

BIRKS & MAYORS INC.
Form 6-K
December 04, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE
13a-16 or 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the thirteen weeks ended September 30, 2006

Commission file number: 001-32635

BIRKS & MAYORS INC.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Canada

(Jurisdiction of incorporation or organization)

1240 Phillips Square

Montreal Québec

Canada

H3B 3H4

(Address of principal executive office)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BIRKS & MAYORS INC.

(Registrant)

By: /s/ Michael Rabinovitch

Michael Rabinovitch

Senior Vice President and Chief Financial Officer

Date: December 4, 2006

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Exhibit

Number	Description
Exhibit 99.1	Unaudited Condensed Consolidated Balance Sheets as of September 30, 2006 and March 25, 2006
Exhibit 99.2	Unaudited Condensed Consolidated Statements of Operations for the thirteen week periods ended September 30, 2006 and September 24, 2005 and for the twenty-seven and twenty-six week periods ended September 30, 2006 and September 24, 2005, respectively
Exhibit 99.3	Unaudited Condensed Consolidated Statements of Cash Flows for the twenty-seven and twenty-six week periods ended September 30, 2006 and September 24, 2005, respectively
Exhibit 99.4	Notes to the Unaudited Condensed Consolidated Financial Statements
Exhibit 99.5	Management's Discussion and Analysis of Financial Condition and Results of Operations

Table of Contents**EXHIBIT 99.1****BIRKS & MAYORS INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except share amounts)**

	September 30, 2006	March 25, 2006
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,496	\$ 1,838
Accounts receivable	9,674	12,395
Inventories	175,386	147,039
Other current assets	6,125	3,531
Total current assets	193,681	164,803
Property and equipment	34,298	32,653
Goodwill and other intangible assets	30,241	30,169
Other assets	1,473	1,864
Total non-current assets	66,012	64,686
Total assets	\$ 259,693	\$ 229,489
Liabilities and Stockholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 117,169	\$ 88,107
Accounts payable	46,687	39,109
Accrued liabilities	9,753	12,549
Current portion of long-term debt	1,644	1,316
Total current liabilities	175,253	141,081
Long-term debt	17,432	16,971
Other long-term liabilities	3,708	4,070
Total long-term liabilities	21,140	21,041
Commitments and contingencies		
Stockholders' equity:		
Class A common stock no par value, unlimited shares authorized, issued and outstanding 3,492,361 and 3,489,753, respectively	21,842	21,833
Class B common stock no par value, unlimited shares authorized, issued and outstanding 7,717,970 and 7,717,970, respectively	38,613	38,613
Class C common stock no par value, 100,000 authorized, none issued		
Preferred stock no par value, 2,034,578 authorized, none issued		
Non-voting common shares no par value, unlimited shares authorized, none issued		
Additional paid-in capital	16,012	16,053
Accumulated deficit	(12,558)	(8,048)
Accumulated other comprehensive loss	(609)	(1,084)

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Total stockholders' equity		63,300	67,367
Total liabilities and stockholders' equity	\$	259,693	\$ 229,489

See accompanying notes to unaudited condensed consolidated financial statements.

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EXHIBIT 99.2

BIRKS & MAYORS INC. AND SUBSIDIARIES**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share amounts)

	13 weeks ended	13 weeks ended	27 weeks ended	26 weeks ended
	September 30, 2006	September 24, 2005	September 30, 2006	September 24, 2005
Net Sales	\$ 54,506	\$ 52,018	\$ 123,063	\$ 108,257
Cost of sales	28,112	28,159	63,845	57,573
Gross profit	26,394	23,859	59,218	50,684
Selling, general & administrative expenses	25,615	23,482	55,209	48,168
Depreciation and amortization	1,852	1,318	3,546	2,536
Total operating expenses	27,467	24,800	58,755	50,704
Operating income (loss)	(1,073)	(941)	463	(20)
Interest and other financial costs	2,524	1,955	4,973	4,164
Loss before income taxes	(3,597)	(2,896)	(4,510)	(4,184)
Income taxes				
Net loss	\$ (3,597)	\$ (2,896)	\$ (4,510)	\$ (4,184)
Weighted average shares outstanding, basic & diluted	11,210	7,290	11,209	7,294
Net loss per common share, basic & diluted	\$ (0.32)	\$ (0.40)	\$ (0.40)	\$ (0.57)

See accompanying notes to unaudited condensed consolidated financial statements

Table of Contents**EXHIBIT 99.3****BIRKS & MAYORS INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)**

	27 weeks ended	26 weeks ended
	September 30, 2006	September 24, 2005
Cash flows from operating activities:		
Net loss	\$ (4,510)	\$ (4,184)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,852	2,655
Amortization of debt costs	307	252
Non-cash compensation expense (income)	110	(1,346)
Other operating activities, net	(331)	
(Increase) decrease in assets:		
Accounts receivable	2,881	2,274
Inventories	(25,507)	(14,253)
Other current assets	(2,475)	(433)
Increase (decrease) in liabilities:		
Accounts payable	6,623	6,460
Accrued liabilities and other long-term liabilities	(3,013)	(1,789)
Net cash used in operating activities	(22,063)	(10,364)
Cash flows from investing activities:		
Additions to property and equipment	(3,634)	(3,150)
Cost incurred in connection with acquisition of subsidiary		(590)
Other investing activities	56	(14)
Net cash used in investing activities	(3,578)	(3,754)
Cash flows from financing activities:		
Increase in bank indebtedness	38,783	16,855
Increase in long-term debt		239
Payment of commitment fees		(230)
Repayment of junior credit facility	(11,668)	(1,000)
Repayment of loans and capital leases	(835)	(998)
Other financing activities		(191)
Net cash provided by financing activities	26,280	14,675
Effect of exchange rate on cash and cash equivalents	19	5
Net increase in cash and cash equivalents	658	562
Cash and cash equivalents at beginning of period	1,838	1,762
Cash and cash equivalents at end of period	\$ 2,496	\$ 2,324
Supplemental cash flow information:		
Interest paid	\$ 4,367	\$ 3,606

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Non-cash transactions from investing activities:

Property and equipment additions acquired through capital leases	\$	780	\$	740
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See accompanying notes to unaudited condensed consolidated financial statements.

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EXHIBIT 99.4

BIRKS & MAYORS INC. AND SUBSIDIARIES**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. Basis of Presentation and Significant Accounting Policies**

These Unaudited Condensed Consolidated Financial Statements include the accounts of the Canadian parent company Birks & Mayors Inc. (Birks & Mayors or the Company) and its wholly-owned subsidiaries, Henry Birks & Sons U.S. Inc., and Mayor s Jewelers, Inc. (Mayors), are prepared in U.S. dollars and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 20-F for the year ended March 25, 2006, filed with the Securities and Exchange Commission on July 19, 2006. These principles require management to make certain estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. The most significant estimates include valuation of inventories and accounts receivable, provisions for income taxes, and the recoverability of long-lived assets. Actual results could differ from these estimates. Periodically, the Company reviews all significant estimates and assumptions affecting the financial statements relative to current conditions and records the effect of any necessary adjustments. All significant intercompany accounts and transactions have been eliminated in the consolidation. The consolidated financial statements include certain reclassifications of prior period amounts in order to conform with current period presentation.

2. Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) ratified Emerging Issues Task Force Issue No. 06-3, (EITF 06-3) How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (that is, Gross versus Net Presentation) , which allows companies to adopt a policy of presenting taxes in the income statement on either a gross or net basis. Taxes within the scope of this EITF would include taxes that are imposed on a revenue transaction between a seller and a customer. If such taxes are significant, the accounting policy should be disclosed as well as the amount of taxes included in the financial statements if presented on a gross basis. EITF 06-3 is effective for interim and annual reporting periods beginning after December 15, 2006. The adoption of EITF 06-3 is not expected to have a material effect on the Company s financial position or results of operations.

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting and reporting for uncertainties in income tax law, or obligations/liabilities. The interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently assessing the impact, if any, of FIN 48 which it expects to adopt on April 1, 2007. The adoption of FIN 48 is not expected to have a material effect on the Company s financial position or results of operations.

In September 2006, the Securities and Exchange Commission (the SEC) issued Staff Accounting Bulletin No. 108 (SAB 108), Considering the Effects of Prior Year Misstatements when Qualifying Misstatements in Current Year Financial Statements, which provides interpretive guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 is effective for companies with fiscal years ending after November 15, 2006. The Company is currently assessing the impact of the adoption of SAB 108 and does not expect that SAB 108 will have a material effect on its financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company has not yet determined the impact, if any, that the adoption of SFAS No. 157 will have on its financial position or results of operations.

Table of Contents**3. Net Loss Per Common Share**

For the thirteen and twenty-seven week periods ended September 30, 2006, 1,182,000 shares underlying outstanding stock options, 382,722 shares underlying outstanding warrants, and 113,034 shares underlying outstanding stock appreciation rights (SARs) were excluded from the computation of net income per diluted share due to their antidilutive effect. For the thirteen and twenty-six week periods ended September 24, 2005, there were 803,000 shares underlying outstanding stock options excluded from the computation of net income per diluted share due to their antidilutive effect. Additionally, for all periods presented in the table above, the dilutive impact from the conversion of preferred stock into 1.0 million shares of common stock and the conversion of convertible notes into 1.0 million shares of common stock was not included in the computation of diluted loss per common share as such amounts would have had an antidilutive effect.

4. Benefit Plans and Stock-Based Compensation

The Company can issue stock options and SARs to executive management, key employees and directors under stock-based compensation plans. Through March 25, 2006, the Company historically accounted for stock-based compensation using the intrinsic value method under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations (APB 25) in accounting for its stock-based compensation plans. Accordingly, compensation expense has only been recognized for awards which met the definition of variable awards under APB 25. The Company has historically reported pro forma results under the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS No. 123), as amended by Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. On March 26, 2006, the Company adopted Statement of Financial Accounting Standard No. 123(R) (SFAS No. 123R), Share-Based Payment, which is a revision of SFAS No. 123. SFAS No. 123R supersedes APB 25 and amends Statement of Financial Accounting Standards No. 95, Statement of Cash Flows.

The Company's stock option plans and arrangements are described as follows:

In 2006, the Company adopted a Long-Term Incentive Plan to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees and to promote the success of the Company. Any employee or consultant selected by the administrator is eligible for any type of award provided for under the Long-Term Incentive Plan, except that incentive stock options may not be granted to consultants. The Long-Term Incentive Plan provides for the grant of units and performance units or share awards. The Long-Term Incentive Plan authorizes the issuance of 900,000 Class A voting shares, which consist of authorized but unissued Class A voting shares. The Company is restricted from issuing Class A voting shares or equity based awards under this program without the approval of the shareholders of the Company if such issuance, when combined with the Class A voting shares issuable under this plan or any of the Company's other equity incentive award plans exceeds 1,304,025 Class A voting shares. Based on the current number of awards outstanding under all of the Company's plans, no additional equity incentive awards are currently issuable without shareholder approval. Cash settled awards however are permitted.

The Company has outstanding employee stock options issued under the Birks Employee Stock Option Plan (the Birks ESOP). This plan was authorized to issue 237,907 shares or 10% of non-voting common stock. The granting of options, the exercise price and the related vesting period were determined at the discretion of the Board of Directors. The life of the options issued under this plan were not to exceed 10 years with options vesting generally pro-rata over four years. Effective November 15, 2005, no awards are permitted to be granted under the Birks ESOP. However, the Birks ESOP will remain in effect until the outstanding awards issued under the plan terminate or expire by their terms. At September 30, 2006 there were 162,832 Class A voting shares underlying options granted under the Birks ESOP.

The Company has also entered into separate agreements to issue options to purchase Class A voting shares of the Company to the Company's Chief Executive Officer and Class A voting common shares to a director of the Company and a director of Iniziativa S.A. (Iniziativa), a controlling shareholder of the Company. As of September 30, 2006, the Company's Chief Executive Officer held options to purchase 513,233 Class A voting shares of the Company and a director of the Company and a director of Iniziativa held options to purchase 143,339 of non-voting common shares. These options are exercisable at prices ranging from CAN\$6.00 to CAN\$7.00 per share. The options issued to a director of the Company and a director of Iniziativa are exercisable and expire over a period of ten years from the grant date. The options issued to the Company's Chief Executive Officer were also exercisable as of September 30, 2006 and expire either two years after termination of employment or ten years after retirement.

As of September 30, 2006, the Company had outstanding 15,000 options granted to members of its Board of Directors to acquire Class A voting shares of the Company for a purchase price of CAN\$7.73 exercisable at any time until April 23, 2014.

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The following is a summary of the activity of Birks' stock option plans and arrangements:

	Shares underlying Options	Weighted Average Exercise Price (CAN dollars)	Weighted Average Remaining Contractual Life (In years)	Intrinsic Value (000 \$)
Outstanding March 25, 2006	834,804	\$ 6.40		
Granted				
Exercised				
Expired/forfeited	(400)	\$ 7.73		
Outstanding September 30, 2006	834,404	\$ 6.39	2.9	\$ 1,376

Exercisable at September 30, 2006 824,404 \$ 6.37 2.8 \$ 1,372
 Included in the above calculation were 513,233 options to purchase Class A voting shares held by the Company's Chief Executive Officer, which expire either two years after termination or ten years after retirement. For purposes of the table above, the remaining contractual life was estimated to be the remaining period under his employment agreement, plus two years.

Under plans approved by the Company's former Board of Directors of Mayors, the Company has outstanding stock options and SARs issued to employees and members of the Company's Board of Directors. Under these plans, the option price was required to equal the market price of the stock on the date of the grant or in the case of an individual who owned 10% or more of the common stock of Mayors, the minimum price was to be set at 110% of the market price at the time of issuance. Options granted under these programs generally became exercisable from six months to three years after the date of grant, provided that the individual was continuously employed by Mayors, or in the case of directors, remained on the Board of Directors. All options generally expired no more than ten years after the date of grant. No further awards will be granted under these plans. However, these plans will remain effective until the outstanding awards issued under the plans terminate or expire by their terms.

The following is a summary of the activity of Mayors stock option plans.

	Shares Underlying Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In years)	Intrinsic Value (000 \$)
Outstanding March 25, 2006	370,000	\$ 13.96		
Granted				
Exercised	(2,608)	3.34		
Expired/forfeited	(19,350)	27.81		
Outstanding September 30, 2006	348,042	\$ 13.29	5.3	\$ 903

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Exercisable at September 30, 2006 346,593 \$ 13.31 5.3 \$ 903
Included in the above calculation were 130,425 options that were granted to the Company's Chief Executive Officer and expire either after ten years from the grant date or two years after termination of employment. For purposes of the information within the table above, a term of ten years from the issuance date is used.

As of September 30, 2006, the Company had outstanding warrants exercisable into 382,722 shares of the Company's stock. These warrants have an exercise price of \$3.45 per share. As of November 1, 2005, these awards were fully-vested and no additional compensation expense will be recognized under the requirements of SFAS No. 123R.

As of September 30, 2006, the Company had issued 113,034 SARs under the Mayors plan to members of senior management at a strike price of \$6.22. The grantees' interests in these SARs generally vest ratably over a three year period and expire ten years after grant. Prior to the Company's adoption of SFAS No. 123R, these awards were considered variable awards under APB 25, with changes in the fair value above the strike price of the underlying stock recorded in the Condensed Consolidated Statements of Operations. These awards are considered equity incentive awards under SFAS No. 123R and as such, the fair value of these awards at the time of their grant is amortized as an expense over the vesting period. As of September 30, 2006, the weighted-average remaining contractual life of these awards was 8.9 years and the aggregate intrinsic value was \$0.1 million.

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In February 2006, the Company adopted an Employee Stock Purchase Plan (ESPP). The ESPP permits eligible employees, which do not include executives of the Company, to purchase the Company's Class A voting stock at 85% of the Company's fair market value through regular payroll deductions. A total of 100,000 shares of the Company's Class A voting shares are reserved for issuance under the ESPP. As of September 30, 2006 no shares have been issued under this plan.

As of September 30, 2006, there was approximately \$0.1 million of total unrecognized stock-based compensation costs related to unvested options and SARs granted under the Company's plans that will be recognized over a weighted average period of 0.7 years. There were no stock options exercised or granted during the twenty-seven and twenty-six week periods ended September 30, 2006 and September 24, 2005, respectively.

Pro forma net income and net income per share, as if the Company had applied the fair value recognition provisions of SFAS No. 123R to stock based compensation for periods presented prior to the Company's adoption of SFAS No. 123R, are as follows:

	For the 13 weeks ended September 24, 2005	For the 26 weeks ended September 24, 2005
	(In thousands, except per share data)	
Net loss, as reported	\$ (2,896)	\$ (4,184)
Less: Employee compensation income considered in the determination of net loss	(462)	(1,346)
Less: Stock-based employee compensation expense determined under the fair-value-based method for all awards, net of tax	(19)	(9)
Pro forma net loss	\$ (3,377)	\$ (5,539)
Loss per share:		
As reported basic and diluted:	\$ (0.40)	\$ (0.57)
Pro forma basic and diluted:	\$ (0.46)	\$ (0.76)

Effective March 26, 2006, the Company adopted SFAS No. 123R using the modified prospective transition method. Under the modified prospective transition method, fair value accounting and recognition provisions of SFAS No. 123R are applied to share-based awards granted or modified subsequent to the date of adoption and prior periods presented are not restated. In addition, for awards granted prior to the effective date, the unvested portion of the awards is recognized in periods subsequent to the effective date based on the grant date fair value determined for pro forma disclosure purposes under SFAS No. 123. The compensation cost calculated under the fair value approach is recognized on a pro rata basis over the vesting period of the stock options and SARs (usually three years). All stock option grants and SARs issued in the prior fiscal year are subject to graded vesting as services are rendered. The fair value for granted options and SARs was estimated at the time of the grant using the Black-Scholes option-pricing model. Due to limited trading history, the expected volatilities are based on the volatility of share prices of similar entities. The risk-free rate for periods within the contractual life of the stock option award is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the stock option award is granted with a maturity equal to the expected life of the stock option award. The Company uses historical data to estimate stock option exercises and forfeitures within the valuation model. The expected term of stock option awards granted is derived from historical exercise experience under the share-based employee compensation arrangements and represents the period of time that stock option awards granted are expected to be outstanding.

The Company recognized total stock-based compensation expense (income) of \$32,000 and \$(462,000) during the thirteen week periods ended September 30, 2006 and September 24, 2005, respectively, and \$110,000 and \$(1,346,000) during the twenty-seven and twenty-six week periods ended September 30, 2006 and September 24, 2005, respectively, which was recorded in selling, general, and administrative expenses in the Condensed Consolidated Statements of Operations.

The Company issues new shares to satisfy share-based awards and exercise of stock options. During the twenty-seven and twenty-six week periods ended September 30, 2006 and September 24, 2005, respectively, no cash was used to settle equity instruments granted under share-based payment arrangements.

Table of Contents**5. Inventories**

Inventories are summarized as follows:

	As of	As of
	September 30, 2006	March 25, 2006
	(In thousands)	
Raw materials	\$ 8,258	\$ 3,874
Work in progress	2,845	1,633
Retail inventories and manufactured finished goods	164,283	141,532
	\$ 175,386	\$ 147,039

In addition, the Company held inventory on consignment at September 30, 2006 and March 25, 2006 with a purchase value of approximately \$34.2 million and \$23.7 million, respectively.

6. Bank Indebtedness

Bank indebtedness consists of the following:

	As of	As of
	September 30, 2006	March 25, 2006
	(In thousands)	
Working capital credit facility	\$ 117,117	\$ 76,381
Junior secured term loan		11,668
Other indebtedness	52	58
	\$ 117,169	\$ 88,107

The Company maintains a \$135 million working capital credit facility which is collateralized by substantially all of the Company's assets. At September 30, 2006, the Company had excess borrowing capacity of \$17.9 million. Availability under the working capital credit facility is determined based upon a percentage formula applied to certain inventory, accounts receivable and other assets and has certain restrictions regarding borrowing availability. The Company's working capital credit facility bears interest at a floating rate of prime or prime plus .25% depending on the excess borrowing capacity, or, at the Company's election, at a LIBOR based rate plus 1.25%, or LIBOR based rate plus 1.50%, or, LIBOR based rate plus 2.00% depending on the excess borrowing capacity and fixed coverage ratio. On September 30, 2006, the Company's borrowing alternatives were at prime and at LIBOR plus 1.50%.

The terms of the working capital credit facility provide that no financial covenants are required to be met as long as certain net excess borrowing minimums are maintained. At September 30, 2006 and for the six-month period then ended, we exceeded these net excess borrowing minimums and accordingly financial covenants were not applicable. At September 30, 2006, the Company did not need to test the financial covenants. The working capital credit facility also contains limitations on the Company's ability to pay dividends. Under the terms of the facility, the Company can only pay dividends at certain excess borrowing capacity thresholds and the aggregate dividend payment for the twelve-month period ended as of any fiscal quarter cannot exceed 33% of the consolidated net income for such twelve month period.

In August 2006, the Company paid the remaining balance of its junior secured term loan with funds borrowed from its working capital credit facility.

In addition to the working capital credit facility, the Company has several other outstanding loans as of September 30, 2006: (1) a \$2.0 million term loan from La Financière du Québec that bears interest at a rate of prime plus 1.5% per annum, which equated to 7.5% at September 30,

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2006, and repayable until June 2010 in eighty-one equal monthly capital repayments; (2) a \$0.2 million loan payable to the Small Business Loan Fund Corporation, bearing interest at 6% per annum repayable in monthly installments maturing in April 2010; (3) a \$0.1 million term loan with Sovereign Bank which bears interest at a rate of 6.75% and matures in February 2010; and (4) a \$0.1 million non-revolving demand loan from Bank of Montreal bearing interest at an annual rate of prime plus 1% maturing in May 2009.

7. Segmented Information:

The Company has two reportable segments Retail and Other. Retail operates 39 stores across Canada under the Birks brand, and 29 stores in the Southeastern United States under the Mayors brand. Other consists primarily of our corporate sales division which services business customers by providing them with unique items for recognition programs, service awards and business gifts and also includes manufacturing unique products for the retail segment of our business.

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	27 weeks ended September 30, 2006	26 weeks ended September 24, 2005
	(In thousands)	
Gross Profit	\$ 60,232	\$ 51,374
Elimination of intercompany profit	(1,014)	(690)
Gross profit	\$ 59,218	\$ 50,684

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EXHIBIT 99.5

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide the reader of the financial statements with a narrative on our results of operations, financial position and liquidity, risk management activities, significant accounting policies and critical estimates, and the future impact of accounting standards that have been issued but are not yet effective. MD&A is presented in the following sections: Overview, Critical Accounting Policies and Estimates, Results of Operations and Financial Condition. It is useful to read MD&A in conjunction with the Unaudited Condensed Consolidated Financial Statements and related notes thereto contained elsewhere in this document.

Annually, our fiscal years end on the last Saturday of March. As a result, our current fiscal year consists of one fourteen week quarter ending July 1, 2006 and three subsequent thirteen week quarters, while the prior year consisted of four thirteen week periods. We refer to the prior fiscal year ended March 25, 2006 as Fiscal 2006, and the current fiscal year ending March 31, 2007 as Fiscal 2007.

Overview

Birks & Mayors is a leading designer, maker and purveyor of luxury jewelry, timepieces and giftware in Canada and the Southeastern United States. As of September 30, 2006, we operated 39 stores under the Birks brand in most major metropolitan markets of Canada and 29 stores under the Mayors brand in Florida and Georgia. At March 25, 2006 and March 26, 2005, our retail operations' total square footage was approximately 264,000 and 266,000, respectively. The average square footage of our three Birks flagship stores in Canada was approximately 18,500. The average square footage for all other Birks brand retail stores in Canada at March 25, 2006, was 3,300 and the average square footage for Mayors brand retail stores in the Southeastern United States was 4,400.

We operate our business in two geographic areas, Canada and the Southeastern United States. We have two reportable segments, Retail and Other. Retail is comprised of our retail operations in the U.S. and Canada on a combined basis. Other consists primarily of our corporate sales division which services business customers by providing them with unique items for recognition programs, service awards and business gifts and also includes manufacturing which manufactures unique products for the retail segment of our business.

Our net sales are comprised of revenues (including retail, corporate, catalogue and internet sales), net of discounts, in each case, excluding sales tax. Sales are recognized at the point of sale when merchandise is taken or shipped. Sales of consignment merchandise are recognized on a full retail basis at such time that the merchandise is sold. Revenues for gift certificates and store credits are recognized upon redemption. Customers use cash, checks, debit cards, third-party credit cards, proprietary credit cards and house accounts (primarily for corporate sales customers) to make purchases. The level of our sales is impacted by the number of transactions we generate and the size of our average retail sale. For the fiscal years ended March 25, 2006 and March 26, 2005, our average retail sale was \$898 and \$739, respectively, which excludes service and repair transactions.

Our operating costs and expenses are primarily comprised of cost of sales and selling, general and administrative expenses. Cost of sales includes cost of merchandise, direct inbound freight, direct labor related to repair services, the costs of our design and creative departments, manufacturing costs, inventory shrink, damage and obsolescence, jewelry, watch and giftware boxes as well as depreciation and amortization of production facilities and production tools, dies and molds and, in addition, product development costs. Selling, general and administrative expenses (SG&A) include, but are not limited to, all non-production payroll and benefits (including non-cash compensation expense), store and head office occupancy costs, overhead, credit card fees, information systems, professional services, consulting fees, repairs and maintenance, travel and entertainment, insurance, legal, human resource and training expenses. Depreciation includes depreciation and amortization of our stores and head office, including buildings, leasehold improvements, furniture and fixtures, computer hardware and software and automobiles and trucks. Occupancy, overhead and depreciation are generally less variable relative to net sales than other components of SG&A such as credit card fees and certain elements of payroll, such as commissions. Another significant item in SG&A is marketing expenses which include marketing, public relations and advertising costs (net of amounts received from vendors for cooperative advertising) incurred to increase customer awareness of both the Company's retail brands and the Birks product brand. Marketing has historically represented a significant portion of SG&A. As a percentage of sales, marketing expenses represented 3.9% of sales in Fiscal year 2006 and 4.0% of sales for the fiscal year ended March 26, 2005. Additionally, SG&A includes indirect costs such as freight, including inter-store transfers, receiving costs, distribution costs, and warehousing costs. The amounts of these indirect costs in SG&A are approximately \$0.7 million and \$0.6 million for the thirteen week periods ended September 30, 2006 and September 24, 2005, respectively, and \$1.5 million and \$1.3 million for the twenty-seven and twenty-six week periods ended September 30, 2006 and September 24, 2005, respectively.

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We believe that the key drivers of our performance are our ability to:

execute our merchandising strategy to increase net sales and expand gross margin in existing stores by developing and marketing higher margin exclusive and unique products, and developing our internal capability to design, develop, manufacture or source products;

execute our marketing strategy to enhance customer awareness and appreciation of our two retail brands, Birks and Mayors, as well as the Birks product brand, and to increase customer traffic and net sales through regional and national advertising campaigns on television, billboards, print, catalog mailings, in-store client events, community relations, media and public relations, partnerships with key suppliers, such as Mayors relationship with Rolex, and associations with prestige institutions;

provide a superior client experience through consistent outstanding customer service that will ensure customer satisfaction and promote the frequency and value of customer spending; and

expand distribution by selective new store openings in existing and new markets.

Critical Accounting Policies and Estimates

Our Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America, but do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. Preparation of these statements requires management to make estimates and assumptions about future events and their impact on amounts reported in the financial statements and related notes. Some accounting estimates and policies have a significant impact on amounts reported in the financial statements. A summary of significant accounting estimates and policies and a description of accounting policies that are considered critical may be found in the Company's Annual Report on Form 20-F for the year ended March 25, 2006 filed with the Securities and Exchange Commission on July 19, 2006 in the Notes to the Consolidated Financial Statements and the Critical Accounting Policies and Estimates section contained therein.

Results of Operations**Comparable Store Sales**

We use comparable store sales as a key performance measure for our business. We do not include our non-retail store sales in comparable store calculations. Stores enter the comparable store calculation in their thirteenth full month of operation. Stores that have been resized and stores that are relocated are evaluated on a case-by-case basis to determine if they are functionally the same store or a new store and then are included or excluded from comparable store sales, accordingly. Comparable store sales is calculated in local currency terms and measures the percentage change in net sales for comparable stores in a period compared to the corresponding period in the previous year. If a comparable store is not open for the entirety of both periods, comparable store sales measures the change in net sales for the portion of time that such store was open in both periods.

The percentage increase in comparable stores sales for the periods presented below is as follows:

	For the 13 weeks			
	ended	For the 13 weeks	For the 27 weeks	For the 26 weeks
	September 30,	ended	ended	ended
	2006	September 24,	September 30,	September 24,
	2006	2005	2006	2005
Canada	3%	6%	8%	1%
U.S.	1%	20%	5%	16%
Total	2%	14%	6%	9%

The increase in comparable store sales for the thirteen week and twenty-seven week periods ended September 30, 2006 is primarily the result of the successful execution of our strategy of increasing our average sale made possible also by the continued strength in the Canadian market. We

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believe our systems conversion which occurred during the second quarter in Canada negatively impacted our sales during that period. In the United States, we experienced a downturn in customer traffic patterns during the second quarter as compared to the same period last year, which was offset by a higher average unit retail. Contributing to the same store sales growth was our continued success in the execution of our retail marketing strategies which includes increasing the level of exclusive merchandise and increased spending on the targeted use of catalogs, television, outdoor and print advertising as well as other marketing programs to promote brand awareness.

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The comparable store sales growth of 14% and 9% for the thirteen week and twenty-six week period ended September 24, 2005 was primarily attributable to strong growth in the U.S. market, with more moderate growth in the Canadian market. The increase in the U.S. during this period was primarily attributable to improved merchandising of the stores combined with effective marketing programs and retail store initiatives as well as the strength of the economy in Florida and Georgia during this period. The comparable store sale growth in the second quarter of last year reflected an improvement from the comparable store sales decline in the first quarter of Fiscal 2006.

Thirteen Week Period Ended September 30, 2006 compared to the Thirteen Week Period Ended September 24, 2005

Net Sales

	For the 13 weeks ended September 30, 2006	For the 13 weeks ended September 24, 2005
	(In thousands)	
Net sales Retail	\$ 52,218	\$ 49,630
Net sales Other	2,288	2,388
Total Net Sales	\$ 54,506	\$ 52,018

Net sales for the thirteen weeks ended September 30, 2006 were \$54.5 million, an increase of \$2.5 million from the thirteen weeks ended September 24, 2005. The increase in net sales was primarily driven by 2% higher comparable store sales growth and \$1.9 million related to translating the sales of the Canadian operations to U.S. dollars with a relatively stronger Canadian dollar. The increase in comparable store sales growth was primarily driven by an increase in the average unit retail price per transaction.

Gross Profit

	For the 13 weeks ended September 30, 2006	For the 13 weeks ended September 24, 2005
	(In thousands)	
Gross Profit Retail	\$ 25,573	\$ 23,317
Gross Profit Other	821	542
Total Gross Profit	\$ 26,394	\$ 23,859

Gross profit was \$26.4 million or 48.4% of net sales for the thirteen week period ended September 30, 2006 compared to \$23.9 million or 45.9% of net sales for the thirteen week period ended September 24, 2005, or an improvement of 250 basis points. Included in the \$2.5 million increase in gross profit was approximately \$1.0 million associated with translating the net sales and cost of sales of the Canadian operations to U.S. dollars with a relatively stronger Canadian dollar. This improvement in gross margin was due to the continued successful execution of retail and merchandising strategies aimed at increasing the sales of higher margin merchandise we design and make or source as well as an increased level of sales at full retail price.

Selling, general and administrative expenses were \$25.6 million or 47.0% of net sales for the thirteen week period ended September 30, 2006 compared to \$23.5 million or 45.1% of net sales for the thirteen week period ended September 24, 2005. The \$2.1 million increase in selling, general and administrative expenses for the period includes \$0.9 million resulting from the impact of translating Canadian dollar expenses to U.S. dollars, and \$0.5 million of non-cash compensation income recognized in the prior fiscal quarter compared to \$32 thousand of expense in the current fiscal quarter. The higher level of selling, general and administrative expenses also includes higher occupancy costs related to the renewal of leases at higher base rent amounts which may be offset somewhat by decreases in variable rents later in the year. Selling, general and administrative expenses as a percentage of sales increased by 190 basis points in the current quarter compared to the same period last year. Excluding the impact of non-cash compensation, this increase would have been 100 basis points.

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Depreciation and amortization expense was \$1.9 million for the thirteen week period ended September 30, 2006 compared to \$1.3 million for the thirteen week period ended September 24, 2005. This \$0.6 million increase was primarily

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due to an additional investment in fixed assets incurred over the prior year, the write-off of approximately \$0.2 million of leasehold improvements related to the renovation of one our stores in Florida and the accelerated amortization of certain technology investments that were replaced by our new information systems of approximately \$0.2 million.

Interest and other financial costs were \$2.5 million and \$2.0 million for the thirteen week periods ended September 30, 2006 and September 24, 2005, respectively. The \$0.5 million increase includes the impact of recognizing \$0.2 million of foreign exchange gains on convertible notes outstanding in the prior year. Interest expense of \$0.1 million was incurred by higher levels of borrowings associated with higher inventory levels and \$0.1 million impact of translating the interest costs of the Canadian operations to U.S. dollars at a higher rate than the prior period.

Twenty-Seven Week Period Ended September 30, 2006 compared to the Twenty-Six Week Period Ended September 24, 2005*Net Sales*

		For the 27 weeks ended September 30, 2006	For the 26 weeks ended September 24, 2005
		(In thousands)	
Net sales	Retail	\$ 117,421	\$ 102,966
Net sales	Other	5,642	5,291
Total Net Sales		\$ 123,063	\$ 108,257

Net sales for the twenty-seven weeks ended September 30, 2006 were \$123.1 million, an increase of \$14.8 million from the twenty-six weeks ended September 24, 2005. The increase in net sales was primarily driven by higher comparable store sales growth of 6%, \$4.5 million related to translating the sales of the Canadian operations to U.S. dollars with a relatively stronger Canadian dollar and approximately \$4.3 million related to the extra week included in the twenty-seven week period ended September 30, 2006. The increase in comparable store sales growth was primarily driven by an increase in the average unit retail price per transaction.

Costs of sales were \$63.8 million for the twenty-seven week period ended September 30, 2006 compared to \$57.6 million for the twenty-six week period ended September 24, 2005. This increase was primarily the result of the increased volume of sales. Of the \$6.2 million increase, \$2.0 million was the result of the impact of translating the cost of sales of the Canadian operations to U.S. dollars at a higher rate than the prior period. Included in cost of sales for the twenty-seven and twenty-six week periods ended September 30, 2006 and September 24, 2005 was approximately \$0.4 million and \$0.3 million, respectively, of depreciation expense associated with manufacturing operations.

Gross Profit

		For the 27 weeks ended September 30, 2006	For the 26 weeks ended September 24, 2005
		(In thousands)	
Gross Profit	Retail	\$ 56,293	\$ 48,110
Gross Profit	Other	2,925	2,574
Total Gross Profit		\$ 59,218	\$ 50,684

Gross profit was \$59.2 million or 48.1% of net sales for the twenty-seven week period ended September 30, 2006 compared to \$50.7 million or 46.8% of net sales for the twenty-six week period ended September 24, 2005 or an increase of 130 basis points. Included in the \$8.5 million increase in gross profit was \$2.5 million related to the impact of translating the net sales and cost of sales of the Canadian operations to U.S. dollars with a relatively stronger Canadian dollar. Gross margin improved due to the continued successful execution of retail and merchandising strategies aimed at increasing the sales of higher margin merchandise we design and make or source as well as controlling merchandise

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Selling, general and administrative expenses were \$55.2 million or 44.9% of net sales for the twenty-seven week period ended September 30, 2006 compared to \$48.2 million or 44.5% of net sales for the twenty-six week period ended September 24, 2005. The \$7.0 million increase in selling, general and administrative expenses for the period includes \$2.2 million resulting from the impact of translating Canadian dollar expenses to U.S. dollars with a relatively stronger Canadian dollar. Also impacting the increase in selling, general and administrative expenses was \$1.3 million of non-cash compensation income recognized in the prior fiscal period compared to \$0.1 million of expense in the first half of Fiscal 2007 and \$1.0 million of additional operating expenses due to the extra week in the current fiscal period. The remaining increase in selling,

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general and administrative expense is primarily related to higher levels of marketing spending on the targeted use of catalogs, television, outdoor and print advertising as well as other marketing programs to promote brand awareness and higher occupancy costs as well as higher compensation related to the higher level of sales. Selling, general and administrative expenses as a percentage of sales increased by 40 basis points during the current fiscal period as compared to prior year. Excluding the impact of non-cash compensation SG&A as a percentage of sales would have decreased by 100 basis points as compared to prior year.

Depreciation and amortization expense was \$3.5 million for the twenty-seven week period ended September 30, 2006 compared to \$2.5 million for the twenty-six week period ended September 24, 2005. This \$1.0 million increase was primarily due to an additional investment in fixed assets incurred over the prior year, \$0.5 million related to the accelerated depreciation of certain technology investments that were replaced in connection with our new information technology systems and \$0.2 million of write-offs of leasehold improvements related to the remodeling of a store in Florida. The increase also includes \$0.2 million of higher expenses related to translating the Canadian dollar expenses to U.S. dollars at a higher rate than in the prior year.

Interest and other financial costs was \$5.0 million and \$4.2 million for the twenty-seven and twenty six week periods ended September 30, 2006 and September 24, 2005, respectively. This increase resulted from higher levels of borrowings associated with higher inventory levels, increases in LIBOR and prime rates and a \$0.2 million impact of translating the interest costs of the Canadian operations to U.S. dollars at a higher rate than the prior period. This increase was also impacted by the recognition of a \$0.2 million foreign exchange gain on convertible notes during the twenty-six week period ended September 24, 2005 which reduced interest and financial costs in the prior fiscal year period.

FINANCIAL CONDITION

Liquidity and Capital Resources

We have a \$135 million revolving working capital credit facility from Bank of America N.A. and GMAC Commercial Finance LLC, which matures on January 19, 2009. As of September 30, 2006, we have \$117.1 million outstanding on this facility. Our working capital credit facility bears interest at a floating rate of prime or prime plus .25% depending on the excess borrowing capacity, or, at our election, at a LIBOR based rate plus 1.25%, or LIBOR based rate plus 1.50%, or, LIBOR based rate plus 2.00% depending on the excess borrowing capacity and fixed coverage ratio. On September 30, 2006, the borrowing alternatives were at prime and at LIBOR plus 1.50%. Our excess borrowing capacity was \$17.9 million at September 30, 2006.

Our working capital credit facility is secured by a first priority lien over substantially all of our assets, including our subsidiaries' assets. Under our facility, we must test certain financial covenants at the end of each quarter if and when the average excess borrowing capacity for the last month of the quarter is lower than \$8.75 million or the excess borrowing capacity is lower than \$6.25 million at any time. We were not required to test these covenants since the inception of this facility.

Our working capital credit facility also contains limitations on our ability to pay dividends, more specifically, among other limitations, we can pay dividends only at certain excess borrowing capacity thresholds and the aggregate dividend payment for the twelve month period ended as of any fiscal quarter cannot exceed 33% of the consolidated net income for such twelve month period.

We are currently in compliance with all the covenants contained in our credit facilities. We rely on borrowings under our working capital credit facility to fund our day-to-day operations.

In addition to the working capital credit facility, we have several other outstanding loans as of September 30, 2006: (1) a \$2.0 million term loan from La Financière du Québec that bears interest at a rate of prime plus 1.5% per annum, which equated to 7.5% at September 30, 2006, and repayable until June 2010 in eighty-one equal monthly capital repayments; (2) a \$0.2 million loan payable to the Small Business Loan Fund Corporation, bearing interest at 6% per annum repayable in monthly installments maturing in April 2010; (3) a \$0.1 million term loan with Sovereign Bank which bears interest at a rate of 6.75% and matures in February 2010; and (4) a \$0.1 million non-revolving demand loan from Bank of Montreal bearing interest at an annual rate of prime plus 1% maturing in May 2009. In August 2006, we paid the remaining \$11.7 million balance of our junior secured term loan.

We had net cash flows used in continuing operations of \$22.1 million during the twenty-seven week period ended September 30, 2006 compared to \$10.4 million of net cash flows used in operating activities during the twenty-six week period ended September 24, 2005. This increase in cash used in operating activities is primarily attributable to an \$11.2 million increase in cash used to invest in inventory associated with the timing of receipts in preparation for the upcoming holiday selling season, our internalization strategies resulting in a higher level of inventory as more products are being made internally, as well as the results of foreign exchange of \$0.8 million.

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Net cash provided by financing activities was \$26.3 million during the twenty-seven week period ended September 30, 2006 as compared to \$14.7 million of net cash provided by financing activities for the twenty-six week period ended September 24, 2005. This \$11.6 million increase is mostly the result of net borrowings under our working capital credit facility to fund the cash used in operating activities, primarily the increase in inventory, as well as the results of foreign exchange of \$1.0 million.

We expect our capital expenditures to be approximately \$10 million to \$11 million for the fiscal year ending March 31, 2007, with the majority of spending related to store remodeling, expansion and information technology enhancement.

Management believes that barring a significant external event that materially adversely affects our current business or the current industry trends as a whole, borrowing capacity under the working capital credit facility, projected cash flows from operations and other short term borrowings will be sufficient to support our working capital needs, capital expenditures and debt service for at least the next 12 months.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 to the Unaudited Condensed Consolidated Financial Statements.

FORWARD-LOOKING STATEMENTS

This interim report and other written reports and releases and oral statements made from time to time by the Company contain forward-looking statements which can be identified by their use of words like plans, expects, believes, will, anticipates, intends, projects, estimates, may, planned, goal, and other words of similar meaning. All statements that address expectations, possibilities or projections about the future, including without limitation, statements about our strategies for growth, expansion plans, sources or adequacy of capital, expenditures and financial results are forward-looking statements.

One must carefully consider such statements and understand that many factors could cause actual results to differ from the forward-looking statements, such as inaccurate assumptions and other risks and uncertainties, some known and some unknown. No forward-looking statement is guaranteed and actual results may vary materially. Such statements are made as of the date provided, and we assume no obligation to update any forward-looking statements to reflect future developments or circumstances.

One should carefully evaluate such statements by referring to the factors described in our filings with the Securities and Exchange Commission (SEC), especially on Forms 20-F and 6-K. Particular review is to be made of Items 3, 4 and 5 of Form 20-F where we discuss in more detail various important risks and uncertainties that could cause actual results to differ from expected or historical results. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements. Since it is not possible to predict or identify all such factors, the identified items are not a complete statement of all risks or uncertainties.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risks

Our primary market risk exposure is interest rate risk. Borrowing under the working capital credit facility, the term loan from La Financière du Québec and the non-revolving demand loan from Bank of Montreal, bear interest at floating rates. As of September 30, 2006, we had approximately \$117.1 million of floating-rate debt. Accordingly, our net income will be affected by changes in interest rates. Assuming a 1% increase or decrease in the interest rate under our floating-rate debt, our interest expense on an annualized basis would have increased or decreased, respectively, by approximately \$1.2 million.

Currency Risk

While we report our financial results in U.S. dollars, a substantial portion of our sales are earned in Canadian dollars. For our operations located in Canada, non-Canadian currency transactions and assets and liabilities subject us to foreign currency risk. Conversely, for the operations located in the United States, non-U.S. currency transactions and assets and liabilities subject us to foreign currency risk. For purposes of our financial reporting, our financial statements are reported in U.S. dollars by translating, where necessary, net sales and expenses from Canadian dollars at the average exchange rates prevailing during the period, while assets and liabilities are translated at period-end exchange rates, with the effect of such translation recorded in accumulated other comprehensive income. As a result, for purposes of our financial reporting, foreign

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exchange gains or losses recorded in earnings relate to non-Canadian dollar transactions of the operations located in Canada and non-U.S. dollar transactions of the operations located in the United States. We expect to continue to report our financial results in U.S. dollars in accordance with U.S. GAAP. Consequently, our reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses. To mitigate the impact of foreign exchange volatility on our earnings, from time to time we may enter into agreements to fix the exchange rate of U.S. dollars to Canadian dollars. For example, we may enter into agreements to fix the exchange rate to protect the principal and interest payments on our Canadian dollar denominated debt and other liabilities. If we do so, we will not benefit from any increase in the value of the Canadian dollar compared to the U.S. dollar when these payments become due.

Commodity Risk

The nature of our operations results in exposure to fluctuations in commodity prices, specifically gold. We monitor and, when appropriate, utilize derivative financial instruments and physical delivery contracts to hedge our exposure to risks related to the change in gold price. We are exposed to credit-related losses in the event of non-performance by counter-parties to the financial instruments. In addition, if gold prices decrease below those levels specified in our various hedging agreements, we would lose the value of a decline in the price of gold. At September 30, 2006 and September 24, 2005, our hedging activities had no material impact on our condensed consolidated financial statements. However, gains may not be realized in future periods and our hedging activities may result in losses, which could be material. For accounting purposes, the hedging agreements do not qualify to be treated as accounting hedges and, accordingly, are marked to market at the end of every quarter.