Canada Goose Holdings Inc.

Condensed Consolidated Interim Financial Statements

As at and for the first quarter ended

July 3, 2022 and June 27, 2021

(Unaudited)

Condensed Consolidated Interim Statements of Loss (unaudited)
(in millions of Canadian dollars, except per share amounts)

	Notes		First quarter ended July 3, 2022	First quarter ended June 27, 2021
				Restated (Note 2)
			$	**$**
Revenue	4		69.9	56.3
Cost of sales	7		27.2	25.6
Gross profit			42.7	30.7
Selling, general & administrative expenses			123.4	92.5
Operating loss			(80.7)	(61.8)
Net interest, finance and other costs	11		7.4	16.5
Loss before income taxes			(88.1)	(78.3)
Income tax recovery			(24.5)	(20.8)
Net loss			(63.6)	(57.5)
Attributable to:				
Shareholders of the Company			(62.4)	(57.5)
Non-controlling interest			(1.2)	—
Net loss			(63.6)	(57.5)
Loss per share attributable to shareholders of the Company				
Basic and diluted	5	$	(0.59)	$ (0.52)

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

Condensed Consolidated Interim Statements of Comprehensive Loss (unaudited)
(in millions of Canadian dollars, except per share amounts)

	Notes	First quarter ended July 3, 2022	First quarter ended June 27, 2021
			Restated (Note 2)
		$	**$**
Net loss		(63.6)	(57.5)
Other comprehensive loss			
Items that may be reclassified to earnings, net of tax:			
Cumulative translation adjustment loss		(8.1)	(1.8)
Net gain on derivatives designated as cash flow hedges	16	1.3	0.1
Reclassification of net loss on cash flow hedges to income	16	1.6	0.1
Other comprehensive loss		(5.2)	(1.6)
Comprehensive loss		(68.8)	(59.1)
Attributable to:			
Shareholders of the Company		(67.5)	(59.1)
Non-controlling interest		(1.3)	—
Comprehensive loss		(68.8)	(59.1)

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

Condensed Consolidated Interim Statements of Financial Position (unaudited)
(in millions of Canadian dollars)

	Notes	July 3, 2022	June 27, 2021	April 3, 2022
			Restated (Note 2)	
Assets		**$**	**$**	**$**
Current assets				
Cash	3	81.8	305.9	287.7
Trade receivables	6	48.2	39.2	42.7
Inventories	3, 7	504.7	404.5	393.3
Income taxes receivable		4.8	6.6	1.1
Other current assets	3, 15	52.4	34.4	37.5
Total current assets		691.9	790.6	762.3
Deferred income taxes		73.9	61.5	53.2
Property, plant and equipment	3	110.5	119.9	114.2
Intangible assets	3	134.7	124.4	122.2
Right-of-use assets	3, 8	253.2	240.8	215.2
Goodwill	3	64.7	53.1	53.1
Other long-term assets	15	17.8	4.4	20.4
Total assets		1,346.7	1,394.7	1,340.6
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	9, 15	165.6	149.6	176.2
Provisions	10	16.2	13.4	18.5
Income taxes payable		13.2	10.4	24.5
Short-term borrowings	3, 11	30.8	10.9	3.8
Current portion of lease liabilities	3, 8	59.9	49.6	58.5
Total current liabilities		285.7	233.9	281.5
Provisions	3, 10	30.2	25.4	31.3
Deferred income taxes		18.3	7.7	15.8
Term loan	3, 11	377.1	363.2	366.2
Lease liabilities	3, 8	230.6	214.7	192.2
Other long-term liabilities	3, 15	52.9	27.6	25.7
Total liabilities		994.8	872.5	912.7
Shareholders' equity	12	351.9	522.2	427.9
Total liabilities and shareholders' equity		1,346.7	1,394.7	1,340.6

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

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (unaudited)

(in millions of Canadian dollars)

	Notes	Share capital			Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total attributable to shareholders	Non-controlling interest	Total
		Multiple voting shares	Subordinate voting shares	Total						
		$	$	$	$	$	$	$	$	$
Balance at April 3, 2022		1.4	117.1	118.5	36.2	290.4	(17.2)	427.9	—	427.9
Initial recognition of non-controlling interest on business combination	3	—	—	—	—	—	—	—	10.8	10.8
Put option for non-controlling interest	3	—	—	—	—	(20.7)	—	(20.7)	—	(20.7)
Exercise of stock options	12	—	2.6	2.6	(2.6)	—	—	—	—	—
Net loss		—	—	—	—	(62.4)	—	(62.4)	(1.2)	(63.6)
Other comprehensive loss		—	—	—	—	—	(5.1)	(5.1)	(0.1)	(5.2)
Share-based payment	13	—	—	—	2.7	—	—	2.7	—	2.7
Balance at July 3, 2022		1.4	119.7	121.1	36.3	207.3	(22.3)	342.4	9.5	351.9
Balance at March 28, 2021[1]		1.4	119.1	120.5	25.2	437.1	(5.2)	577.6	—	577.6
Exercise of stock options	12	—	2.7	2.7	(1.5)	—	—	1.2	—	1.2
Net loss[1]		—	—	—	—	(57.5)	—	(57.5)	—	(57.5)
Other comprehensive loss[1]		—	—	—	—	—	(1.6)	(1.6)	—	(1.6)
Share-based payment	13	—	—	—	2.7	—	—	2.7	—	2.7
Deferred tax on share-based payment		—	—	—	(0.2)	—	—	(0.2)	—	(0.2)
Balance at June 27, 2021[1]		1.4	121.8	123.2	26.2	379.6	(6.8)	522.2	—	522.2

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

1 The Company adopted a change in accounting policy on the treatment of implementation costs related to Software as a Service ("SaaS") arrangements. See Note 2 for a description of the impact from adopting the agenda decision and the impact of retrospective application on this quarter.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(in millions of Canadian dollars)

	Notes	First quarter ended July 3, 2022	First quarter ended June 27, 2021
			Restated (Note 2)
		$	$
Operating activities			
Net loss		(63.6)	(57.5)
Items not affecting cash:			
Depreciation and amortization		25.8	21.4
Income tax recovery		(24.5)	(20.8)
Interest expense	11	7.0	6.6
Foreign exchange loss		2.1	5.5
Acceleration of unamortized costs on debt extinguishment	11	—	9.5
Share-based payment	13	2.7	2.7
		(50.5)	(32.6)
Changes in non-cash operating items	17	(123.5)	(104.6)
Income taxes paid		(16.2)	(11.1)
Interest paid		(6.7)	(7.1)
Net cash used in operating activities		(196.9)	(155.4)
Investing activities			
Purchase of property, plant and equipment		(2.5)	(6.0)
Investment in intangible assets		(1.1)	—
Initial direct costs of right-of-use assets	8	(0.1)	(0.4)
Net cash inflow from business combination	3	2.8	—
Net cash used in investing activities		(0.9)	(6.4)
Financing activities			
Mainland China Facilities borrowings	11	4.6	7.2
Japan Facility borrowings	3, 11	3.9	—
Term loan repayments	11	(1.0)	(0.9)
Transaction costs on financing activities	11	—	(1.0)
Principal payments on lease liabilities	8	(13.8)	(9.9)
Exercise of stock options	13	—	1.2
Net cash used in financing activities		(6.3)	(3.4)
Effects of foreign currency exchange rate changes on cash		(1.8)	(6.8)
Decrease in cash		(205.9)	(172.0)
Cash, beginning of period		287.7	477.9
Cash, end of period		81.8	305.9

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

Note 1. The Company

Organization

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

Canada Goose is a public company listed on the Toronto Stock Exchange and the New York Stock Exchange under the trading symbol “GOOS”. The principal shareholders of the Company are investment funds advised by Bain Capital LP and its affiliates (“Bain Capital”), and DTR LLC ("DTR"), an entity indirectly controlled by the Chairman and Chief Executive Officer of the Company. The principal shareholders hold multiple voting shares representing 48.4% of the total shares outstanding as at July 3, 2022, or 90.4% of the combined voting power of the total voting shares outstanding. Subordinate voting shares that trade on public markets represent 51.6% of the total shares outstanding as at July 3, 2022, or 9.6% of the combined voting power of the total voting shares outstanding.

Statement of compliance

The Interim Financial Statements are prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). Certain information, which is considered material to the understanding of the Interim Financial Statements and is normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB, is not provided in these notes. These Interim Financial Statements should be read in conjunction with the Company's Annual Financial Statements.

The Interim Financial Statements were authorized for issuance in accordance with a resolution of the Company’s Board of Directors on August 10, 2022.

Seasonality

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

Cash flows from operating activities are typically highest in the third and fourth quarters of the fiscal year due to revenue from the DTC segment and the collection of trade receivables from Wholesale revenue earlier in the year. Working capital requirements typically increase as inventory builds.

Note 2. Significant accounting policies and critical accounting estimates and judgments

Basis of presentation

The significant accounting policies and critical accounting estimates and judgments as disclosed in the Company’s April 3, 2022 annual consolidated financial statements have been applied consistently in the preparation of these Interim Financial Statements except as noted below. The Interim Financial Statements are presented in Canadian dollars, the Company’s functional and presentation currency.

The Company's fiscal year is a 52 or 53-week reporting cycle with the fiscal year ending on the Sunday closest to March 31. Each fiscal quarter is 13 weeks for a 52-week fiscal year. The additional week in a 53-week fiscal year is added to the third quarter.

Certain comparative figures have been reclassified to conform with the current year presentation. Depreciation and amortization for amounts not included in costs of goods sold, which were previously presented in a separate line item, are reflected in the presentation of selling, general, and administrative ("SG&A") expenses.

COVID-19 pandemic

Globally, public health officials have imposed restrictions and recommended precautions to mitigate the spread of the novel coronavirus pandemic ("COVID-19"). While restrictions have been lifted to varying degrees in markets around the world, we continue to be impacted to some extent. In the first quarter of fiscal 2023, store operations have largely resumed with the exception of Mainland China. In the first quarter of fiscal 2023, eight out of 16 retail stores in Mainland China experienced store closures. Trading days lost due to temporary closures of our retail locations as well as reduced traffic and store productivity did not materially impact results for the first quarter of fiscal 2023. In the comparative quarter, retail stores were impacted by store closures in Canada and EMEA[1], with approximately 20% of total trading days lost to temporary closures.

[1] EMEA comprises Europe, the Middle East, Africa, and Latin America.

As a result of the temporary store closures, net costs of $2.2m were recognized in SG&A expenses and net interest, finance and other costs during the first quarter ended July 3, 2022 (first quarter ended June 27, 2021 - $0.2m).

Management assessed whether indicators of impairment existed as at July 3, 2022 in accordance with IAS 36, *Impairment of Assets*, and no indicators were identified.

Principles of consolidation

The Interim Financial Statements include the accounts of the Company and its subsidiaries and those investments over which the Company has control. All intercompany transactions and balances have been eliminated.

Operating segments

The Company classifies its business in three operating and reportable segments: DTC, Wholesale, and Other. The DTC segment comprises sales through country-specific e-Commerce platforms and our Company-operated retail stores located in luxury shopping locations.

The Wholesale segment comprises sales made to a mix of retailers and international distributors, who are partners that have exclusive rights to an entire market.

The Other segment comprises sales and costs not directly allocated to the DTC or Wholesale channels, such as sales to employees and SG&A expenses. The Other segment includes the cost of marketing expenditures to build brand awareness across all segments, corporate costs in support of manufacturing operations, other corporate costs, and foreign exchange gains and losses not specifically associated with DTC or Wholesale segment operations.

Summary of accounting policies adopted

Non-controlling interest

In connection with the Japan Joint Venture (refer to note 3), non-controlling interest accounting policy was adopted. At the date of acquisition, the Company elected to measure the non-controlling interest for the Japan Joint Venture based on the proportionate share of the acquiree's identifiable net assets. Transactions with non-controlling interests are treated as transactions with equity owners of the Company. Changes in the Company's ownership interest of CG Japan are accounted for as equity transactions.

Financial instruments

In connection with the Japan Joint Venture (refer to note 3), the Company established a financial liability for the put option in respect of non-controlling interests based on the present value of the amount expected to be paid to the non-controlling shareholder if exercised. Subsequently, the put option liability is adjusted to reflect changes in the present value of the amount that could be required to be paid at each reporting date, with fluctuations being recorded within the statement of loss, until it is exercised or expires. The put option is measured at fair value through profit or loss and the fair value of the put option is classified as Level 3 within IFRS 13, *Fair value measurement.*

Standards issued and not yet adopted

Certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective and have not been adopted early by the Company. Management anticipates that pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments, and interpretations is provided below.

In January 2020, the IASB issued an amendment to IAS 1, *Presentation of Financial Statements* to clarify its requirements for the presentation of liabilities in the statement of financial position. The limited scope amendment affected only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. The amendment clarified 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 specified that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduced 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 amendment is effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is assessing the potential impact of the amendment.

Standards issued and adopted

Configuration or Customization Costs in a Cloud Computing Arrangement

In April 2021, the International Financial Reporting Interpretations Committee ("IFRIC") finalized an agenda decision within the scope of IAS 38, *Intangible Assets* which clarified the accounting of configuration and customization costs in cloud computing arrangements often referred to as Software as a Service ("SaaS") arrangements. As a result of the decision, costs that do not meet the capitalization criteria for intangible assets are required to be expensed as incurred.

The adoption of the agenda decision was recognized as a change in accounting policy in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8"). The Company amended the existing accounting policies related to implementation costs on SaaS arrangements as at April 1, 2019. The Company assessed the impact of the interpretation and identified $25.4m of costs recognized as intangible assets within ERP and computer software related to SaaS arrangements that were no longer eligible for capitalization and amortization in accordance with the agenda decision. As a result, these costs were written off as at April 1, 2019 as these costs would have been required to be expensed in the period incurred.

In accordance with IAS 8, retrospective application is required for accounting policy changes and comparative financial information was restated in these interim financial statements. Refer to the Company's Annual Financial Statements for the year ended April 3, 2022 for information on the opening balance sheet as a result of the retrospective application. The following tables outline the impacts of the restatements on the comparative periods:

Condensed Comprehensive Income Information

Increase (decrease)

			June 27, 2021
	As previously reported	**Adjustments**	**Restated**
	$	**$**	**$**
SG&A expenses	91.4	1.1	92.5
Income tax recovery	(20.5)	(0.3)	(20.8)
Net loss	(56.7)	(0.8)	(57.5)
Cumulative translation adjustment	(1.9)	0.1	(1.8)

Condensed Financial Position Information

Increase (decrease)

			June 27, 2021
	As previously reported	**Adjustments**	**Restated**
	$	**$**	**$**
Deferred income taxes (asset)	60.1	1.4	61.5
Intangible assets	155.5	(31.1)	124.4
Deferred income taxes (liability)	14.2	(6.5)	7.7
Shareholders' equity	545.4	(23.2)	522.2

Condensed Cash Flow Information

Increase (decrease)

	June 27, 2021		
	As previously reported	Adjustments	Restated
	$	$	$
Net loss	(56.7)	(0.8)	(57.5)
Depreciation and amortization	23.5	(2.1)	21.4
Income tax recovery	(20.5)	(0.3)	(20.8)
Changes in non-cash items	(106.9)	2.3	(104.6)
Investment in intangible assets	(0.9)	0.9	—

Interest Rate Benchmark Reform

In August 2020, the IASB issued “Interest Rate Benchmark Reform – Phase II (amendments to IFRS 9, *Financial Instruments*; IFRS 7, *Financial Instruments: Disclosures*; IAS 39, *Financial Instruments: Recognition and Measurement*; IFRS 4, *Insurance Contracts* and IFRS 16, *Leases*)”, which addresses issues that affect financial reporting once an existing benchmark rate is replaced with an alternative rate and provides specific disclosure requirements. The amendments introduce a practical expedient for modifications required by the Interbank Offer Rate (“IBOR”) reform. The amendments relate to the modification of financial instruments where the basis for determining the contractual cash flows changes as a result of the IBOR reform, allowing for prospective application of the alternative rate. A similar practical expedient exists for lessee accounting under IFRS 16. It also relates to the application of hedge accounting, which is not discontinued solely because of the IBOR reform. Hedging relationships, including formal designation and documentation, must be amended to reflect modifications to the hedged item, however, the practical expedient allows the hedge relationship to continue, although additional ineffectiveness may be required. The amendments are effective for annual reporting periods beginning on or after January 1, 2021. A broader market-wide initiative is underway to transition the various IBOR based on rates in use to alternative reference rates. The Company’s term loan facility at a net book value of $380.0m, is impacted by the IBOR reform. As such, the reformed IFRS guidance has been adopted, however, accounting under the adopted standard will take place once IBOR related arrangements are modified, which constitutes as an accounting event. As no accounting events have occurred to date, the Company has determined there is no financial reporting impact as of July 3, 2022. The Company is in discussions with its lenders and is currently determining if any modifications will meet the requirements for the application of the practical expedient.

Note 3. Business combination

The Company and a former distributor of the Company's products in Japan, Sazaby League, Ltd. ("Sazaby League"), entered into an agreement (the "Joint Venture Agreement") to form a joint venture (the “Japan Joint Venture”) pursuant to which the Company acquired 50% of the issued and outstanding voting shares of the legal entity comprising the joint venture, Canada Goose Japan, K.K. (“CG Japan”), on April 4, 2022. CG Japan was established to market, distribute and sell Canada Goose products, and to operate retail stores and e-Commerce in Japan.

Prior to the establishment of CG Japan, the Company sold its products to the former distributor. The majority of sales historically occurred in the first and second quarters and were recorded in the Wholesale operating segment. Subsequent to the transaction, the Company will consolidate the results of CG Japan and revenue and results of operations will be aligned to the respective operating segments and are expected to occur more in line with the seasonality of the Company's Wholesale and DTC segments.

Management performed an analysis under IFRS 10, *Consolidated Financial Statements* and since the Company has the power to direct the relevant activities of CG Japan, is exposed to variable returns, and can use its power to influence those returns, management determined that the Company has control over CG Japan for accounting purposes. In addition, management performed an analysis under IFRS 3, *Business Combinations* and has determined that the Company is the acquirer of CG Japan. Management determined that the assets and processes acquired comprised a business and therefore, accounted for the transaction as a business combination using the acquisition method of accounting. Under the acquisition method, assets and liabilities of the acquiree are recorded at their fair values.

The Company paid cash consideration to CG Japan of $2.6m plus deferred contingent consideration to the non-controlling shareholder with an estimated fair value of $20.0m resulting in total consideration of $22.6m. The deferred contingent consideration is payable if an agreed cumulative adjusted EBIT target is not reached through the period ended June 30, 2026. The estimated fair value of the applicable contingent consideration is calculated using the estimated financial outcome and resulting expected contingent consideration to be paid and inclusion of a discount rate as appropriate. As at April 4, 2022, the contingent consideration amount has been recorded in other long-term liabilities. The amount of contingent consideration will be remeasured at its fair value each reporting period, with changes in fair value recorded in the consolidated statement of income and comprehensive income.

The Company incurred $0.8m in transaction related costs which are included in SG&A expenses in the consolidated statement of earnings and comprehensive income for the first quarter ended July 3, 2022. For the year ended April 3, 2022, the Company incurred $0.7m in transaction related costs.

Assets acquired and liabilities assumed have been recorded based on a preliminary valuation at their fair values at the date of acquisition as follows:

	$
Assets acquired	
Cash	5.4
Inventories	27.3
Property, plant and equipment	1.2
Intangible assets	12.1
Right-of-use assets	3.3
Goodwill	11.8
Other assets	2.4
	63.5
Liabilities assumed	
Bank loan	19.4
Lease liabilities	3.2
Warranty provision	0.3
	22.9
Total identifiable net assets acquired	40.6
Less: Deferred tax liability	7.2
Less: Non-controlling interests	10.8
Net assets acquired	22.6
Consideration	
Cash paid	2.6
Contingent consideration	20.0
Total purchase consideration	22.6
Cash consideration paid	(2.6)
Plus: Cash balance acquired	5.4
Net cash inflow on business combination	2.8

The determination of the fair value of assets acquired and liabilities assumed is based on preliminary estimates and certain assumptions with respect to the fair values of the assets acquired and liabilities assumed and are expected to be finalized within one year of the acquisition.

Goodwill is calculated as the difference between total consideration and the fair value of the net assets acquired and is attributable to expected synergies between CG Japan and the Company's existing operations. Goodwill of $11.8m was recognized as the excess of the acquisition cost over the fair value of net identifiable assets at the date of acquisition. Goodwill recognized is not expected to be deductible for income tax purposes. Intangible assets of $12.1m relate to the fair value of the customer list and reacquired distribution rights of the Japan market, which will be amortized over a 10-year period.

The fair value of property, plant and equipment and right-of-use assets was based on management's assessment of the acquired assets' condition, as well as an evaluation of the current market value for such assets. In addition, the Company considered the length of time over which the economic benefit of these assets is expected to be realized and estimated the useful life of such assets as of the acquisition date. The fair value of inventories has been measured at net realizable value, less cost to sell. Final valuations of certain assets and liabilities including inventory, property, plant and equipment, intangible assets, right-of-use assets, other assets and warranty provisions are not yet complete due to the inherent complexity associated with valuations. Therefore, the purchase price allocation is preliminary and is subject to adjustment upon completion of the valuation process.

CG Japan's results are consolidated into the Company's financial results effective April 4, 2022. For the first quarter ended July 3, 2022, CG Japan contributed approximately $0.5m and $(2.7)m to the Company's consolidated gross revenue and operating loss, respectively.

In connection with the business combination, the Joint Venture Agreement includes a put option that allows the non-controlling shareholder to sell its 50% interest to the Company within six months after certain circumstances constituting a "put option trigger" event occurs. If the put option is not exercised during such six-month period the put option will expire. The Company established a financial liability for the put option in respect of non-controlling interests. The fair value of the put option is classified as Level 3 within IFRS 13, *Fair value measurement*. As at April 4, 2022, the fair value of the put option held in Japanese Yen by the non-controlling shareholder is recorded in other long-term liabilities in the amount of JPY 2,076.4m ($21.2m).

The Company recorded the put option liability based on the present value of the amount expected to be paid to the non-controlling shareholder if exercised. Subsequently, the put option liability is adjusted to reflect changes in the present value of the amount that could be required to be paid at each reporting date, with fluctuations being recorded within the Company's statement of loss, until it is exercised or expires. For the first quarter ended July 3, 2022, there was no remeasurement adjustment on the put option liability.

Note 4. Segment information

The Company has three reportable operating segments: DTC, Wholesale, and Other. The Company measures each reportable operating segment's performance based on revenue and segment operating (loss) income, which is the profit metric utilized by the Company's chief operating decision maker, the Chairman and Chief Executive Officer, for assessing the performance of operating segments. Our operating segments are not reliant on any single external customer.

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

	First quarter ended July 3, 2022			
(in millions of Canadian dollars)	**DTC**	**Wholesale**	**Other**	**Total**
	$	**$**	**$**	**$**
Revenue	34.8	33.2	1.9	69.9
Cost of sales	9.5	16.4	1.3	27.2
Gross profit	25.3	16.8	0.6	42.7
SG&A expenses	42.0	11.2	70.2	123.4
Operating (loss) income	(16.7)	5.6	(69.6)	(80.7)
Net interest, finance and other costs				7.4
Loss before income taxes				(88.1)

	First quarter ended June 27, 2021			
(in millions of Canadian dollars)	**DTC**	**Wholesale**	**Other**	**Total**
	$	**$**	**$**	**$**
Revenue	29.1	26.1	1.1	56.3
Cost of sales	9.4	15.7	0.5	25.6
Gross profit	19.7	10.4	0.6	30.7
SG&A expenses	30.7	8.5	53.3	92.5
Operating (loss) income	(11.0)	1.9	(52.7)	(61.8)
Net interest, finance and other costs				16.5
Loss before income taxes				(78.3)

Geographic information

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

	First quarter ended	
(in millions of Canadian dollars)	**July 3, 2022**	**June 27, 2021**
	$	**$**
Canada	17.9	9.9
United States	15.7	9.3
Asia Pacific	16.1	22.4
EMEA[1]	20.2	14.7
Revenue	69.9	56.3

1 EMEA comprises Europe, the Middle East, Africa, and Latin America.

Note 5. Earnings per share

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

(in millions of Canadian dollars, except share and per share amounts)	**First quarter ended July 3, 2022**	**First quarter ended June 27, 2021**
Net loss attributable to shareholders of the Company	$ (62.4)	$ (57.5)
Weighted average number of multiple and subordinate voting shares outstanding[1]	105,234,474	110,504,248
Loss per share attributable to shareholders of the Company		
Basic and diluted	$ (0.59)	$ (0.52)

[1] Subordinate voting shares issuable on exercise of stock options are not treated as dilutive if including them would decrease the loss per share. Accordingly, 561,537 potentially dilutive shares have been excluded from the calculation of diluted loss per share for the first quarter ended July 3, 2022 (first quarter ended June 27, 2021 - 967,328 shares).

Note 6. Trade receivables

(in millions of Canadian dollars)	**July 3, 2022**	**June 27, 2021**	**April 3, 2022**
	$	**$**	**$**
Trade accounts receivable	25.3	17.4	22.0
Credit card receivables	2.0	1.8	2.5
Government grant receivable	—	0.1	—
Other receivables	21.7	21.0	19.3
	49.0	40.3	43.8
Less: expected credit loss and sales allowances	(0.8)	(1.1)	(1.1)
Trade receivables	48.2	39.2	42.7

Note 7. Inventories

(in millions of Canadian dollars)	**July 3, 2022**	**June 27, 2021**	**April 3, 2022**
	$	**$**	**$**
Raw materials	75.7	70.6	71.3
Work in progress	15.9	17.1	14.9
Finished goods	413.1	316.8	307.1
Total inventories at the lower of cost and net realizable value	504.7	404.5	393.3

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining rate of sale. As at July 3, 2022, the provision for obsolescence amounted to $26.9m (June 27, 2021 - $23.1m, April 3, 2022 - $23.6m).

Amounts charged to cost of sales comprise the following:

	First quarter ended	
(in millions of Canadian dollars)	**July 3, 2022**	**June 27, 2021**
	$	**$**
Cost of goods manufactured	24.8	21.9
Depreciation and amortization	2.4	3.7
	27.2	25.6

Note 8. Leases

Right-of-use assets

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

(in millions of Canadian dollars)	**Retail stores**	**Manufacturing facilities**	**Other**	**Total**
Cost	**$**	**$**	**$**	**$**
April 3, 2022	296.3	36.7	17.4	350.4
Additions	15.9	—	34.6	50.5
Additions from business combinations (note 3)	1.5	—	1.8	3.3
Lease modifications	0.2	—	—	0.2
Impact of foreign currency translation	(1.1)	—	0.1	(1.0)
July 3, 2022	312.8	36.7	53.9	403.4
March 28, 2021	253.3	36.7	18.4	308.4
Additions	20.9	—	0.4	21.3
Lease modifications	1.6	—	—	1.6
Impact of foreign currency translation	(3.5)	—	(0.2)	(3.7)
June 27, 2021	272.3	36.7	18.6	327.6

(in millions of Canadian dollars)	Retail stores	Manufacturing facilities	Other	Total
Accumulated depreciation	**$**	**$**	**$**	**$**
April 3, 2022	110.1	15.2	9.9	135.2
Depreciation	12.6	1.3	1.8	15.7
Impact of foreign currency translation	(0.6)	—	(0.1)	(0.7)
July 3, 2022	122.1	16.5	11.6	150.2
March 28, 2021	58.8	9.9	6.0	74.7
Depreciation	10.7	1.3	1.0	13.0
Impact of foreign currency translation	(0.8)	—	(0.1)	(0.9)
June 27, 2021	68.7	11.2	6.9	86.8
Net book value				
July 3, 2022	190.7	20.2	42.3	253.2
June 27, 2021	203.6	25.5	11.7	240.8
April 3, 2022	186.2	21.5	7.5	215.2

Lease liabilities

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

(in millions of Canadian dollars)	Retail stores	Manufacturing facilities	Other	Total
	$	**$**	**$**	**$**
April 3, 2022	217.2	24.8	8.7	250.7
Additions	15.9	—	34.6	50.5
Additions from business combinations (note 3)	1.5	—	1.7	3.2
Lease modifications	0.2	—	—	0.2
Principal payments	(11.8)	(1.3)	(0.7)	(13.8)
Impact of foreign currency translation	(0.4)	—	0.1	(0.3)
July 3, 2022	222.6	23.5	44.4	290.5
March 28, 2021	211.0	29.9	13.9	254.8
Additions	20.5	—	0.4	20.9
Lease modifications	1.5	—	—	1.5
Principal payments	(7.6)	(1.3)	(1.0)	(9.9)
Impact of foreign currency translation	(2.8)	—	(0.2)	(3.0)
June 27, 2021	222.6	28.6	13.1	264.3

Lease liabilities are classified as current and non-current liabilities as follows:

(in millions of Canadian dollars)	Retail stores	Manufacturing facilities	Other	Total
	$	$	$	$
Current lease liabilities	50.8	5.8	3.3	59.9
Non-current lease liabilities	171.8	17.7	41.1	230.6
July 3, 2022	222.6	23.5	44.4	290.5
Current lease liabilities	40.3	5.7	3.6	49.6
Non-current lease liabilities	182.3	22.9	9.5	214.7
June 27, 2021	222.6	28.6	13.1	264.3
Current lease liabilities	49.7	5.8	3.0	58.5
Non-current lease liabilities	167.5	19.0	5.7	192.2
April 3, 2022	217.2	24.8	8.7	250.7

Leases of low-value assets and short-term leases are not included in the calculation of lease liabilities. These lease expenses, as well as variable rent payments, are recognized in cost of sales or SG&A expenses on a straight-line or other systematic basis.

During the first quarter ended July 3, 2022, $0.6m of lease payments were not included in the measurement of lease liabilities (first quarter ended June 27, 2021 - $0.5m). The majority of this balance related to short-term leases and variable rent payments.

Note 9. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

(in millions of Canadian dollars)	July 3, 2022	June 27, 2021	April 3, 2022
	$	$	$
Trade payables	47.4	47.9	63.9
Accrued liabilities	73.9	56.4	67.0
Employee benefits	26.8	19.6	26.5
Derivative financial instruments	13.7	10.7	10.4
Other payables	3.8	15.0	8.4
Accounts payable and accrued liabilities	165.6	149.6	176.2

Note 10. Provisions

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

(in millions of Canadian dollars)	Warranty	Sales returns	Asset retirement obligations	Total
	$	$	$	$
Current provisions	5.9	10.3	—	16.2
Non-current provisions	22.1	—	8.1	30.2
July 3, 2022	28.0	10.3	8.1	46.4
Current provisions	6.0	7.4	—	13.4
Non-current provisions	18.8	—	6.6	25.4
June 27, 2021	24.8	7.4	6.6	38.8
Current provisions	5.6	12.9	—	18.5
Non-current provisions	23.6	—	7.7	31.3
April 3, 2022	29.2	12.9	7.7	49.8

Note 11. Borrowings

Revolving facility

The Company has an agreement with a syndicate of lenders for a senior secured asset-based credit facility consisting of a revolving credit facility in the amount of $467.5m, with an increase in commitments to $517.5m during the peak season (June 1 - November 30). The revolving facility matures on June 3, 2024. Amounts owing under the revolving facility may be borrowed, repaid and re-borrowed for general corporate purposes. The Company has pledged substantially all of its assets as collateral for the revolving facility. The revolving facility contains financial and non-financial covenants which could impact the Company's ability to draw funds.

The revolving facility has multiple interest rate charge options that are based on the Canadian prime rate, Banker's Acceptance rate, the lenders' Alternate Base Rate, European Base Rate, LIBOR Rate, or EURIBOR rate plus an applicable margin, with interest payable the earlier of quarterly or at the end of the then current interest period (whichever is earlier).

As at July 3, 2022, the Company had repaid all amounts owing on the revolving facility (June 27, 2021 - $nil, April 3, 2022 - $nil). As at July 3, 2022, interest and administrative fees for $0.5m (June 27, 2021 - $nil, April 3, 2022 - $0.5m) remain outstanding. Deferred financing charges in the amounts of $0.8m (June 27, 2021 - $1.6m, April 3, 2022 - $0.9m) were included in other long-term liabilities. As at and during the first quarter ended July 3, 2022, the Company was in compliance with all covenants.

The Company had unused borrowing capacity available under the revolving facility of $358.3m as at July 3, 2022 (June 27, 2021 - $313.7m, April 3, 2022 - $191.8m).

The revolving credit commitment also includes a letter of credit commitment in the amount of $25.0m, with a $5.0m sub-commitment for letters of credit issued in a currency other than Canadian dollars, U.S. dollars, euros or British pounds sterling, and a swingline commitment for $25.0m. As at July 3, 2022, the Company had letters of credit outstanding under the revolving facility of $4.6m (June 27, 2021 - $6.2m, April 3, 2022 - $4.6m).

Term loan

The Company has a senior secured loan agreement with a syndicate of lenders that is secured on a split collateral basis alongside the revolving facility. The facility has an aggregate principal amount of US$300.0m, with quarterly repayments of US$0.75m on the principal amount and a maturity date of October 7, 2027. Moreover, the facility has an interest rate of LIBOR plus an applicable margin of 3.50% payable quarterly in arrears and LIBOR may not be less than 0.75%. The Company incurred transaction costs of $0.9m related to the facility which are being amortized using the effective interest rate method over the term to maturity.

Voluntary prepayments of amounts owing under the term loan may be made at any time without premium or penalty but once repaid may not be reborrowed. As at July 3, 2022, the Company had US$295.5m (June 27, 2021 - US$299.3m, April 3, 2022 - US$296.3m) aggregate principal amount outstanding under the term loan. The Company has pledged substantially all of its assets as collateral for the term loan. The term loan contains financial and non-financial covenants which could impact the Company's ability to draw funds. As at and during the first quarter ended July 3, 2022, the Company was in compliance with all covenants.

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

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

(in millions of Canadian dollars)	**July 3, 2022**	**June 27, 2021**	**April 3, 2022**
	$	**$**	**$**
Term loan	380.7	367.9	370.8
Unamortized portion of deferred transaction costs	(0.7)	(1.0)	(0.8)
	380.0	366.9	370.0

Mainland China Facilities

A subsidiary of the Company in Mainland China has two uncommitted loan facilities in the aggregate amount of RMB 310.0m ($59.6m) ("Mainland China Facilities"). The term of each draw on the loans is one, three or six months or such other period as agreed upon and shall not exceed twelve months (including any extension or rollover). The interest rate on each facility is equal to the loan prime rate of 1 year, plus 0.15% per annum, and payable at one, three or six months, depending on the term of each draw. Proceeds drawn on the Mainland China Facilities are being used to support working capital requirements and build up of inventory for peak season sales. As at July 3, 2022, the Company had $4.6m (RMB 24.0m) owing on the Mainland China Facilities (June 27, 2021 - $7.2m (RMB 38.0m), April 3, 2022 - $nil (RMB nil)).

Japan Facility

A subsidiary of the Company in Japan has a loan facility in the aggregate amount of JPY 4,000.0m ($38.1m) ("Japan Facility") with a floating interest rate of JBA TIBOR plus an applicable margin of 0.3%. The term of the facility is twelve months and each draw on the facility is payable within the term. Proceeds drawn on the Japan Facility are being used to support build up of inventory for peak season sales. As at July 3, 2022, the Company had $23.3m (JPY 2,450.0m) owing on the Japan Facility.

Short-term Borrowings

As at July 3, 2022, the Company has short-term borrowings in the amount of $30.8m. Short-term borrowings include $4.6m (June 27, 2021 - $7.2m, April 3, 2022 - $nil) owing on the Mainland China Facilities, $23.3m (June 27, 2021 - $nil, April 3, 2022 - $nil) owing on the Japan Facility, and $2.9m (June 27, 2021 - $3.7m, April 3, 2022 - $3.8m) for the current portion of the quarterly principal repayments on the term loan. Short-term borrowings are all due within the next 12 months.

Net interest, finance and other costs consist of the following:

	First quarter ended	
(in millions of Canadian dollars)	**July 3, 2022**	**June 27, 2021**
	$	**$**
Interest expense		
Revolving facility	0.1	0.2
Term loan	4.3	4.3
Lease liabilities	2.6	2.3
Standby fees	0.4	0.5
Acceleration of unamortized costs on debt extinguishment	—	9.5
Interest income	(0.1)	(0.3)
Other costs	0.1	—
Net interest, finance and other costs	7.4	16.5

Note 12. Shareholders' equity

Share capital transactions for the first quarter ended July 3, 2022

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

(in millions of Canadian dollars, except share and per share amounts)	**Multiple voting shares**		**Subordinate voting shares**		**Total**	
	Number	**$**	**Number**	**$**	**Number**	**$**
April 3, 2022	51,004,076	1.4	54,190,432	117.1	105,194,508	118.5
Exercise of stock options	—	—	55,248	2.6	55,248	2.6
Settlement of RSUs	—	—	84,219	—	84,219	—
July 3, 2022	51,004,076	1.4	54,329,899	119.7	105,333,975	121.1

Share capital transactions for the first quarter ended June 27, 2021

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

(in millions of Canadian dollars, except share and per share amounts)	Multiple voting shares		Subordinate voting shares		Total	
	Number	$	Number	$	Number	$
March 28, 2021	51,004,076	1.4	59,435,079	119.1	110,439,155	120.5
Exercise of stock options	—	—	41,203	2.7	41,203	2.7
Settlement of RSUs	—	—	48,558	—	48,558	—
June 27, 2021	51,004,076	1.4	59,524,840	121.8	110,528,916	123.2

Note 13. Share-based payments

Stock options

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

Stock option transactions are as follows:

	First quarter ended			
	July 3, 2022		June 27, 2021	
(in millions of Canadian dollars, except share and per share amounts)	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares
Options outstanding, beginning of period	$ 42.99	2,722,690	$ 38.32	2,498,973
Granted to purchase shares	$ 24.64	1,568,221	$ 48.93	728,375
Exercised	$ 0.25	(55,248)	$ 25.66	(41,203)
Cancelled	$ 40.01	(26,572)	$ 33.97	(1,414)
Options outstanding, end of period	$ 36.73	4,209,091	$ 40.92	3,184,731

Restricted share units

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

RSUs transactions are as follows:

	First quarter ended	
	July 3, 2022	June 27, 2021
	Number	Number
RSUs outstanding, beginning of period	215,590	137,117
Granted	207,820	151,237
Settled	(84,219)	(48,558)
Cancelled	(3,282)	(1,026)
RSUs outstanding, end of period	335,909	238,770

Subordinate voting shares, to a maximum of 1,205,028 shares, have been reserved for issuance under equity incentive plans to select employees of the Company, with vesting contingent upon meeting the service, performance goals and other conditions of the Omnibus Plan.

Accounting for share-based awards

For the first quarter ended July 3, 2022, the Company recorded \$2.7m, as contributed surplus and compensation expense for the vesting of stock options and RSUs (first quarter ended June 27, 2021 - \$2.7m). Share-based compensation expense is included in SG&A expenses.

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

	First quarter ended			
(in millions of Canadian dollars, except share and per share amounts)		**July 3, 2022**		**June 27, 2021**
Weighted average stock price valuation	$	24.64	$	48.93
Weighted average exercise price	$	24.64	$	48.93
Risk-free interest rate		2.51 %		0.44 %
Expected life in years		5		5
Expected dividend yield		— %		— %
Volatility		40 %		40 %
Weighted average fair value of options issued	$	7.86	$	14.36

Fair value for RSUs is determined based on the market value of the subordinate voting shares at the time of grant. As at July 3, 2022, the weighted average fair value of the RSUs issued was \$24.64 (June 27, 2021 - \$48.93).

Note 14. Related party transactions

The Company enters into transactions from time to time with its principal shareholders and organizations affiliated with members of the Board of Directors by incurring expenses for business services. During the first quarter ended July 3, 2022, the Company incurred expenses with related parties of $0.3m (first quarter ended June 27, 2021 - $0.2m) from companies related to certain shareholders. Balances owing to related parties as at July 3, 2022 were $0.3m (June 27, 2021 - $0.2m, April 3, 2022 - $0.3m).

A lease liability due to the controlling shareholder of the acquired Baffin Inc. business (the "Baffin Vendor") for leased premises was $3.6m as at July 3, 2022 (June 27, 2021 - $4.4m, April 3, 2022 - $3.8m). During the first quarter ended July 3, 2022, the Company paid principal and interest on the lease liability, net of rent concessions, and other operating costs to entities affiliated with the Baffin Vendor totaling $0.4m (first quarter ended June 27, 2021 - $0.3m). No amounts were owing to Baffin entities as at July 3, 2022, June 27, 2021, and April 3, 2022.

Lease liabilities due to the non-controlling shareholder of the Japan Joint Venture, Sazaby League, for leased premises was $2.8m as at July 3, 2022. During the first quarter ended July 3, 2022, the Company paid principal and interest on lease liabilities, royalty fees, and other operating costs to Sazaby League totaling $1.4m. Balances owing to Sazaby League as at July 3, 2022 were $0.2m.

Note 15. Financial instruments and fair value

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

					July 3, 2022
(in millions of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**	**Carrying value**	**Fair value**
	$	**$**	**$**	**$**	**$**
Financial assets					
Derivatives included in other current assets	—	17.1	—	17.1	17.1
Derivatives included in other long-term assets	—	17.7	—	17.7	17.7
Financial liabilities					
Derivatives included in accounts payable and accrued liabilities	—	13.7	—	13.7	13.7
Mainland China Facilities	—	—	4.6	4.6	4.6
Japan Facility	—	23.3	—	23.3	23.3
Term loan	—	380.0	—	380.0	404.9
Derivatives included in other long-term liabilities	—	10.5	—	10.5	10.5
Put option liability included in other long-term liabilities (note 3)	—	—	20.7	20.7	20.7
Contingent consideration included in other long-term liabilities (note 3)	—	—	19.5	19.5	19.5

					June 27, 2021
(in millions of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**	**Carrying value**	**Fair value**
	$	**$**	**$**	**$**	**$**
Financial assets					
Derivatives included in other current assets	—	8.5	—	8.5	8.5
Derivatives included in other long-term assets	—	4.4	—	4.4	4.4
Financial liabilities					
Derivatives included in accounts payable and accrued liabilities	—	10.7	—	10.7	10.7
Mainland China Facilities	—	—	7.2	7.2	7.2
Derivatives included in other long-term liabilities	—	26.8	—	26.8	26.8
Term loan	—	366.9	—	366.9	367.9

					April 3, 2022
(in millions of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**	**Carrying value**	**Fair value**
	$	**$**	**$**	**$**	**$**
Financial assets					
Derivatives included in other current assets	—	9.5	—	9.5	9.5
Derivatives included in other long-term assets	—	20.4	—	20.4	20.4
Financial liabilities					
Derivatives included in accounts payable and accrued liabilities	—	10.4	—	10.4	10.4
Derivatives included in other long-term liabilities	—	23.1	—	23.1	23.1
Term loan	—	370.0	—	370.0	386.9

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

Note 16. Financial risk management objectives and policies

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

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

Capital management

The Company manages its capital and capital structure with the objectives of safeguarding sufficient net working capital over the annual operating cycle and providing sufficient financial resources to grow operations to meet long-term consumer demand. The Board of Directors of the Company monitors the Company's capital management on a regular basis. The Company will continually assess the adequacy of the Company's capital structure and capacity and make adjustments within the context of the Company's strategy, economic conditions, and risk characteristics of the business.

Liquidity risk

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

The following table summarizes the amount of contractual undiscounted future cash flow requirements as at July 3, 2022:

Contractual obligations by fiscal year	**Q2 to Q4 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Thereafter**	**Total**
(in millions of Canadian dollars)	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	165.6	—	—	—	—	—	—	165.6
Mainland China Facilities	4.6	—	—	—	—	—	—	4.6
Japan Facility	23.3	—	—	—	—	—	—	23.3
Term loan	2.9	3.9	3.9	3.9	3.9	362.2	—	380.7
Interest commitments relating to borrowings[1]	13.6	17.2	17.2	17.2	17.2	8.6	—	91.0
Lease obligations	53.7	63.1	57.9	44.5	37.1	25.8	64.2	346.3
Pension obligation	—	—	—	—	—	—	2.1	2.1
Total contractual obligations	**263.7**	**84.2**	**79.0**	**65.6**	**58.2**	**396.6**	**66.3**	**1,013.6**

1 Interest commitments are calculated based on the loan balance and the interest rate payable on the Mainland China Facilities, the Japan Facility and the term loan of 4.26%, 0.37%, and 4.51% respectively, as at July 3, 2022.

As at July 3, 2022, we had additional liabilities which included provisions for warranty, sales returns, asset retirement obligations, deferred income tax liabilities, as well as the put option liability and the contingent consideration on the Japan Joint Venture. These liabilities have not been included in the table above as the timing and amount of future payments are uncertain.

Letter of guarantee facility

On April 14, 2020, Canada Goose Inc. entered into a letter of guarantee facility in the amount of $10.0m. Letters of guarantee are available for terms of up to twelve months and will be charged a fee equal to 1.2% per annum calculated against the face amount and over the term of the guarantee. Amounts issued on the facility will be used to finance working capital requirements through letters of guarantee, standby letters of credit, performance bonds, counter guarantees, counter standby letters of credit, or similar credits. The Company immediately reimburses the issuing bank for amounts drawn on issued letters of guarantees. At July 3, 2022, the Company had $5.4m outstanding.

In addition, during the first quarter ended July 3, 2022, a subsidiary of the Company in Mainland China entered into letters of guarantee in the amount of $1.4m. Amounts will be used to support retail operations through letters of guarantee, standby letters of credit, performance bonds, counter guarantees, counter standby letters of credit, or similar credits.

Credit risk

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

Credit risk arises from the possibility that certain parties will be unable to discharge their obligations. The Company manages its credit risk through a combination of third party credit insurance and internal house risk. Credit insurance is provided by a third party for customers and is subject to continuous monitoring of the credit worthiness of the Company's customers. Insurance covers a specific amount of revenue, which may be less than the Company's total revenue with a specific customer. The Company has an agreement with a third party who has insured the risk of loss for up to 90% of accounts receivable from certain designated customers subject to a total deductible of $0.1m, to a maximum of $30.0m per year. As at July 3, 2022, accounts receivable totaling approximately $14.4m (June 27, 2021 - $7.6m, April 3, 2022 - $8.1m) were insured subject to the policy cap. Complementary to the third party insurance, the Company establishes payment terms with customers to mitigate credit risk and continues to closely monitor its accounts receivable credit risk exposure.

Trade accounts receivable factoring program

A subsidiary of the Company in Europe has an agreement to factor, on a limited recourse basis, certain of its trade accounts receivable up to a limit of €20.0m in exchange for advanced funding equal to 100% of the principal value of the invoice.

For the first quarter ended July 3, 2022, the Company received no cash proceeds from the sale of trade accounts receivable as no amounts were derecognized from the Company's statement of financial position (first quarter ended June 27, 2021 - $0.9m). No fees were incurred during the first quarter ended July 3, 2022 (first quarter ended June 27, 2021 - less than $0.1m) and included in net interest, finance and other costs in the interim statements of loss. As at July 3, 2022, the outstanding amount of trade accounts receivable derecognized from the Company’s statement of financial position, but which the Company continued to service, was less than $0.1m (June 27, 2021 - $0.9m, April 3, 2022 - $2.0m).

Market risk

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

Foreign exchange risk

Foreign exchange risk in operating cash flows

The Company's Interim Financial Statements are expressed in Canadian dollars, but a substantial portion of the Company's revenues, purchases, and expenses are denominated in other currencies, principally U.S. dollars, euros, British pounds sterling, Swiss francs, Chinese yuan, Hong Kong dollars and since the Japan Joint Venture, Japanese yen. The Company has entered into forward foreign exchange contracts to reduce the foreign exchange risk associated with revenues, purchases, and expenses denominated in these currencies. Certain forward foreign exchange contracts were designated at inception and accounted for as cash flow hedges. During the second quarter of fiscal 2022, the Company initiated the operating hedge program for the fiscal year ending April 2, 2023.

Revenues and expenses of all foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are recognized. As a result, we are exposed to foreign currency translation gains and losses. Appreciating foreign currencies relative to the Canadian dollar, to the extent they are not hedged, will positively impact operating income and net income by increasing our revenue, while depreciating foreign currencies relative to the Canadian dollar will have the opposite impact.

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

	First quarter ended			
	July 3, 2022		June 27, 2021	
(in millions of Canadian dollars)	**Net gain**	**Tax expense**	**Net gain**	**Tax expense**
	$	**$**	**$**	**$**
Forward foreign exchange contracts designated as cash flow hedges	0.7	(0.4)	0.7	(0.2)

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

	First quarter ended	
(in millions of Canadian dollars)	**July 3, 2022**	**June 27, 2021**
Loss (gain) from other comprehensive income	**$**	**$**
Forward foreign exchange contracts designated as cash flow hedges		
Revenue	0.7	—
SG&A expenses	1.0	(0.1)
Inventory	(0.1)	(1.0)

For the first quarter ended July 3, 2022, unrealized loss of $0.6m (first quarter ended June 27, 2021 - unrealized gain of $0.3m) on forward exchange contracts that were not treated as hedges were recognized in SG&A expenses in the interim statements of loss.

Foreign currency forward exchange contracts outstanding as at July 3, 2022 related to operating cash flows were:

(in millions)	Aggregate Amounts		Currency
Forward contract to purchase Canadian dollars	US$	118.7	U.S. dollars
	€	113.6	euros
Forward contract to sell Canadian dollars	US$	25.0	U.S. dollars
	€	40.5	euros
Forward contract to purchase euros	CHF	2.1	Swiss francs
	CNY	469.1	Chinese yuan
	£	47.4	British pounds sterling
Forward contract to sell euros	CHF	6.4	Swiss francs
	CNY	90.3	Chinese yuan
	£	2.9	British pounds sterling

Foreign exchange risk on borrowings

The Company enters into derivative transactions to hedge a portion of its exposure to interest rate risk and foreign currency exchange risk related to principal and interest payments on the term loan denominated in U.S. dollars (note 11). The Company also entered into a five-year forward exchange contract by selling $368.5m and receiving US$270.0m as measured on the trade date, to fix the foreign exchange risk on a portion of the term loan borrowings.

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

	First quarter ended			
	July 3, 2022		June 27, 2021	
(in millions of Canadian dollars)	Net gain	Tax expense	Net loss	Tax recovery
	$	$	$	$
Swaps designated as cash flow hedges	0.6	(0.2)	(0.5)	0.2

The Company reclassified the following losses from other comprehensive income on derivatives designated as hedging instruments to SG&A expenses:

	First quarter ended	
(in millions of Canadian dollars)	July 3, 2022	June 27, 2021
Loss from other comprehensive income	$	$
Swaps designated as cash flow hedges	0.2	0.2

For the first quarter ended July 3, 2022, unrealized gains of $12.4m (first quarter ended June 27, 2021 - unrealized losses of $7.5m) in the fair value of the long-dated forward exchange contract related to a portion of the term loan balance were recognized in SG&A expenses in the interim statements of loss.

Interest rate risk

The Company is exposed to interest rate risk related to the effect of interest rate changes on the borrowings outstanding under the term loan, the Mainland China Facilities and Japan Facility which currently bear interest rates at 4.51%, 4.26%, and 0.37% respectively. As at July 3, 2022, the Company had no amounts outstanding on the revolving facility.

Based on the weighted average amount of outstanding borrowings, a 1.00% increase in the average interest rate during the first quarter ended July 3, 2022 would have increased interest expense on the term loan and Mainland China Facilities by $0.9m and less than $0.1m respectively (first quarter ended June 27, 2021 - $0.9m and less than $0.1m, respectively). Correspondingly, a 1.00% increase in the average interest rate would have increased interest expense on our Japan Facility by less than $0.1m.

The Company entered into five-year interest rate swaps by fixing the LIBOR component of its interest rate at 0.95% on notional debt of US$270.0m. The swaps terminate on December 31, 2025. The applicable interest rate on the interest rate swaps is 4.45%. The interest rate swaps were designated at inception and accounted for as cash flow hedges.

Interest rate risk on the term loan is partially mitigated by interest rate swap hedges. The impact on future interest expense as a result of future changes in interest rates will depend largely on the gross amount of borrowings at that time.

Note 17. Selected cash flow information

Changes in non-cash operating items

	First quarter ended	
(in millions of Canadian dollars)	**July 3, 2022**	**June 27, 2021**
		Restated (Note 2)
	$	**$**
Trade receivables	(4.5)	1.4
Inventories	(85.9)	(63.2)
Other current assets	(4.8)	(0.8)
Accounts payable and accrued liabilities	(14.3)	(35.6)
Provisions	(3.2)	(6.9)
Other	(10.8)	0.5
Change in non-cash operating items	(123.5)	(104.6)