2012

Annual Report

Reitmans (CANADA) LIMITED

2012

To Our Shareholders

Reitmans is Canada's leading specialty retailer. We are customer driven, value oriented and committed to excellence. By promoting innovation, growth, development and teamwork, we strive to serve our customers the best quality/value proposition in the marketplace.

Fiscal 2012 will long be remembered as a most challenging and difficult year.

Sales for the year ended January 28, 2012 ("fiscal 2012") decreased 3.7% to $1,019,397,000. Same store sales decreased 4.3%. Sales were challenging throughout the year as consumer spending on apparel was negatively impacted by reduced discretionary consumer income and by weak customer traffic as many consumers were faced with high personal debt levels and increased food and gasoline prices.

The Company's gross margin decreased from 66.9% in fiscal 2011 to 64.4% in fiscal 2012 as a result of increased promotional activity in a highly competitive environment. For fiscal 2012, adjusted EBITDA[1] decreased to $126,788,000 as compared with $184,369,000 for fiscal 2011. Net earnings decreased 46.6% to $47,539,000 or $0.72 diluted earnings per share as compared with $88,985,000 or $1.32 diluted earnings per share last year.

On October 19, 2011 the Company announced the closure of its 25 Cassis stores of which approximately 12 stores will be converted to other Company banners. In fiscal 2012, the Company recorded costs associated with the Cassis closing including store conversions, closures and severances of approximately $4,400,000 after tax.

During the year, the Company opened 30 new stores and closed 56. Accordingly, at January 28, 2012, there were 942 stores in operation, consisting of 362 Reitmans, 150 Smart Set, 66 RW & CO., 76 Thyme Maternity, 152 Penningtons, 116 Addition Elle and 20 Cassis as compared with a total of 968 stores as at January 29, 2011.

In fiscal 2013, we expect to open 44 new stores, close 54 stores and remodel 60 stores. We continue to upgrade our technology platform and distribution centre. We continue to invest in our people with skills development and management training programs. Our cash resources and infrastructure allow us to seek out new business opportunities through acquisition and development.

The Company continues to execute its strategy of delivering fashionable clothing at excellent prices to Canadian consumers. We are proud of our achievements over the past 86 years and most confident of our future. We believe that we have the very best specialty retailing assets in Canada. Our operations are led and staffed by highly motivated, extremely competent professionals. We extend sincere thanks and appreciation to all our associates, suppliers, customers and shareholders. These are the people who have made possible our many years of success and on whom we rely for the continued growth of the Company.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman
Chairman and Chief Executive Officer

Montreal, March 28, 2012

The Year at a Glance

Sales $1,019,397,000	-3.7%
Adjusted EBITDA[1] $126,788,000	-31.2%
Pre-tax earnings $65,872,000	-48.5%
Net earnings $47,539,000	-46.6%
Earnings per share[2] $0.72	-45.5%
Cash and investments $268,277,000	-10.7%
Stores 942	-2.7%

[1] These highlights include a reference to adjusted EBITDA, a non-GAAP financial measure. Adjusted EBITDA is defined as earnings before income taxes, dividend income, interest income, realized gain on disposal of available-for-sale financial assets, impairment losses on available-for-sale financial assets, interest expense, depreciation, amortization and net impairment losses related to property and equipment. The Company believes this measure provides meaningful information on the Company's performance and operating results. However, readers should know that such a non-GAAP financial measure has no standardized meaning as prescribed by IFRS and may not be comparable to similar measures presented by other companies. Accordingly, it should not be considered in isolation.

[2] Earnings per share on a fully diluted basis.

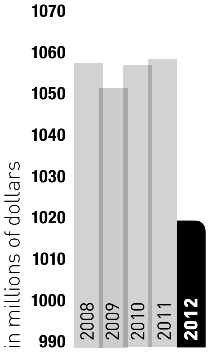
5-Year Highlights

For the years ended:
(in thousands except per share amounts)
(unaudited)

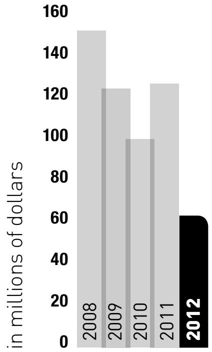
	2012[1]	2011[1]	2010[1]	2009[1]	2008[1]
SALES					
1st Quarter	**$ 219,296**	$ 235,745	$ 231,652	$ 228,318	$ 230,695
2nd Quarter	**286,075**	292,026	286,071	289,502	291,942
3rd Quarter	**254,072**	262,515	270,684	271,240	265,465
4th Quarter	**259,954**	268,714	268,120	261,801	269,618
Total	**$ 1,019,397**	$ 1,059,000	$ 1,056,527	$ 1,050,861	$ 1,057,720
RESULTS FROM OPERATING ACTIVITIES					
1st Quarter	**$ 5,018**	$ 22,825	$ 10,814	$ 25,372	$ 23,052
2nd Quarter	**40,968**	53,612	38,100	49,165	47,801
3rd Quarter	**10,609**	27,819	27,076	33,358	39,698
4th Quarter	**5,224**	19,886	21,879	14,852	38,527
Total	**$ 61,819**	$ 124,142	$ 97,869	$ 122,747	$ 149,078
ADJUSTED NET EARNINGS[2]					
1st Quarter	**$ 624**	$ 15,770	$ 7,801	$ 18,436	$ 18,838[2]
2nd Quarter	**31,680**	38,706	26,426	35,385	32,540[2]
3rd Quarter	**10,561**	20,692	18,921	23,004	27,869[2]
4th Quarter	**4,674**	13,817	14,088	8,981	28,506[2]
Total	**$ 47,539**	$ 88,985	$ 67,236	$ 85,806	$ 107,753[2]
ADJUSTED BASIC EARNINGS PER SHARE[2]					
1st Quarter	**$ 0.01**	$ 0.23	$ 0.11	$ 0.26	$ 0.27[2]
2nd Quarter	**0.48**	0.58	0.38	0.50	0.46[2]
3rd Quarter	**0.16**	0.31	0.28	0.33	0.40[2]
4th Quarter	**0.07**	0.21	0.21	0.13	0.40[2]
Total	**$ 0.72**	$ 1.33	$ 0.98	$ 1.21	$ 1.53[2]
ADJUSTED NET EARNINGS[2]	**$ 47,539**	$ 88,985	$ 67,236	$ 85,806	$ 107,753[2]
ADJUSTED BASIC EARNINGS PER SHARE[2]	**$ 0.72**	$ 1.33	$ 0.98	$ 1.21	$ 1.53[2]
SHAREHOLDERS' EQUITY	**$ 492,852**	$ 512,800	$ 510,166	$ 522,539	$ 495,119
PER SHARE	**$ 7.51**	$ 7.73	$ 7.55	$ 7.43	$ 6.98
NUMBER OF STORES	**942**	968	977	973	958
DIVIDENDS PAID	**$ 52,654**	$ 51,895	$ 49,351	$ 50,885	$ 46,930
STOCK PRICE AT YEAR-END					
CLASS A NON-VOTING	**$ 14.64**	$ 17.81	$ 16.14	$ 10.68	$ 17.12
COMMON	**$ 14.98**	$ 18.18	$ 15.00	$ 8.75	$ 16.50

[1] The years ended 2012 and 2011 are reported under International Financial Reporting Standards ("IFRS"). All other years ended are presented in accordance with previous Canadian generally accepted accounting principles and have not been restated to IFRS.

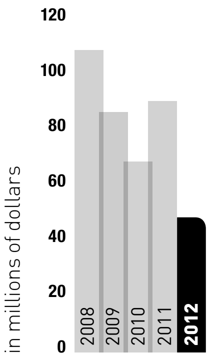
[2] Adjusted net earnings and adjusted basic earnings per share exclude the impact of the retroactive Québec income tax reassessment in 2008.



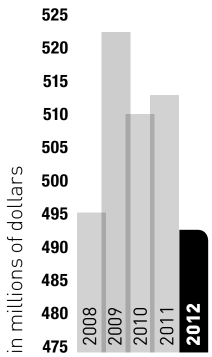
SALES[1]



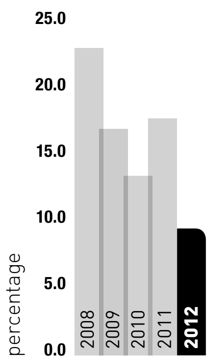
RESULTS FROM OPERATING ACTIVITIES[1]



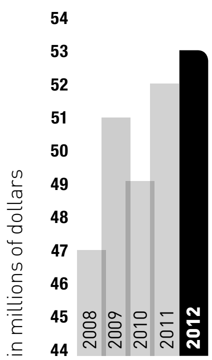
ADJUSTED NET EARNINGS[1,2]



SHAREHOLDERS' EQUITY[1]



RETURN ON EQUITY[1,2]



DIVIDENDS

1 The years ended 2012 and 2011 are reported under International Financial Reporting Standards ("IFRS"). All other years ended are presented in accordance with previous Canadian generally accepted accounting principles and have not been restated to IFRS.

2 Adjusted net earnings and adjusted basic earnings per share exclude the impact of the retroactive Québec income tax reassessment in 2008.

Stores
Across Canada

942

	Reitmans	Smart Set	RW & CO.	Thyme	Penningtons	Addition Elle	Cassis	
Newfoundland	14	3	1	-	4	2	-	**24**
Prince Edward Island	2	3	-	-	1	-	-	**6**
Nova Scotia	19	5	1	2	10	2	-	**39**
New Brunswick	16	6	3	1	4	5	-	**35**
Québec	84	40	15	21	24	30	7	**221**
Ontario	118	53	25	27	55	40	9	**327**
Manitoba	13	5	2	2	5	4	-	**31**
Saskatchewan	12	3	-	2	6	5	-	**28**
Alberta	43	17	8	12	22	16	2	**120**
British Columbia	39	15	11	9	21	12	2	**109**
Northwest Territories	1	-	-	-	-	-	-	**1**
Yukon	1	-	-	-	-	-	-	**1**
Total	**362**	**150**	**66**	**76**	**152**	**116**	**20**	**942**

Inspired by role models not supermodels, Reitmans offers affordable, stylish fashions designed to fit everybody and every body. Operating **362 STORES** averaging 4,600 sq. ft., Reitmans, Canada's largest women's apparel specialty chain and leading fashion brand, has developed strong customer loyalty through superior service, insightful marketing and quality merchandise. Reitmans, designed for real life. Reitmans fashions can also be purchased online at reitmans.com.

With **150 STORES**, Smart Set is Canada's fashion destination for young stylish women aged 25 to 35. Averaging 3,400 sq. ft., Smart Set's energetic environment provides our customer with the fashions she needs to create her own lifestyle wardrobe. Smart Set offers great value in a wide assortment of styles from workwear essentials and accessories, to activewear and city casual clothing.

Established in 1999, RW & CO. is a young and energetic fashion lifestyle brand that continues to grow, with **66 STORES** across Canada, averaging 4,500 sq. ft. in premium locations in major shopping malls. Focusing on Him and Her ages 25–35, RW & CO. blends style, aspiration, quality and a unique attention to detail into a fashion brand that is unique and incomparable in Canada.

Thyme, Canada's leading maternity fashion brand, offers all pregnant women current maternity styles with expert and friendly staff. Thyme caters to all pregnant women who want to stay fun-loving and stylish throughout their pregnancy. Thyme operates **76 STORES** averaging 2,400 sq. ft. in major malls and power centres.

Averaging 6,100 sq. ft., Penningtons stores offer a versatile selection of affordable fashion, which includes everyday apparel, lingerie, sleepwear, outerwear, dresses, activewear, swimwear, accessories, hosiery and more – in sizes 14 to 32. At each one of our **152 STORES** across Canada, our knowledgeable and friendly sales staff will expertly assist our customer when it comes to selecting clothing that will fit their personal style and suit their shape. Our goal is to make it relaxing and easy for our customers to shop. Visit penningtons.com to learn about our stylish outfits or shop online.

At Addition Elle we champion the belief that size shouldn't limit a woman's access to fashionable and trend right clothing. Operating **116 STORES** across Canada, Addition Elle offers a complete assortment from intimate apparel, polished career to casual fashion denim, trendy MXM, accessories and outerwear that bridges fashion with our notable fits to provide our clientele modern, figure flattering clothing. Averaging 6,200 sq. ft., Addition Elle stores are located in power centres and malls across Canada. Addition Elle fashions can also be purchased online at additionelle.com.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the fiscal year ended January 28, 2012

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Reitmans (Canada) Limited ("Reitmans" or the "Company") should be read in conjunction with the audited financial statements of Reitmans as at and for the fiscal year ended January 28, 2012 and the notes thereto which are available at www.sedar.com. This MD&A is dated March 28, 2012.

Effective for the three months ended April 30, 2011, Reitmans began reporting its financial results in accordance with International Financial Reporting Standards ("IFRS"), including comparative information. As a result of the adoption of IFRS a number of areas of financial reporting are impacted by the changeover to IFRS which are highlighted in this MD&A under the heading "Transition to International Financial Reporting Standards" and in note 29 of the audited financial statements.

All financial information contained in this MD&A and Reitmans' audited financial statements have been prepared in accordance with International Financial Reporting Standards, except as otherwise noted, as issued by the International Accounting Standards Board ("IASB") and with the accounting policies included in the notes to the audited financial statements of Reitmans for the fiscal year ended January 28, 2012. Those accounting policies are based on the IFRS and interpretations made by the International Financial Reporting Interpretations Committee ("IFRIC"). The financial information presented in this MD&A for fiscal 2010, which was prior to the transition date for the Company to IFRS, was prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP") and has not been restated to conform with IFRS. All amounts in this report are in Canadian dollars, unless otherwise noted. The audited financial statements and this MD&A were reviewed by Reitmans' Audit Committee and were approved by its Board of Directors on March 28, 2012.

Additional information about Reitmans is available on the Company's website at www.reitmans.ca or on the SEDAR website at www.sedar.com.

FORWARD-LOOKING STATEMENTS

All of the statements contained herein, other than statements of fact that are independently verifiable at the date hereof, are forward-looking statements. Such statements, based as they are on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown, many of which are beyond the Company's control. Such risks include but are not limited to: the impact of general economic conditions, general conditions in the retail industry, seasonality, weather and other risks included in public filings of the Company. Consequently, actual future results may differ materially from the anticipated results expressed in forward-looking statements. The reader should not place undue reliance on the forward-looking statements included herein. These statements speak only as of the date made and the Company is under no obligation and disavows any intention to update or revise such statements as a result of any event, circumstances or otherwise, except to the extent required under applicable securities law.

NON-GAAP FINANCIAL MEASURES

In addition to discussing earnings in accordance with IFRS, this MD&A provides adjusted EBITDA as a supplementary earnings measure, which is defined as earnings before income taxes, dividend income, interest income, realized gain on disposal of available-for-sale financial assets, impairment losses on available-for-sale financial assets, interest expense, depreciation, amortization and net impairment losses related to property and equipment. The Company also discloses same store sales, which are defined as sales generated by stores that have been open for at least one year. The Company believes these measures provide meaningful information on the Company's performance and operating results. However, readers should know that these non-GAAP financial measures have no standardized meaning as prescribed by IFRS and may not be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation.

The following table reconciles adjusted EBITDA to earnings before income taxes for the twelve and three months ended January 28, 2012 and January 29, 2011:

	For the twelve months ended		For the three months ended	
	January 28, 2012	January 29, 2011	January 28, 2012	January 29, 2011
Earnings before income taxes	**$ 65,872,000**	$ 127,802,000	**$ 6,700,000**	$ 20,618,000
Dividend income	**(3,462,000)**	(2,640,000)	**(864,000)**	(699,000)
Interest income	**(1,367,000)**	(1,225,000)	**(419,000)**	(492,000)
Realized gain on disposal of available-for-sale financial assets	**–**	(167,000)	**–**	(167,000)
Impairment losses on available-for-sale financial assets	**73,000**	78,000	**–**	78,000
Interest expense	**682,000**	767,000	**162,000**	184,000
Depreciation, amortization and net impairment losses related to property and equipment	**64,990,000**	59,754,000	**16,442,000**	15,872,000
Adjusted EBITDA	**$ 126,788,000**	$ 184,369,000	**$ 22,021,000**	$ 35,394,000

CORPORATE OVERVIEW

Reitmans is a Canadian ladies' wear specialty apparel retailer. The Company has seven banners: Reitmans, Smart Set, RW&CO., Thyme Maternity, Penningtons, Addition Elle and Cassis. On October 19, 2011 the Company announced the closure of its 25 Cassis stores of which approximately 12 stores will be converted to other banners. Each banner is focused on a particular niche in the retail marketplace with a distinct marketing program as well as a unique website thereby allowing the Company to continue to enhance its brands and strengthen customer loyalty. The Company has several competitors in each niche, including local, regional and national chains of specialty stores and department stores, as well as foreign-based competitors. The Company's stores are located in malls, retail power centres, strip plazas and on major shopping streets across Canada. The Company continues to enhance all areas of its business by investing in stores, technology and people. The Company continues to offer Canadian consumers affordable fashions and accessories at the best value reflecting price and quality.

The Company offers e-commerce website shopping for the Reitmans banner and its plus-size banners (Penningtons and Addition Elle) and is continuing to develop the infrastructure required to launch e-commerce for the other banners. These online channels offer customers convenience, selection and ease of purchase, while enhancing customer loyalty and continuing to build the brands.

In the year ended January 28, 2012 the Company opened 10 Thyme Maternity boutiques in select Babies"R"Us locations in Canada, including access to e-commerce website shopping through the Babies"R"Us website. This new retail channel offers Thyme Maternity customers an easy and convenient offering in a 300 to 500 square foot environment.

RETAIL BANNERS

	Number of stores at January 29, 2011	Q1 Openings	Q1 Closings	Q2 Openings	Q2 Closings	Q3 Openings	Q3 Closings	Q4 Openings	Q4 Closings	Number of stores at January 28, 2012
Reitmans	364	2	3	1	1	5	2	–	4	362
Smart Set	158	2	3	–	–	1	–	1	9	150
RW&CO.	67	–	–	–	–	1	–	–	2	66
Thyme Maternity [1]	75	1	3	3	2	3	–	–	1	76
Penningtons	161	–	1	2	3	1	2	–	6	152
Addition Elle	121	2	1	–	1	2	–	–	7	116
Cassis	22	1	–	1	–	1	–	–	5	20
Total	**968**	**8**	**11**	**7**	**7**	**14**	**4**	**1**	**34**	**942**

[1] Excludes 10 boutiques in Babies"R"Us locations.

Store closings take place for a variety of reasons as the viability of each store and its location is constantly monitored and assessed for continuing profitability. In most cases when a store is closed, merchandise at that location is sold off in the normal course of business and any unsold merchandise remaining at the closing date is generally transferred to other stores operating under the same banner for sale in the normal course of business.

Pursuant to the plan to close its 25 Cassis stores, the Company is refocusing its sales and merchandising efforts by converting approximately 12 stores to other banners, with a view of enhancing sales in these store locations. For the year ended January 28, 2012 the Company has recorded costs associated with Cassis store conversions and closures, primarily related to fixed asset impairment losses and employee severance costs, of approximately $6,000,000 ($4,400,000 after tax).

THREE-YEAR REVIEW OF SELECTED FINANCIAL INFORMATION

	For the fiscal years ended		
	January 28, 2012	**January 29, 2011**	**January 30, 2010[1]**
Sales	**$ 1,019,397,000**	$ 1,059,000,000	$ 1,056,527,000
Earnings before income taxes	**65,872,000**	127,802,000	99,015,000
Net earnings	**47,539,000**	88,985,000	67,236,000
Earnings per share ("EPS")			
Basic	**0.72**	1.33	0.98
Diluted	**0.72**	1.32	0.98
Total assets	**633,861,000**	659,357,000	631,392,000
Total non-current liabilities	**51,877,000**	55,248,000	37,483,000
Dividends per share	**0.80**	0.78	0.72

[1] The selected information that is presented for the year ended January 30, 2010 does not reflect the impact of the adoption of IFRS.

In the year ended January 30, 2010 ("fiscal 2010"), the Company began experiencing the impact of the global economic recession as consumer discretionary spending dampened. The effect of downward pressure on retail clothing prices, considered largely due to increased competition along with pressure from value conscious customers, continued into the year ended January 29, 2011 ("fiscal 2011"). Despite consumers' concerns over economic conditions, in the first six months of fiscal 2011 the Company's sales improved, however a more challenging retail environment was experienced into the third and fourth quarters of fiscal 2011. Sales for fiscal 2011, reported under IFRS as compared to fiscal 2010 under Canadian GAAP, reflects an adjustment, due to the transition to IFRS, reducing sales by $11,277,000 related to the deferral of revenue associated with customer loyalty programs. The year ended January 28, 2012 ("fiscal 2012") commenced with disappointing sales in the first quarter, primarily due to poor weather and a difficult retail environment marked by increased promotional activity. Concern over the global economic conditions continued to impact the Company further into fiscal 2012 as consumer confidence levels remained weak.

The Company's gross margin, and ultimately net earnings, can be significantly impacted by fluctuations in the Canadian dollar in relation to the US dollar. In fiscal 2010 the Canadian dollar experienced significant volatility, with spot prices for $1.00 US reaching a high of $1.30, negatively impacting the Company's gross margin by approximately $10,000,000. In fiscal 2011, significant improvement in the Canadian dollar resulted in a positive impact to the gross margin of approximately $22,000,000. In fiscal 2012 the Canadian dollar traded in ranges comparable to fiscal 2011, however increased promotional activity offset gains from a stronger Canadian dollar. Over the period of the last three fiscal years, significant increases in wage costs and rent expense have impacted net earnings. In addition, in fiscal 2012 the Company incurred costs related to the closure of the Cassis banner of approximately $6,000,000 pre-tax.

Despite a challenging retail environment over the past three years, the Company's balance sheet continues to remain solid. The Company has continued to maintain a strong position in cash, cash equivalents and marketable securities. Inventories, although trending somewhat higher, continue to be closely managed. At the onset of the economic downturn, the Company reduced its capital expenditures and has gradually returned to pre-recession levels for store renovation activity and other discretionary capital expenditures.

OPERATING RESULTS FOR FISCAL 2012 AND COMPARISON TO OPERATING RESULTS FOR FISCAL 2011

Sales for fiscal 2012 decreased 3.7% to $1,019,397,000 as compared with $1,059,000,000 for fiscal 2011. Same store sales decreased 4.3%. Sales continued to be challenging for fiscal 2012 as consumer spending on apparel was impacted by reduced discretionary consumer income due to high food and commodity costs. Statistics Canada reported in its January 2012 Consumer Price Index Report that food and energy costs advanced 4.2% and 6.5%, respectively, on a year-over-year basis. Sales for fiscal 2012 as compared to fiscal 2011 were also impacted by weak customer traffic as many consumers were faced with high personal debt levels and concern over economic conditions. The Canadian consumer confidence index improved for January 2012 as compared to the month earlier. However, despite a degree of optimism, consumer confidence remained low as compared to pre-2008 levels. The Bank of Canada in its January 2012 Monetary Policy Report noted that the pace of growth going forward is expected to be more modest than previously envisaged, reflecting the continued weakness of the economy.

Gross profit for fiscal 2012 decreased 7.4% to $656,064,000 as compared with $708,329,000 for fiscal 2011. The Company's gross margin of 64.4% for fiscal 2012 decreased as compared to 66.9% for fiscal 2011. The Canadian dollar showed continued volatility vis-à-vis the US dollar throughout fiscal 2012. Improvement in the gross margin attributable to the strength of the Canadian dollar in fiscal 2012 was offset by increased promotional activity. The average rate for a US dollar in fiscal 2012 was $0.99 Canadian as compared to $1.03 Canadian in fiscal 2011. Spot prices for $1.00 US during fiscal 2012 ranged between a high of $1.06 and a low of $0.94 Canadian ($1.08 and $0.99 respectively in fiscal 2011). For fiscal 2012, adjusted EBITDA decreased by $57,581,000 or 31.2% to $126,788,000 as compared with $184,369,000 for fiscal 2011 principally due to the reduction in sales and gross profit.

Selling and distribution expenses for fiscal 2012 increased 3.5% or $18,691,000 to $547,367,000 as compared with $528,676,000 for fiscal 2011. This increase is primarily related to net impairment losses on property and equipment, employee severance costs related to the closure of the Cassis banner and increased marketing and promotional expenses.

Administrative expenses for fiscal 2012 decreased 15.6% or $8,633,000 to $46,878,000 as compared with $55,511,000 for fiscal 2011. The Company has an employee performance incentive plan that is based on operating performance targets and the related expense is recorded in relation to the attainment of such targets. The decrease in administrative expenses was mainly due to a reduction in the employee performance incentive plan expense for fiscal 2012.

Depreciation and amortization expense, which is included in selling and distribution expenses and administrative expenses, for fiscal 2012 was $64,990,000 compared to $59,754,000 for fiscal 2011. Included in fiscal 2012 is $2,806,000 of write-offs for closed and renovated stores ($1,425,000 for fiscal 2011) and net impairment losses related to property and equipment, net of reversals, of $6,132,000 ($945,000 for fiscal 2011), the majority of which related to the closure of the Cassis banner.

Finance income for fiscal 2012 was $5,562,000 as compared to $4,505,000 for fiscal 2011. Dividend income for fiscal 2012 was $3,462,000 as compared to $2,640,000 for fiscal 2011, the increase due to additional dividend income generated on securities purchased in December 2010 and held throughout fiscal 2012. Interest income increased for fiscal 2012 to $1,367,000 as compared to $1,225,000 for fiscal 2011, despite slightly lower balances on short-term investments, due to improved rates of interest during the year. Included in finance income was a foreign exchange gain of $733,000 for fiscal 2012 as compared to a gain of $473,000 for fiscal 2011. This foreign exchange variation is largely attributable to the impact of the fluctuation of the US dollar vis-à-vis the Canadian dollar on US currency held by the Company.

Finance costs for fiscal 2012 were $1,509,000 as compared to $845,000 for fiscal 2011. Interest expense on long-term debt decreased to $682,000 for fiscal 2012 from $767,000 for fiscal 2011. This decrease reflects the continued repayment of the mortgage on the Company's distribution centre. In fiscal 2012, the Company entered into option contracts to purchase call options and sell put options, both on the US dollar, and recorded an expense of $754,000 to recognize the net change in the fair value of the option contracts. Included in finance costs for fiscal 2012 was an impairment loss on available-for-sale financial assets of $73,000 as compared to $78,000 for fiscal 2011.

Income taxes for fiscal 2012 amounted to $18,333,000, for an effective tax rate of 27.8%. For fiscal 2011, income taxes were $38,817,000, for an effective tax rate of 30.4%. The reduction in the effective tax rate reflected the impact of changes in substantively enacted tax rates in various tax jurisdictions in Canada.

Net earnings for fiscal 2012 decreased 46.6% to $47,539,000 ($0.72 diluted earnings per share) as compared with $88,985,000 ($1.32 diluted earnings per share) for fiscal 2011.

The Company in its normal course of business makes long lead time commitments for a significant portion of its merchandise purchases, in some cases as long as eight months. In fiscal 2012, these merchandise purchases, payable in US dollars, approximated $239,000,000 US. The Company considers a variety of strategies designed to manage the cost of its continuing US dollar commitments, including spot rate purchases and foreign exchange option contracts with maturities not exceeding six months. Due to the strength of the Canadian dollar in fiscal 2012, the Company satisfied its US dollar requirements primarily through the purchase of US dollars at varying spot rates.

OPERATING RESULTS FOR THE THREE MONTHS ENDED JANUARY 28, 2012 ("FOURTH QUARTER OF FISCAL 2012") AND COMPARISON TO OPERATING RESULTS FOR THE THREE MONTHS ENDED JANUARY 29, 2011 ("FOURTH QUARTER OF FISCAL 2011")

Sales for the fourth quarter of fiscal 2012 decreased 3.3% to $259,954,000 as compared with $268,714,000 for the fourth quarter of fiscal 2011. Same store sales decreased by 1.7%. The fourth quarter of fiscal 2012 sales were disappointing as the business felt the effects of consumers' restrained spending on apparel. The fourth quarter of fiscal 2012 was marked by weak customer traffic in both malls and shopping centres. The Canadian consumer confidence index improved for January 2012 as compared to the previous month. However, despite a degree of optimism, consumer confidence remained low as compared to pre-2008 levels. Concern over high personal debt levels, high commodity costs and global economic conditions continued to impact Canadian consumer buying behaviours. The Bank of Canada in its January 2012 Monetary Policy Report noted that the pace of growth going forward is expected to be more modest than previously envisaged, reflecting the continued weakness of the economy.

Gross profit for the fourth quarter of fiscal 2012 decreased 9.5% to $156,995,000 as compared with $173,501,000 for the fourth quarter of fiscal 2011. The Company's gross margin for the fourth quarter of fiscal 2012 decreased to 60.4% from 64.6% for the fourth quarter of fiscal 2011. The Canadian dollar showed continued volatility vis-à-vis the US dollar throughout the fourth quarter of fiscal 2012. Increased promotional activity in the fourth quarter of fiscal 2012 was the major contributor to lower margins. The average rate for a US dollar for the fourth quarter of fiscal 2012 was $1.02 Canadian as compared to $1.01 for the fourth quarter of fiscal 2011. Spot prices for $1.00 US during the fourth quarter of fiscal 2012 ranged between a high of $1.05 and a low of $0.99 Canadian ($1.03 and $0.99 respectively during the fourth quarter of fiscal 2011). In the fourth quarter of fiscal 2012, adjusted EBITDA decreased by $13,373,000 or 37.8% to $22,021,000 as compared with $35,394,000 for the fourth quarter of fiscal 2011.

Selling and distribution expenses for the fourth quarter of fiscal 2012 increased 0.6% or $783,000 to $138,420,000 as compared with $137,637,000 for the fourth quarter of fiscal 2011.

Administrative expenses for the fourth quarter of fiscal 2012 decreased 16.4% or $2,627,000 to $13,351,000 as compared with $15,978,000 for the fourth quarter of fiscal 2011. The Company has an employee performance incentive plan that is based on operating performance targets and the related expense is recorded in relation to the attainment of such targets. The decrease in administrative expenses was mainly due to a reduction in the employee performance incentive plan expense for the fourth quarter of fiscal 2012.

Depreciation and amortization expense, which is included in selling and distribution expenses and administrative expenses, for the fourth quarter of fiscal 2012 was $16,442,000 compared to $15,872,000 for the fourth quarter of fiscal 2011. Included in the fourth quarter of fiscal 2012 was $1,606,000 ($1,305,000 in the fourth quarter of fiscal 2011) of write-offs for closed and renovated stores and net impairment losses related to property and equipment, net of reversals, of $1,069,000 ($945,000 in the fourth quarter of fiscal 2011).

Finance income for the fourth quarter of fiscal 2012 was $2,392,000 as compared to $1,358,000 for the fourth quarter of fiscal 2011. Dividend income for the fourth quarter of fiscal 2012 was $864,000 as compared to $699,000 for the fourth quarter of fiscal 2011, the increase due to additional dividend income generated on securities purchased in December 2010 and held throughout the fourth quarter of fiscal 2012. Interest income decreased for the fourth quarter of fiscal 2012 to $419,000 as compared to $492,000 for the fourth quarter of fiscal 2011 due to lower balances in short-term investments. Included in finance income in the fourth quarter of fiscal 2012 was a foreign exchange gain of $1,109,000, while in the fourth quarter of fiscal 2011 there was a foreign exchange loss of $364,000 which was included in finance costs. This foreign exchange variation is largely attributable to the impact of the fluctuation of the US dollar vis-à-vis the Canadian dollar with respect to US currency held by the Company. There were no disposals of available-for-sale financial assets in the fourth quarter of fiscal 2012 as compared to a realized gain on available-for-sale financial assets in the fourth quarter of fiscal 2011 of $167,000.

Finance costs for the fourth quarter of fiscal 2012 were $916,000 as compared to $626,000 for the fourth quarter of fiscal 2011. Included in the fourth quarter of fiscal 2012 was interest on long-term debt of $162,000 compared to $184,000 for the fourth quarter of fiscal 2011. This decrease is primarily attributable to the continued repayment of the mortgage on the Company's distribution centre. In the fourth quarter of fiscal 2012 there was no impairment loss on available-for-sale financial assets as compared to a loss of $78,000 in the fourth quarter of fiscal 2011. Included in the fourth quarter of fiscal 2011 was a foreign exchange loss of $364,000 largely attributable to the impact of the fluctuation of the US dollar vis-à-vis the Canadian dollar on US currency held by the Company. In the fourth quarter of fiscal 2012, the Company entered into option contracts to purchase call options and sell put options, both on the US dollar, and recorded an expense of $754,000 to recognize the net change in the fair value of the option contracts.

Income taxes for the fourth quarter of fiscal 2012 amounted to $2,026,000, for an effective tax rate of 30.2%. For the fourth quarter of fiscal 2011, income taxes were $6,801,000, for an effective tax rate of 33.0%. The reduction in the effective tax rate reflected the impact of changes in substantively enacted tax rates in various tax jurisdictions in Canada.

Net earnings for the fourth quarter of fiscal 2012 decreased 66.2% to $4,674,000 ($0.07 diluted earnings per share) as compared with $13,817,000 ($0.21 diluted earnings per share) for the fourth quarter of fiscal 2011.

The Company in its normal course of business makes long lead time commitments for a significant portion of its merchandise purchases, in some cases as long as eight months. In the fourth quarter of fiscal 2012, these merchandise purchases, payable in US dollars, approximated $45,000,000 US. The Company considers a variety of strategies designed to manage the cost of its continuing US dollar commitments, including spot rate purchases and foreign exchange option contracts with maturities not exceeding six months. Due to the strength of the Canadian dollar in the fourth quarter of fiscal 2012, the Company satisfied its US dollar requirements primarily through the purchase of US dollars at varying spot rates. In the fourth quarter of fiscal 2012, the Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the US dollar. These option contracts extend over a period of six months. Purchased call options and sold put options expiring on the same date have the same strike price. Details of the foreign currency option contracts outstanding as at January 28, 2012 are as follows:

	Notional Amount in US Dollars	Derivative Asset	Derivative Liability	Net
Put options sold	$ 44,000,000	$ 751,000	$ –	$ 751,000
Call options purchased	(100,000,000)	–	(1,505,000)	(1,505,000)
	$ (56,000,000)	$ 751,000	$ (1,505,000)	$ (754,000)

As at January 29, 2011, there were no foreign currency option contracts outstanding.

SUMMARY OF QUARTERLY RESULTS

The table below sets forth selected financial data for the eight most recently completed quarters. This unaudited quarterly information has been prepared in accordance with IFRS.

	Sales	Net Earnings	Earnings per Share Basic	Earnings per Share Diluted
January 28, 2012	$ 259,954,000	$ 4,674,000	$ 0.07	$ 0.07
October 29, 2011	254,072,000	10,561,000	0.16	0.16
July 30, 2011	286,075,000	31,680,000	0.48	0.48
April 30, 2011	219,296,000	624,000	0.01	0.01
January 29, 2011	268,714,000	13,817,000	0.21	0.21
October 30, 2010	262,515,000	20,692,000	0.31	0.31
July 31, 2010	292,026,000	38,706,000	0.58	0.57
May 1, 2010	235,745,000	15,770,000	0.23	0.23

The retail business is seasonal and results of operations for any interim period are not necessarily indicative of the results of operations for the full fiscal year. Results for the first quarter of fiscal 2012 were significantly impacted by reduced sales primarily resulting from poor weather and a difficult retail environment that resulted in increased promotional activity.

BALANCE SHEET

COMPARISON OF FINANCIAL POSITION AS AT JANUARY 28, 2012 WITH THE FINANCIAL POSITION AS AT JANUARY 29, 2011

Cash and cash equivalents as at January 28, 2012 amounted to $196,835,000 or 14.4% lower than $230,034,000 as at January 29, 2011. The reduction in cash and cash equivalents of $33,199,000 was mainly attributable to reduced cash generated from operations due to lower sales in fiscal 2012. Marketable securities held by the Company consist primarily of preferred shares of Canadian public companies. At January 28, 2012, marketable securities (reported at fair value) amounted to $71,442,000 as compared with $70,413,000 as at January 29, 2011. The Company's investment portfolio is subject to stock market volatility. The Company is highly liquid with its cash and cash equivalents and invests on a short-term basis in bank bearer deposit notes and bank term deposits with major Canadian chartered banks and commercial paper rated not less than R1.

Trade and other receivables as at January 28, 2012 were $3,033,000 or $167,000 higher than as at January 29, 2011. The Company's trade and other receivables are essentially the credit card sales from the last few days of the fiscal quarter. In late fiscal 2012, the Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the US dollar. These option contracts extend over a period of six months. Purchased call options and sold put options expiring on the same date have the same strike price. As at January 28, 2012, a net derivative financial liability of $754,000 (January 29, 2011 – nil) was recorded to recognize the net change in the fair value of the option contracts. As at January 28, 2012 income taxes recoverable were $4,735,000, attributable to instalments made in excess of estimated tax liabilities, as compared to income taxes payable of $5,998,000 as at January 29, 2011. Inventories as at January 28, 2012 were $78,285,000 or $5,084,000 higher than as at January 29, 2011, due to softer sales in the fourth quarter of fiscal 2012. Prepaid expenses, consisting mainly of prepaid insurance and maintenance contracts, were $11,902,000 or $589,000 lower than as at January 29, 2011.

The Company invested $59,154,000 in additions to property and equipment and intangible assets in fiscal 2012. This included $44,547,000 in new store construction and existing store renovation costs and $14,607,000 mainly related to information technology system hardware and software enhancements. The Company has embarked on a significant upgrade to its merchandising and supply chain operations, important to the Company's growth strategy. The technology initiatives, along with warehouse management systems improvements, will support changes and growth across all areas of the Company with improved integration, while enabling the Company to reduce the overall cost of system maintenance and upgrades. The total project, which is being phased in through to completion in fiscal 2014, is estimated to cost approximately $23,000,000.

Total trade and other payables as at January 28, 2012 were $74,985,000, comparable with $74,273,000 as at January 29, 2011. The Company's trade and other payables consist largely of trade payables, personnel liabilities, payables relating to premises and sales tax liabilities. A significantly lower employee performance incentive plan accrual was offset by higher vendor trade balances, primarily due to the timing of certain government payments, and a liability related to the closure of the Cassis banner.

Deferred revenue, consisting of unredeemed gift cards and loyalty points and awards granted under customer loyalty programs remained comparable year-over-year. Revenue is recognized when the gift cards, loyalty points and awards are redeemed.

Tenant allowances are recorded as deferred lease credits and amortized as a reduction of rent expense over the term of the related leases. As at January 28, 2012 deferred lease credits were $17,317,000 as compared to $19,011,000 as at January 29, 2011.

The Company's long-term debt consists of a mortgage, which is secured by the Company's distribution centre. As at January 28, 2012 long-term debt was $10,047,000 as compared to $11,431,000 as at January 29, 2011.

The Company maintains a contributory defined benefit pension plan ("Plan"). An actuarial valuation for funding purposes was performed as at December 31, 2010. This valuation indicated an unfunded solvency liability for the Plan primarily due to investment losses and the impact of a reduction in the discount rate. In fiscal 2012, the Company made contributions of $4,245,000 to the Plan, including the required funding to satisfy the solvency deficiency. The Company also sponsors a Supplemental Executive Retirement Plan ("SERP") for certain senior executives. The SERP is unfunded and when the obligation arises to make any payment called for under the SERP (e.g. when an eligible plan member retires and begins receiving payments under the SERP), the payments reduce the accrual amount as the payments are actually made.

The funded status of the Plan fluctuates with market conditions and impacts funding requirements. The Company will continue to make contributions to the Plan that, as a minimum, meet pension legislative requirements. Adverse changes to the assumptions used, such as the discount rate and expected long-term rate of return on plan assets, could affect the funded status of the Plan and, as such, could have a significant impact on the cash funding requirements of the Plan.

To develop its expected long-term rate of return on Plan assets assumption used in the calculation of total benefit costs applicable to the fair value of Plan assets, the Company considers its past experience and future estimates of long-term investment returns, the expected composition of the Plan's assets as well as the expected long-term market returns in the future.

Pension liability as at January 28, 2012 was $14,877,000 compared to $13,626,000 as at January 29, 2011. The increase is mainly due to $1,490,000 pension expense in fiscal 2012 and actuarial losses of $4,006,000, offset by pension contributions paid.

OPERATING RISK MANAGEMENT

Economic Environment

The Bank of Canada in its January 2012 Monetary Policy Report noted that the pace of growth going forward is expected to be more modest than previously envisaged, reflecting the continued weakness of the economy. The Company believes that consumer demand will remain weak as consumers' confidence levels continue to be weak amid global uncertainty. The Company closely monitors economic conditions in order to react to consumer spending habits and constraints in developing both its short-term and long-term operating decisions. The Company is in a strong financial position with significant liquidity available and ample financial credit resources to draw upon as deemed necessary.

Competitive Environment

The apparel business in Canada is highly competitive with competitors including department stores, specialty apparel chains and independent retailers. There is no effective barrier to entry into the Canadian apparel retailing marketplace by any potential competitor, foreign or domestic, as witnessed by the arrival over the past few years of a number of foreign-based competitors and additional foreign retailers which have announced plans to expand into the Canadian marketplace. Additionally, Canadian women have a significant number of e-commerce shopping alternatives available to them on a global basis. The Company believes that it is well positioned to compete with any competitor. The Company operates multiple banners with product offerings that are diversified as each banner is directed to and focused on a different niche in the Canadian women's apparel market. Our stores, located throughout Canada, offer affordable fashions to consumers.

Seasonality

The Company is principally engaged in the sale of women's apparel through 942 leased retail outlets operating under seven banners located across Canada. The Company's business is seasonal and is also subject to a number of factors, which directly impact retail sales of apparel over which it has no control, namely fluctuations in weather patterns, swings in consumer confidence and buying habits and the potential of rapid changes in fashion preferences.

Distribution and Supply Chain

The Company depends on the efficient operation of its sole distribution centre, such that any significant disruption in the operation thereof (e.g. natural disaster, system failures, destruction or major damage by fire), could materially delay or impair its ability to replenish its stores on a timely basis causing a loss of future sales, which could have a significant effect on the Company's results of operations.

Information Technology

The Company depends on information systems to manage its operations, including a full range of retail, financial, merchandising and inventory control, planning, forecasting, reporting and distribution systems. The Company regularly invests to upgrade, enhance, maintain and replace these systems. The Company is presently upgrading its merchandising and supply chain operations and warehouse management systems. Any significant disruptions in the performance of these systems could have a material adverse impact on the Company's operations and financial results.

Government Regulation

The Company is structured in a manner that management considers to be most effective to conduct its business across Canada. The Company is therefore subject to all manner of material and adverse changes in government regulation that can take place in any one or more of these jurisdictions as they might impact income and sales, taxation, duties, quota impositions or re-impositions and other legislated or government regulated matters.

Merchandise Sourcing

Virtually all of the Company's merchandise is private label. On an annual basis, the Company directly imports approximately 80% of its merchandise, largely from China. In fiscal 2012, no supplier represented more than 7% of the Company's purchases (in dollars and/or units) and there are a variety of alternative sources (both domestic and offshore) for virtually all of the Company's merchandise. The Company has good relationships with its suppliers and has no reason to believe that it is exposed to any material risk that would operate to prevent the Company from acquiring, distributing and/or selling merchandise on an ongoing basis.

Recent months have seen a reduction in the price of cotton albeit not to levels prior to calendar 2010. Record high prices for cotton in calendar 2010 and into 2011, an important component in clothing fabrication, along with a significant shortage of supply placed strains on certain product margins. A recent slowdown in demand combined with higher production has resulted in bringing cotton prices sharply lower over the past few months, however cotton prices remain higher than they have been over the past ten years. The Company continues to closely monitor this development in an effort to maintain its value pricing proposition.

The Company endeavours to be environmentally responsible and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound sustainability management, including environmental stewardship. The Company has adopted sourcing and other business practices to address the environmental concerns of its customers. The Company has established guidelines that require compliance with all applicable environmental laws and regulations. Although the Company requires its suppliers to adhere to these guidelines, there is no guarantee that these suppliers will not take actions that hurt the Company's reputation, as they are independent third parties that the Company does not control. However, if there is a lack of apparent compliance, it may lead the Company to search for alternative suppliers. This may have an adverse effect on the Company's financial results, by increasing costs and potentially causing delays in delivery.

FINANCIAL RISK MANAGEMENT

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, marketable securities, trade and other receivables and foreign currency option contracts. The Company limits its exposure to credit risk with respect to cash and cash equivalents by investing available cash in short-term deposits with Canadian financial institutions and commercial paper with a rating not less than R1. Marketable securities consist primarily of preferred shares of highly-rated Canadian public companies. The Company's trade and other receivables consist primarily of credit card receivables from the last few days of the fiscal year, which are settled within the first days of the next fiscal year.

As at January 28, 2012, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	$ 196,835,000
Marketable securities	71,442,000
Trade and other receivables	3,033,000
	$ 271,310,000

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 risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of trade and other payables is within six months. As at January 28, 2012, the Company had a high degree of liquidity with $268,277,000 in cash and cash equivalents and marketable securities. In addition, the Company has unsecured credit facilities of $125,000,000, subject to annual renewals. The Company has financed its store expansion through internally-generated funds and its unsecured credit facilities are used to finance seasonal working capital requirements for US dollar merchandise purchases. The Company's long-term debt consists of a mortgage bearing interest at 6.40%, due November 2017, which is secured by the Company's distribution centre.

Foreign Currency Risk

The Company purchases a significant amount of its merchandise with US dollars and as such significant volatility in the US dollar vis-à-vis the Canadian dollar can have an adverse impact on the Company's gross margin. The Company has a variety of alternatives that it considers to manage its foreign currency exposure on cash flows related to these purchases. This includes, but is not limited to, various styles of foreign currency option or forward contracts, not to exceed six months, and spot rate purchases. A foreign currency option contract represents an option or obligation to buy a foreign currency from a counterparty. Credit risks exist in the event of failure by a counterparty to fulfill its obligations. The Company reduces this risk by dealing only with highly-rated counterparties, normally major Canadian financial institutions. For fiscal 2012, the Company satisfied its US dollar requirements primarily through spot rate purchases.

The Company has performed a sensitivity analysis on its US dollar denominated financial instruments, which consist principally of cash and cash equivalents of $27,547,000 and trade payables of $3,840,000 to determine how a change in the US dollar exchange rate would impact net earnings. On January 28, 2012, a 1% rise or fall in the Canadian dollar against the US dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a $166,000 decrease or increase, respectively, in the Company's net earnings for fiscal 2012.

The Company has performed a sensitivity analysis on its derivative financial instruments, a series of call and put options on US dollars, to determine how a change in the US dollar exchange rate would impact net earnings. On January 28, 2012, a 1% rise or fall in the Canadian dollar against the US dollar, assuming that all other variables had remained the same, would have resulted in a $580,000 decrease or increase, respectively, in the Company's net earnings for fiscal 2012.

Interest Rate Risk

Interest rate risk exists in relation to the Company's cash and cash equivalents, defined benefit pension plan and SERP. Market fluctuations in interest rates impact the Company's earnings with respect to interest earned on cash and cash equivalents that are invested in bank bearer deposit notes and bank term deposits with major Canadian financial institutions and commercial paper with a rating not less than R1. Overall return in the capital markets and the level of interest rates affect the funded status of the Company's pension plans. Adverse changes with respect to pension plan returns and the level of interest rates from the date of the last actuarial valuation may have a material adverse effect on the funded status of the retirement benefit plans and on the Company's results of operations. The Company has unsecured borrowing and working capital credit facilities available up to an amount of $125,000,000 or its US dollar equivalent that it utilizes for documentary and standby letters of credit, and the Company funds the drawings on these facilities as the payments are due.

The Company has performed a sensitivity analysis on interest rate risk at January 28, 2012 to determine how a change in interest rates would impact equity and net earnings. For fiscal 2012, the Company earned interest income of $1,367,000 on its cash and cash equivalents. An increase or decrease of 25 basis points in the average interest rate earned during the year would have increased equity and net earnings by $321,000 or decreased equity and net earnings by $235,000, respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The Company has performed a sensitivity analysis as at January 28, 2012 to determine how a change in interest rates, in relation to the Company's retirement benefit plans, would impact the benefit costs included in other comprehensive income. A one percentage point decrease in the year-end discount rate would have resulted in an increase of approximately $4,300,000 in benefit costs included in other comprehensive income for fiscal 2012, whereas a one percentage point increase would have resulted in a decrease of approximately $3,800,000. The Company's expected long-term rate of return on Plan assets reflects management's view of long-term investment returns. The effect of a 1% variation in such rate of return would have a nominal impact on the total benefit costs included in net earnings and total comprehensive income.

Equity Price Risk

Equity price risk arises from available-for-sale equity securities. The Company monitors the mix of equity securities in its investment portfolio based on market expectations. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Chief Executive Officer.

The Company has performed a sensitivity analysis on equity price risk at January 28, 2012, to determine how a change in the market price of the Company's marketable securities would impact equity and other comprehensive income. The Company's equity investments consist principally of preferred shares of Canadian public companies. The Company believes that changes in interest rates influence the market price of these securities. A 5% increase or decrease in the market price of the securities at January 28, 2012, would result in a $3,036,000 increase or decrease, respectively, in equity and other comprehensive income for fiscal 2012. The Company's equity securities are subject to market risk and, as a result, the impact on equity and other comprehensive income may ultimately be greater than that indicated above.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity as at January 28, 2012 amounted to $492,852,000 or $7.51 per share (January 29, 2011 – $512,800,000 or $7.73 per share). The Company continues to be in a strong financial position. The Company's principal sources of liquidity are its cash, cash equivalents and investments in marketable securities of $268,277,000 (January 29, 2011 – $300,447,000). Cash is conservatively invested in short-term deposits with major Canadian financial institutions and commercial paper rated not less than R1. The Company closely monitors its risk with respect to short-term cash investments. The Company has unsecured borrowing and working capital credit facilities available up to an amount of $125,000,000 or its US dollar equivalent. As at January 28, 2012, $52,187,000 (January 29, 2011 – $60,888,000) of the operating lines of credit were committed for documentary and standby letters of credit. These credit facilities are used principally for US dollar letters of credit to satisfy offshore third-party vendors, which require such backing before confirming purchase orders issued by the Company. The Company rarely uses such credit facilities for other purposes.

The Company has granted irrevocable standby letters of credit, issued by highly-rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As at January 28, 2012, the maximum potential liability under these guarantees was $5,083,000 (January 29, 2011 – $5,060,000). The standby letters of credit mature at various dates during fiscal 2013. The Company has recorded no liability with respect to these guarantees, as the Company does not expect to make any payments for these items.

The Company is self-insured on a limited basis with respect to certain property risks and also purchases excess insurance coverage from financially stable third-party insurance companies. The Company maintains comprehensive internal security and loss prevention programs aimed at mitigating the financial impact of theft.

The Company continued repayment on its long-term debt, relating to the mortgage on the distribution centre, paying down $1,384,000 in fiscal 2012. The Company paid $0.80 dividends per share totalling $52,654,000 in fiscal 2012 compared to $0.78 dividends per share totalling $51,895,000 in fiscal 2011.

In fiscal 2012, the Company invested $59,154,000 on new and renovated stores and information technology system enhancements. The Company has embarked on a significant upgrade to its merchandising and supply chain operations, important to the Company's growth strategy. The technology initiatives, along with warehouse management systems improvements, will support changes and growth across all areas of the Company, with improved integration while enabling the Company to reduce the overall cost of system maintenance and upgrades. The total project, which is being phased in through to completion in fiscal 2014, is estimated to cost approximately $23,000,000. In the fiscal year ending February 2, 2013, the Company expects to invest approximately $60,000,000 in capital expenditures. These expenditures, together with the payment of cash dividends, the repayments related to the Company's bank credit facility and long-term debt obligations and purchases of Class A non-voting shares, under a normal course issuer bid approved in November 2011, are expected to be funded by the Company's existing financial resources and funds derived from its operations.

FINANCIAL COMMITMENTS

The following table sets forth the Company's financial commitments, excluding trade and other payables, as at January 28, 2012, the details of which are described in the previous commentary.

Contractual Obligations	Total	Within 1 year	2 to 4 years	5 years and over
Store & office operating leases [1]	$ 470,919,000	$ 99,202,000	$ 232,042,000	$ 139,675,000
Purchase obligations [2]	103,080,000	102,637,000	443,000	–
Other operating leases [3]	13,378,000	4,498,000	8,872,000	8,000
Long-term debt	10,047,000	1,474,000	5,022,000	3,551,000
Interest on long-term debt	1,987,000	592,000	1,177,000	218,000
Total contractual obligations	**$ 599,411,000**	**$ 208,403,000**	**$ 247,556,000**	**$ 143,452,000**

[1] Represents the minimum lease payments under long-term leases for store locations and office space as at January 28, 2012.
[2] Includes amounts pertaining to agreements to purchase goods or services that are enforceable and legally binding on the Company.
[3] Includes lease payments for computer equipment, automobiles and office equipment.

As at January 28, 2012, the Company had additional long-term liabilities which included pension liability and deferred income tax liabilities. These long-term liabilities have not been included in the table above as the timing and amount of these future payments are uncertain.

OUTSTANDING SHARE DATA

At March 28, 2012, 13,440,000 Common shares and 52,145,506 Class A non-voting shares of the Company were issued and outstanding. Each Common share entitles the holder thereof to one vote at meetings of shareholders of the Company. The Company has 1,895,000 share options outstanding at an average exercise price of $14.96. Each share option entitles the holder to purchase one Class A non-voting share of the Company at an exercise price established based on the market price of the shares at the date the option was granted.

In November 2011, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid. Under the bid, the Company may purchase up to 2,579,895 Class A non-voting shares of the Company, representing 5% of the issued and outstanding Class A non-voting shares as at November 14, 2011. The average daily trading volume for the six month period preceding November 1, 2011 was 77,593 shares. In accordance with Toronto Stock Exchange rules, a maximum daily repurchase of 25% of this average may be made, representing 19,398 shares. The bid commenced on November 28, 2011 and may continue to November 27, 2012. The shares will be purchased on behalf of the Company by a registered broker through the facilities of the Toronto Stock Exchange or alternative Canadian trading platforms. The Company may also purchase Class A non-voting shares for cancellation by way of private agreements under an issuer bid exemption order issued by a securities regulatory authority. Purchases made by way of private agreements under an issuer bid exemption order issued by a securities regulatory authority will be at a discount to the prevailing market price as provided in the exemption order. The price paid for the shares will be the market price at the time of acquisition, and the number of shares purchased and the timing of any such purchases will be determined by the Company's management. All shares purchased by the Company will be cancelled. For fiscal 2012, the Company purchased, under the prior year's normal course issuer bid, 1,445,000 Class A non-voting shares having a book value of $780,000 for a total cash consideration of $22,410,000. The excess of the purchase price over book value of the shares in the amount of $21,630,000 was charged to retained earnings.

OFF-BALANCE SHEET ARRANGEMENTS

Derivative Financial Instruments

The Company in its normal course of business must make long lead time commitments for a significant portion of its merchandise purchases, in some cases as long as eight months. Most of these purchases must be paid for in US dollars. The Company considers a variety of strategies designed to manage the cost of its continuing US dollar long-term commitments, including spot rate purchases and foreign currency option contracts with maturities not exceeding six months. In order to satisfy its US dollar requirements through to the second quarter of fiscal 2013, the Company has purchased US dollars at varying spot rates and in the fourth quarter of fiscal 2012, the Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the US dollar. These derivative financial option contracts extend over a period of six months. Purchased call options and sold put options expiring on the same date have the same strike price. As at January 29, 2011 the Company had no outstanding foreign currency option contracts.

A foreign currency option contract represents an option or obligation to buy a foreign currency from a counterparty at a predetermined date and amount. Credit risks exist in the event of failure by a counterparty to fulfill its obligations. The Company reduces this risk by dealing only with highly-rated counterparties, normally Canadian chartered banks. The Company does not use derivative financial instruments for speculative purposes.

Included in the determination of the Company's net earnings for fiscal 2012 are net foreign exchange gains of $733,000 (fiscal 2011 – $473,000).

RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Only members of the Board of Directors are deemed to be key management personnel. It is the Board of Directors who has the responsibility for planning, directing and controlling the activities of the Company. The Directors participate in the share option plan, as described in note 17 to the audited financial statements for fiscal 2012. Compensation expense for key management personnel is as follows:

	For the fiscal years ended	
	January 28, 2012	January 29, 2011
Salaries and short-term benefits	**$ 2,088,000**	$ 2,899,000
Post-employment benefits	**(63,000)**	178,000
Share-based compensation costs	**190,000**	200,000
	$ 2,215,000	$ 3,277,000

Further information about the remuneration of individual Directors is provided in the annual Management Proxy Circular.

Other Related-Party Transactions

The Company leases two retail locations which are owned by companies controlled by the major shareholders of the Company. For fiscal 2012, the rent expense under these leases was, in the aggregate, approximately $198,000 (fiscal 2011 – $190,000).

The Company incurred $584,000 in fiscal 2012 (fiscal 2011 – $606,000) with professional service firms connected to outside directors of the Company for fees in conjunction with general legal advice and other consultation.

These transactions are recorded at the amount of consideration paid as established and agreed to by the related parties.

FINANCIAL INSTRUMENTS

The Company's significant financial instruments consist of cash and cash equivalents along with marketable securities. The Company uses its cash resources to fund ongoing store construction and renovations along with working capital needs. Financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Company reduces its credit risks by investing available cash in bank bearer deposit notes and bank term deposits with major Canadian financial institutions. The Company closely monitors its risk with respect to short-term cash investments. Marketable securities consist primarily of preferred shares of Canadian public companies. The Company's investment portfolio is subject to stock market volatility. The Company is highly liquid with its cash and cash equivalents and invests on a short-term basis in term deposits with major Canadian financial institutions and commercial paper rated not less than R1.

The volatility of the Canadian dollar impacts earnings and while the Company considers a variety of strategies designed to manage the cost of its continuing US dollar commitments, such as spot rate purchases and foreign exchange option contracts, this volatility can result in exposure to risk.

CRITICAL ACCOUNTING ESTIMATES

Deferred Income Tax Assets

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

Pension Plans

The Company maintains a contributory, defined benefit plan and sponsors a SERP. The costs of the defined benefit plan and SERP are determined periodically by independent actuaries. Pension expense is included in the results of operations. Assumptions used in developing the net pension expense and projected benefit obligation include a discount rate, rate of increase in salary levels and expected long-term rate of return on plan assets. Based upon the most recently filed actuarial valuation report as at December 31, 2010, the defined benefit plan, despite being fully funded on a going concern basis, had a solvency deficiency. The Company has funded the required amounts as at January 28, 2012. The SERP is an unfunded pay as you go plan.

Sales Returns

The Company provides for the possibility that merchandise already sold may be returned by customers. To this end, the Company has made certain assumptions based on the quantity of merchandise returned in the past.

Share-Based Compensation

The Company accounts for share-based compensation and other share-based payments using the fair value base method. Share options granted result in an expense over their vesting period based on their estimated fair values on the date of grant, determined using the Black-Scholes option pricing model. In computing the compensation cost related to share option awards under the fair value based method, various assumptions are used to determine the expected option life, risk-free interest rate, expected share price volatility and average dividend yield. The use of different assumptions could result in a share compensation expense that differs from that which the Company has recorded.

Gift Cards / Loyalty Points and Awards

Gift cards sold are recorded as deferred revenue and revenue is recognized when the gift cards are redeemed. An estimate is made of gift cards not expected to be redeemed based on the terms of the gift cards and historical redemption patterns. Loyalty points and awards granted under customer loyalty programs are recognized as a separate component of revenue and are deferred at the date of initial sale. Revenue is recognized when the loyalty points and awards are redeemed and the Company has fulfilled its obligation. The amount of revenue deferred is measured based on the fair value of loyalty points and awards granted, taking into consideration the estimated redemption percentage.

Inventory Valuation

The Company uses the retail inventory method in arriving at cost. Merchandise inventories are valued at the lower of cost and net realizable value. Excess or slow moving items are identified and a write-down is taken using management's best estimate. In addition, a provision for shrinkage is also recorded using historical rates experienced. Given that inventory and cost of sales are significant components of the financial statements, any changes in assumptions and estimates could have a material impact on the Company's financial position and results of operations.

Asset Impairment

The Company must assess the possibility that the carrying amounts of tangible and intangible assets may not be recoverable. Management is required to make significant judgments related to future cash flows to determine the amount of asset impairment that should be recognized.

Goodwill

Goodwill is measured at the acquisition date as the fair value of the consideration transferred less the net identifiable assets of the acquired company or business activities. Goodwill is not amortized and is carried at cost less accumulated impairment losses.

Fair Value of Derivative Financial Instruments

Derivative financial instruments are carried in the balance sheet at fair value estimated by using valuation techniques.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective for fiscal 2012 and have not been applied in preparing the financial statements. New standards and amendments to standards and interpretations that impact the Company include:

IFRS 9 – Financial Instruments

This standard becomes mandatory for the years commencing on or after January 1, 2015 with earlier application permitted. IFRS 9 is a new standard which will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement*. The extent of the impact on the financial statements of the Company has not yet been determined.

IFRS 13 – Fair Value Measurement

This standard provides new guidance on fair value measurement and disclosure requirements, which becomes effective for annual periods commencing on or after January 1, 2013. The extent of the impact on the financial statements of the Company has not yet been determined.

IAS 1 – Presentation of Financial Statements

Amendments to IAS 1, *Presentation of Financial Statements* enhance the presentation of Other Comprehensive Income ("OCI") in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings in the future from those that would never be reclassified to the statement of earnings. The amendments are effective for annual periods beginning on or after July 1, 2012. The extent of the impact on the financial statements of the Company has not yet been determined.

IAS 19 – Employee Benefits

Amendments to IAS 19, *Employee Benefits* include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and the introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013. The extent of the impact on the financial statements of the Company has not yet been determined.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board requires that publicly accountable enterprises adopt IFRS, for interim and annual reporting purposes, beginning on or after January 1, 2011, which for the Company is the fiscal year ended January 28, 2012. The Company began reporting under IFRS for the quarter ended April 30, 2011.

Reconciliations prepared in accordance with IFRS 1, *First-Time Adoption of International Financial Reporting Standards* are provided in note 29 to the January 28, 2012 audited financial statements, including IFRS 1 reconciliations for the statement of earnings and statement of comprehensive income for fiscal 2011 and the opening IFRS balance sheet as at January 31, 2010 and balance sheet as at January 29, 2011.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all material information related to the Company is gathered and reported to senior management, including the Chairman and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted as of January 28, 2012. Based on this evaluation, the CEO and the CFO have concluded that, as of January 28, 2012, the disclosure controls and procedures, as defined by National Instrument 52-109, were appropriately designed and were operating effectively.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

An evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting was conducted as of January 28, 2012. Based on that evaluation, the CEO and the CFO concluded that the internal control over financial reporting, as defined by National Instrument 52-109, was appropriately designed and was operating effectively.

The evaluations were conducted in accordance with the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings.

The Company's internal controls were not materially affected by the transition to IFRS. There have been no changes in the Company's internal controls over financial reporting during fiscal 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

Concern over the global economic conditions continued to impact Canadian consumer buying behaviours as consumer confidence levels remained weak. The Bank of Canada in its January 2012 Monetary Policy Report indicated that the economy was estimated to have grown by 2.4% in calendar 2011 as compared to its earlier projection of 2.1%. Additionally, it revised its projected growth for the economy in calendar 2012 upward from 1.9% projected in October 2011 to 2.0%. The pace of growth is predicted to be modest, reflecting continued weakness of the economy and diminished consumer confidence. The strength of the Canadian dollar favours importers, however it creates a drag on the economic activity of other sectors in Canada. The apparel marketplace has been faced with high cotton prices. The price of cotton, an important component in clothing fabrication, had risen to record high prices and along with a significant shortage of supply placed strains on certain product margins. A slowdown in demand, primarily due to the economic uncertainty in Europe, along with improved cotton harvests has resulted in bringing cotton prices sharply lower over the past few months, however cotton prices remain higher than historical levels. The Company continues to closely monitor this development in an effort to maintain its value pricing proposition. We believe that we remain poised to strengthen the Company's market position in all of our market niches by offering a broad assortment of quality merchandise at affordable prices. The Company has virtually no debt and has liquid cash reserves which provide us with the ability to act when opportunities present themselves in whatever format including merchandising, store acquisition/construction, system replacements/upgrading or expansion by acquisition.

The Company's Hong Kong office continues to serve the Company well, with over 120 full-time employees dedicated to seeking out the highest quality, affordable and fashionable apparel for all of our banners.

We believe that our merchandise offerings will continue to remain attractive values to the consumer. The Company has a strong balance sheet, with excellent liquidity and borrowing capacity. Its systems, including merchandise procurement, inventory control, planning, allocation and distribution, distribution centre management, point-of-sale, financial management and information technology are fully integrated. The Company is committed to continue to invest in training for all levels of its employees.

Management's Responsibility for Financial Statements

The accompanying financial statements and all the information in the annual report are the responsibility of management and have been approved by the Board of Directors of Reitmans (Canada) Limited.

These financial statements have been prepared by management in conformity with International Financial Reporting Standards and include amounts that are based on best estimates and judgments. The financial information used elsewhere in the annual report is consistent with that in the financial statements.

Management of the Company has developed and maintains a system of internal accounting controls. Management believes that this system of internal accounting controls provides reasonable assurances that financial records are reliable and form a proper basis for the preparation of the financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, consisting of all outside directors. The Audit Committee reviews the Company's annual financial statements and recommends their approval to the Board of Directors. The auditors appointed by the shareholders have full access to the Audit Committee, with and without management being present.

These financial statements have been examined by the auditors appointed by the shareholders, KPMG LLP, Chartered Accountants and their report is presented hereafter.

(signed)

Jeremy H. Reitman
Chairman and Chief Executive Officer

(signed)

Eric Williams, CA
Vice-President, Finance and Chief Financial Officer

March 28, 2012

Independent Auditors' Report

To the Shareholders of Reitmans (Canada) Limited

We have audited the accompanying financial statements of Reitmans (Canada) Limited, which comprise the balance sheets as at January 28, 2012, January 29, 2011 and January 31, 2010, the statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years ended January 28, 2012 and January 29, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Reitmans (Canada) Limited as at January 28, 2012, January 29, 2011 and January 31, 2010, and its financial performance and its cash flows for the years ended January 28, 2012 and January 29, 2011 in accordance with International Financial Reporting Standards.

KPMG LLP*

Chartered Accountants

Montreal, Canada
March 28, 2012

* CA Auditor Permit no. 23443

Statements of Earnings

(in thousands of Canadian dollars except per share amounts)

	For the years ended	
	January 28, 2012	January 29, 2011
Sales	**$ 1,019,397**	$ 1,059,000
Cost of goods sold (note 7)	**363,333**	350,671
Gross profit	**656,064**	708,329
Selling and distribution expenses	**547,367**	528,676
Administrative expenses	**46,878**	55,511
Results from operating activities	**61,819**	124,142
Finance income (note 19)	**5,562**	4,505
Finance costs (note 19)	**1,509**	845
Earnings before income taxes	**65,872**	127,802
Income taxes (note 11)	**18,333**	38,817
Net earnings	**$ 47,539**	$ 88,985
Earnings per share (note 20):		
Basic	**$ 0.72**	$ 1.33
Diluted	**0.72**	1.32

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

Statements of Comprehensive Income

(in thousands of Canadian dollars)

	For the years ended	
	January 28, 2012	January 29, 2011
Net earnings	**$ 47,539**	$ 88,985
Other comprehensive income:		
Net change in fair value of available-for-sale financial assets (net of tax of $79; 2011 – $427) (note 19)	**530**	2,866
Reclassification of realized gains on available-for-sale financial assets to net earnings (net of tax of $22) (note 19)	**–**	(145)
Reclassification of impairment loss on available-for-sale financial assets to net earnings (net of tax of $9; 2011 – $11) (note 19)	**64**	67
Defined benefit actuarial losses (net of tax of $1,041; 2011 – $272) (note 15)	**(2,965)**	(777)
Total comprehensive income	**$ 45,168**	$ 90,996

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

Balance Sheets

(in thousands of Canadian dollars)

	January 28, 2012	January 29, 2011	January 31, 2010
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (note 5)	**$ 196,835**	$ 230,034	$ 228,577
Marketable securities	**71,442**	70,413	48,026
Trade and other receivables	**3,033**	2,866	2,926
Derivative financial asset (note 6)	**751**	–	–
Income taxes recoverable	**4,735**	–	–
Inventories (note 7)	**78,285**	73,201	63,127
Prepaid expenses	**11,902**	12,491	11,010
Total Current Assets	**366,983**	389,005	353,666
NON-CURRENT ASSETS			
Property and equipment (note 8)	**184,221**	193,064	208,362
Intangible assets (note 9)	**17,057**	13,841	9,964
Goodwill (note 10)	**42,426**	42,426	42,426
Deferred income taxes (note 11)	**23,174**	21,021	18,313
Total Non-Current Assets	**266,878**	270,352	279,065
Total Assets	**$ 633,861**	$ 659,357	$ 632,731
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables (note 12)	**$ 63,875**	$ 64,093	$ 54,684
Derivative financial liability (note 6)	**1,505**	–	–
Deferred revenue (note 13)	**22,278**	19,834	18,122
Income taxes payable	**–**	5,998	4,677
Current portion of long-term debt (note 14)	**1,474**	1,384	1,300
Total Current Liabilities	**89,132**	91,309	78,783
NON-CURRENT LIABILITIES			
Other payables (note 12)	**11,110**	10,180	9,105
Deferred revenue (note 13)	**–**	2,384	2,686
Deferred lease credits	**17,317**	19,011	20,609
Long-term debt (note 14)	**8,573**	10,047	11,431
Pension liability (note 15)	**14,877**	13,626	11,865
Total Non-Current Liabilities	**51,877**	55,248	55,696
SHAREHOLDERS' EQUITY			
Share capital (note 16)	**39,890**	29,614	25,888
Contributed surplus	**5,158**	6,266	5,164
Retained earnings	**439,067**	468,777	461,845
Accumulated other comprehensive income (note 16)	**8,737**	8,143	5,355
Total Shareholders' Equity	**492,852**	512,800	498,252
Total Liabilities and Shareholders' Equity	**$ 633,861**	$ 659,357	$ 632,731

Commitments (note 18)

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

On behalf of the Board,

(signed)

Jeremy H. Reitman, Director

(signed)

Stephen J. Kauser, Director

Statements of Changes in Shareholders' Equity

(in thousands of Canadian dollars)

	For the years ended	
	January 28, 2012	**January 29, 2011**
SHARE CAPITAL		
Balance, beginning of the year	**$ 29,614**	$ 25,888
Cash consideration on exercise of share options (note 16)	**8,828**	3,569
Ascribed value credited to share capital from exercise of share options (note 16)	**2,228**	888
Cancellation of shares pursuant to share repurchase program (note 16)	**(780)**	(731)
Balance, end of the year	**39,890**	29,614
CONTRIBUTED SURPLUS		
Balance, beginning of the year	**6,266**	5,164
Share-based compensation costs (note 17)	**1,120**	1,990
Ascribed value credited to share capital from exercise of share options (note 16)	**(2,228)**	(888)
Balance, end of the year	**5,158**	6,266
RETAINED EARNINGS		
Balance, beginning of the year	**468,777**	461,845
Net earnings	**47,539**	88,985
Dividends (note 16)	**(52,654)**	(51,895)
Premium on repurchase of Class A non-voting shares (note 16)	**(21,630)**	(29,381)
Defined benefit actuarial losses (net of tax of $1,041; 2011 – $272) (note 15)	**(2,965)**	(777)
Balance, end of the year	**439,067**	468,777
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of the year	**8,143**	5,355
Net change in fair value of available-for-sale financial assets (net of tax of $79; 2011 – $427) (note 19)	**530**	2,866
Reclassification of realized gains on available-for-sale financial assets to net earnings (net of tax of $22) (note 19)	**–**	(145)
Reclassification of impairment loss on available-for-sale financial assets to net earnings (net of tax of $9; 2011 – $11) (note 19)	**64**	67
Balance, end of the year (note 16)	**8,737**	8,143
Total Shareholders' Equity	**$ 492,852**	$ 512,800

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

Statements of Cash Flows

(in thousands of Canadian dollars)

	For the years ended January 28, 2012	For the years ended January 29, 2011
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net earnings	**$ 47,539**	$ 88,985
Adjustments for:		
Depreciation, amortization and impairment losses	**64,990**	59,754
Share-based compensation costs	**1,120**	1,990
Amortization of deferred lease credits	**(4,635)**	(4,956)
Deferred lease credits	**2,941**	3,358
Pension contribution	**(4,245)**	(629)
Pension expense	**1,490**	1,341
Realized gain on sale of marketable securities	**–**	(167)
Impairment loss on available-for-sale financial assets	**73**	78
Net change in fair value of derivatives	**754**	–
Foreign exchange loss (gain)	**2,942**	(31)
Interest and dividend income, net	**(4,147)**	(3,068)
Interest paid	**(682)**	(797)
Interest received	**1,316**	1,273
Dividends received	**3,460**	2,546
Income taxes	**18,333**	38,817
	131,249	188,494
Changes in:		
Trade and other receivables	**(114)**	106
Inventories	**(5,084)**	(10,074)
Prepaid expenses	**589**	(1,481)
Trade and other payables	**504**	9,073
Deferred revenue	**60**	1,410
Cash generated from operating activities	**127,204**	187,528
Income taxes received	**793**	6,040
Income taxes paid	**(31,060)**	(46,388)
Net cash flows from operating activities	**96,937**	147,180
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Purchases of marketable securities	**(420)**	(20,803)
Proceeds on sale of marketable securities	**–**	1,709
Additions to property and equipment and intangible assets	**(59,154)**	(46,922)
Cash flows used in investing activities	**(59,574)**	(66,016)
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES		
Dividends paid	**(52,654)**	(51,895)
Purchase of Class A non-voting shares for cancellation	**(22,410)**	(30,112)
Repayment of long-term debt	**(1,384)**	(1,300)
Proceeds from exercise of share options	**8,828**	3,569
Cash flows used in financing activities	**(67,620)**	(79,738)
FOREIGN EXCHANGE (LOSS) GAIN ON CASH HELD IN FOREIGN CURRENCY	**(2,942)**	31
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(33,199)**	1,457
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	**230,034**	228,577
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**$ 196,835**	$ 230,034

Supplementary cash flow information (note 25)

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

Notes
to Financial Statements

(all amounts in thousands of Canadian dollars except per share amounts)

1. REPORTING ENTITY

Reitmans (Canada) Limited (the “Company”) is a company domiciled in Canada and is incorporated under the Canada Business Corporations Act. The address of the Company’s registered office is 3300 Highway #7 West, Suite 702, Vaughan, Ontario L4K 4M3. The principal business activity of the Company is the sale of women’s wear at retail.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These are the Company’s first annual financial statements prepared under IFRS in accordance with IFRS 1, *First-time adoption of IFRS*. The first date at which IFRS was applied was January 31, 2010 (“Transition Date”). In accordance with IFRS 1, the Company has:

- Provided comparative financial information
- Applied the same accounting policies throughout all periods presented
- Retroactively applied all effective IFRS standards as at January 28, 2012, as required; and
- Applied certain optional exemptions and certain mandatory exceptions as applicable for first-time IFRS adopters.

The Company’s financial statements were previously prepared in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”). An explanation of how the transition from Canadian GAAP to IFRS as at the transition date has affected the reported earnings, balance sheet and cash flows for the Company, including the mandatory exception and optional exemptions under IFRS 1, is provided in note 29.

These financial statements were authorized for issue by the Board of Directors on March 28, 2012.

b) Basis of Measurement

These financial statements have been prepared on the historical cost basis except for the following material items:

- available-for-sale financial assets are measured at fair value through other comprehensive income;
- the pension liability is recognized as the present value of the defined benefit obligation less the total of the fair value of the plan assets and the unrecognized past service cost; and
- derivative financial instruments are measured at fair value.

c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Company’s functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts.

d) Estimates, Judgments and Assumptions

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. These estimates and assumptions are based on historical experience, other relevant factors and expectations of the future and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

The following is a summary of areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements:

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

Pension Plans
The cost of defined benefit pension plans is determined by means of actuarial valuations, which involve making assumptions about discount rates, the expected long-term rate of return on plan assets, future salary increases, mortality rates and the future increases in pensions. Because of the long-term nature of the plans, such estimates are subject to a high degree of uncertainty.

Sales Returns
The Company provides for the possibility that merchandise already sold may be returned by customers. To this end, the Company has made certain assumptions based on the quantity of merchandise returned in the past.

Share-Based Compensation
In computing the compensation cost related to share option awards under the fair value based method, various assumptions are used to determine the expected option life, risk-free interest rate, expected share price volatility and average dividend yield. The use of different assumptions could result in a share compensation expense that differs from that which the Company has recorded.

Gift Cards / Loyalty Points and Awards
Gift cards sold are recorded as deferred revenue and revenue is recognized when the gift cards are redeemed. An estimate is made of gift cards not expected to be redeemed based on the terms of the gift cards and historical redemption patterns. Loyalty points and awards granted under customer loyalty programs are recognized as a separate component of revenue and are deferred at the date of initial sale. Revenue is recognized when the loyalty points and awards are redeemed and the Company has fulfilled its obligation. The amount of revenue deferred is measured based on the fair value of loyalty points and awards granted, taking into consideration the estimated redemption percentage.

Slow-Moving Inventory
The Company has set up provisions for merchandise in inventory that may have to be sold below cost. For this purpose, the Company has developed assumptions regarding the quantity of merchandise sold below cost.

Asset Impairment
The Company must assess the possibility that the carrying amounts of tangible and intangible assets may not be recoverable. Management is required to make significant judgments related to future cash flows to determine the amount of asset impairment that should be recognized.

Fair Value of Derivative Financial Instruments
Derivative financial instruments are carried in the balance sheet at fair value estimated by using valuation techniques.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Foreign Currency Translation
Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Other balance sheet items denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the respective transaction dates. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at average rates of exchange prevailing during the period. The resulting gains or losses on translation are included in the determination of net earnings.

b) Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand, bank balances and short-term deposits with original maturities of three months or less.

c) Financial Instruments
All financial instruments are classified into one of the following five categories: financial assets and financial liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are initially measured at fair value. The Company accounts for transaction costs related to financial instruments, other than those classified as fair value through profit or loss and for derivative instruments, in the initial measurement of the instrument. Subsequent measurement depends on their initial classification. Financial instruments and financial liabilities classified as financial assets and liabilities at fair value through profit or loss are subsequently measured at fair value and all gains and losses are included in net earnings in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to net earnings. Loans and receivables, held-to-maturity investments and other financial liabilities, are subsequently measured at amortized cost using the effective interest rate method, less impairment losses.

Financial assets and liabilities measured at fair value use a fair value hierarchy to prioritize the inputs used in measuring fair value. Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company has classified its cash and cash equivalents and its trade and other receivables as loans and receivables and its marketable securities as available-for-sale financial assets. Trade and other payables and long-term debt have been classified as other financial liabilities and are measured at amortized cost.

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Derivative instruments are recorded at their fair value except under the own use exemption. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in net earnings unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

The Company considers the use of foreign currency option contracts, with maturities not exceeding six months, to manage its US dollar exposure. Foreign currency option contracts are not designated as hedges. Derivative financial instruments are not used for trading or speculative purposes.

d) Property and Equipment

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

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation is recognized in net earnings on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Land is not depreciated. Leasehold improvements are depreciated over the lesser of the estimated useful life of the asset and the lease term. Assets not in service include expenditures incurred to-date for equipment not yet available for use. Depreciation of assets not in service begins when they are ready for their intended use. Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

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

Buildings	10 to 50 years
Fixtures and equipment	3 to 20 years
Leasehold improvements	6.7 to 10 years

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

Gains and losses on disposal of items of property and equipment are recognized in net earnings.

e) Goodwill

Goodwill is measured at the acquisition date as the fair value of the consideration transferred less the net identifiable assets of the acquired company or business activities. Goodwill is not amortized and is carried at cost less accumulated impairment losses.

f) Intangible Assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated over the cost of the asset less its residual value. Amortization is recognized in net earnings on a straight-line basis over the estimated useful lives of the intangible assets. Amortization of intangible assets not in service begins when they are ready for their intended use.

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

Software	3 to 5 years

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

g) Leased Assets

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

Leases in which a significant portion of the risks and rewards of ownership are not assumed by the Company are classified as operating leases. The Company carries on its operations in premises under leases of varying terms, which are accounted for as operating leases. Payments under an operating lease are recognized in net earnings on a straight-line basis over the term of the lease. When a lease contains a predetermined fixed escalation of the minimum rent, the Company recognizes the related rent expense on a straight-line basis and, consequently, records the difference between the recognized rental expense and the amounts payable under the lease as deferred rent, which is included in trade and other payables on the balance sheet. Contingent (sales-based) rentals are recognized in net earnings in the period in which they are incurred.

Tenant allowances are recorded as deferred lease credits and amortized as a reduction of rent expense over the term of the related leases.

h) Inventories

Merchandise inventories are measured at the lower of cost, determined on an average basis using the retail inventory method, and net realizable value. Costs include the cost of purchase, transportation costs that are directly incurred to bring inventories to their present location and condition, and certain distribution centre costs related to inventories. The Company estimates net realizable value as the amount that inventories are expected to be sold, in the ordinary course of business, less the estimated costs necessary to make the sale, taking into consideration fluctuations of retail prices due to seasonality.

i) Impairment

i) Non-Financial Assets

All non-financial assets are reviewed at each reporting date for indications that the carrying amount may not be recoverable. When there is evidence of impairment, an impairment test is carried out. Goodwill is tested for impairment at least annually at the year-end reporting date, and whenever there is an indication that the asset may be impaired. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (defined as “cash-generating unit” or “CGU”). Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets in the CGU.

An impairment loss is recognized in net earnings if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. The recoverable amount is the higher of the value-in-use and the fair value less costs to sell. The value-in-use is the present value of estimated future cash flows, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The fair value less costs to sell is the amount for which an asset or CGU can be sold in a transaction under normal market conditions between knowledgeable and willing contracting parties, less costs to sell.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the combination. This allocation reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The Company’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGUs to which the corporate asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

ii) Financial Assets

For an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment. Impairment losses on available-for-sale financial assets are recognized by reclassifying losses accumulated in accumulated other comprehensive income to net earnings. The cumulative loss that is reclassified from accumulated other comprehensive income is the difference between the acquisition cost and the current fair value, less any impairment losses recognized previously in net earnings.

Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

j) Employee Benefits

i) Pension Benefit Plans

The Company maintains a contributory defined benefit plan (“Plan”) that provides benefits to employees based on length of service and average earnings in the best five consecutive years of employment. The Company also sponsors a Supplemental Executive Retirement Plan (“SERP”), which is neither registered nor pre-funded. The costs of these retirement benefit plans are determined periodically by independent actuaries.

Benefits are also given to employees through defined contribution plans administered by the Federal and Québec governments. Company contributions to these plans are recognized in the periods when the services are rendered.

Pension expense/income is included in the determination of net earnings according to the following policies:

- The present value of the defined benefit obligation is actuarially determined using the projected unit credit method.
- For the purpose of calculating expected return on plan assets, the valuation of those assets is based on quoted market values at the year-end date.
- The discount rate used to value the defined benefit obligation is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.
- Unrecognized past service costs related to benefits are amortized on a straight-line basis over the average period until vesting. To the extent that the benefits vest immediately, the expense is recognized immediately in net earnings.

The Company recognizes all actuarial gains and losses from the Plan and SERP immediately in other comprehensive income, and reports them in retained earnings. Expenses related to defined contribution plans are recognized in net earnings in the periods in which they occur. The net obligation in respect of the Plan and SERP is the amount of future benefits that members have earned in return for their service in the current and prior periods discounted to its present value, less any unrecognized past service costs and the fair value of the plan assets.

ii) Short-Term Employee Benefits

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

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

iii) Share-Based Compensation

Some employees receive part of their compensation in the form of share-based payments which are recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The Company accounts for share-based compensation using the fair value based method. Compensation expense is measured at the fair value at the date of grant and the fair value of each award is recognized over its respective vesting period, which is normally five years. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met.

k) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the unwinding of the discount is recognized as finance cost.

l) Revenue

Revenue is recognized from the sale of merchandise when a customer purchases and takes delivery of the merchandise. Reported sales are net of returns and estimated possible returns and exclude sales taxes.

Gift cards sold are recorded as deferred revenue and revenue is recognized when the gift cards are redeemed. An estimate is made of gift cards not expected to be redeemed based on the terms of the gift cards and historical redemption patterns.

Loyalty points and awards granted under customer loyalty programs are recognized as a separate component of revenue, and are deferred at the date of initial sale. Revenue is recognized when the loyalty points and awards are redeemed and the Company has fulfilled its obligation. The amount of revenue deferred is measured based on the fair value of loyalty points and awards granted, taking into consideration the estimated redemption percentage.

m) Finance Income and Finance Costs

Finance income comprises interest and dividend income, realized gains on sale of marketable securities, changes in the fair value of derivatives as well as foreign exchange gains. Finance costs comprise interest expense, realized losses on sale of marketable securities, changes in the fair value of derivatives as well as foreign exchange losses. Interest income is recognized on an accrual basis and interest expense is recorded using the effective interest method. Dividend income is recognized when the right to receive payment is established. Foreign exchange gains and losses and changes in the fair value of derivatives are reported on a net basis.

n) Income Tax

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

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

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

The Company only offsets income tax assets and liabilities if it has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are recognized on the balance sheet under non-current assets or liabilities, irrespective of the expected date of realization or settlement.

o) Earnings per Share

The Company presents basic and diluted earnings per share ("EPS") data for its shares.

Basic EPS is calculated by dividing the net earnings of the Company by the weighted average number of Class A non-voting and Common shares outstanding during the period.

Diluted EPS is determined by adjusting the weighted average number of shares outstanding to include additional shares issued from the assumed exercise of share options, if dilutive. The number of additional shares is calculated by assuming that the proceeds from such exercises, as well as the amount of unrecognized share-based compensation, are used to purchase Class A non-voting shares at the average market share price during the reporting period.

p) Share Capital

Class A non-voting shares and Common shares are classified as equity. Incremental costs directly attributable to the issue of these shares and share options are recognized as a deduction from equity, net of any tax effects.

When share capital recognized as equity is purchased for cancellation, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. The excess of the purchase price over the carrying amount of the shares is charged to retained earnings.

q) New Standards and Interpretations Not Yet Adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 28, 2012 and have not been applied in preparing these financial statements. New standards and amendments to standards and interpretations that are currently under review include:

IFRS 9 – Financial Instruments

This standard becomes mandatory for the years commencing on or after January 1, 2015 with earlier application permitted. IFRS 9 is a new standard which will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 13 – Fair Value Measurement

This standard provides new guidance on fair value measurement and disclosure requirements, which becomes effective for annual periods commencing on or after January 1, 2013.

IAS 1 – Presentation of Financial Statements

Amendments to IAS 1, *Presentation of Financial Statements* enhance the presentation of Other Comprehensive Income ("OCI") in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings in the future from those that would never be reclassified to the statement of earnings. The amendments are effective for annual periods beginning on or after July 1, 2012.

IAS 19 – Employee Benefits

Amendments to IAS 19, *Employee Benefits* include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and the introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013.

The extent of the impact of adoption of the above noted standards and interpretations on the financial statements of the Company has not yet been determined.

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value estimates are made at a specific point in time, using available information about the asset or liability. These estimates are subjective in nature and often cannot be determined with precision. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Financial Assets

The Company has determined that the carrying amount of its short-term financial assets approximates fair value at the reporting date due to the short-term maturity of these instruments. The fair value of the Company's available-for-sale financial assets is determined by reference to their quoted closing prices in active markets at the reporting date, which is considered Level 1 input in the fair value hierarchy.

b) Non-Derivative Financial Liabilities

The fair value of the Company's long-term debt bearing interest at a fixed rate, which is determined for disclosure purposes, is calculated using the present value of future payments of principal and interest discounted at the current market rates of interest available to the Company for the same or similar debt instruments with the same remaining maturity.

c) Deferred Revenue

The amount of revenue deferred with respect to the Company's customer loyalty reward programs is estimated by reference to the fair value of the merchandise for which the loyalty rewards could be redeemed. The fair value takes into account the expected redemption rate and the timing of such expected redemptions.

d) Derivative Financial Instruments

The fair value of foreign currency option contracts is determined through a standard option valuation technique used by the counterparty based on Level 2 inputs.

e) Share-Based Payment Transactions

The fair values of the employee share options are measured based on the Black-Scholes valuation model. Measurement inputs include share price on measurement date, exercise price of the share option, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the share option (based on historic experience and general option holder behaviour), expected dividends, and risk-free interest rate (based on government bonds).

5. CASH AND CASH EQUIVALENTS

	January 28, 2012	January 29, 2011	January 31, 2010
Cash on hand and with banks	**$ 12,563**	$ 4,634	$ 4,677
Short-term deposits, bearing interest at 0.9% (January 29, 2011 – 0.7%; January 31, 2010 – 0.3%)	**184,272**	225,400	223,900
	$ 196,835	$ 230,034	$ 228,577

6. FINANCIAL INSTRUMENTS

Derivative Financial Instruments

During the year, the Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the US dollar ("USD"). These option contracts extend over a period of six months. Purchased call options and sold put options expiring on the same date have the same strike price.

Details of the foreign currency option contracts outstanding as at January 28, 2012 are as follows:

	Notional Amount in USD	Derivative Asset	Derivative Liability	Net
Put options sold	$ 44,000	$ 751	$ –	$ 751
Call options purchased	(100,000)	–	(1,505)	(1,505)
	$ (56,000)	**$ 751**	**$ (1,505)**	**$ (754)**

As at January 29, 2011 and January 31, 2010, there were no foreign currency option contracts outstanding.

7. INVENTORIES

During the year ended January 28, 2012, inventories recognized as cost of goods sold amounted to $361,319 (January 29, 2011 – $348,716). In addition, $2,014 (January 29, 2011 – $1,955) of write-downs of inventory as a result of net realizable value being lower than cost was recognized in cost of goods sold, and no inventory write-downs recognized in previous periods were reversed.

8. PROPERTY AND EQUIPMENT

	Land	Buildings	Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Balance at January 31, 2010	$ 5,860	$ 52,411	$ 177,874	$ 194,782	$ 430,927
Additions	–	400	19,107	21,591	41,098
Disposals	–	(886)	(21,595)	(21,468)	(43,949)
Balance at January 29, 2011	$ 5,860	$ 51,925	$ 175,386	$ 194,905	$ 428,076
Balance at January 30, 2011	**$ 5,860**	**$ 51,925**	**$ 175,386**	**$ 194,905**	**$ 428,076**
Additions	**–**	**2,291**	**25,079**	**24,818**	**52,188**
Disposals	**–**	**(53)**	**(37,346)**	**(37,650)**	**(75,049)**
Balance at January 28, 2012	**$ 5,860**	**$ 54,163**	**$ 163,119**	**$ 182,073**	**$ 405,215**
Accumulated depreciation and impairment losses					
Balance at January 31, 2010	$ –	$ 17,946	$ 97,398	$ 107,221	$ 222,565
Depreciation	–	2,410	26,062	26,708	55,180
Impairment loss	–	–	–	1,724	1,724
Reversal of impairment loss	–	–	–	(779)	(779)
Disposals	–	(886)	(21,580)	(21,212)	(43,678)
Balance at January 29, 2011	$ –	$ 19,470	$ 101,880	$ 113,662	$ 235,012
Balance at January 30, 2011	**$ –**	**$ 19,470**	**$ 101,880**	**$ 113,662**	**$ 235,012**
Depreciation	**–**	**2,601**	**25,599**	**26,699**	**54,899**
Impairment loss	**–**	**–**	**2,296**	**4,427**	**6,723**
Reversal of impairment loss	**–**	**–**	**–**	**(591)**	**(591)**
Disposals	**–**	**(53)**	**(37,346)**	**(37,650)**	**(75,049)**
Balance at January 28, 2012	**$ –**	**$ 22,018**	**$ 92,429**	**$ 106,547**	**$ 220,994**
Net carrying amounts					
At January 31, 2010	$ 5,860	$ 34,465	$ 80,476	$ 87,561	$ 208,362
At January 29, 2011	$ 5,860	$ 32,455	$ 73,506	$ 81,243	$ 193,064
At January 28, 2012	**$ 5,860**	**$ 32,145**	**$ 70,690**	**$ 75,526**	**$ 184,221**

During the year, the Company tested for impairment certain items of property and equipment for which there were indications that their carrying amounts may not be recoverable and recognized an impairment loss of $6,723 (January 29, 2011 – $1,724). The recoverable amounts of the CGUs tested for impairment were based on their value-in-use which was determined using a pre-tax discount rate of 11% (January 29, 2011 – 12%). During the year, $591 of impairment losses were reversed following an improvement in the profitability of certain CGUs (January 29, 2011 – $779).

Depreciation expense and net impairment losses for the year have been recorded in selling and distribution expenses and administrative expenses in the statements of earnings.

Property and equipment includes an amount of $8,414 (January 29, 2011 – $3,548) that is not being depreciated. Depreciation will begin when the assets are available for use.

9. INTANGIBLE ASSETS

	Cost	Accumulated amortization	Net carrying amounts
Balance at January 31, 2010	$ 17,072	$ 7,108	$ 9,964
Additions / amortization	7,506	3,629	3,877
Disposals	(2,394)	(2,394)	–
Balance at January 29, 2011	$ 22,184	$ 8,343	$ 13,841
Balance at January 30, 2011	**$ 22,184**	**$ 8,343**	**$ 13,841**
Additions / amortization	**7,175**	**3,959**	**3,216**
Disposals	**(1,105)**	**(1,105)**	**–**
Balance at January 28, 2012	**$ 28,254**	**$ 11,197**	**$ 17,057**

The amortization of intangibles has been recorded in selling and distribution expenses and administrative expenses in the statements of earnings.

Software includes an amount of $10,846 (January 29, 2011 – $6,930) that is not being amortized. Amortization will begin when the software is put into service.

10. GOODWILL

Goodwill is tested for impairment as described in note 3 i). For impairment testing purposes the Company uses the value-in-use approach. Value-in-use is determined by discounting the future cash flows generated from the continuing use of the respective CGU.

Management's key assumptions for cash flow projections are based on the most recent annualized operating results, assuming a series of cash flows in perpetuity. Projected cash flows are discounted using a pre-tax rate of 10% (January 29, 2011 – 11%) which reflects the specific risks and weighted average cost of capital for a company of similar size and industry.

Based upon the impairment tests as at January 28, 2012, January 29, 2011 and January 31, 2010, the value-in-use was determined to be higher than the carrying values. As a result, no impairment losses were recognized.

11. INCOME TAX

Income Tax Expense

The Company's income tax expense is comprised as follows:

	For the years ended January 28, 2012	For the years ended January 29, 2011
Current Tax Expense		
Current period	**$ 19,840**	$ 42,409
Adjustment for prior years	**(307)**	(740)
Current tax expense	**19,533**	41,669
Deferred Tax Expense		
Recognition and reversal of temporary differences	**(1,771)**	(3,990)
Changes in tax rates	**319**	494
Adjustment for prior years	**252**	644
Deferred tax expense	**(1,200)**	(2,852)
Total income tax expense	**$ 18,333**	$ 38,817

Income Tax Recognized in Other Comprehensive Income

	For the years ended January 28, 2012			January 29, 2011		
	Before Tax	Tax (expense) benefit	Net of Tax (expense)	Before Tax	Tax (expense) benefit	Net of Tax (expense)
Available-for-sale financial assets	**$ 682**	**$ (88)**	**$ 594**	$ 3,204	$ (416)	$ 2,788
Defined benefit plan actuarial losses	**(4,006)**	**1,041**	**(2,965)**	(1,049)	272	(777)
	$ (3,324)	**$ 953**	**$ (2,371)**	$ 2,155	$ (144)	$ 2,011

Reconciliation of Effective Tax Rate

	For the years ended January 28, 2012		January 29, 2011	
Earnings before income taxes	**$ 65,872**		$ 127,802	
Income tax using the Company's statutory tax rate	**18,642**	**28.30%**	38,583	30.19%
Changes in tax rates	**319**	**0.48%**	391	0.31%
Non-deductible expenses and other adjustments	**393**	**0.60%**	658	0.51%
Tax exempt income	**(966)**	**(1.47%)**	(719)	(0.56%)
Over provided in prior periods	**(55)**	**(0.08%)**	(96)	(0.08%)
	$ 18,333	**27.83%**	$ 38,817	30.37%

Recognized Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets January 28, 2012	Assets January 29, 2011	Liabilities January 28, 2012	Liabilities January 29, 2011	Net January 28, 2012	Net January 29, 2011
Property, equipment and intangible assets	**$ 17,364**	$ 12,984	**$ –**	$ –	**$ 17,364**	$ 12,984
Prepaid expenses	**–**	214	**–**	–	**–**	214
Marketable securities	**–**	–	**379**	299	**(379)**	(299)
Inventories	**–**	–	**1,144**	1,082	**(1,144)**	(1,082)
Trade and other payables	**3,461**	5,644	**–**	–	**3,461**	5,644
Pension liability	**3,868**	3,534	**–**	–	**3,868**	3,534
Other	**42**	46	**38**	20	**4**	26
	$ 24,735	$ 22,422	**$ 1,561**	$ 1,401	**$ 23,174**	$ 21,021

Changes in Deferred Tax Balances During the Year

	Balance January 31, 2010	Recognized in Net Earnings	Recognized in Other Comprehensive Income	Balance January 29, 2011	Recognized in Net Earnings	Recognized in Other Comprehensive Income	Balance January 28, 2012
Property, equipment and intangible assets	$ 10,626	$ 2,358	$ –	$ 12,984	$ 4,380	$ –	**$ 17,364**
Prepaid expenses	257	(43)	–	214	(214)	–	**–**
Marketable securities	121	(4)	(416)	(299)	8	(88)	**(379)**
Inventories	(1,039)	(43)	–	(1,082)	(62)	–	**(1,144)**
Trade and other payables	5,260	384	–	5,644	(2,183)	–	**3,461**
Pension liability	3,076	186	272	3,534	(707)	1,041	**3,868**
Other	12	14	–	26	(22)	–	**4**
	$ 18,313	$ 2,852	$ (144)	$ 21,021	$ 1,200	$ 953	**$ 23,174**

12. TRADE AND OTHER PAYABLES

	January 28, 2012	January 29, 2011	January 31, 2010
Trade payables	**$ 26,155**	$ 16,457	$ 15,148
Non-trade payables due to related parties	**56**	66	90
Other non-trade payables	**10,553**	11,817	4,437
Personnel liabilities	**23,053**	31,457	30,615
Payables relating to premises	**14,398**	13,630	12,630
Provision for sales returns	**770**	846	869
	74,985	74,273	63,789
Less non-current portion	**11,110**	10,180	9,105
	$ 63,875	$ 64,093	$ 54,684

The non-current portion of trade and other payables, which is included in payables relating to premises, represents the portion of deferred rent to be amortized beyond the next twelve months.

13. DEFERRED REVENUE

Deferred revenue consists of the following:

	January 28, 2012	January 29, 2011	January 31, 2010
Loyalty points and awards granted under loyalty programs	**$ 10,979**	$ 10,984	$ 10,142
Unredeemed gift cards	**11,299**	11,234	10,666
	22,278	22,218	20,808
Less amounts expected to be redeemed in the next twelve months	**22,278**	19,834	18,122
Deferred revenue – non-current	**$ –**	$ 2,384	$ 2,686

14. LONG-TERM DEBT

	January 28, 2012	January 29, 2011	January 31, 2010
Mortgage payable	**$ 10,047**	$ 11,431	$ 12,731
Less current portion	**1,474**	1,384	1,300
	$ 8,573	$ 10,047	$ 11,431

The mortgage, bearing interest at 6.40%, is payable in monthly instalments of principal and interest of $172. It is due November 2017 and is secured by the Company's distribution centre having a carrying value of $18,306 (January 29, 2011 – $19,282; January 31, 2010 – $20,304).

As at January 28, 2012, principal repayments on long-term debt are as follows:

Within 1 year	$	1,474
Within 2 years		1,570
Within 3 years		1,672
Within 4 years		1,780
Within 5 years		1,896
Subsequent years		1,655
	$	**10,047**

As at January 28, 2012, the fair value of long-term debt was $10,882 (January 29, 2011 – $12,247; January 31, 2010 – $13,045) compared to its carrying value of $10,047 (January 29, 2011 – $11,431; January 31, 2010 – $12,731).

15. PENSION LIABILITY

The following tables present reconciliations of the pension obligations, the plan assets and the funded status of the retirement benefit plans:

Funded Status

	Fair value of plan assets	Defined benefit obligation	Funded status	Unamortized non-vested past service cost	Pension asset (liability)
As at January 28, 2012					
Plan	**$ 15,727**	**$ 15,318**	**$ 409**	**$ –**	**$ 409**
SERP	**–**	**15,540**	**(15,540)**	**254**	**(15,286)**
Total	**$ 15,727**	**$ 30,858**	**$ (15,131)**	**$ 254**	**$ (14,877)**
As at January 29, 2011					
Plan	$ 11,936	$ 12,717	$ (781)	$ –	$ (781)
SERP	–	13,184	(13,184)	339	(12,845)
Total	$ 11,936	$ 25,901	$ (13,965)	$ 339	$ (13,626)
As at January 31, 2010					
Plan	$ 10,369	$ 11,399	$ (1,030)	$ –	$ (1,030)
SERP	–	11,259	(11,259)	424	(10,835)
Total	$ 10,369	$ 22,658	$ (12,289)	$ 424	$ (11,865)

	For the years ended					
	January 28, 2012			January 29, 2011		
	Plan	SERP	Total	Plan	SERP	Total
Movement in the present value of the defined benefit obligation						
Defined benefit obligation, beginning of year	**$ 12,717**	**$ 13,184**	**$ 25,901**	$ 11,399	$ 11,259	$ 22,658
Current service cost	**596**	**239**	**835**	480	232	712
Interest cost	**684**	**695**	**1,379**	646	628	1,274
Employee contributions	**144**	**–**	**144**	140	–	140
Actuarial losses	**1,778**	**1,550**	**3,328**	567	1,193	1,760
Benefits paid	**(601)**	**(128)**	**(729)**	(515)	(128)	(643)
Defined benefit obligation, end of year	**$ 15,318**	**$ 15,540**	**$ 30,858**	$ 12,717	$ 13,184	$ 25,901
Movement in the fair value of plan assets						
Fair value of plan assets, beginning of year	**$ 11,936**	**$ –**	**$ 11,936**	$ 10,369	$ –	$ 10,369
Expected return on assets	**808**	**–**	**808**	729	–	729
Investment (loss) gain	**(677)**	**–**	**(677)**	712	–	712
Employer contributions	**4,117**	**128**	**4,245**	501	128	629
Employee contributions	**144**	**–**	**144**	140	–	140
Benefits paid	**(601)**	**(128)**	**(729)**	(515)	(128)	(643)
Fair value of plan assets, end of year	**$ 15,727**	**$ –**	**$ 15,727**	$ 11,936	$ –	$ 11,936

The Company has determined that, in accordance with the terms and conditions of the defined benefit plan, and in accordance with statutory requirements (such as minimum funding requirements) of the plans of the respective jurisdictions, the present value of refunds or reductions in the future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of the obligations. As such, no decrease in the defined benefit plan asset is necessary at January 28, 2012 (January 29, 2011 and January 31, 2010 – no decrease in defined benefit plan asset).

The asset allocation of the major asset categories in the Plan for each of the years was as follows:

	January 28, 2012	January 29, 2011	January 31, 2010
Equity securities	**60%**	62%	61%
Debt securities	**38%**	36%	37%
Cash and cash equivalents	**2%**	2%	2%
	100%	100%	100%

The Company's pension expense was as follows:

	For the years ended					
	January 28, 2012			January 29, 2011		
	Plan	SERP	Total	Plan	SERP	Total
Pension costs recognized in net earnings						
Current service cost	**$ 596**	**$ 239**	**$ 835**	$ 480	$ 232	$ 712
Interest cost	**684**	**695**	**1,379**	646	628	1,274
Expected return on plan assets	**(808)**	**–**	**(808)**	(729)	–	(729)
Past service cost	**–**	**84**	**84**	–	84	84
Pension expense	**$ 472**	**$ 1,018**	**$ 1,490**	$ 397	$ 944	$ 1,341

Pension expense is recognized in administration expenses in the statements of earnings.

The following table presents the change in the actuarial gains and losses recognized in other comprehensive income:

	For the years ended					
	January 28, 2012			January 29, 2011		
	Plan	SERP	Total	Plan	SERP	Total
Cumulative amount in retained earnings at the beginning of the year	**$ (144)**	**$ 1,193**	**$ 1,049**	$ –	$ –	$ –
Recognized during the year	**2,456**	**1,550**	**4,006**	(144)	1,193	1,049
Cumulative amount in retained earnings at the end of the year	**$ 2,312**	**$ 2,743**	**$ 5,055**	$ (144)	$ 1,193	$ 1,049
Recognized during the year net of tax			**$ 2,965**			$ 777

Actuarial Assumptions

Principal actuarial assumptions used were as follows:

	For the years ended	
	January 28, 2012	January 29, 2011
Accrued benefit obligation:		
Discount rate	**4.30%**	5.20%
Salary increase	**5.00%**	3.00%
Employee benefit expense:		
Discount rate	**5.20%**	5.50%
Expected return on plan assets	**6.50%**	7.00%
Salary increase	**3.00%**	3.00%

Expected rates of return on plan assets are based on external historical and forecast market information.

The Company expects $1,046 in employer contributions to be paid to the Plan and SERP in the year ending February 2, 2013.

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes at year-end. The most recent actuarial valuation for funding purposes was as of December 31, 2010 and the next required valuation will be as of December 31, 2011.

16. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

The change in share capital for each of the periods listed was as follows:

	For the years ended			
	January 28, 2012		January 29, 2011	
	Number of shares	Carrying amount	Number of shares	Carrying amount
Common shares				
Balance at beginning and end of the year	**13,440**	**$ 482**	13,440	$ 482
Class A non-voting shares				
Balance at beginning of the year	**52,869**	**$ 29,132**	54,160	$ 25,406
Shares issued pursuant to exercise of share options	**722**	**11,056**	292	4,457
Shares purchased under issuer bid	**(1,445)**	**(780)**	(1,583)	(731)
Balance at end of the year	**52,146**	**$ 39,408**	52,869	$ 29,132
Total share capital	**65,586**	**$ 39,890**	66,309	$ 29,614

Authorized Share Capital
The Company has authorized for issuance an unlimited number of Common shares and Class A non-voting shares. Both Common shares and Class A non-voting shares have no par value. All issued shares are fully paid.

The Common shares and Class A non-voting shares of the Company rank equally and pari passu with respect to the right to receive dividends and upon any distribution of the assets of the Company. However, in the case of share dividends, the holders of Class A non-voting shares shall have the right to receive Class A non-voting shares and the holders of Common shares shall have the right to receive Common shares.

Issuance of Class A Non-Voting Shares
During the year ended January 28, 2012, a total of 722 (January 29, 2011 – 292) Class A non-voting shares were issued as a result of the exercise of vested options arising from the Company's share option program. The amounts credited to share capital from the exercise of share options include a cash consideration of $8,828 (January 29, 2011 – $3,569), as well as an ascribed value from contributed surplus of $2,228 (January 29, 2011 – $888).

Purchase of Shares for Cancellation
For the year ended January 28, 2012, the Company purchased, under the prior year's normal course issuer bid, 1,445 (January 29, 2011 – 1,583) Class A non-voting shares having a book value of $780 (January 29, 2011 – $731) for a total cash consideration of $22,410 (January 29, 2011 – $30,112). The excess of the purchase price over the book value of the shares in the amount of $21,630 (January 29, 2011 – $29,381) was charged to retained earnings.

In November 2011, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid. Under the bid, the Company may purchase up to 2,580 Class A non-voting shares of the Company, representing 5% of the issued and outstanding Class A non-voting shares as at November 14, 2011. The bid commenced on November 28, 2011 and may continue to November 27, 2012. No Class A non-voting shares were purchased under this new program.

Accumulated Other Comprehensive Income ("AOCI")
AOCI is comprised of the following:

	January 28, 2012	January 29, 2011	January 31, 2010
Net change in fair value of available-for-sale financial assets, net of taxes	**$ 8,737**	$ 8,143	$ 5,355

Dividends
The following dividends were declared and paid by the Company:

	For the years ended January 28, 2012	January 29, 2011
Common shares and Class A non-voting shares	**$ 52,654**	$ 51,895

17. SHARE-BASED PAYMENTS

a) Description of the Share-Based Payment Arrangements

The Company has a share option plan that provides that up to 10% of the Class A non-voting shares outstanding, from time to time, may be issued pursuant to the exercise of options granted under the plan to key management and employees. The granting of options and the related vesting period, which is normally up to 5 years, are at the discretion of the Board of Directors and the options have a maximum term of 10 years. The exercise price payable for each Class A non-voting share covered by a share option is determined by the Board of Directors at the date of grant, but may not be less than the closing price of the Company's shares on the trading day immediately preceding the effective date of the grant.

b) Disclosure of Equity-Settled Share Option Plan

Changes in outstanding share options were as follows:

	For the years ended			
	January 28, 2012		January 29, 2011	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, at beginning of year	**3,095**	**$ 14.58**	3,207	$ 14.14
Granted	**–**	**–**	215	18.02
Exercised	**(722)**	**12.23**	(292)	12.23
Forfeited	**(428)**	**16.33**	(35)	14.50
Outstanding, at end of year	**1,945**	**$ 15.07**	3,095	$ 14.58
Options exercisable, at end of year	**238**	**$ 18.81**	935	$ 13.74

The weighted average share price at the date of exercise for share options exercised in the year was $15.44 (January 29, 2011 – $18.21).

There were no share option awards granted during the year ended January 28, 2012. Compensation cost related to share option awards granted during the year ended January 29, 2011 under the fair value based approach was calculated using the following assumptions:

	For the year ended January 29, 2011		
	100 Options Granted April 7, 2010	15 Options Granted June 2, 2010	100 Options Granted January 14, 2011
Expected option life	6.5 years	4.9 years	6.5 years
Risk-free interest rate	3.59%	2.44%	2.90%
Expected stock price volatility	47.18%	37.40%	33.52%
Average dividend yield	4.00%	4.38%	4.44%
Weighted average fair value of options granted	$ 6.22	$ 4.25	$ 4.05
Share price at grant date	$ 18.00	$ 18.26	$ 18.00

The following table summarizes information about share options outstanding at January 28, 2012:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$14.50	1,675	5.0 years	$ 14.50	–	$ –
$15.90 – $18.26	115	2.4	16.75	83	16.58
$19.23 – $22.02	155	0.7	20.00	155	20.00
	1,945	**4.5 years**	**$ 15.07**	**238**	**$ 18.81**

c) Employee Expense

For the year ended January 28, 2012, the Company recognized compensation costs of $1,120 relating to share-based payment arrangements ($1,990 for the year ended January 29, 2011), with a corresponding credit to contributed surplus.

18. COMMITMENTS

As at January 28, 2012, financial commitments for minimum lease payments under operating leases for retail stores, offices, automobiles and equipment, as well as amounts pertaining to agreements to purchase goods or services that are enforceable and legally binding on the Company, exclusive of additional amounts based on sales, taxes and other costs are payable as follows:

	Store and Office Operating Leases	Purchases Obligations	Other Operating Leases	Total
Within 1 year	$ 99,202	$ 102,637	$ 4,498	$ 206,337
Within 2 years	88,467	326	3,723	92,516
Within 3 years	77,563	117	2,672	80,352
Within 4 years	66,012	–	2,477	68,489
Within 5 years	49,802	–	8	49,810
Subsequent years	89,873	–	–	89,873
Total	**$ 470,919**	**$ 103,080**	**$ 13,378**	**$ 587,377**

The Company leases retail stores and offices under operating leases. The Company does not sublet any of its leased properties. The leases have varying terms, escalation clauses and renewal rights. Generally, the leases run for a period that does not exceed 10 years, with options to renew that do not exceed 5 years, if at all. The majority of the leases require additional payments for the cost of insurance, taxes, maintenance and utilities. Certain rental agreements include contingent rent, which is generally based on revenue exceeding a minimum amount.

For the year ended January 28, 2012, $181,998 was recognized as an expense in net earnings with respect to operating leases ($181,868 for the year ended January 29, 2011), of which $179,149 ($179,328 for the year ended January 29, 2011) represents minimum lease payments and $2,849 ($2,540 for the year ended January 29, 2011) represents contingent rents.

19. FINANCE INCOME AND FINANCE COSTS

Recognized in Net Earnings

	For the years ended January 28, 2012	January 29, 2011
Dividend income from available-for-sale financial assets	**$ 3,462**	$ 2,640
Interest income from loans and receivables	**1,367**	1,225
Realized gain on disposal of available-for-sale financial assets	**–**	167
Foreign exchange gain	**733**	473
Finance income	**5,562**	4,505
Interest expense – mortgage	**682**	767
Net change in fair value of derivatives (note 6)	**754**	–
Impairment loss on available-for-sale financial assets	**73**	78
Finance costs	**1,509**	845
Net finance income recognized in net earnings	**$ 4,053**	$ 3,660

Recognized in Other Comprehensive Income

	For the years ended January 28, 2012	January 29, 2011
Net change in fair value of available-for-sale financial assets arising during the year (net of tax of $79; 2011 – $427)	**$ 530**	$ 2,866
Finance income recognized in other comprehensive income (net of tax)	**$ 530**	$ 2,866

20. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on net earnings for the year ended January 28, 2012 of $47,539 ($88,985 for the year ended January 29, 2011).

The number of shares used in the earnings per share calculation is as follows:

	For the years ended	
	January 28, 2012	January 29, 2011
Weighted average number of shares per basic earnings per share calculations	**65,975**	66,771
Effect of dilutive share options outstanding	**126**	484
Weighted average number of shares per diluted earnings per share calculations	**66,101**	67,255

As at January 28, 2012, a total of 1,945 (January 29, 2011 – 398) share options were excluded from the calculation of diluted earnings per share as these options were deemed to be anti-dilutive, because the exercise prices were greater than the average market price of the shares during the period.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

21. RELATED PARTIES

Transactions with Key Management Personnel
Only members of the Board of Directors are deemed to be key management personnel. It is the Board of Directors who has the responsibility for planning, directing and controlling the activities of the Company. The Directors participate in the share option plan, as described in note 17. Compensation expense for key management personnel is as follows:

	For the years ended	
	January 28, 2012	January 29, 2011
Salaries and short-term benefits	**$ 2,088**	$ 2,899
Post-employment benefits	**(63)**	178
Share-based compensation costs	**190**	200
	$ 2,215	$ 3,277

Further information about the remuneration of individual Directors is provided in the annual Management Proxy Circular.

Other Related-Party Transactions
The Company leases two retail locations which are owned by companies controlled by the major shareholders of the Company. For the year ended January 28, 2012, the rent expense under these leases was, in the aggregate, approximately $198 (January 29, 2011 – $190).

The Company incurred $584 in the year ended January 28, 2012 (January 29, 2011 – $606) with professional service firms connected to outside directors of the Company for fees in conjunction with general legal advice and other consultation.

These transactions are recorded at the amount of consideration paid as established and agreed to by the related parties.

22. PERSONNEL EXPENSES

	For the years ended	
	January 28, 2012	January 29, 2011
Wages, salaries and employee benefits	**$ 248,208**	$ 251,702
Expenses related to defined benefit plans	**1,490**	1,341
Share-based compensation costs	**1,120**	1,990
	$ 250,818	$ 255,033

23. CREDIT FACILITY

At January 28, 2012, the Company had unsecured operating lines of credit available with Canadian chartered banks to a maximum of $125,000 or its US dollar equivalent. As at January 28, 2012, $52,187 (January 29, 2011 – $60,888) of the operating lines of credit were committed for documentary and standby letters of credit.

24. GUARANTEES

The Company has granted irrevocable standby letters of credit, issued by highly-rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As at January 28, 2012, the maximum potential liability under these guarantees was $5,083 (January 29, 2011 – $5,060). The standby letters of credit mature at various dates during the year ending February 2, 2013. The contingent portion of the guarantee is recorded when the Company considers it probable that a payment relating to the guarantee has to be made to the other party of the contract or guarantee. The Company has recorded no liability with respect to these guarantees as the Company does not expect to make any payments for these items. Management believes that the fair value of the non-contingent obligations requiring performance under the guarantees in the event that specified triggering events or conditions occur approximates the cost of obtaining the standby letters of credit.

25. SUPPLEMENTARY CASH FLOW INFORMATION

	January 28, 2012	January 29, 2011
Non-cash transactions:		
Additions to property and equipment and intangible assets included in trade and other payables	**$ 3,028**	$ 2,819
Ascribed value credited to share capital from exercise of share options	**$ 2,228**	$ 888

26. FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Disclosures relating to the Company's exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, marketable securities, trade and other receivables and foreign currency option contracts. The Company limits its exposure to credit risk with respect to cash and cash equivalents by investing available cash in short-term deposits with Canadian financial institutions and commercial paper with a rating not less than R1. Marketable securities consist primarily of preferred shares of highly-rated Canadian public companies. The Company's trade and other receivables consist primarily of credit card receivables from the last few days of the fiscal year, which are settled within the first days of the next fiscal year.

As at January 28, 2012, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	$ 196,835
Marketable securities	71,442
Trade and other receivables	3,033
	$ 271,310

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 risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of trade and other payables is within six months. As at January 28, 2012, the Company had a high degree of liquidity with $268,277 in cash and cash equivalents, and marketable securities. In addition, the Company has unsecured credit facilities of $125,000 subject to annual renewals. The Company has financed its store expansion through internally-generated funds and its unsecured credit facilities are used to finance seasonal working capital requirements for US dollar merchandise purchases. The Company's long-term debt consists of a mortgage bearing interest at 6.40%, due November 2017, which is secured by the Company's distribution centre.

Foreign Currency Risk

The Company purchases a significant amount of its merchandise with US dollars and as such significant volatility in the US dollar vis-à-vis the Canadian dollar can have an adverse impact on the Company's gross margin. The Company has a variety of alternatives that it considers to manage its foreign currency exposure on cash flows related to these purchases. This includes, but is not limited to, various styles of foreign currency option or forward contracts, not to exceed six months, and spot rate purchases. A foreign currency option contract represents an option or obligation to buy a foreign currency from a counterparty. Credit risks exist in the event of failure by a counterparty to fulfill its obligations. The Company reduces this risk by dealing only with highly-rated counterparties, normally major Canadian financial institutions. For the year ended January 28, 2012, the Company satisfied its US dollar requirements primarily through spot rate purchases.

The Company has performed a sensitivity analysis on its US dollar denominated financial instruments, which consist principally of cash and cash equivalents of $27,547 and trade payables of $3,840 to determine how a change in the US dollar exchange rate would impact net earnings. On January 28, 2012, a 1% rise or fall in the Canadian dollar against the US dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a $166 decrease or increase, respectively, in the Company's net earnings for the year ended January 28, 2012.

The Company has performed a sensitivity analysis on its derivative financial instruments, a series of call and put options on US dollars, to determine how a change in the US dollar exchange rate would impact net earnings. On January 28, 2012, a 1% rise or fall in the Canadian dollar against the US dollar, assuming that all other variables had remained the same, would have resulted in a $580 decrease or increase, respectively, in the Company's net earnings for the year ended January 28, 2012.

Interest Rate Risk

Interest rate risk exists in relation to the Company's cash and cash equivalents, defined benefit pension plan and SERP. Market fluctuations in interest rates impacts the Company's earnings with respect to interest earned on cash and cash equivalents that are invested in bank bearer deposit notes and bank term deposits with major Canadian financial institutions and commercial paper with a rating not less than R1. Overall return in the capital markets and the level of interest rates affect the funded status of the Company's pension plans. Adverse changes with respect to pension plan returns and the level of interest rates from the date of the last actuarial valuation may have a material adverse effect on the funded status of the retirement benefit plans and on the Company's results of operations. The Company has unsecured borrowing and working capital credit facilities available up to an amount of $125,000 or its US dollar equivalent that it utilizes for documentary and standby letters of credit, and the Company funds the drawings on these facilities as the payments are due.

The Company has performed a sensitivity analysis on interest rate risk at January 28, 2012 to determine how a change in interest rates would impact equity and net earnings. For the year ended January 28, 2012, the Company earned interest income of $1,367 on its cash and cash equivalents. An increase or decrease of 25 basis points in the average interest rate earned during the year would have increased equity and net earnings by $321 or decreased equity and net earnings by $235, respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The Company has performed a sensitivity analysis at January 28, 2012 to determine how a change in interest rates, in relation to the Company's retirement benefit plans, would impact the benefit costs included in other comprehensive income. A one percentage point decrease in the year-end discount rate would have resulted in an increase of approximately $4,300 in benefit costs included in other comprehensive income for the year ended January 28, 2012, whereas a one percentage point increase would have resulted in a decrease of approximately $3,800. The Company's expected long-term rate of return on Plan assets reflects management's view of long-term investment returns. The effect of a 1% variation in such rate of return would have a nominal impact on the total benefit costs included in net earnings and total comprehensive income.

Equity Price Risk

Equity price risk arises from available-for-sale equity securities. The Company monitors the mix of equity securities in its investment portfolio based on market expectations. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Chief Executive Officer.

The Company has performed a sensitivity analysis on equity price risk at January 28, 2012, to determine how a change in the market price of the Company's marketable securities would impact equity and other comprehensive income. The Company's equity investments consist principally of preferred shares of Canadian public companies. The Company believes that changes in interest rates influence the market price of these securities. A 5% increase or decrease in the market price of the securities at January 28, 2012, would result in a $3,036 increase or decrease, respectively, in equity and other comprehensive income for the year ended January 28, 2012. The Company's equity securities are subject to market risk and, as a result, the impact on equity and other comprehensive income may ultimately be greater than that indicated above.

27. CAPITAL MANAGEMENT

The Company's objectives in managing capital are:

- to ensure sufficient liquidity to enable the internal financing of capital projects thereby facilitating its expansion;
- to maintain a strong capital base so as to maintain investor, creditor and market confidence;
- to provide an adequate return to shareholders.

The Company's capital is composed of long-term debt, including the current portion and shareholders' equity. The Company's primary uses of capital are to finance increases in non-cash working capital along with capital expenditures for new store additions, existing store renovation projects and office and distribution centre improvements. The Company currently funds these requirements out of its internally-generated cash flows. The Company's long-term debt constitutes a mortgage on the distribution centre facility. The Company maintains unsecured operating lines of credit that it uses to satisfy commitments for US dollar denominated merchandise purchases. The Company does not have any long-term debt, other than the mortgage related to the distribution centre, and therefore net earnings generated from operations are available for reinvestment in the Company or distribution to the Company's shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable profitable growth. On a quarterly basis, the Board of Directors also reviews the level of dividends paid to the Company's shareholders and monitors the share repurchase program activities. The Company does not have a defined share repurchase plan and decisions are made on a specific transaction basis and depend on market prices and regulatory restrictions. The Company is not subject to any externally imposed capital requirements.

28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

29. EXPLANATION OF TRANSITION TO IFRS

As stated in note 2 a), these are the Company's first annual financial statements prepared in accordance with IFRS. The Company has applied IFRS 1 and the accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended January 28, 2012, the comparative information presented in these financial statements for the year ended January 29, 2011 and in the preparation of the opening IFRS balance sheet at January 31, 2010, which is the Company's date of transition.

In preparing these financial statements in accordance with IFRS 1, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's previously published financial statements as at and for the year ended January 29, 2011 and as at January 31, 2010 is set out in the following tables and the notes that accompany the tables.

IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date of its first annual financial statements. However, it also provides for certain optional exemptions and prescribes certain mandatory exceptions for first-time adopters. Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the Company's conversion from Canadian GAAP to IFRS.

a) IFRS Exemption Options

i) Business Combinations

The Company elected not to retrospectively apply IFRS 3 *Business Combinations* to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. Under the business combinations exemption, the carrying amounts of the assets acquired and liabilities assumed under Canadian GAAP at the date of the acquisition became their deemed carrying amounts under IFRS at that date.

Notwithstanding this exemption, the Company was required at the Transition Date, to evaluate whether the assets acquired and liabilities assumed meet the recognition criteria in the relevant IFRS, and whether there are any assets acquired or liabilities assumed that were not recognized under Canadian GAAP for which recognition would be required under IFRS. The requirements of IFRS were then applied to the assets acquired and liabilities assumed from the date of acquisition to the Transition Date. The application of this exemption did not result in an IFRS transition adjustment to the opening balance sheet at January 31, 2010. In addition, under the business combinations exemption, the Company tested goodwill for impairment at the Transition Date and determined that there was no impairment of the carrying value of goodwill as of that date.

ii) Employee Benefits

IFRS 1 provides the option to apply IAS 19 *Employee Benefits* paragraph 120A(p), retrospectively or prospectively from the Transition Date. The retrospective basis would require the disclosure of selected information of the defined benefit plans for the current annual period and previous four annual periods. The Company elected to disclose the amounts required by paragraph 120A(p) of IAS 19 as the amounts are determined for each accounting period prospectively from the Transition Date to IFRS.

b) IFRS Mandatory Exceptions

Set forth below are the applicable IFRS 1 exceptions applied in the conversion from Canadian GAAP to IFRS.

i) Estimates

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's balance sheets, statements of earnings, comprehensive income and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of Balance Sheet as at January 31, 2010 (Transition Date)

(in thousands of Canadian dollars)

Note	Canadian GAAP Accounts	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS	IFRS Accounts
	ASSETS					**ASSETS**
	CURRENT ASSETS					CURRENT ASSETS
	Cash and cash equivalents	$ 228,577	$ –	$ –	$ 228,577	Cash and cash equivalents
	Marketable securities	48,026	–	–	48,026	Marketable securities
	Accounts receivable	2,926	–	–	2,926	Trade and other receivables
	Inventories	63,127	–	–	63,127	Inventories
a)	Prepaid expenses	11,873	(863)	–	11,010	Prepaid expenses
	Future income taxes	2,395	–	(2,395)	–	
	Total Current Assets	356,924	(863)	(2,395)	353,666	Total Current Assets
	CAPITAL ASSETS					NON-CURRENT ASSETS
b), c)	Property and equipment	210,612	(2,250)	–	208,362	Property and equipment
	Intangible assets	9,964	–	–	9,964	Intangible assets
	Total Capital Assets	220,576	(2,250)	–		
	GOODWILL	42,426	–	–	42,426	Goodwill
k)	FUTURE INCOME TAXES	11,466	4,452	2,395	18,313	Deferred income taxes
					279,065	Total Non-Current Assets
		$ 631,392	$ 1,339	$ –	$ 632,731	Total Assets
	LIABILITIES AND SHAREHOLDERS' EQUITY					**LIABILITIES AND SHAREHOLDERS' EQUITY**
	CURRENT LIABILITIES					CURRENT LIABILITIES
d)	Accounts payable and accrued items	$ 77,766	$ (3,311)	$ (19,771)	$ 54,684	Trade and other payables
d)		–	7,456	10,666	18,122	Deferred revenue
	Income taxes payable	4,677	–	–	4,677	Income taxes payable
	Current portion of long-term debt	1,300	–	–	1,300	Current portion of long-term debt
	Total Current Liabilities	83,743	4,145	(9,105)	78,783	Total Current Liabilities
						NON-CURRENT LIABILITIES
		–	–	9,105	9,105	Other payables
d)		–	2,686	–	2,686	Deferred revenue
	DEFERRED LEASE CREDITS	20,609	–	–	20,609	Deferred lease credits
	LONG-TERM DEBT	11,431	–	–	11,431	Long-term debt
e), f)	ACCRUED PENSION LIABILITY	5,443	6,422	–	11,865	Pension liability
			9,108	9,105	55,696	Total Non-Current Liabilities
	SHAREHOLDERS' EQUITY					SHAREHOLDERS' EQUITY
	Share capital	25,888	–	–	25,888	Share capital
	Contributed surplus	5,164	–	–	5,164	Contributed surplus
l)	Retained earnings	480,622	(18,777)	–	461,845	Retained earnings
m)	Accumulated other comprehensive income (loss)	(1,508)	6,863	–	5,355	Accumulated other comprehensive income
	Total Shareholders' Equity	510,166	(11,914)	–	498,252	Total Shareholders' Equity
		$ 631,392	$ 1,339	$ –	$ 632,731	Total Liabilities and Shareholders' Equity

Reconciliation of Balance Sheet as at January 29, 2011

(in thousands of Canadian dollars)

Note	Canadian GAAP Accounts	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS	IFRS Accounts
	ASSETS					**ASSETS**
	CURRENT ASSETS					CURRENT ASSETS
	Cash and cash equivalents	$ 230,034	$ –	$ –	$ 230,034	Cash and cash equivalents
	Marketable securities	70,413	–	–	70,413	Marketable securities
	Accounts receivable	2,866	–	–	2,866	Trade and other receivables
	Inventories	73,201	–	–	73,201	Inventories
a)	Prepaid expenses	13,258	(767)	–	12,491	Prepaid expenses
	Future income taxes	2,001	–	(2,001)	–	
	Total Current Assets	391,773	(767)	(2,001)	389,005	Total Current Assets
	CAPITAL ASSETS					NON-CURRENT ASSETS
b), c)	Property and equipment	194,612	(1,548)	–	193,064	Property and equipment
	Intangible assets	13,841	–	–	13,841	Intangible assets
	Total Capital Assets	208,453	(1,548)	–		
	GOODWILL	42,426	–	–	42,426	Goodwill
k)	FUTURE INCOME TAXES	14,972	4,048	2,001	21,021	Deferred income taxes
					270,352	Total Non-Current Assets
		$ 657,624	$ 1,733	$ –	$ 659,357	Total Assets
	LIABILITIES AND SHAREHOLDERS' EQUITY					**LIABILITIES AND SHAREHOLDERS' EQUITY**
	CURRENT LIABILITIES					CURRENT LIABILITIES
d)	Accounts payable and accrued items	$ 88,372	$ (2,865)	$ (21,414)	$ 64,093	Trade and other payables
d)		–	8,600	11,234	19,834	Deferred revenue
	Income taxes payable	5,998	–	–	5,998	Income taxes payable
	Current portion of long-term debt	1,384	–	–	1,384	Current portion of long-term debt
	Total Current Liabilities	95,754	5,735	(10,180)	91,309	Total Current Liabilities
						NON-CURRENT LIABILITIES
		–	–	10,180	10,180	Other payables
d)		–	2,384	–	2,384	Deferred revenue
	DEFERRED LEASE CREDITS	19,011	–	–	19,011	Deferred lease credits
	LONG-TERM DEBT	10,047	–	–	10,047	Long-term debt
e), f)	ACCRUED PENSION LIABILITY	9,112	4,514	–	13,626	Pension liability
			6,898	10,180	55,248	Total Non-Current Liabilities
	SHAREHOLDERS' EQUITY					SHAREHOLDERS' EQUITY
	Share capital	29,614	–	–	29,614	Share capital
	Contributed surplus	6,266	–	–	6,266	Contributed surplus
l)	Retained earnings	486,367	(17,590)	–	468,777	Retained earnings
m)	Accumulated other comprehensive income	1,453	6,690	–	8,143	Accumulated other comprehensive income
	Total Shareholders' Equity	523,700	(10,900)	–	512,800	Total Shareholders' Equity
		$ 657,624	$ 1,733	$ –	$ 659,357	Total Liabilities and Shareholders' Equity

Reconciliation of Statement of Earnings for the year ended January 29, 2011

(in thousands of Canadian dollars except per share amounts)

Note	Canadian GAAP Accounts	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS	IFRS Accounts
d)	Sales	$ 1,070,277	$ (11,277)	$ –	$ 1,059,000	Sales
	Cost of goods sold and selling, general and administrative expenses	887,673	–	(537,002)	350,671	Cost of goods sold
		182,604	(11,277)	537,002	708,329	Gross profit
a), b), c), d)		–	(10,683)	539,359	528,676	Selling and distribution expenses
c), e), f), g)		–	(3,061)	58,572	55,511	Administrative expenses
	Depreciation and amortization	60,456	–	(60,456)	–	
	Operating earnings before the undernoted	122,148	2,467	(473)	124,142	Results from operating activities
h)	Investment income	3,756	276	473	4,505	Finance income
h)	Interest on long-term debt	767	78	–	845	Finance costs
	Earnings before income taxes	125,137	2,665	–	127,802	Earnings before income taxes
	Income taxes:					
	Current	41,669				
	Future	(3,553)				
j)		38,116	701	–	38,817	Income taxes
	Net earnings	$ 87,021	$ 1,964	$ –	$ 88,985	Net earnings
	Earnings per share:					Earnings per share:
	Basic	$ 1.30			$ 1.33	Basic
	Diluted	1.29			1.32	Diluted

Reconciliation of Statement of Comprehensive Income for the year ended January 29, 2011

(in thousands of Canadian dollars)

Note	Canadian GAAP Accounts	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS	IFRS Accounts
	Net earnings	$ 87,021	$ 1,964	$ –	$ 88,985	Net earnings
	Other comprehensive income:					Other comprehensive income:
	Net unrealized gain on available-for-sale financial assets arising during the year (net of tax of $427)	2,866	–	–	2,866	Net change in fair value of available-for-sale financial assets (net of tax of $427)
h)	Reclassification of losses on available-for-sale financial assets to net earnings (net of tax of $14)	95	(240)	–	(145)	Reclassification of realized gains on available-for-sale financial assets to net earnings (net of tax of $22)
h)		–	67	–	67	Reclassification of impairment loss on available-for-sale financial assets to net earnings (net of tax of $11)
g)		–	(777)	–	(777)	Defined benefit actuarial losses (net of tax of $272)
	Comprehensive income	$ 89,982	$ 1,014	$ –	$ 90,996	Total comprehensive income

Material Adjustments to the Statements of Cash Flows

IFRS requires cash flows from interest and dividends received and paid, and income taxes paid, to be disclosed directly in the statement of cash flows. Under Canadian GAAP, the Company disclosed interest and income taxes paid in the notes to the financial statements. This has resulted in a change to the presentation of the statements of cash flows for all periods presented in these financial statements. There are no other material differences between the Company's statements of cash flows presented under IFRS and the statements of cash flows presented under Canadian GAAP.

Notes to the Reconciliations

The preceding are reconciliations of the financial statements previously presented under Canadian GAAP to the amended financial statements prepared under IFRS. Items identified as "IFRS adjustments" are required as the accounting treatment under Canadian GAAP differs from the treatment under IFRS. Items identified as "IFRS reclassifications" are solely presentation reclassifications required to present the previous Canadian GAAP financial statements line items on a consistent basis with that of the IFRS presentation. Details on the nature of both types of changes are described below.

Index to the Notes to the Reconciliations

a) Advertising Expenses
b) Impairment of Property and Equipment
c) Components of Property and Equipment
d) Customer Loyalty Programs
e) Past Service Costs of a Defined Benefit Plan
f) Measurement Date of a Defined Benefit Plan
g) Recognition of Actuarial Gains/Losses
h) Financial Instruments
i) Re-Measurement of Tax Assets and Liabilities
j) Income Tax Expense
k) Deferred Income Taxes
l) Retained Earnings
m) Accumulated Other Comprehensive Income

IFRS Adjustments

a) Advertising Expenses

Under IFRS, in accordance with IAS 38 *Intangible Assets*, advertising costs must be recognized as an expense at the time the expense is incurred. Canadian GAAP allowed for advertising costs to be deferred (as prepaid items) and expensed at the time the advertising occurs.

The impact arising from the change is summarized as follows:

	For the year ended January 29, 2011
STATEMENT OF EARNINGS	
Decrease in selling and distribution expenses	$ (96)
Increase in earnings before income taxes	**$ 96**

	January 31, 2010	January 29, 2011
BALANCE SHEET		
Decrease in prepaid expenses	$ (863)	$ (767)
Increase in deferred income tax assets	257	214
Decrease in retained earnings	**$ (606)**	**$ (553)**

b) Impairment of Property and Equipment

For purposes of assessing impairment of property and equipment in accordance with IAS 36 *Impairment of Assets*, the Company identified CGU's based on the smallest group of assets that are capable of generating largely independent cash inflows. In addition, the recoverable amount for impairment analysis is based on the higher of its value-in-use, which is based on discounted cash flows, and fair value less costs to sell. Under Canadian GAAP, property and equipment was allocated to asset groups defined as the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

As a result of the impairment test performed as of the Transition Date, the Company recognized an impairment loss of $3,803 (before tax) for certain stores in which the recoverable amount did not exceed the carrying amount of the assets. The recoverable amount was based on the value in use of the assets belonging to the CGU and takes into account expected future cash flows deriving from the use of these assets. The cash flows were discounted at a pre-tax rate of 10%. The effect was to decrease Property and Equipment by $3,803 at January 31, 2010.

For the year ended January 29, 2011, due to the impairment charge of $3,803 recorded at the Transition Date, depreciation expense was reduced by $1,385. For the year ended January 29, 2011, an additional impairment loss of $1,724 was recorded, while $779 of the opening impairment loss was reversed.

The impact arising from the change is summarized as follows:

	For the year ended January 29, 2011
STATEMENT OF EARNINGS	
Decrease in selling and distribution expenses	$ (440)
Increase in earnings before income taxes	**$ 440**

	January 31, 2010	January 29, 2011
BALANCE SHEET		
Decrease in property and equipment	$ (3,803)	$ (3,363)
Increase in deferred income tax assets	986	872
Decrease in retained earnings	**$ (2,817)**	**$ (2,491)**

c) Components of Property and Equipment

Under IFRS, in accordance with IAS 16 *Property, Plant and Equipment*, each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately, over its respective estimated useful life. Canadian GAAP was less specific about the level at which component accounting was required. As a result, the Company's buildings were broken down into components, with useful lives varying from 10 to 50 years.

The impact arising from the change is summarized as follows:

	For the year ended January 29, 2011
STATEMENT OF EARNINGS	
Decrease in selling and distribution expenses	$ (158)
Decrease in administrative expenses	(104)
Increase in earnings before income taxes	**$ 262**

	January 31, 2010	January 29, 2011
BALANCE SHEET		
Increase in property and equipment	$ 1,553	$ 1,815
Decrease in deferred income tax assets	(403)	(471)
Increase in retained earnings	**$ 1,150**	**$ 1,344**

d) Customer Loyalty Programs

Under IFRS, in accordance with IFRIC 13 *Customer Loyalty Programs*, the fair value of loyalty points and awards granted under customer loyalty programs are recognized as a separately identifiable component of the initial sales transaction, and deferred until the Company has fulfilled its obligation. The Company's practice under Canadian GAAP was not to defer any revenue associated with customer loyalty programs.

The impact arising from the change is summarized as follows:

	For the year ended January 29, 2011
STATEMENT OF EARNINGS	
Decrease in sales	$ (11,277)
Decrease in selling and distribution expenses	(9,989)
Decrease in earnings before income taxes	**$ (1,288)**

	January 31, 2010	January 29, 2011
BALANCE SHEET		
Increase in deferred revenue	$ 10,142	$ 10,984
Decrease in trade and other payables	(3,311)	(2,865)
Increase in deferred income tax assets	1,947	2,263
Decrease in retained earnings	**$ (4,884)**	**$ (5,856)**

e) Past Service Costs of a Defined Benefit Plan

Under IFRS, in accordance with IAS 19 *Employee Benefits*, liabilities and expenses for vested past service costs under a defined benefit plan are recognized immediately in the statement of earnings. Under Canadian GAAP, the Company recognized past service costs under the Plan and SERP over the expected average remaining service period.

The impact arising from the change is summarized as follows:

	For the year ended January 29, 2011
STATEMENT OF EARNINGS	
Decrease in administrative expenses	$ (590)
Increase in earnings before income taxes	**$ 590**

	January 31, 2010	January 29, 2011
BALANCE SHEET		
Increase in pension liability	$ 5,320	$ 4,730
Increase in deferred income tax assets	1,379	1,226
Decrease in retained earnings	**$ (3,941)**	**$ (3,504)**

f) Measurement Date of a Defined Benefit Plan

Under IFRS, in accordance with IAS 19 *Employee Benefits*, defined benefit obligations and plan assets are measured annually at the reporting date and revisited at each reporting date. Under Canadian GAAP, the Company measured defined benefit obligations and plan assets as of December 31st.

The impact arising from the change is summarized as follows:

	For the year ended January 29, 2011
STATEMENT OF EARNINGS	
Decrease in administrative expenses	$ (1,318)
Increase in earnings before income taxes	**$ 1,318**

	January 31, 2010	January 29, 2011
BALANCE SHEET		
Increase (decrease) in pension liability	$ 1,102	$ (216)
Increase (decrease) in deferred income tax assets	286	(56)
Increase (decrease) in retained earnings	**$ (816)**	**$ 160**

g) Recognition of Actuarial Gains/Losses

On transition to IFRS, as permitted under IAS 19 *Employee Benefits*, the Company has chosen as its accounting policy for its Plan and SERP to recognize actuarial gains or losses directly into other comprehensive income rather than through net earnings.

The impact arising from the change is summarized as follows:

	For the year ended January 29, 2011
STATEMENT OF EARNINGS	
Decrease in administrative expenses	$ (1,049)
Increase in earnings before income taxes	**$ 1,049**

	January 29, 2011
STATEMENT OF COMPREHENSIVE INCOME	
Decrease in comprehensive income, before tax	$ (1,049)
Tax effect	272
Decrease in comprehensive income	**$ (777)**

h) Financial Instruments

Under IFRS, in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, impairment testing for available-for-sale financial assets (marketable securities), which are measured at fair value, is determined by objective evidence indicating "prolonged or significant" declines in fair value. Canadian GAAP referred to "other than temporary" declines.

Due to the change in determination of impairment from "other than temporary" to "prolonged or significant" and based on the impairment test performed as of the Transition Date, the Company recognized an impairment loss of $7,249 (before tax) for certain available-for-sale equity securities considered to have a significant or prolonged decline in their fair values. As at January 29, 2011 the Company recognized an additional impairment loss of $78 (before tax) for certain available-for-sale securities. For the year ended January 29, 2011, due to the impairment loss recorded at the Transition Date, there was an additional realized gain on the disposal of certain available-for-sale securities.

The impact arising from the change is summarized as follows:

	For the year ended January 29, 2011
STATEMENT OF EARNINGS	
Increase in finance costs	$ 78
Increase in finance income	276
Increase in earnings before income taxes	**$ 198**

	January 31, 2010	January 29, 2011
BALANCE SHEET		
Increase in accumulated other comprehensive income	$ 7,249	$ 7,051
Decrease in accumulated other comprehensive income – tax effect	(940)	(915)
Decrease in retained earnings	**$ (6,309)**	**$ (6,136)**

i) Re-Measurement of Tax Assets and Liabilities

Under IFRS, if a deferred income tax asset or liability is re-measured subsequent to initial recognition, the impact of re-measurement is recorded in earnings, unless it relates to an item originally recognized in equity, in which case the change would also be recorded in equity. The practice of tracking the re-measurement of taxes back to the item which originally triggered the recognition is commonly referred to as "backwards tracing". Canadian GAAP prohibits backwards tracing except in relation to business combinations and financial reorganizations.

The impact arising from the change is summarized as follows:

	January 31, 2010	January 29, 2011
BALANCE SHEET		
Increase in accumulated other comprehensive income	$ 554	$ 554
Decrease in retained earnings	**$ (554)**	**$ (554)**

j) Income Tax Expense

The above changes increased (decreased) the income tax expense as follows:

	Note	For the year ended January 29, 2011
Advertising expenses	a)	$ 43
Impairment of property and equipment	b)	114
Components of property and equipment	c)	68
Customer loyalty programs	d)	(316)
Past service costs of a defined benefit plan	e)	153
Measurement date of a defined benefit plan	f)	342
Recognition of actuarial gains/losses	g)	272
Financial instruments	h)	25
Increase in income tax expense		**$ 701**

k) Deferred Income Taxes

The above changes increased (decreased) deferred income tax assets as follows:

	Note	January 31, 2010	January 29, 2011
Advertising expenses	a)	$ 257	$ 214
Impairment of property and equipment	b)	986	872
Components of property and equipment	c)	(403)	(471)
Customer loyalty programs	d)	1,947	2,263
Past service costs of a defined benefit plan	e)	1,379	1,226
Measurement date of a defined benefit plan	f)	286	(56)
Increase in deferred income tax assets		**$ 4,452**	**$ 4,048**

l) Retained Earnings

The above changes increased (decreased) retained earnings as follows:

	Note	January 31, 2010	January 29, 2011
Advertising expenses	a)	$ (606)	$ (553)
Impairment of property and equipment	b)	(2,817)	(2,491)
Components of property and equipment	c)	1,150	1,344
Customer loyalty programs	d)	(4,884)	(5,856)
Past service costs of a defined benefit plan	e)	(3,941)	(3,504)
Measurement date of a defined benefit plan	f)	(816)	160
Financial instruments	h)	(6,309)	(6,136)
Re-measurement of tax assets and liabilities	i)	(554)	(554)
Decrease in retained earnings		**$ (18,777)**	**$ (17,590)**

m) Accumulated Other Comprehensive Income

The above changes increased (decreased) accumulated other comprehensive income as follows:

	Note	January 31, 2010	January 29, 2011
Financial instruments	h)	$ 7,249	$ 7,051
Financial instruments – tax effect	h)	(940)	(915)
Re-measurement of tax assets and liabilities	i)	554	554
Increase in accumulated other comprehensive income		**$ 6,863**	**$ 6,690**

IFRS RECLASSIFICATIONS

Deferred Income Taxes

Under IFRS, in accordance with IAS 1 *Presentation of Financial Statements*, deferred income tax assets and liabilities cannot be classified as current. Under Canadian GAAP, when assets and liabilities were segregated between current and non-current, the future income tax assets and liabilities were segregated. The effect as at January 29, 2011 was to reclassify $2,001 ($2,395 at January 31, 2010) of deferred income tax assets from current to non-current.

Deferred Revenue

Under IFRS, the Company has chosen to present unredeemed gift cards as deferred revenue on the balance sheet. Under Canadian GAAP, unredeemed gift cards were presented as accounts payable and accrued items.

Trade and Other Payables

Under IFRS, in accordance with IAS 1 *Presentation of Financial Statements*, certain non-trade payables have been re-classified from current to non-current liabilities on the balance sheet.

Statement of Earnings

Under IFRS, in accordance with IAS 1 *Presentation of Financial Statements*, an analysis of expenses is required, either by nature or by function, on the face of the statement of earnings. The Company has elected to present the analysis of expenses by function. Depreciation and amortization expenses are allocated within each function to which it relates. Under Canadian GAAP, there was no requirement for expenses to be classified according to their nature or function.

Directors
and Officers

Directors

H. Jonathan Birks
Stephen J. Kauser
Max Konigsberg
Samuel Minzberg
Jeremy H. Reitman
Stephen F. Reitman
Howard Stotland
John J. Swidler
Robert S. Vineberg

Officers

CORPORATE

Jeremy H. Reitman
Chairman and Chief Executive Officer

Stephen F. Reitman
President and Chief Operating Officer

Eric Williams, CA
Vice-President – Finance and Chief Financial Officer

Henry Fiederer
Senior Vice-President

Diane Archibald
Vice-President – Store Design and Development

Domenic Carbone
Vice-President – Distribution and Logistics

Doug Edwards
Vice-President – Shared Services, Online Marketing and Sales

Jeffrey Kadanoff
Vice-President – Strategic Planning and Development

Claude Martineau
Vice-President – Information Technology

Alain Murad
Vice-President – Legal and Secretary

Isabelle Oliva
Vice-President – Human Resources

Diane Randolph
Vice-President – Chief Information Officer

Allen F. Rubin
Vice-President – Operations

Saul Schipper
Vice-President – Real Estate

Richard Wait, CGA
Vice-President – Comptroller

DIVISIONS

Nadia Cerantola
President – Reitmans

Stephanie Bleau
Vice-President – Reitmans

Donna Flynn
Vice-President – Reitmans

Bruce MacKeracher
Vice-President – Reitmans

Stefanie Ravenda
Vice-President – Reitmans

Jacqueline Tardif
Vice-President – Reitmans

Kimberly Schumpert
President – Smart Set

Cathy Cockerton
Vice-President – Smart Set

Sylvain Forest
Vice-President – Smart Set

Danielle Vallières
Vice-President – Smart Set

Jonathan Plens
President – Thyme Maternity

Mimi Cohen
Vice-President – Thyme Maternity

Marie Frenneaux
Vice-President – Thyme Maternity

Fernanda Sousa
Vice-President – Thyme Maternity

Suzana Vovko
President – RW & CO.

Cathryn Adeluca
Vice-President – RW & CO.

Fiona Horgan
Vice-President – RW & CO.

Walter Lamothe
President – Penningtons / Addition Elle

Fredéric Boivin
Vice-President – Penningtons

Ginette Harnois
Vice-President – Penningtons

Jeff Ronald
Vice-President – Penningtons

Rhonda Sandler
Vice-President – Penningtons

Richard Dumont
Vice-President – Addition Elle

Roslyn Griner
Vice-President – Addition Elle

Janice Leclerc
Vice-President – Addition Elle

2012

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Montreal, Toronto, Calgary, Vancouver

Stock Symbols
THE TORONTO STOCK EXCHANGE

Common	**RET**
Class A non-voting	**RET.A**

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