
Consolidated Financial Statements of Groupe Dynamite Inc.

February 1, 2025 and February 3, 2024

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

Independent Auditor's Report

To the Shareholders and the Board of Directors of
Groupe Dynamite Inc.

Opinion

We have audited the consolidated financial statements of Groupe Dynamite Inc. (the "Company"), which comprise the consolidated statements of financial position as at February 1, 2025 and February 3, 2024, and the consolidated statements of net earnings and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 1, 2025 and February 3, 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended February 1, 2025. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Inventories - Evaluation of sufficiency of audit evidence over the existence of inventories - Refer to Note 2 to the financial statements

Key Audit Matter Description

Inventories are geographically dispersed across Canada and the United States as a result of the Company having numerous stores in these locations as well as a warehouse in Canada. To validate the existence of the inventories, the Company performs a combination of annual physical inventory counts, which take place before, at/or near year-end and cyclical physical inventory counts throughout the year.

Given the importance of inventories to the Company's operations and the performance of audit procedures over a large number of geographically dispersed locations, evaluating the sufficiency of audit evidence over the existence of inventories required an increased extent of audit effort to determine the nature, extent and timing of the physical inventory count procedures to be performed.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures over the existence of inventories included the following, among others:

- Analyzed inventory locations to determine where to attend the Company's physical inventory counts,
- Evaluated the effectiveness of certain internal controls over the Company's inventory cycle count process at the warehouse,
- For the stores selected for physical inventory counts:
 - Physically observed management's count procedures over inventory, performed independent sample count procedures and investigated any discrepancies,
 - For annual physical inventory counts conducted at a date other than year-end, tested inventory activity in the intervening period between the count date and the year-end date,
- Evaluated the overall sufficiency of audit evidence obtained over the existence of inventories.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Isabelle Brodeur.

/s/ Deloitte LLP ¹

Montréal, Québec

April 14, 2025

¹CPA auditor, public accountancy permit No. A131574

Groupe Dynamite Inc.
Consolidated Statements of Net Earnings and Comprehensive Income
For the Years Ended
(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Notes	February 1, 2025	February 3, 2024
		\$	\$
Revenue	5	958,525	800,833
Cost of sales	6	356,933	313,646
Gross profit		601,592	487,187
Selling, general and administrative expenses	6	313,161	272,338
Depreciation and amortization	6	76,759	69,370
Foreign exchange (gain) loss		(534)	288
Operating income		212,206	145,191
Finance expense	7	34,409	37,272
Finance income	7	(9,796)	(10,724)
Net financing expense		24,613	26,548
Earnings before income taxes		187,593	118,643
Income taxes	8	51,825	32,827
Net earnings		135,768	85,816
Other comprehensive income			
<i>Items that may be reclassified subsequently to net earnings</i>			
Foreign currency translation adjustments		3,118	(85)
Total comprehensive income		138,886	85,731
Earnings per share			
Basic net earnings per share	9	\$1.26	\$0.80
Diluted net earnings per share	9	\$1.25	\$0.80
Weighted average number of shares outstanding (thousands)		107,591	107,549
Weighted average number of diluted shares outstanding (thousands)		108,758	107,549

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

Groupe Dynamite Inc.
Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

	Notes	February 1, 2025	February 3, 2024
		\$	\$
Assets			
Current assets			
Cash		74,195	8,135
Receivables	10	12,993	14,328
Income taxes receivable	8	19,132	9,997
Inventories		44,952	38,627
Prepaid expenses		10,296	12,371
Total current assets		161,568	83,458
Non-current assets			
Property and equipment	11	107,465	65,419
Right-of-use assets	12	330,105	246,240
Intangible assets	13	13,049	7,757
Deferred tax assets	8	6,450	3,602
Promissory note receivable from parent company	14	-	110,000
Total assets		618,637	516,476
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	15	74,436	60,409
Income taxes payable	8	814	571
Deferred revenue	16	18,972	13,638
Derivative financial instruments	23	-	155
Notes payable to parent companies	17	10,520	-
Current portion of long-term debt	18	-	19,839
Current portion of lease liabilities	12	32,479	28,035
Total current liabilities		137,221	122,647
Non-current liabilities			
Long-term debt	18	-	145,100
Lease liabilities	12	340,102	240,301
Retractable shares	19	-	3,500
Total liabilities		477,323	511,548
Shareholders' equity			
Share capital	20	1,491	-
Retained earnings (deficit)		119,083	(8,645)
Contributed surplus		16,808	12,759
Accumulated other comprehensive income		3,932	814
Total shareholders' equity		141,314	4,928
Total liabilities and shareholders' equity		618,637	516,476
Commitments and contingencies	27		
Guarantees	29		

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

Approved by the Board of Directors

Andrew Lutfy

Linda Drysdale

Montreal, Canada
April 14, 2025

Groupe Dynamite Inc.
Consolidated Statement of Changes in Equity
For the Years Ended

(Expressed in thousands of Canadian dollars, except share amounts)

	Notes	Share capital	Retained earning (deficit)	Contributed surplus	Accumulated other comprehensive income	Total
		\$	\$	\$	\$	\$
Balance, January 28, 2023		-	(88,296)	11,453	889	(75,954)
Net earnings		-	85,816	-	-	85,816
Foreign currency translation adjustments		-	-	-	(75)	(75)
		-	(2,480)	11,453	814	9,787
Stock-based compensation expense	21	-	-	2,804	-	2,804
Options cancelled	21	-	1,498	(1,498)	-	-
Recovery of refundable taxes	8	-	(7,663)	-	-	(7,663)
Balance, February 3, 2024		-	(8,645)	12,759	814	4,928
Net earnings		-	135,768	-	-	135,768
Foreign currency translation adjustments		-	-	-	3,118	3,118
		-	127,123	12,759	3,932	143,814
Re-designation Class G shares	20	500	-	-	-	500
Stock-based compensation expense	21	-	-	5,557	-	5,557
Options cancelled	21	-	532	(532)	-	-
Exercise of stock options	21	991	-	(976)	-	15
Distribution to shareholders	17	-	(16,235)	-	-	(16,235)
Refundable taxes	8	-	7,663	-	-	7,663
Balance, February 1, 2025		1,491	119,083	16,808	3,932	141,314

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

Groupe Dynamite Inc.
Consolidated Statements of Cash Flows
For the Years Ended

(Expressed in thousands of Canadian dollars)

	Notes	February 1, 2025	February 3, 2024
		\$	\$
Operating activities			
Net earnings for the period		135,768	85,816
Adjustments for:			
Depreciation and amortization	6	76,759	69,370
Amortization of financing costs	7	855	738
Change in fair value of derivative financial instruments	7	(155)	143
Unrealized loss on foreign exchange		1,008	928
Deferred income taxes	8	(2,818)	1,091
Stock-based compensation expense	21	5,557	2,804
		216,974	160,890
Changes in non-cash working capital components	22	10,000	(15,125)
Cash generated from operating activities		226,974	145,765
Investing activities			
Additions to property and equipment	11	(52,659)	(48,422)
Additions to intangible assets	13	(10,648)	(4,970)
Proceed from promissory note receivable from parent company	14	110,000	-
Cash from (used in) investing activities		46,693	(53,392)
Financing activities			
Repayment of principal on lease liabilities	12	(36,769)	(38,530)
Proceeds from long-term debt	18	7,000	10,000
Repayment of long-term debt	18	(173,250)	(88,750)
Payment of financing fees		(181)	(61)
Redemption of retractable shares	19	(3,000)	-
Cash used in financing activities		(206,200)	(117,341)
Effect of foreign exchange rate changes on cash		(1,407)	(591)
Net increase (decrease) in cash		66,060	(25,559)
Cash, beginning of year		8,135	33,694
Cash, end of year		74,195	8,135
Supplemental information⁽¹⁾			
Income taxes paid		(55,872)	(52,724)
Interest paid		(33,709)	(37,205)
Interest received		12,468	9,954

(1) Amounts paid or received for income taxes and interest were reflected as cash generated from operating activities in the consolidated statements of cash flows.

See additional information presented in Note 22.

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

1 Nature of operations and general information

Groupe Dynamite Inc. (the “Company”) designs and distributes women’s apparel under the brands Dynamite and Garage and sells its products to markets in Canada and the United States of America, through corporate stores and online. The Company is indirectly controlled by the Chair and Chief Executive Officer, Andrew Lutfy, through ownership of Canadian entities.

The consolidated financial statements (the “financial statements”) were authorized for issue in accordance with a resolution of the Board of Directors on April 14, 2025. The Company is incorporated under the Canada Business Corporations Act and domiciled in Canada. The registered office is located at 5592 Ferrier, Mont-Royal, Quebec, Canada, H4P 1M2.

On November 26, 2024, the Company successfully closed its initial public offering (“IPO”) of its subordinate voting shares. The Selling Shareholders, controlled by the Chair and Chief Executive Officer, Andrew Lutfy, sold an aggregate of 14,285,715 subordinate voting shares to the underwriters at an offering price of \$21 per share, for aggregate gross proceeds of approximately \$300 million. The Selling Shareholders had also granted the underwriters an over-allotment option to purchase up to an additional 2,142,857 subordinate voting shares at a price of \$21 that was partially exercised for additional gross proceeds of approximately \$13.6 million. Underwriting fees were paid by the Selling Shareholders, and the Company incurred other expenses related to the IPO. The Company’s subordinate voting shares are now listed for trading on the Toronto Stock Exchange (“TSX”) under the symbol “GRGD”.

The Company’s fiscal year ends the Saturday closest to January 31. The year ended February 1, 2025 (referred to as Fiscal 2024) covers a 52-week fiscal period and the year ended February 3, 2024 (referred to as Fiscal 2023) covers a 53-week fiscal period.

2 Material accounting policies

The financial statements were prepared in accordance with IFRS® Accounting Standards, as issued by the International Accounting Standards Board (IASB) (“IFRS Accounting Standards”). The financial statements have been prepared on the historical cost basis except for certain financial instruments and liabilities for stock-based compensation plan. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Going concern

The financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue to operate for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Basis of consolidation

The financial statements include the accounts of the Company and its wholly-owned subsidiaries. Subsidiaries are consolidated from the date the Company obtains control until the date the Company ceases to have control. All intercompany transactions, balances, income and expenses are eliminated

upon consolidation. The Company and all of its wholly-owned subsidiaries have the same reporting dates. As at February 1, 2025, and February 3, 2024, the Company had the following subsidiaries:

	Countries of incorporation	Ownership interest	
		February 1, 2025	February 3, 2024
		%	%
Groupe Dynamite Inc.			
Le Garage Boutique Inc.	Canada	100	100
GRG USA Holdings Inc.	USA	100	100
GRG USA LLC	USA	100	100
Garage International (UK) Ltd	United Kingdom	100	n/a

Functional and presentation currency

The financial statements are presented in Canadian dollars. The functional currency for each entity included in these financial statements is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its Canadian subsidiaries is the Canadian dollar. The functional currency of the Company's U.S. subsidiaries is the U.S. dollar. The functional currency of the Company's U.K subsidiary is the British pound.

Translation of foreign currency transactions and items

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect on the reporting date, whereas non-monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the transaction date and thus at the historical rate. Transactions denominated in a foreign currency are translated at the exchange rate in effect on the transaction date with the exception of depreciation and amortization that are translated at the historical rate, with all gains and losses on exchange being recorded in net earnings.

Assets and liabilities of a foreign operation with a functional currency different from that of the Company are translated into Canadian dollars at the closing rate on the reporting date. Revenue and expenses are translated into Canadian dollars at the exchange rate in effect on the transaction date. Exchange differences are presented as other comprehensive income and recognized in the cumulative translation adjustments reserve in accumulated other comprehensive income.

Inventories

Merchandise inventories are measured at the lower of cost, determined on a weighted average basis, and net realizable value. The Company estimates net realizable value as the amount that inventories are expected to be sold, in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories include both finished goods and finished

goods that are currently in transit. Inventory adjustments impacting cost of sales are discussed in Note 6.

Property and equipment

Property and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property and equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment, if any. All day-to-day maintenance costs are recognized in net earnings in selling, general and administrative expenses in the period in which they are incurred.

Gains and losses arising on the disposal or derecognition of individual assets, or a part thereof, are recognized in the consolidated statements of earnings in the period of disposal. All the items of property and equipment in progress are not depreciated until they can be operated in the manner intended by management.

Depreciation is recognized on a straight-line basis using the cost of the item, less its estimated residual value, over its estimated useful life.

Each asset's residual value, useful life and depreciation method are reassessed, and adjusted if appropriate, at the reporting date. The Company has applied the following estimated useful lives:

Computer equipment	3 to 5 years
Equipment	Up to 10 years
Furniture and fixtures	2 to 10 years
Leasehold improvements	Over the lesser of the useful life and the term of the lease

Intangible assets

Intangible assets are measured at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are comprised of software and internally-generated intangible assets and their useful lives are assessed to be finite.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized on a straight-line basis using the cost of the item, less its estimated residual value over its estimated useful life. Amortization of intangible assets not in service begins when they are ready for their intended use. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The estimated useful lives for the current and comparative periods are as follows:

Software	Maximum of 5 years
----------	--------------------

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted prospectively, if appropriate.

Impairment of non-financial assets

All non-financial assets with finite lives are reviewed at each reporting date for indicators that the carrying amount may not be recoverable. When there is an indicator of impairment, an impairment test is carried out. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (defined as “cash-generating unit” or “CGU”).

Leases

The Company evaluates whether a contract constitutes or includes a lease at its inception. The lease liability is calculated at the present value of the future fixed and in-substance fixed payments, and variable lease payments dependent on an index or rate over the lease term, minus any lease incentives receivable, discounted using the lessee’s incremental borrowing rate, unless the lease’s implicit interest rate is readily determinable. Lease liabilities are subsequently measured at amortized cost using the effective interest rate method.

Lease terms are the non-cancellable periods specified in the contract, plus any periods covered by renewal or termination options if the Company is reasonably certain to exercise those options. When the lease contract is modified and the lease modification is not accounted for as a separate lease, lease liabilities are remeasured (with a corresponding adjustment to the right-of-use asset).

The cost of the right-of-use assets include the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date, and any initial direct costs, less any lease incentives received before the commencement date. The right-of-use assets are subsequently measured at cost and depreciated on a straight-line basis from the date the underlying asset is available for use over the lease term.

The Company is taking the exemption for low-value leases and short-term leases. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liabilities and are recognized in cost of sales as incurred. Lease incentives received for variable payment leases, if any, are deferred and amortized as a reduction in recognized variable rent expenses over the related lease terms.

The Company will account for each lease component within the contract as a lease separately from non-lease components as it has not elected to apply the practical expedient available under IFRS 16.

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.

Share capital

Multiple voting shares and subordinate voting shares are classified as share capital. Incremental costs directly attributable to the issuance of shares or options, if any, are recorded in share capital as a deduction, net of tax, from the proceeds of the issuance.

Retractable Shares

Class C and Class G retractable shares are classified as a compound financial instrument, containing both a liability and an equity component. The right to discretionary dividends gives rise to an equity component as the Company is not contractually obligated to pay dividends on these shares. The liability component represents the redemption amount as this approximates the fair value of the shares. This amount is recorded as a liability on an amortized cost basis. The equity component is equal to proceeds less the value of the liability component. As part of a Pre-Closing Reorganization, the Company redeemed all issued and outstanding Class "C" shares and re-designated all issued and outstanding Class "G" shares.

Stock-based compensation

Equity-settled stock-based compensation awards granted to employees are measured at fair value at the grant date using the Black-Scholes option-pricing model. Details regarding the significant inputs into the determination of the fair value of the awards are in Note 21. The fair value determined at the grant date of the equity-settled stock option awards is expensed using the graded vesting method over the vesting period and credited to contributed surplus. An estimate of forfeitures during the vesting period is made at the date of grant, which is adjusted to reflect actual forfeitures.

Revenue recognition

The Company's revenue comes from the sale of products that are recognized at a point in time. The Company recognizes revenue when control of the goods or services has been transferred to the customer. Revenue is measured at the fair value of the amount of consideration to which the Company expects to be entitled to, including variable consideration, if any, to the extent that it is highly probable that a significant reversal will not occur. Revenue reflects the Company's sale of merchandise, less

returns and discounts. The Company is impacted by retail seasonality and has traditionally higher sales in the second half of the fiscal year.

Sales of merchandise

Retail revenue is measured at the fair value of the consideration received at the time the sale is made to the customer, net of discounts and estimated allowance for returns.

Online revenue is recognized at the date of delivery to the customer and measured at the fair value of the consideration received, net of discounts and an estimated allowance for returns. Shipping fees charged to customers are recorded as revenue.

Reported sales exclude sales taxes.

Gift cards

Gift cards sold are accounted for as deferred revenue and the revenue is recognized when the gift cards are redeemed. The Company estimates gift card breakage, to the extent permissible under local laws, and recognizes in revenue the breakage in proportion to actual gift card redemptions.

Loyalty points program

The Company has a loyalty points program that gives rise to a separate performance obligation as it provides a material right to the customer. Transaction price is allocated between the loyalty points and the goods on which the awards were earned based on their relative stand-alone selling prices taking into consideration the estimated redemption percentage. Loyalty points and awards granted under customer loyalty award programs as a result of a sales transaction are recorded as deferred revenue until the loyalty points and awards are redeemed by the customer.

Sales with a right of return

The Company grants rights of return on goods sold to customers. Revenue is reduced by the amount of expected returns, which is determined based on historical patterns of returns, and a related refund liability is recorded within Accounts payable and accrued expenses.

Cost of sales

Cost of sales includes the cost of inventories purchased, shipping and transportation costs, warehousing, distribution costs and the variable and short-term occupancy costs that are excluded from the lease liability.

Government grants

Government grants are recorded at their fair value when there is reasonable assurance of receipt and compliance with all associated conditions. Grants that reimburse the Company for specific expenses

are recognized in the consolidated statement of earnings and comprehensive income as a reduction of those expenses.

Selling, general and administrative expenses

Selling, general and administrative expenses include store and head office salaries and benefits, professional fees, repairs and maintenance, store supplies, marketing and other expenses.

Finance expense and income

Finance income consists of interest on cash. Finance expense and income are accounted for in the consolidated statement of earnings and comprehensive income as they accrue, using the effective interest method. The Company incurred certain costs related to the revolving bank loans. These amounts are amortized as finance expense on a straight-line basis over the term of the related debt. The deferred charges are presented as a reduction of the long-term debt.

Income taxes

Income tax expense comprises current and deferred taxes. Current income taxes and deferred income taxes are recognized in net earnings except for items recognized directly in equity or in other comprehensive income.

The Company's income tax expense is based on tax rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years. The Company's estimates of current income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as for changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the income tax expense and in measuring current income tax assets and liabilities.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is included in net earnings in the period that includes the enactment date, except to the extent that it relates to an item recognized either in other comprehensive income or directly in equity in the current or in a previous period.

The Company only offsets income tax assets and liabilities if it has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are recognized

on the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of realization or settlement. Current and deferred taxes attributable to amounts recognized directly in equity are also recognized directly in equity.

Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data for its shares. Basic EPS is calculated by dividing the net earnings of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the period. Since all classes of equity shares have the same distribution rights, the Company calculates EPS as if all the equity shares belong to a single class. Diluted EPS is determined by adjusting the weighted average number of shares outstanding to include additional shares issued from the assumed exercise of share options, if dilutive. The treasury share method is used to evaluate the dilutive effect of share options. Under this method, instruments with a dilutive effect are considered to have been exercised at the beginning of the fiscal year, or at the time of issuance, if later, and the proceeds received are considered to have been used to purchase subordinate voting shares at the average market price during the period.

Financial instruments

Financial assets are initially measured at fair value. On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Company has no financial assets measured at fair value through other comprehensive income or through profit and loss (except for the derivative financial instruments discussed below in section D and E).

A. Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

B. Impairment of financial assets

The Company uses the “expected credit loss” model for calculating impairment and recognizes expected credit losses as a loss allowance in the consolidated statement of financial position if they relate to a financial asset measured at amortized cost. The Company’s trade and other receivables, typically short-term receivables with payments received within a 12-month period, do not have a significant financing component. Therefore, the Company recognizes impairment and measures expected credit losses as lifetime expected credit losses. The carrying amount of these assets in the consolidated statement of financial position is stated net of any loss allowance.

C. Financial liabilities

The Company classifies non-derivative financial liabilities as measured at amortized cost. Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Embedded derivatives are separated from a host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, the terms of the embedded derivative are the same as those of a standalone derivative and the host instrument itself is not recorded at fair value through profit or loss.

D. Non-hedge derivative financial instruments measured at fair value

Non-hedge derivative financial instruments, including foreign exchange contracts, are recorded as either assets or liabilities measured initially at their fair value. Attributable transaction costs are recognized in profit or loss as incurred. All derivative financial instruments not designated in a hedge relationship are classified as financial instruments at fair value through profit and loss. Any subsequent change in the fair value of non-hedge foreign exchange contracts is accounted for in net financing expense for the period in which it arises. The non-hedge foreign exchange contracts are used to manage foreign exchange fluctuations related to inventory purchases.

E. Hedge accounting on derivative financial instruments measured at fair value

The Company uses hedge accounting when it meets the rules for compliance with hedge accounting standards. At inception of the hedge relationship, the Company formally documents all relationships between hedging instruments and hedged items as well as its risk management objectives and its strategy for undertaking various hedge transactions. This process includes linking all hedging instruments to specific assets or liabilities in the Condensed Interim Consolidated Statement of Financial Position or to specific future transactions. The Company also systematically determines, at the inception of the hedge and thereafter whether the financial instruments designated as hedges meet the effectiveness requirements.

Cash flow hedge

The Company uses hedge accounting to hedge the interest rate risk of a floating-rate loan. When the anticipated transactions, which include the hedged items, result in the recognition of financial assets or liabilities, the change in fair value related to the effective portion of the hedge is recognized in other comprehensive income. The amounts accumulated in other comprehensive income are reclassified to profit or loss in the period in which the underlying hedged item has an impact on profit or loss. Any ineffective portion is immediately recognized in profit or loss. When the hedging relationship no longer satisfies hedge accounting requirements or when the hedging instrument reaches maturity or is sold, terminated, or exercised, the Company ceases to prospectively apply hedge accounting to this relationship or instrument. If the hedged item is a financial asset or liability, accumulated gains or losses remain in the hedging reserve and are reclassified in profit or loss in the same period in which the underlying hedged item is recognized in profit or loss.

For the years ended February 1, 2025 and February 3, 2024, the Company has no derivative financial instruments designated as a hedging instrument.

Fair Value Measurement

When measuring the fair value of an asset or liability the Company uses observable market data whenever available. Fair values are classified within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value estimates are made at a specific point in time, using available information about the asset or liability. These estimates are subjective in nature and often cannot be determined with precision. There was no change in the valuation techniques applied to financial instruments during the current year. Fair values have been determined for measurement and/or disclosure purposes based recognized methods.

3 Standards, interpretations and amendments adopted during the current fiscal year, or not yet effective

Standard issued and adopted

New amendments to standards and interpretations are effective for the current periods.

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

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current and in October 2022, the IASB issued Non-current Liabilities with Covenants, both of which amend IAS 1 – Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 with earlier application permitted. The narrow scope amendments issued in January 2020 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 issued in October 2022 clarify the impact of covenants on the classification and disclosure of liabilities depending on whether the timing of the requirements in the covenants falls on or before the reporting date or after the reporting date. As of the beginning of the year ending February 1, 2025, the Company adopted the amendments, which did not have a significant impact on the financial statements.

Standards issued and not yet adopted

A number of new standards, and amendments to standards and interpretations, are effective in future periods and have not been applied in preparing these financial statements. Those not yet effective:

Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 is the new standard on financial statement presentation and disclosure with a focus on updates to the statement of profit or loss. IFRS 18 will replace IAS 1, Presentation of Financial Statements, and retains many of the existing principles in IAS 1. The new presentation requirements introduced in IFRS 18 will increase comparability of the financial performance of similar entities, especially related to how “operating profit or loss” is defined. The new disclosure requirements for “management-defined performance measures” will enhance transparency. IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027. Early adoption is permitted. The Company is currently evaluating the impact from the adoption of IFRS 18 on its interim and annual financial statements.

Amendments to the Classification and Measurement of Financial Instruments (IFRS 7 and IFRS 9)

In May 2024, the IASB issued IFRS 7 and IFRS 9 Amendments to the Classification and Measurement of Financial Instruments. The amendments clarify the date of recognition and derecognition of some financial assets and liabilities with a new exception for some financial liabilities settled through an electronic cash transfer system; clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; add new disclosures for certain instruments with contractual terms that can change cash flows such as instruments with features linked to the achievement of environment, social and governance (ESG) targets; and update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). IFRS 7 and IFRS 9 amendments applies for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted. The Company is currently evaluating the impact from the adoption on its interim and annual financial statements.

4 Significant accounting judgments and estimates

The preparation of the financial statements in accordance with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. These estimates and assumptions are based on historical experience, other relevant factors and expectations of the future and are reviewed regularly.

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.

The judgments, estimates and assumptions, which could result in a material adjustment to the carrying amount of assets and liabilities are discussed below:

Judgments

Lease terms: whether the Company is reasonably certain, at the lease commencement date, it will exercise available renewal or termination options and thus include such options in the lease terms.

Estimates

Return allowances: estimates of expected returns based on historical return patterns.

Inventories: estimates of net realizable value, which requires the Company to utilize estimates related to product quality, damages, future demand, selling prices, and market conditions. The Company periodically reviews its inventories and records a write-down if the cost exceeds net realizable value of inventory, based on the above factors.

Incremental borrowing rate: estimates of the incremental borrowing rate used for calculating lease liabilities and right-of-use-assets. The Company estimates the incremental borrowing rate of each leased asset as the rate of interest that the Company would have to pay to borrow, over a similar term with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Deferred income tax assets: Management is required to make subjective assessments to determine the amount of deferred income tax assets to be recognized. Deferred income tax assets are recorded to the extent that it is probable that there will be adequate taxable income in the future against which they can be utilized.

Other: other estimates include determining the useful lives and depreciation methods applied to property, plant and equipment and intangible assets with definite lives for the purposes of depreciation and amortization; in accounting for and measuring items such as deferred revenue and provisions; and in measuring certain fair values, stock-based payments, and financial instruments.

5 Revenue

	February 1, 2025	February 3, 2024
	\$	\$
Retail	786,764	653,772
Online	171,761	147,061
	958,525	800,833

6 Expenses by nature included in operating income

	February 1, 2025	February 3, 2024
	\$	\$
Cost of sales		
Cost of goods sold, labour and transportation	300,171	260,407
Occupancy costs	56,762	53,239
Total cost of sales	356,933	313,646
Selling, general and administrative expenses		
Selling and marketing	62,077	56,739
Wages, salaries and employee benefits	210,104	183,132
Administrative costs	40,980	32,467
Total selling, general and administrative expenses	313,161	272,338
Depreciation and amortization		
Depreciation of property and equipment and right-of-use assets	71,409	63,468
Amortization of intangible assets	5,350	5,902
Total depreciation and amortization	76,759	69,370

During the year ended February 1, 2025, the Company recorded a write-down to value inventory to its estimated net realizable value. This resulted in an expense in cost of goods sold of \$929 for the year ended February 1, 2025 (\$634 for the year ended February 3, 2024). No inventory adjustments recognized in previous periods were reversed.

7 Net financing expense

	February 1, 2025	February 3, 2024
	\$	\$
Interest expense	9,941	17,103
Interest on lease liabilities (note 12)	23,768	19,288
Change in fair value of derivative financial instruments (note 23)	(155)	143
Amortization of financing costs	855	738
Finance expense	34,409	37,272
Interest income	2,036	838
Interest income promissory note receivable from parent company	7,760	9,886
Finance income	9,796	10,724
Net finance expense	24,613	26,548

8 Income taxes

The detail of income tax expense in the consolidated statements of earnings is as follows:

	February 1, 2025	February 3, 2024
	\$	\$
Current tax expense		
Current tax on income for the year	54,265	32,164
Adjustments with respect to prior years	378	(428)
	54,643	31,736
Deferred tax expense		
Origination and reversal of temporary differences	(2,890)	936
Adjustments with respect to prior years	72	155
	(2,818)	1,091
Income tax expense	51,825	32,827

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 1, 2025 and February 3, 2024 of 26.39% and 26.38%, respectively, as follows:

Groupe Dynamite Inc.
Notes to Consolidated Financial Statements
February 1, 2025 and February 3, 2024
(Expressed in thousands of Canadian dollars, unless noted otherwise)

	February 1, 2025		February 3, 2024	
	\$	%	\$	%
Earnings before income tax expense	187,593	-	118,643	-
Income tax using the Company's statutory rate	49,498	26.39	31,301	26.38
Expenses not deductible for tax purposes and other adjustments	1,577	0.84	1,843	1.55
Adjustment with respect of prior years	454	0.24	(274)	(0.23)
Impact of change in substantively enacted tax rates	-	-	42	0.04
Difference in statutory tax rates of foreign subsidiaries	101	0.05	111	0.09
Effect of foreign exchange	195	0.10	(294)	(0.25)
Unrecognized tax attributes	-	-	98	0.08
Other	-	-	-	-
	51,825	27.63	32,827	27.67

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities are as follows:

	February 1, 2025	February 3, 2024
	\$	\$
Deferred tax assets		
Accrued expenses and reserves	5,728	3,871
Lease obligations	11,254	5,855
Carrying value of property and equipment and intangible assets in excess of tax basis	739	612
Other	4,171	2,425
Total deferred tax assets	21,892	12,763
Deferred tax liabilities		
Carrying value of property and equipment and intangible assets in excess of tax basis	15,442	9,161
Total deferred tax liabilities	15,442	9,161
Net deferred tax assets	6,450	3,602

Prior to the Company losing its classification as a private corporation under the Income Tax Act following the IPO, a portion of its income taxes was recoverable when taxable dividends were paid to shareholders. These taxes were charged to retained earnings and recoveries were credited to retained earnings. In the current year, the Company recorded a recovery of refundable income taxes in the amount of 16,235 (Fiscal 2023 – nil) relating to the period prior to the IPO. The amount of accumulated refundable taxes is nil as at February 1, 2025 (\$7,663 as at February 3, 2024).

9 Earnings per share

Basic and diluted EPS are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of shares outstanding during the period, and by the diluted weighted average number of shares outstanding, respectively. This calculation also reflects the Share Consolidation (note 20) that took place in connection with a Pre-Closing Reorganization (note 20), applied retrospectively.

Basic

	February 1, 2025	February 3, 2024
	\$	\$
Net earnings attributable to shareholders of the Company	135,768	85,816
Weighted average number of shares outstanding (thousands)	107,591	107,549
Basic net earnings per share	\$1.26	\$0.80

Diluted

	February 1, 2025	February 3, 2024
	\$	\$
Net earnings attributable to shareholders of the Company	135,768	85,816
Weighted average number of shares outstanding (thousands)	107,591	107,549
Diluted effect:		
Stock options (thousands)	1,167	-
Diluted weighted average number of shares outstanding (thousands)	108,758	107,549
Diluted net earnings per share	\$1.25	\$0.80

10 Receivables

	February 1, 2025	February 3, 2024
	\$	\$
Credit cards receivables	6,701	7,024
Trade and other receivables	5,317	3,982
Interest receivable from parent company	-	2,672
Government grant receivable	975	650
Total	12,993	14,328

11 Property and equipment

	Computer equipment	Equipment	Furniture and fixtures	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Cost					
Balance, January 28, 2023	22,013	7,667	24,223	235,205	289,108
Additions	2,788	197	3,091	39,888	45,964
Disposals	(25)	-	(501)	(25)	(551)
Effect of foreign exchange	1	1	4	(5)	1
Balance, February 3, 2024	24,777	7,865	26,817	275,063	334,522
Additions	7,022	191	3,747	42,738	53,698
Disposals	(4)	-	(170)	(617)	(791)
Effect of foreign exchange	348	40	710	12,477	13,575
Balance, February 1, 2025	32,143	8,096	31,104	329,661	401,004
Accumulated depreciation					
Balance, January 28, 2023	18,136	7,292	19,013	207,535	251,976
Depreciation	3,126	216	2,370	11,827	17,539
Disposals	(25)	-	(501)	(25)	(551)
Effect of foreign exchange	5	1	8	125	139
Balance, February 3, 2024	21,242	7,509	20,890	219,462	269,103
Depreciation	3,687	149	2,482	11,189	17,507
Disposals	(4)	-	(170)	(617)	(791)
Effect of foreign exchange	242	40	476	6,962	7,720
Balance, February 1, 2025	25,167	7,698	23,678	236,996	293,539
Carrying amounts					
Balance, February 3, 2024	3,535	356	5,927	55,601	65,419
Balance, February 1, 2025	6,975	398	7,426	92,665	107,465

12 Leases

The Company has the right to use real estate properties for its stores, a distribution center 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 initial lease term of stores typically runs for a period of approximately 10 years. Leases may include one or more options to renew the lease for additional periods of five years each after the end of the initial term.

Right-of-use assets:

	February 1, 2025	February 3, 2024
	\$	\$
Balance, beginning of year	246,240	210,708
Additions, net of lease incentives received	66,543	59,004
Modifications	57,626	22,466
Depreciation	(53,902)	(45,929)
Foreign exchange	13,598	(9)
Balance, end of year	330,105	246,240

Lease liabilities:

	February 1, 2025	February 3, 2024
	\$	\$
Balance, beginning of year	268,336	226,172
Additions	67,100	58,814
Interest expense on lease liabilities	23,768	19,288
Modifications	57,878	21,959
Repayment of interest and principal on lease liabilities	(60,537)	(57,818)
Foreign exchange	16,036	(79)
Balance, end of year	372,581	268,336
Current portion	32,479	28,035
Long-term portion	340,102	240,301

During the year ended February 1, 2025, the Company expensed \$9,386 (February 3, 2024 – \$9,149) of variable lease payments in cost of sales, which are not included in the lease liabilities. The Company also expensed \$1,642 (February 3, 2024 – \$1,489) of lease payments relating to short-term leases or leases with underlying low-value asset in cost of sales for which the payments were not included in the lease liabilities.

13 Intangible assets

	February 1, 2025	February 3, 2024
	\$	\$
Cost		
Balance, beginning of year	81,500	76,529
Additions	10,648	4,970
Disposals	-	-
Effect of foreign exchange	29	1
Balance, end of year	92,177	81,500
Accumulated amortization		
Balance, beginning of year	73,743	67,840
Amortization	5,350	5,902
Disposals	-	-
Effect of foreign exchange	35	1
Balance, end of year	79,128	73,743
Carrying amounts	13,049	7,757

14 Promissory note receivable from parent company

	February 1, 2025	February 3, 2024
	\$	\$
Promissory note receivable from parent company, bearing interest at a rate of 1.85% per annum above the prime rate (7.20% at February 3, 2024), and receivable on a quarterly basis, payable on demand	-	110,000

Following the receipt of proceeds from the sale of subordinate voting shares to the underwriters under the IPO, the Selling Shareholders caused the promissory note receivable from the parent company to be repaid.

15 Accounts payable and accrued expenses

	February 1, 2025	February 3, 2024
	\$	\$
Trade payables	19,466	20,094
Government remittances	3,199	4,119
Accrued expenses	30,438	18,712
Accrued employee benefits	21,333	17,484
Total	74,436	60,409

16 Deferred revenue

	February 1, 2025	February 3, 2024
	\$	\$
Unredeemed gift cards	12,450	11,121
Loyalty points	5,609	1,741
Online sales in transit	913	776
	18,972	13,638

For the year ended February 1, 2025, \$8,463 (\$6,146 for the year ended February 3, 2024) of revenue was realized in relation to the deferred revenue balance outstanding at the beginning of the year.

17 Notes payable to parent companies

	February 1, 2025	February 3, 2024
	\$	\$
Notes payable to parent companies, non-interest bearing, payable on demand	10,520	-

As of November 19, 2024, in connection with the IPO, the Company increased the stated capital of the Class "A" shares in an aggregate amount of \$222,000 and immediately thereafter decreased the stated capital of the Class "A" shares in an aggregate amount of \$16,235 and returned such capital to certain shareholders by issuing non-interest bearing demand promissory notes. The stated capital increase triggered a tax refund to the Company in an amount equivalent to the principal amount of the promissory notes. Since the issuance, the Company reimbursed an amount of \$5,715 on the notes payable and the balances outstanding as at February 1, 2025 are expected to be repaid during the next fiscal year.

18 Long-term debt

	February 1, 2025	February 3, 2024
	\$	\$
Credit facilities	-	166,250
Financing costs	-	(1,311)
	-	164,939
Current portion	-	19,839
Long term portion	-	145,100

Credit agreement

The original credit agreement dated November 10, 2022 (the “Original Credit Agreement”) was amended and restated on March 25, 2024 (the “Amended and Restated Credit Agreement”), and the maturity date was extended by one year to November 10, 2026. Under the terms of the Amended and Restated Credit Agreement, proceeds from the revolving facility were used to refinance the term facility, such that the total commitments of the revolving facility under the Original Credit Agreement were increased by an amount of \$70,000, and the total commitments under the term facility were decreased by the same amount. As such, the Company was entitled to borrow up to an aggregate amount of \$326,250 under the terms of the Amended and Restated Credit Agreement.

Under the Amended and Restated Credit Agreement, the facilities were available in the form of (i) a revolving credit facility up to \$230,000, with up to \$30,000 of letter of credit availability under the revolving credit facility, and a swingline facility up to \$10,000 under the revolving credit facility, and (ii) a term facility up to \$96,250. The Amended and Restated Credit Agreement also allowed for an increase of the revolving facility (accordion feature) up to \$100,000.

On November 20, 2024, the Amended and Restated Credit Agreement was further amended and restated into the Second Amended and Restated Credit Agreement. Under the terms of the Second Amended and Restated Credit Agreement, the outstanding balance of the term loan (\$86,750) was fully repaid by using proceeds from the repayment of the promissory note receivable from a parent company, reducing the term loan commitments to \$nil. The outstanding balance of the revolving credit facility (\$7,000) was also fully repaid, reducing the commitment to \$nil. Under the Second Amended and Restated Credit Agreement, the Company can borrow up to an aggregate amount of \$312,000 in the form of a revolving credit facility, with up to \$30,000 of letter of credit availability under the revolving credit facility, and swingline facilities of up to \$30,000 under the revolving credit facility.

During Fiscal 2024, the Company repaid \$96,250 on its term loan and \$77,000 on its revolving credit facility including the \$70,000 refinanced under the Amended and Restated Agreement and an additional \$7,000 drawn upon that same facility during Fiscal 2024. The Company used the proceeds from the promissory note receivable from a parent company in the amount of \$110,000 to reduce its commitments.

As at February 1, 2025, the Company had no outstanding borrowings under the credit facilities (\$166,250 as of February 3, 2024).

Funds advanced under the Amended and Restated Credit Agreement bore interest at the Canadian bank prime rate and US bank base rate plus a margin, or at the CORRA rate and SOFR plus a margin (previously bore interest at the Canadian bank prime rate and U.S. bank base rate plus a margin, or at bankers' acceptances rate and CDOR plus a margin). The margin was determined based on a financial ratio. Post June 28, 2024, CDOR rates were no longer being published. As a result, in the second quarter of Fiscal 2024, the Company entered into amendments that included the transition from the CDOR to the CORRA. For the year ended February 1, 2025, the average interest rate was 6.53% (5.29% for the year ended February 3, 2024).

The credit facilities are secured by first ranking security on all the movable and immovable, present and future assets of the Company, including all cash on hand.

As at February 1, 2025, the Company was compliant with all of its financial ratio requirements.

For more information about the Company's exposure to interest rate and liquidity risks, please refer to Note 24.

19 Retractable shares

On or about November 20, 2024, as part of a Pre-Closing Reorganization, the Company redeemed all issued and outstanding Class "C" shares, held by 10644579 Canada Inc., a parent company, for cash proceeds totaling \$3,000. Additionally, the Company amended its articles to create new share categories: preferred shares, multiple voting shares, and subordinate voting shares. Following this, the Company re-designated all issued and outstanding Class "G" shares held by Mr. Lutfy's children, with an aggregate redemption value of approximately \$500, as multiple voting shares, based on the redemption value divided by the IPO price of \$21 per share. Finally, the Company removed Class "A," "B," "C," "D," "E," "F," "G," and "H" shares from its authorized capital.

Prior to the Pre-Closing Reorganization, the authorized retractable share capital, consisted of, without par value, an unlimited number of:

Class C shares, 5% non-cumulative dividend, non-participating, voting, redeemable and retractable at the fair value of the consideration for which the shares were issued thereon

Class D shares, discretionary, non-cumulative dividend, non-participating, non-voting, redeemable and retractable at the fair value of the consideration for which the shares were issued thereon

Class E shares, non-cumulative dividend, non-participating, non-voting, reimbursable upon the liquidation, dissolution or winding-up of the Company, redeemable or retractable at the lesser of \$500,000 per share and the fair value of each class E share issued and outstanding at the date of redemption

Class F shares, \$30,000 non-cumulative dividend per holder of Class F shares, non-participating, non-voting, redeemable or retractable at the fair value of the consideration for which the shares were issued thereon

Class G shares, 9% non-cumulative dividend, non-participating, non-voting, redeemable or retractable at the fair value of the consideration for which the shares were issued thereon

Retractable shares were issued as fully paid and without par value

	February 1, 2025		February 3, 2024	
	Number of shares	Carrying amount	Number of shares	Carrying amount
		\$		\$
Class C shares				
Beginning balance	3,000,200	3,000	3,000,200	3,000
Redemptions	(3,000,200)	(3,000)	-	-
Ending balance	-	-	3,000,200	3,000
Class G shares				
Beginning balance	499,999	500	499,999	500
Re-designation to multiple voting shares	(499,999)	(500)	-	-
Ending balance	-	-	499,999	500
Retractable shares	-	-	3,500,199	3,500

20 Share capital

On or about November 20, 2024, as part of a Pre-Closing Reorganization, the Company amended its articles to create new share categories: preferred shares, multiple voting shares, and subordinate voting shares. Following this, the Company re-designated all issued and outstanding Class “A” shares as multiple voting shares on the basis of 4.249 Class “A” shares per multiple voting share (the “Share Consolidation”). Finally, 16084915 Canada Inc., 16084958 Canada Inc. and 16084834 Canada Inc. (collectively, the “Selling Shareholders”) converted 14,285,715 multiple voting shares into subordinate voting shares to satisfy their obligations under the underwriting agreement entered into in connection with the IPO. Following this, the shareholders also granted the underwriters an over-allotment option to purchase up to an additional 2,142,857 subordinate voting shares at a price of \$21, which was partially exercised, resulting in additional gross proceeds of approximately \$13.6 million and the issuance of 671,967 subordinate voting shares.

Prior to the Pre-Closing Reorganization, the authorized equity share capital, consisted of, without par value, an unlimited number of:

- Class A shares, participating, voting
- Class B shares, participating, non-voting
- Class H shares, participating, voting

Since the Pre-Closing Reorganization, the authorized equity share capital, consists of, without par value, an unlimited number of:

- Preferred shares, issuable in series, nonvoting, entitled to preference over subordinated voting shares and multiple voting shares with respect to payment of dividends and distribution of assets
- Multiple voting shares, voting rights at 10 votes per share, entitled to receive dividends on a share-for-share basis, but subject to the rights of the holders of any preferred shares, and convertible on a share-for-share basis into subordinate voting shares
- Subordinate voting shares, voting rights at 1 vote per share, entitled to receive dividends on a share-for-share basis, but subject to the rights of the holders of any preferred shares, non-convertible into any other class of shares

Equity shares are issued as fully paid and without par value

	February 1, 2025		February 3, 2024	
	Number of shares	Carrying amount	Number of shares	Carrying amount
Class A shares				
Beginning balance	456,977,801	-	456,977,801	-
Re-designation to multiple voting shares	(456,977,801)	-	-	-
Ending balance	-	-	456,977,801	-
Multiple voting shares				
Beginning balance	-	-	-	-
Re-designation from Class A shares	107,549,494	-	-	-
Re-designation from Class G shares	23,810	500	-	-
Conversion to subordinate voting shares	(14,957,682)	-	-	-
Ending balance	92,615,622	500	-	-
Subordinate voting shares				
Beginning balance	-	-	-	-
Conversion from multiple voting shares	14,957,682	-	-	-
Exercise of stock options	447,361	991	-	-
Ending balance	15,405,043	991	-	-
Equity shares	108,020,665	1,491	456,977,801	-

21 Stock-based compensation

Commencing in 2021, the Company established a stock option plan whereby certain members of management were granted stock options (each, a “Legacy Option”) to purchase Class “H” shares in the Company (the “Legacy Option Plan”). The options held by non-U.S. taxpayers have a 10-year term and the options held by U.S. taxpayers have a 5-year term, are granted annually, and vest in different tranches over a four-year period from the date of the grant.

In connection with the IPO, the Legacy Option Plan was amended and restated to extend the expiry date of outstanding options held by non-U.S. citizens such that each option will have a term of 10 years from its original grant date. Additionally, each Legacy Option will allow the holder to acquire 0.235 subordinate voting shares at an exercise price that is 4.249 times the original exercise price.

During Q4 2024, the Company established a new omnibus equity incentive plan. As of February 1, 2025, no awards were granted under the new plan.

The following number of stock options, along with their respective exercise prices, were issued and outstanding during the periods after giving effect, on a retrospective basis, to the Share Consolidation (note 20):

Groupe Dynamite Inc.
Notes to Consolidated Financial Statements
February 1, 2025 and February 3, 2024
(Expressed in thousands of Canadian dollars, unless noted otherwise)

	February 1, 2025		February 3, 2024	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
		\$		\$
Outstanding, at beginning of period	8,327,273	3.85	7,122,478	3.74
Granted	531,280	4.29	2,862,198	4.04
Exercised	(545,304)	3.74	-	-
Cancelled	(871,808)	4.04	(1,657,403)	3.74
Outstanding, at the end of period	7,441,441	3.87	8,327,273	3.85

Information relating to share options outstanding and vested as at February 1, 2025 is as follows:

Range of exercise prices	Stock options outstanding			Stock options exercisable		
	Number issued	Weighted average remaining contractual life (years)	Weighted average exercise price	Number issued	Weighted average remaining contractual life (years)	Weighted average exercise price
\$0.01 – \$4.00	5,744,239	5.5	\$3.74	4,924,849	5.4	\$3.74
\$4.01 - \$8.00	1,697,202	8.1	\$4.29	303,479	8.8	\$4.29
	7,441,441	6.1	\$3.87	5,228,328	5.6	\$3.77

As a result of extending the expiry date of the outstanding options held by non-U.S. citizens, the Company accounted for modifications that increased the total fair value of the share-based payment arrangement. The Company recognised an expense equal to the fair value of the equity instruments granted, measured immediately before and after the modification. This incremental fair value of \$2,125 is recognised as an expense over the period from the modification date to the end of the extended vesting period. Specifically, an expense of \$1,907 was recognised during the year ended February 1, 2025, with the remaining amount of \$218 to be recognised in future periods.

The new fair value was measured using the share price on the date of the modification. The risk-free rate was based on Canadian benchmark bond yields with maturities approximating each grant's expected life. Given the limited history with employee grants, the "simplified" method was used in estimating the expected term of our employee grants; the simplified method utilizes the average of the time-to-vesting and the contractual life of the employee grant. The expected volatility was based on comparable entities from the fashion retail industry sector of the TMX and NYSE. A dividend yield of 0% was used.

Key inputs into the determination of the fair value of the stock options granted include the following:

	February 1, 2025	February 3, 2024
	\$	\$
Weighted average share price at grant date	\$4.29	\$4.04
Expected volatility ⁽¹⁾	64.0%	64.0%
Expected option life	5 years	4 years
Dividend yield	-	-
Risk-free interest rate	2.90%	2.90%

- (1) The Company has determined historical volatility based on comparable entities from the fashion retail industry sector of the TMX and NYSE. Volatility has been calculated using the daily historical closing values of those entities selected for the period of time prior to the grant date of the equity share option, or similar instrument, that is equal in length to the expected term of the equity share option or similar instrument.

Total compensation cost recognized for stock-based compensation awards is \$5,557 in Fiscal 2024 (\$2,804 in Fiscal 2023) and is credited to contributed surplus.

22 Additional information relating to the consolidated statement of cash flows

The changes in operating assets and liabilities are detailed as follows:

	February 1, 2025	February 3, 2024
	\$	\$
Receivables	1,950	1,283
Inventories	(5,522)	1,403
Prepaid expenses	2,693	(2,473)
Accounts payable and accrued expenses	12,900	4,203
Income taxes	(17,199)	(20,988)
Deferred revenue	4,658	1,447
Notes payable to parent companies	10,520	-
	10,000	(15,125)

The Company entered into the following transactions which had no impact on cash flows:

	February 1, 2025	February 3, 2024
	\$	\$
Acquisition of property and equipment included in trade and other payables	3,801	2,762

23 Fair value of financial instruments

The Company determines the fair value of its financial instrument by the observable market data at the reporting date. These financial instruments include cash, receivables, promissory note receivable from parent company, accounts payable and accrued liabilities, notes payable to parent companies, long term debt, lease liabilities and retractable Class C and G shares.

Cash, receivables, promissory note receivable from parent company, accounts payable and accrued liabilities, notes payable to parent companies, long term debt and retractable Class C and G shares are all financial instruments measured at amortized cost. Meanwhile, financial derivative instruments are measured at fair value through profit or loss, or through other comprehensive income, depending on whether the Company applies hedge accounting.

During the year, the Company entered into interest rate swaps with its banks. The fair value of derivative instruments was determined using valuation techniques and calculated as the present value of estimated future cash flows using interest rate yield curve as well as market data. Assumptions were based on market conditions prevailing on the reporting date. The derivative instruments reflect the estimated amounts that the Company would receive or pay to transfer the contracts in an orderly transaction between market participants at each reporting date. The interest rate swaps were settled on November 27, 2024.

There were no transfers between the levels of the fair value of hierarchy for the years ended February 1, 2025 and February 3, 2024.

As of February 1, 2025, the entity had no foreign currency forward contracts or interest rate swaps in effect. Any gains or losses on these instruments were reclassified to profit or loss. As of February 3, 2024, the Company had a liability of foreign currency forward contracts with a carrying value of \$155, which was equal to their fair value.

24 Financial risk management

The Company is exposed to a variety of financial risks in the normal course of operations including currency, interest rate risk, credit and liquidity risk, as described 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.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's foreign exchange risk is largely limited to currency fluctuations between the Canadian and U.S. dollars. The Company is exposed to currency risk through its working capital denominated in U.S. dollars. The Company also has minimal exposure to the Euro and to Chinese Yuan Renminbi.

During the year, the Company used foreign currency forward contracts to manage foreign exchange risk relating to the U.S. dollars. As a February 1, 2025, the Company held foreign currency forward contracts to purchase U.S. dollars for an amount of \$nil (\$27,867 as at February 3, 2024). Since the Company does not use hedge accounting for its foreign exchange contracts, these contracts are

recorded on the consolidated balance sheet at fair value. The Company's foreign exchange exposure of financial assets and financial liabilities denominated in US dollars is as follows:

	February 1, 2025	February 3, 2024
	\$	\$
Cash	32,893	7,573
Receivables	305	4,149
Income taxes receivable	6,196	1,090
Accounts payable and accrued expenses	(8,403)	(15,000)
Income taxes payable	(445)	(571)
Lease liabilities	(214,067)	(143,072)
Net position	(183,521)	(145,831)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments that potentially subject the Company to cash flow interest rate risk include financial assets and liabilities with variable interest rates and cash. Due to its revolving facilities having floating interest rates, the Company is exposed to interest rate fluctuations. As of February 1, 2025, there was no outstanding balance, resulting in minimal risk exposure.

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, receivables and derivative contracts used to hedge for currency risks. The Company offsets credit risks associated with cash by depositing its cash 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 Receivables from trade and other receivables (Note 10). There is also minimal credit risk from retail customers who pay by credit card, recoveries of credits from suppliers for returned or damaged products, and receivables from other companies for sales of products, gift cards and other services. The amounts disclosed in the consolidated statements of financial position are net of allowance for expected credit losses, if any. Credit card payments have minimal credit risk, and the limited number of corporate receivables is closely monitored. The Company did not recognize any allowance for credit losses in either Fiscal 2024 or Fiscal 2023.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure, to the extent possible, that it will always have sufficient liquidity to meet liabilities when due and does so by monitoring its cash balances and cash flows generated from operations to meet its requirements. The Company's liquidity follows a seasonal pattern based on the timing of inventory purchases and capital expenditures. The Company is exposed to this risk mainly in respect of its trade and other payables and on its notes payable to parent companies.

As outlined in Note 18, the Company had credit facilities of \$312,000 (\$350,000 as at February 3, 2024) of which \$nil was drawn as at February 1, 2025 (\$166,250 as at February 3, 2024).

The Company expects to finance its growth in store base and its store renovations through cash on hand, cash flows from operations, as well as its credit facilities.

The Company expects that its trade and other payables as well as its notes payable to parent companies will be discharged within 90 days. The following table summarizes the obligations, and the effect such obligations are expected to have on liquidity and cash flows in future periods.

	Total	Less than 1 year	Between 2 and 3 years	Between 4 and 5 years	More than 5 years
	\$	\$	\$	\$	\$
February 1, 2025					
Accounts payable	74,436	74,436	-	-	-
Notes payable to parent companies	10,520	10,520	-	-	-
Lease liabilities obligations ¹	505,767	64,469	132,039	104,464	204,795
	590,723	149,425	132,039	104,464	204,795
February 3, 2024					
Accounts payable	60,409	60,409	-	-	-
Retractable shares	3,500	3,500	-	-	-
Lease liabilities obligations ¹	382,484	62,128	116,309	79,997	124,050
Long-term debt ¹	186,120	30,917	155,203	-	-
	632,513	156,954	271,512	79,997	124,050

(1) Lease liabilities obligations and long-term debt include interest and principal amounts.

25 Capital management

The Company's objectives when managing capital are to ensure sufficient liquidity to enable the financing of capital projects thereby facilitating its growth and maintain a flexible capital structure that optimizes the cost of capital and preserves the ability to meet financial obligations. The Company defines capital as its credit facility and shareholders' equity. The Company's primary uses of capital are to finance new store and renovation projects and other investment projects. The Company currently funds these requirements out of its internally generated cash flows. The Company is subject to financial covenants pursuant to its revolving credit facility presented in note 18.

26 Related party transactions

As at February 1, 2025 the outstanding balance of lease liabilities owed to a company under common control totalled \$21,167 (\$7,697 as at February 3, 2024). Occupancy costs charged by the company under common control but not included in the lease liabilities totalled \$835 (\$289 for the year ended February 3, 2024). These locations include the head office as well as specific leased retail sites.

The Company also recognised \$7,760 (\$9,885 for the year ended February 3, 2024) for the interest received on the promissory note receivable from parent entity and \$527 (\$527 for the year ended February 3, 2024) for the administrative services rendered to the parent entity.

In connection with the IPO, after the Selling Shareholders received the proceeds from the sale of subordinate voting shares to the underwriters, they used part of the funds to repay the promissory note receivable from the parent company of \$110,000 (note 14). In addition, due to the increase in stated capital triggering a tax refund, this resulted in notes payable to parent companies of \$10,520 (note 17).

These transactions are recorded at the amount of consideration paid as established and agreed to by the related parties, which approximate market value. The related parties and the parent company are entities under the control of the Chair and CEO, Andrew Lutfy.

Remuneration of the key management of the Company

Key management consists of individuals holding the title of Senior Vice President or higher. Their remuneration is as follows:

	February 1, 2025	February 3, 2024
	\$	\$
Wages and salaries	3,009	2,625
Stock-based compensation expense	1,976	1,197
	4,985	3,822

27 Commitments and contingencies

Commitments

In the normal course of business, the Company delivered irrevocable standby letters of credit issued by highly rated financial institutions to various third parties to indemnify them in the event the Company does not perform its contractual obligations. As at February 1, 2025, standby letters of credit outstanding amounted to \$11,140 (\$10,313 as at February 3, 2024).

Our third-party manufacturers acquire raw materials on our behalf for use in upcoming production in the normal course of business. As of February 1, 2025, we have purchase obligations totaling \$16,202 (\$8,682 for the year ended February 3, 2024), which reflect commitments for fabric expected to be utilized in the next seasons.

Contingencies

In the ordinary course of business, the Company is exposed to various proceedings and claims. The Company assesses the validity of these proceedings and claims. Provisions are made whenever a penalty seems probable and reliable estimate of the amount can be made. Management believes that any settlement arising from claims will not have a significant effect on the Company's consolidated financial position or overall trends in consolidated results of operations.

28 Segmented 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 with the Chief Operating Officer, and Chief Financial Officer, are 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 website and sales at the Company's boutiques.

The following table summarizes Revenue by geographic location of the Company's customers:

	February 1, 2025	February 3, 2024
	\$	\$
Canada	473,878	453,806
United States	484,647	347,027
Revenue	958,525	800,833

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

	February 1, 2025	February 3, 2024
	\$	\$
Canada	183,889	146,447
United States	266,730	172,969
	450,619	319,416

29 Guarantees

Some agreements to which the Company is a party, specifically those related to the leasing of its premises, include indemnification provisions that may require the Company to make payments to a third party for a breach of fundamental representation and warranty terms in the agreements, with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer,

employment matters, litigation, taxes payable and other potential material obligations. The maximum potential number of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable as certain indemnifications are not subject to a monetary limitation. As at February 1, 2025, management does not believe that these indemnification provisions would require any material cash payment by the Company nor insurance coverage, estimated by management to be reasonable and sufficient, in order to minimize the previously mentioned risks.

As many of these guarantees will not be drawn upon, these amounts are not indicative of future cash requirements. No material loss is anticipated by reason of such agreements and guarantees and no amounts have been accrued in the Company's financial statements with respect to these guarantees.

The Company indemnifies its directors and officers against claim reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers as well as those of its subsidiaries.

30 Subsequent events

On April 14, 2025, the Company approved a normal course issuer bid ("NCIB"), authorizing the purchase of up to 1.3 million subordinate voting shares, representing approximately 10% of the public float, over the course of twelve months commencing on or around April 17, 2025, and ending at the latest on April 16, 2026. All subordinate voting shares repurchased under the NCIB will be cancelled upon their repurchase. The NCIB remains subject to the approval of the TSX.