeable shareholders”) in exchange for their 25% share of the total common shares at acquisition. The exchangeable shares allow the holders to put back their shares to CYC in the following periods: one-third from May 1, 2024 to August 31, 2024, one-third from May 1, 2025 to August 31, 2025, and one-third from May 1, 2026 to August 31, 2026 (the “put options”). In the event that the exchangeable shareholders do not exercise the put options by August 31, 2026, the Company has an open-ended call option, but not an obligation, to purchase all of the shares held by the exchangeable shareholders (the “call option”).

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

The exercise prices of the put options and the call option are based on certain specific operating results of CYC in the most recently completed fiscal year prior to exercise, subject to a capped enterprise value of $60.0 million (remaining 25% purchase). Upon exercise, the options are settled through a variable number of the Company's shares based on a volume weighted average price (VWAP) of the Company's shares for 30 consecutive trading days.

The fair value of the non-controlling interest in exchangeable shares liability is estimated initially, and on a recurring basis, based on a Monte Carlo simulation that has been used to simulate the potential fluctuations in CYC's operating results over the period to exercise. The cash flows associated with the modelled operating results are then discounted back to the valuation date.

The fair value of the non-controlling interest in exchangeable shares liability was estimated at the acquisition date based on the Monte Carlo simulation using the following assumptions:

Initial business enterprise value (100%)	$63.0 million
Capped enterprise value (remaining 25% purchase)	$60.0 million
Gross profit expected volatility	20.0%
Gross profit discount rate	12.5%
Expected life	5.2 years

A 1.0% change in the discount rate would result in a $2.0 million change in the amount of the non-controlling interest in exchangeable shares liability.

As at the acquisition date of CYC on June 25, 2021, the fair value of the non-controlling interest in exchangeable shares liability was $33.5 million. During the period from the date of acquisition to November 28, 2021, the unrealized loss in connection with the changes in the fair value of the non-controlling interest in exchangeable shares liability was $2.0 million.

Equity derivative contracts

The Company has equity derivative contracts to hedge the share price exposure on its cash-settled DSUs and RSUs. These contracts are not designated as hedging instruments for accounting purposes. During the 13-week and 39-week periods ended November 28, 2021, the Company recorded an unrealized gain of $7.0 million and $12.2 million, respectively for the change in fair value for these contracts in the consolidated statements of operations in other income (13-week and 39-week periods ended November 29, 2020 - $1.8 million and $1.1 million unrealized gain, respectively). As at November 28, 2021, the equity derivative contracts had a positive fair value of $16.6 million (February 28, 2021 – $4.4 million) which is recorded in prepaid expenses and other current assets in the condensed interim consolidated statements of financial position.

14 Share capital

On May 13, 2021, the Company announced a secondary offering ("Secondary Offering") on a bought deal basis of its subordinate voting shares through a secondary sale of shares by certain entities owned and or controlled directly or indirectly by Brian Hill, Chief Executive Officer and Chairman of the Company, or Brian Hill and his immediate family (the "Selling Shareholders"). The Secondary Offering of 3,040,700 subordinate voting

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

shares raised gross proceeds of $91.2 million for the Selling Shareholders, at a price of $30.00 per subordinate voting share and was completed on June 1, 2021. The Company did not receive any proceeds from the Secondary Offering. As part of the Secondary Offering, during the 39-week period ended November 28, 2021, the Selling Shareholders exchanged 2,600,000 of their multiple voting shares for subordinate voting shares. Underwriting fees were paid by the Selling Shareholders, and other expenses related to the Secondary Offering of approximately $0.5 million were paid by the Company.

As at November 28, 2021, there were 21,937,349 multiple voting shares and 88,844,621 subordinate voting shares issued and outstanding. There were no preferred shares issued and outstanding as at November 28, 2021. Neither the multiple voting shares nor the subordinate voting shares issued have a par value.

15 Stock options

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

Legacy Plan

Following completion of the IPO in October 2016, no additional options will be granted under the Legacy Plan.

Transactions for stock options granted under the Legacy Plan for the 39-week periods ended on November 28, 2021 and November 29, 2020 were as follows:

	November 28, 2021		**November 29, 2020**	
	Number of stock options	**Weighted average exercise price**	**Number of stock options**	**Weighted average exercise price**
Outstanding, at beginning of period	**3,059,324**	**$ 5.13**	3,624,983	$ 4.85
Exercised	**(622,618)**	**4.50**	(245,161)	3.18
Outstanding, at end of period	**2,436,706**	**$ 5.29**	3,379,822	$ 4.98

Stock-based compensation expense in relation to the options under the Legacy Plan for the 13-week and 39-week periods ended November 28, 2021 was nil (13-week and 39-week periods ended November 29, 2020 – $0.1 million and $0.5 million, respectively).

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

Option Plan

Transactions for stock options granted under the Option Plan for the 39-week periods ended November 28, 2021 and November 29, 2020 were as follows:

	November 28, 2021		November 29, 2020	
	Number of stock options	**Weighted average exercise price**	**Number of stock options**	**Weighted average exercise price**
Outstanding, at beginning of period	**5,208,278**	**$ 16.12**	4,158,524	$ 15.22
Granted	**1,585,667**	**32.24**	1,248,078	18.67
Exercised	**(205,533)**	**15.37**	(24,619)	14.48
Forfeited	**(74,608)**	**22.02**	(138,699)	14.74
Outstanding, at end of period	**6,513,804**	**$ 20.00**	5,243,284	$ 16.06

The weighted average fair value of the time-based stock options granted during the 39-week period ended November 28, 2021 was estimated at the date of grant based on the Black-Scholes option pricing model using the following assumptions:

Dividend yield	0.0%
Expected volatility	38.5% to 38.9%
Risk-free interest rate	0.9% to 1.3%
Expected life	5.0 to 7.0 years
Exercise price	$30.98 to $48.23

Stock-based compensation expense in relation to the options under the Option Plan for the 13-week and 39-week periods ended November 28, 2021 was $2.7 million and $7.4 million, respectively (13-week and 39-week periods ended November 29, 2020 - $1.7 million and $3.9 million, respectively).

Director Deferred Share Unit (“DSU”) Program

Each eligible director receives a portion of his or her annual director retainer in DSUs. DSUs vest when granted, but are not redeemable for cash settlement until the eligible director ceases to be a member of the Board. 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 $7.5 million at November 28, 2021 (February 28, 2021 – $4.6 million), with an expense of $1.8 million and $3.9 million, respectively for the 13-week and 39-week periods ended November 28, 2021 (13-week and 39-week periods ended November 29, 2020 - $0.8 million and $0.9 million, respectively), recorded as stock-based compensation expense.

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

Transactions for DSUs granted for the 39-week periods ended on November 28, 2021 and November 29, 2020 were as follows:

	November 28, 2021 Number of DSUs	November 29, 2020 Number of DSUs
Outstanding, at beginning of period	**153,111**	108,959
Granted	**20,894**	36,152
Settled in cash	**(25,624)**	-
Outstanding, at end of period	**148,381**	145,111

Restricted Share Unit ("RSU") Program

RSUs vest on the third anniversary of the award date and at that time, are redeemable for cash based on the market value of the Company's shares. The Company is required to record a liability for the potential future settlement of the RSUs at each reporting date by reference to the fair value of the liability. The fair value of the recorded liability in relation to the RSUs was $11.5 million as at November 28, 2021 (February 28, 2021 – $3.1 million), with an expense of $4.3 million and $8.4 million, respectively for the 13-week and 39-week periods ended November 28, 2021 (13-week and 39-week periods ended November 29, 2020 - $0.8 million and $1.2 million, respectively), recorded as stock-based compensation expense.

Transactions for RSUs granted for the 39-week periods ended November 28, 2021 and November 29, 2020 were as follows:

	November 28, 2021 Number of RSUs	November 29, 2020 Number of RSUs
Outstanding, at beginning of period	**349,046**	145,790
Granted	**305,644**	202,279
Forfeited	**(16,753)**	(2,842)
Outstanding, at end of period	**637,937**	345,227

Performance Share Unit ("PSU") Program

During January 2021, the Company implemented a Performance Share Unit ("PSU") Program. A PSU represents the right to receive a subordinated voting share settled by the issuance of treasury shares or purchased on the open market or the cash equivalent at the market value of a share at the vesting date or a combination of cash and shares at the discretion of the Board. PSUs vest on the third anniversary of the award date and are earned only if certain performance targets are achieved. During the 39-week period ended November 28, 2021, the Company issued 96,836 PSUs to be settled by the issuance of treasury shares, with

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an expense of $0.3 million and $0.7 million for the 13-week and 39-week periods ended November 28, 2021, respectively.

16 Net income per share

a) Basic

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

	13-week periods ended		39-week periods ended	
	November 28, 2021	**November 29, 2020**	**November 28, 2021**	**November 29, 2020**
Net income attributable to shareholders of the Company	**$ 64,941**	$ 30,502	**$ 122,692**	$ 3,157
Weighted average number of shares outstanding during the period (thousands)	**110,504**	109,494	**110,241**	109,415
Basic net income per share	**$ 0.59**	$ 0.28	**$ 1.11**	$ 0.03

b) Diluted

Net income per diluted share is calculated by dividing the income attributable to shareholders of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the period adjusted for the effects of potentially dilutive stock options, PSUs and the non-controlling interest in exchangeable shares liability.

	13-week periods ended		39-week periods ended	
	November 28, 2021	**November 29, 2020**	**November 28, 2021**	**November 29, 2020**
Net income attributable to shareholders of the Company	**$ 64,941**	$ 30,502	**$ 122,692**	$ 3,157
Weighted average number of shares for net income per diluted share (thousands)	**116,140**	112,903	**115,402**	112,386
Net income per diluted share	**$ 0.56**	$ 0.27	**$ 1.06**	$ 0.03

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

For the 13-week and 39-week periods ended November 28, 2021, 241,887 and 1,536,869 stock options, respectively, along with the non-controlling interest in exchangeable shares liability were not included in the calculation of diluted net income per share as they were anti-dilutive (13-week and 39-week periods ended November 29, 2020 – 1,643,431 and 1,863,144). PSUs were not included in the calculation of diluted net income per share as the performance conditions were not satisfied at the end of the period and no shares would be issuable under the arrangement.

17 Net Revenue

Net revenue disaggregated for boutiques and online sales was as follows:

	13-week periods ended		39-week periods ended	
	November 28, 2021	**November 29, 2020**	**November 28, 2021**	**November 29, 2020**
eCommerce net revenue	**$ 147,978**	$ 100,737	**$ 382,372**	$ 276,065
Retail net revenue	**305,345**	177,517	**667,936**	313,733
Net revenue	**$ 453,323**	$ 278,254	**$ 1,050,308**	$ 589,798

18 Expenses by nature

	13-week periods ended		39-week periods ended	
	November 28, 2021	**November 29, 2020**	**November 28, 2021**	**November 29, 2020**
Cost of goods sold				
Inventory and product-related costs and occupancy costs	**$ 217,872**	$ 128,453	**$ 501,778**	$ 309,363
Depreciation expense on right-of-use assets	**16,819**	16,360	**48,560**	48,479
Depreciation expense on property and equipment	**8,490**	7,358	**25,524**	22,376
Cost of goods sold	**$ 243,181**	$ 152,171	**$ 574,862**	$ 380,218

	13-week periods ended		39-week periods ended	
	November 28, 2021	**November 29, 2020**	**November 28, 2021**	**November 29, 2020**
Personnel expenses				
Salaries, wages and employee benefits	**$ 87,553**	$ 60,048	**$ 221,615**	$ 163,370
Stock-based compensation expense (note 15)	**9,109**	3,372	**20,406**	6,498
Government payroll subsidies (note 1)	**-**	(1,695)	**(1,834)**	(29,625)
Personnel expenses	**$ 96,662**	$ 61,725	**$ 240,187**	$ 140,243

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

	13-week periods ended		39-week periods ended	
	November 28, 2021	**November 29, 2020**	**November 28, 2021**	**November 29, 2020**
Finance expense				
Interest expense on lease liabilities (note 9)	**$ 5,624**	$ 5,900	**$ 16,867**	$ 18,096
Interest expense and banking fees	**484**	1,258	**1,988**	3,701
Amortization of deferred financing fees	**52**	53	**255**	159
Finance expense	**$ 6,160**	$ 7,211	**$ 19,110**	$ 21,956

	13-week periods ended		39-week periods ended	
	November 28, 2021	**November 29, 2020**	**November 28, 2021**	**November 29, 2020**
Other income				
Realized foreign exchange (gain) loss	**$ (163)**	$ 437	**$ 1,835**	$ (2,687)
Unrealized foreign exchange (gain) loss	**(989)**	119	**(3,197)**	3,357
Fair value adjustment of non-controlling interest in exchangeable shares liability	**2,000**	-	**2,000**	-
Unrealized gain on equity derivative contracts (note 13)	**(6,950)**	(1,776)	**(12,186)**	(1,061)
Acquisition costs of CYC (note 5)	**224**	-	**2,633**	-
Secondary Offering costs (note 14)	**-**	-	**530**	-
Interest and other income	**(340)**	(312)	**(1,138)**	(1,014)
Other income	**$ (6,218)**	$ (1,532)	**$ (9,523)**	$ (1,405)

19 Income taxes

The income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. The statutory income tax rate for the 13-week and 39-week periods ended November 28, 2021 is 26.6% (13-week and 39-week periods ended November 29, 2020 – 26.7%). The Company's effective income tax rate for the 13-week and 39-week periods ended November 28, 2021 is 28.6% and 29.0%, respectively (13-week and 39-week periods ended November 29, 2020 – 27.9% and 24.1%, respectively). The effective tax rates are driven by the proportionate amount of non-deductible stock-based compensation expense on equity settled plans relative to net income.

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

20 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 clients, including sales through the Company's eCommerce website and sales at the Company's boutiques.

The following table summarizes net revenue by geographic location of the Company's clients:

	13-week periods ended		39-week periods ended	
	November 28, 2021	**November 29, 2020**	**November 28, 2021**	**November 29, 2020**
Canada	**$ 254,595**	$ 185,861	**$ 590,971**	$ 401,910
United States	**198,728**	92,393	**459,337**	187,888
Net revenue	**$ 453,323**	$ 278,254	**$ 1,050,308**	$ 589,798

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

	November 28, 2021	**February 28, 2021**
Canada	**$ 534,617**	$ 458,729
United States	**337,669**	307,987
Non-current, non-financial assets	**$ 872,286**	$ 766,716

21 Commitments and contingencies

a) Product purchase obligations

At November 28, 2021, the Company had purchase obligations of $113.9 million (February 28, 2021 - $69.8 million), which represent commitments for fabric expected to be used during upcoming seasons, made in the normal course of business.

b) Letters of credit

At November 28, 2021, the Company had open letters of credit of $41.4 million (February 28, 2021 - $41.3 million).

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

22 Related party transactions

The Company is ultimately controlled by AHI Holdings Inc. and related entities which are controlled by a director and officer of the Company.

The Company entered into the following transactions with related parties:

a) During the 13-week and 39-week periods ended November 28, 2021, the Company made payments of $1.2 million and $3.6 million, respectively (13-week and 39-week periods ended November 29, 2020 - $1.1 million and $3.1 million, respectively) for lease of premises and management services and $0.1 million and $0.4 million, respectively (13-week and 39-week periods ended November 29, 2020 – $0.3 million and $0.6 million, respectively) for the use of an asset wholly or partially owned by companies that are owned by a director and officer of the Company. As at November 28, 2021, the outstanding balance of lease liabilities owed to these companies was $14.0 million (February 28, 2021 - $11.6 million). At November 28, 2021, $0.1 million was included in accounts payable and accrued liabilities (February 28, 2021 - $0.2 million). These transactions were measured at the amount of consideration established at market terms.

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

	13-week periods ended		39-week periods ended	
	November 28, 2021	**November 29, 2020**	**November 28, 2021**	**November 29, 2020**
Salaries, directors' fees and short-term benefits	**$ 1,598**	$ 1,248	**$ 3,792**	$ 3,305
Stock-based compensation expense	**3,212**	1,468	**7,453**	2,308
	$ 4,810	$ 2,716	**$ 11,245**	$ 5,613

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

23 Supplemental cash flow information

	13-week periods ended		39-week periods ended	
	November 28, 2021	**November 29, 2020**	**November 28, 2021**	**November 29, 2020**
Net change in non-cash working capital balances				
Accounts receivable	**$ (2,058)**	$ (1,960)	**$ (4,143)**	$ (854)
Inventory	**3,813**	2,560	**2,277**	(45,136)
Prepaid expenses and other current assets	**(4,799)**	6,980	**(4,076)**	(11,529)
Other assets	**120**	223	**(1,914)**	651
Accounts payable and accrued liabilities	**64,278**	12,260	**71,199**	83,143
Deferred revenue	**26,842**	19,758	**29,763**	22,459
	$ 88,196	$ 39,821	**$ 93,106**	$ 48,734
Accrued purchases of property and equipment			**$ 10,043**	$ 6,332
Accrued purchases of intangible assets			**226**	-

24 Subsequent events

On January 12, 2022, the Company announced the commencement of a normal course issuer bid (“NCIB”) through the facilities of the Toronto Stock Exchange to repurchase and cancel up to 3,732,725 of the Company’s subordinate voting shares, representing approximately 5% of the public float of 74,654,507, during the twelve month period commencing January 17, 2022 and ending January 16, 2023.