ANNUAL REPORT 2014

REITMANS SMART SET RW & CO. THYME PENNINGTONS ADDITION ELLE

Reitmans
(CANADA) LIMITED

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.

TO OUR SHAREHOLDERS

Fiscal 2014 was a most disappointing and challenging year.

Sales for fiscal 2014 (52 weeks) were $960,397,000 as compared with $1,000,513,000 for the year ended February 2, 2013 (53 weeks), a decrease of 4.0%. Same store sales decreased by 2.8%. The Company's gross margin for fiscal 2014 decreased to 60.7% from 62.8% for fiscal 2013. Net earnings for fiscal 2014 decreased 59.1% to $10,788,000 ($0.17 diluted earnings per share) as compared with $26,356,000 ($0.40 diluted earnings per share) for fiscal 2013. For fiscal 2014, adjusted EBITDA[1] decreased by $20,140,000 or 22.2% to $70,453,000 as compared with $90,593,000 for fiscal 2013. The reduction in earnings was primarily attributable to poor performance of the Smart Set banner and the Thyme Maternity shop-in-shop U.S. operations.

The Canadian retail environment continued to present formidable challenges which were difficult to address and overcome. Weak economic conditions, the influx of foreign entrants into Canada and increased e-commerce competition have resulted in a highly competitive landscape as retailers aggressively compete in a limited consumer marketplace. Competitive pressures continued to necessitate increased promotional pricing adversely impacting sales and margins.

The Company has made significant changes in branding among its banners. The branding strategies executed in the Reitmans, Addition Elle and Penningtons banners have shown positive customer acceptance. The Smart Set banner performance was particularly disappointing, despite its efforts to regain acceptance by consumers through ongoing repositioning and rebranding.

The Company has embarked on initiatives aimed at reducing costs across the organization which included a review of head office activities and processes targeted at improving efficiencies. To date this initiative has resulted in a reduction in the number of employees in both head office and field operations. Additional savings have been achieved through improved cost management in non-wage areas. The Company is continuing its review aimed at process improvements and anticipates additional savings and further efficiencies as the Company moves forward with this project.

During the year, the Company opened 25 new stores and closed 58. Accordingly, at February 1, 2014, there were 878 stores in operation, consisting of 349 Reitmans, 129 Smart Set, 77 RW & CO., 70 Thyme Maternity, 152 Penningtons and 101 Addition Elle, as compared with a total of 911 stores as at February 2, 2013. In addition, there were 23 Thyme Maternity boutiques ("shop-in-shop") in select Babies"R"Us locations in Canada and 169 Thyme Maternity boutiques ("shop-in-shop") in Babies"R"Us stores in the United States. The Thyme Maternity shop-in-shop boutiques in the U.S. market have underperformed, not achieving anticipated results. The Company has decided to close its Thyme Maternity shop-in-shop locations in the U.S. The closures are anticipated to take place through to June 2014. The costs attributable to these closures have in large part been incurred during fiscal 2014. In fiscal 2015, we expect to open 8 new stores, close 44 stores and remodel 40 stores at a capital cost of approximately $20,000,000.

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 88 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 renewed growth of the Company.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman
Chairman and Chief Executive Officer

Montreal, April 2, 2014

[1] Please refer to the note on non-GAAP measures included in Management's Discussion & Analysis.

5-YEAR HIGHLIGHTS

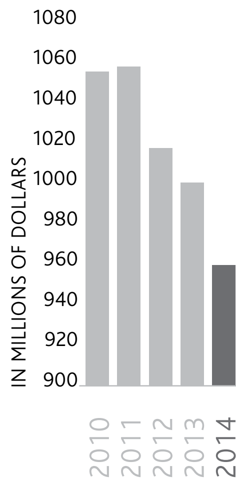
FOR THE YEARS ENDED:
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	2014	2013[2]	2012	2011	2010[1]
SALES					
1st Quarter	**$ 216,861**	$ 217,094	$ 219,296	$ 235,745	$ 231,652
2nd Quarter	**253,445**	279,513	286,075	292,026	286,071
3rd Quarter	**249,414**	236,247	254,072	262,515	270,684
4th Quarter	**240,677**	267,659	259,954	268,714	268,120
Total	**$ 960,397**	$ 1,000,513	$ 1,019,397	$ 1,059,000	$ 1,056,527
RESULTS FROM OPERATING ACTIVITIES					
1st Quarter	**$ (4,073)**	$ (199)	$ 5,018	$ 22,825	$ 10,814
2nd Quarter	**10,280**	34,377	40,968	53,612	38,100
3rd Quarter	**5,322**	(983)	10,609	27,819	27,076
4th Quarter	**(20,878)**	(2,711)	5,224	19,886	21,879
Total	**$ (9,349)**	$ 30,484	$ 61,819	$ 124,142	$ 97,869
NET EARNINGS (LOSS)					
1st Quarter	**$ (2,586)**	$ (119)	$ 624	$ 15,770	$ 7,801
2nd Quarter	**10,182**	27,649	31,680	38,706	26,426
3rd Quarter	**5,763**	(29)	10,561	20,692	18,921
4th Quarter	**(2,571)**	(1,145)	4,674	13,817	14,088
Total	**$ 10,788**	$ 26,356	$ 47,539	$ 88,985	$ 67,236
BASIC EARNINGS (LOSS) PER SHARE					
1st Quarter	**$ (0.04)**	$ 0.00	$ 0.01	$ 0.23	$ 0.11
2nd Quarter	**0.16**	0.42	0.48	0.58	0.38
3rd Quarter	**0.09**	0.00	0.16	0.31	0.28
4th Quarter	**(0.04)**	(0.02)	0.07	0.21	0.21
Total	**$ 0.17**	$ 0.40	$ 0.72	$ 1.33	$ 0.98
NET EARNINGS	**$ 10,788**	$ 26,356	$ 47,539	$ 88,985	$ 67,236
BASIC EARNINGS PER SHARE	**$ 0.17**	$ 0.40	$ 0.72	$ 1.33	$ 0.98
SHAREHOLDERS' EQUITY	**$ 423,431**	$ 454,893	$ 492,852	$ 512,800	$ 510,166
PER SHARE	**$ 6.56**	$ 7.04	$ 7.51	$ 7.73	$ 7.55
NUMBER OF STORES	**878**	911	942	968	977
DIVIDENDS PAID	**$ 41,981**	$ 52,068	$ 52,654	$ 51,895	$ 49,351
SHARE PRICE AT YEAR-END					
CLASS A NON-VOTING	**$ 5.56**	$ 12.39	$ 14.64	$ 17.81	$ 16.14
COMMON	**$ 5.61**	$ 11.85	$ 14.98	$ 18.18	$ 15.00

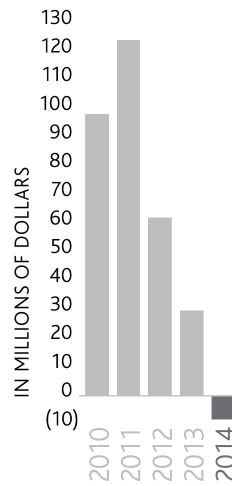
[1] The year ended 2010 is presented in accordance with previous Canadian generally accepted accounting principles before the adoption of International Financial Reporting Standards ("IFRS") and accordingly has not been restated to IFRS.

[2] Adjusted to reflect the impact from the implementation of the amendments to IAS 19, *Employee Benefits*.

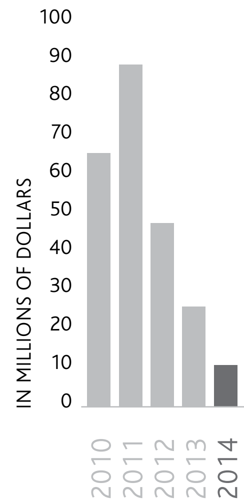
SALES [1]



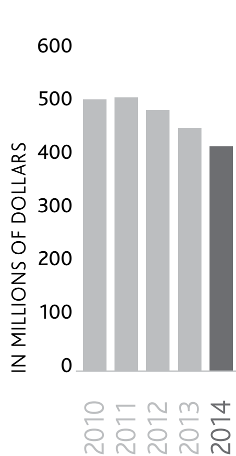
RESULTS FROM OPERATING ACTIVITIES [1,2]



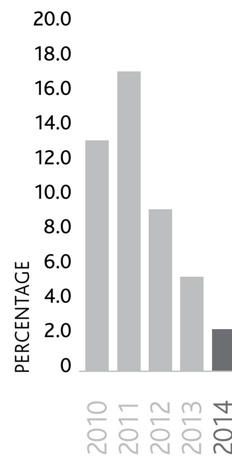
NET EARNINGS [1,2]



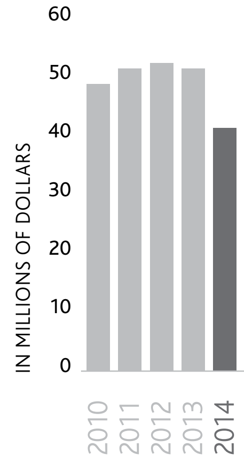
SHAREHOLDERS' EQUITY [1,2]



RETURN ON EQUITY [1,2]



DIVIDENDS



[1] The year ended 2010 is presented in accordance with previous Canadian generally accepted accounting principles before the adoption of International Financial Reporting Standards ("IFRS") and accordingly has not been restated to IFRS.

[2] The year ended 2013 has been adjusted to reflect the impact from the implementation of the amendments to IAS 19, *Employee Benefits*.

STORES ACROSS CANADA

	REITMANS	SMART SET	RW & CO.	THYME	PENNINGTONS	ADDITION ELLE	**TOTAL STORES**
NEWFOUNDLAND	14	3	1	–	4	2	24
PRINCE EDWARD ISLAND	3	3	–	–	1	–	7
NOVA SCOTIA	19	4	2	1	6	2	34
NEW BRUNSWICK	13	4	3	1	5	3	29
QUÉBEC	83	41	18	21	28	28	219
ONTARIO	112	43	29	26	55	37	302
MANITOBA	13	4	2	2	5	3	29
SASKATCHEWAN	11	3	2	2	6	3	27
ALBERTA	41	14	10	10	21	16	112
BRITISH COLUMBIA	38	10	10	7	21	7	93
NORTHWEST TERRITORIES	1	–	–	–	–	–	1
YUKON	1	–	–	–	–	–	1
	349	129	77	70	152	101	**878**

878 STORES

349

REITMANS offers a unique combination of superior fit, fashion, quality and value. With 349 stores across Canada averaging 4,600 sq. ft., Reitmans is the preferred destination for women looking to update their wardrobe with the latest styles and colours for an affordable price. While Reitmans enjoys a strong reputation for service and benefits from a broad and loyal customer base, we will continue to strive to create an engaging customer experience by being there for her whenever she chooses to shop. Reitmans' fashions can also be purchased online at reitmans.com.

129

With 129 stores, averaging 3,400 sq. ft., SMART SET is a style destination where young women come together to inspire and be inspired. From wear-to-work separates, denim, essentials and accessories, Smart Set offers the latest styles in women's fashions to mix, match and innovate. Smart Set fashions can also be purchased online at smartset.ca.

77

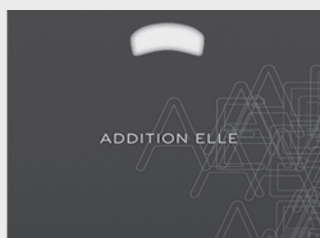
RW & CO. is an aspirational lifestyle brand which caters to men and women with an urban mindset. Whether for work or for weekend, RW & CO. offers fashion that blends the latest trends with style, quality and a unique attention to detail. RW & CO. operates 77 stores averaging 4,500 sq. ft. in premium locations in major shopping malls across Canada, as well as an e-commerce site at rw-co.com.

70

THYME MATERNITY, Canada's leading fashion brand for modern moms-to-be, offers current styles for every aspect of life, from casual to work, including a complete line of nursing fashion and accessories. Thyme brings future moms valuable advice, fashion tips and product knowledge to help them on their incredible journey during and after pregnancy. Thyme operates 70 stores averaging 2,300 sq. ft. in major malls and power centres nationwide, as well as 23 Thyme shop-in-shops in select Babies"R"Us locations in Canada. Thyme Maternity fashions can also be purchased online at thymematernity.com.

152

Canadian leader of the plus size apparel market, PENNINGTONS consistently offers unparalleled value to our customers by providing fit expertise, quality and a unique inspiring shopping experience. Penningtons is the "art of affordable fashion"! The plus size fashion destination for sizes 14–32, Penningtons operates 152 stores across Canada averaging 6,000 sq. ft. and is available 24 hours/day at penningtons.com. From head-to-toe, our customers will find the best fitted clothing from intimate apparel, basic to fashion denim, work to weekend outfits, footwear and activewear.



101

ADDITION ELLE is Canada's leading fashion destination for plus size women. Addition Elle's vision of offering "Fashion Democracy" delivers the latest "must-have" trends to updated fashion essentials in an inspiring shopping environment. From casual daywear to amazing dresses, contemporary career, sexy intimates, accessories, footwear, high performance activewear and the largest assortment of premium denim labels – it's all here. Addition Elle's fashion for plus size women comprises a phenomenal range of fashions for all – always with a focus on fashion, quality and fit. Addition Elle operates 101 stores averaging 6,000 sq. ft. in major malls and power centres nationwide and an e-commerce site at additionelle.com.

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

FOR THE FISCAL YEAR ENDED FEBRUARY 1, 2014

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Reitmans (Canada) Limited and its subsidiaries ("Reitmans" or the "Company") should be read in conjunction with the audited consolidated financial statements of Reitmans as at and for the fiscal year ended February 1, 2014 ("fiscal 2014") and February 2, 2013 ("fiscal 2013") and the notes thereto which are available at www.sedar.com. This MD&A is dated April 2, 2014.

All financial information contained in this MD&A and Reitmans' audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), as issued by the International Accounting Standards Board ("IASB"). All monetary amounts in this report are in thousands of Canadian dollars, except per share amounts. The audited consolidated financial statements and this MD&A were reviewed by Reitmans' Audit Committee and were approved by its Board of Directors on April 2, 2014.

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, including those described in the "Operating Risk Management" and "Financial Risk Management" sections of this MD&A. Consequently, actual future results may differ materially from the anticipated results expressed in forward-looking statements, which reflect the Company's expectations only as of the date of this MD&A. Forward-looking statements are based upon the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and currently expected future developments, as well as other factors it believes are appropriate in the circumstances. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the Company's anticipated future results and events, future liquidity, planned capital expenditures, amount of pension plan contributions, status and impact of systems implementation, the ability of the Company to successfully implement its strategic initiatives and cost reduction and productivity improvement initiatives as well as the impact of such initiatives. The reader should not place undue reliance on any 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 earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") as a non-GAAP financial measure. Adjusted EBITDA is defined as earnings before income tax expense, other income, dividend income, interest income, realized gains or losses on disposal of available-for-sale financial assets, interest expense, depreciation and amortization and impairment charges. The following table reconciles the most comparable GAAP measure, net earnings (loss), to adjusted EBITDA. Management believes that adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs and fund future capital expenditures and uses the metric for this purpose. The exclusion of other income, dividend and interest income eliminates the impact of revenue derived from non-operational activities. The exclusion of depreciation, amortization and impairment charges eliminates the non-cash impact. The intent of adjusted EBITDA is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate adjusted EBITDA differently. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

The Company uses a key performance indicator ("KPI"), same store sales, to assess store performance (including each banner's e-commerce store) and sales growth. Same store sales is defined as sales generated by stores that have been continuously open during both of the periods being compared and includes e-commerce sales. The same store sales metric compares the same calendar days for each period. Although this KPI is expressed as a ratio, it is a non-GAAP financial measure that does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. Management uses same store sales in evaluating the performance of stores and considers it useful in helping to determine what portion of new sales has come from sales growth and what portion can be attributed to the opening of new stores. Same store sales is a measure widely used amongst retailers and is considered useful information for both investors and analysts. Same store sales should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

The Company's fiscal year ends on the Saturday closest to the end of January. The fiscal year ended February 2, 2013 included 53 weeks instead of 52 weeks. The inclusion of an extra week occurs every fifth or sixth fiscal year due to the Company's floating year-end.

The following table reconciles net earnings (loss) to adjusted EBITDA for the fiscal year and three months ended February 1, 2014 and February 2, 2013:

	FOR THE FISCAL YEAR ENDED		FOR THE THREE MONTHS ENDED	
	FEBRUARY 1, 2014 (52 WEEKS)	FEBRUARY 2, 2013[1] (53 WEEKS)	FEBRUARY 1, 2014 (13 WEEKS)	FEBRUARY 2, 2013[1] (14 WEEKS)
Net Earnings (loss)	**$ 10,788**	$ 26,356	**$ (2,571)**	$ (1,145)
Depreciation, amortization and net impairment losses	**63,724**	59,655	**17,312**	15,514
Other income[2]	**(6,054)**	–	**(6,054)**	–
Dividend income	**(3,481)**	(3,526)	**(873)**	(911)
Interest income	**(621)**	(1,062)	**(184)**	(203)
Realized loss on disposal of available-for-sale financial assets	**248**	–	**248**	–
Impairment losses on available-for-sale financial assets	**2,699**	156	**2,007**	50
Interest expense	**496**	592	**114**	139
Income taxes	**2,654**	8,422	**(1,863)**	(394)
Adjusted EBITDA	**$ 70,453**	$ 90,593	**$ 8,136**	$ 13,050

[1] Adjusted to reflect the impact from the implementation of the amendments to IAS 19, *Employee Benefits* as described in Note 3 of the February 1, 2014 consolidated financial statements.

[2] Other income comprises a gain on sale of intellectual property rights and proceeds from the settlement of a trademark dispute.

CORPORATE OVERVIEW

The Company has a single reportable segment which derives its revenue from the sale of ladies' specialty apparel to consumers through its six retail banners. The Company's stores are located in malls, retail power centres, strip plazas and on major shopping streets across Canada. The Reitmans banner, operating 349 stores averaging 4,600 sq. ft., is Canada's largest women's apparel specialty chain and leading fashion brand. Reitmans has developed strong customer loyalty through superior service, insightful marketing and quality merchandise. With 129 stores, averaging 3,400 sq. ft., Smart Set is a style destination offering the latest styles in women's fashions to mix, match and innovate from wear-to-work separates, denim, essentials and accessories. RW & CO. operates 77 stores averaging 4,500 sq. ft. in premium locations in major shopping malls, catering to a customer with an urban mindset offering fashions for him and her. Thyme Maternity is a leading fashion brand for moms-to-be, offering current styles for every aspect of life, from casual to work, plus a complete line of nursing fashions and accessories. Thyme operates 70 stores averaging 2,300 sq. ft. in major malls and power centres across Canada. Penningtons is a leader in the Canadian plus size market, offering trend-right styles and affordable quality for plus size fashion sizes 14–32. Penningtons operates 152 stores in power centres across Canada averaging 6,000 sq. ft. Addition Elle is a fashion destination for plus size women with a focus on fashion, quality and fit delivering the latest "must-have" trends to updated fashion essentials in an inspiring shopping environment. Addition Elle operates 101 stores averaging 6,000 sq. ft. in major malls and power centres nationwide.

The Company also offers e-commerce website shopping for all of its banners. These online channels offer customers convenience, selection and ease of purchase, while enhancing customer loyalty and continuing to build the brands.

In addition to its individual retail outlets, the Company operates 23 Thyme Maternity boutiques ("shop-in-shop") in select Babies"R"Us locations in Canada and 169 shop-in-shop boutiques in Babies"R"Us locations in the United States. The Thyme Maternity shop-in-shop boutiques in the U.S. market have underperformed, not achieving anticipated results. The Company has decided to close its Thyme Maternity shop-in-shop locations in the United States. The closures are anticipated to take place through to June 2014.

The Company also offers consumers Penningtons plus-size apparel, under a wholesale agreement, in five Sears stores in Canada, as well as online at sears.ca.

RETAIL BANNERS

	NUMBER OF STORES AT FEBRUARY 2, 2013	Q1 OPENINGS	Q1 CLOSINGS	Q2 OPENINGS	Q2 CLOSINGS	Q3 OPENINGS	Q3 CLOSINGS	Q4 OPENINGS	Q4 CLOSINGS	NUMBER OF STORES AT FEBRUARY 1, 2014
Reitmans	361	2	(4)	1	(3)	2	(4)	–	(6)	349
Smart Set	146	1	(2)	–	(4)	–	(3)	–	(9)	129
RW & CO.	73	–	–	1	–	4	(1)	–	–	77
Thyme Maternity[1]	72	–	–	–	–	–	(1)	–	(1)	70
Penningtons	153	9	(5)	1	(5)	1	(3)	1	–	152
Addition Elle	106	1	(4)	–	–	1	(1)	–	(2)	101
Total	**911**	**13**	**(15)**	**3**	**(12)**	**8**	**(13)**	**1**	**(18)**	**878**

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

Thyme Maternity shop-in-shop locations:

Babies"R"Us – Canada	20	–	–	1	–	1	–	1	–	23
Babies"R"Us – U.S.	154	–	–	4	–	8	–	3	–	169
Babies"R"Us – Total	**174**	**–**	**–**	**5**	**–**	**9**	**–**	**4**	**–**	**192**

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.

THREE-YEAR REVIEW OF SELECTED FINANCIAL INFORMATION

	FOR THE FISCAL YEARS ENDED		
	FEBRUARY 1, 2014 (52 WEEKS)	FEBRUARY 2, 2013[1] (53 WEEKS)	JANUARY 28, 2012 (52 WEEKS)
Total of stores at end of fiscal year[2]	**878**	911	942
Sales	**$ 960,397**	$ 1,000,513	$ 1,019,397
Earnings before income taxes	**13,442**	34,778	65,872
Net earnings	**10,788**	26,356	47,539
Earnings per share ("EPS")			
Basic	**0.17**	0.40	0.72
Diluted	**0.17**	0.40	0.72
Total assets	**589,939**	594,968	648,764
Total non-current liabilities	**51,039**	52,792	51,877
Dividends per share	**$ 0.65**	$ 0.80	$ 0.80

[1] Certain figures have been adjusted to reflect the impact from the implementation of the amendments to IAS 19, *Employee Benefits* as described in the section "New Accounting Policies Adopted in Fiscal 2014" and adjusted to reflect a reclassification of certain items to conform with presentation in the current year.

[2] Excludes boutiques in Babies"R"Us shop-in-shop locations.

Sales over the last three years were impacted by a challenging retail environment as well as by increased promotional activity. Weak economic conditions, the influx of foreign entrants into Canada and increased e-commerce competition have resulted in a highly competitive landscape as retailers aggressively compete in a limited consumer marketplace. Additionally, as the Company looks to rationalize underperforming stores, it has decreased its store count, with a net reduction of 64 stores over two years. Fiscal 2013 sales included an additional week, due to the Company's retail calendar, resulting in an increase of approximately $13,600 in sales. Despite this increase, sales in fiscal 2013 were significantly impacted by a disruption in the flow of inventory to stores as a result of difficulties experienced with the deployment of a new warehouse management system. Sales for fiscal 2014 were weak, with particularly poor performance in the Smart Set banner, despite its efforts to regain acceptance by consumers through repositioning and rebranding. The Smart Set banner operates in a highly competitive niche and has been impacted by significant discounting as it competes with many retailers targeting the same customer demographics.

The Company's gross profit, and ultimately net earnings, can be significantly impacted by fluctuations in the Canadian dollar in relation to the U.S. dollar. In the last three years, the Canadian dollar has seen a significant weakening vis-à-vis the U.S. dollar. This has resulted in increased merchandise costs as virtually all merchandise payments are settled in U.S. dollars. In the year ended January 28, 2012 ("fiscal 2012") the Canadian dollar started a downward trend. Additionally, in fiscal 2012 the Company incurred costs related to the closure of the Cassis banner of approximately $6,000 pre-tax. In fiscal 2013, volatility of the Canadian dollar moderated, but as consumer demand weakened due to economic conditions and higher consumer debt, higher promotional activity resulted. Fiscal 2013 margins were also impacted by a disruption in the flow of inventory to stores as noted above. The Company's gross margin for fiscal 2014 continued to be under pressure due to the competitive landscape. Gross profit was further impacted by substantial discounting in the Smart Set banner. The Company's margin, in deciding to exit the U.S. marketplace for Thyme Maternity shop-in-shop boutiques, has been also impacted by significant discounting in its U.S. operations.

The Thyme Maternity shop-in-shop boutiques in the U.S. market have underperformed, not achieving anticipated results. The Company has decided to close its Thyme Maternity shop-in-shop locations in the U.S. The closures are anticipated to take place through to June 2014. The Thyme Maternity U.S. operation for fiscal 2014 has incurred losses of approximately $7,900, including impairment charges of $2,000. As the Company closes these locations over the next few months, further operating losses are not anticipated to be significant.

Despite a challenging retail environment over the past three years, the Company's balance sheet is strong. The Company has continued to maintain a strong position in cash, cash equivalents and marketable securities. Inventories, although trending somewhat higher on a per store basis, continue to be closely managed. The Company invested considerably in capital expenditures for fiscal 2012 and fiscal 2013 in both store renovations and systems technology at the head office. In fiscal 2014, the Company significantly reduced its capital expenditures to $34,524, on a cash basis (fiscal 2013 – $84,433). This level of expenditure is below earlier estimates due to cancellations and postponements of planned renovations and store openings.

STRATEGIC INITIATIVES

The Company continues to position itself for growth and has undertaken a number of strategic initiatives to enhance its brands, improve productivity at all levels through system advances and fostering a culture of process improvements.

An update to previously announced initiatives include:

INITIATIVES	STATUS
The Company has embarked on a rebranding of the Reitmans, Smart Set, Addition Elle and Penningtons banners with an increased focus on fashion and affordability.	The Company has made significant changes in branding among its banners. The branding strategies executed in Reitmans, Addition Elle and Penningtons banners have shown positive customer acceptance, while the Smart Set branding initiatives have not achieved desired results.
The Company expanded its offering of Thyme Maternity merchandise to U.S. customers through its partnership with Babies"R"Us. This business endeavor offered the Company an opportunity to introduce its merchandise into the U.S. market through its shop-in-shop boutiques.	The Thyme Maternity shop-in-shop boutiques in the U.S. market have underperformed and have not achieved anticipated results. The Company has decided to close its Thyme Maternity shop-in-shop locations in the United States. The closures are anticipated to take place through to June 2014.
In fiscal 2014 the Company was finalizing the steps necessary to launch e-commerce for the RW&CO., Smart Set and Thyme Maternity banners with fulfillment through the Company's existing distribution centre.	The Company successfully launched its RW&CO. e-commerce site in March 2013, Smart Set in April 2013 and Thyme Maternity in July 2013. The Company now offers e-commerce for all of its banners.
The Company has an agreement with EziBuy Ltd., a New Zealand based retailer, to sell Addition Elle merchandise through the partner's online sales channel. EziBuy Ltd. is a multi-channel retailer offering fashion clothing and home decor in Australia and New Zealand.	The Company commenced shipments with its new distribution channel into foreign markets with EziBuy Ltd. in the second quarter of fiscal 2014. The Company is satisfied with the performance of this new channel of distribution and sales.
The Company entered into an agreement with Sears Canada for the introduction of Penningtons plus-size apparel in Sears stores in Canada. This agreement provided for Penningtons products to initially be made available in five Sears stores, as well as online at sears.ca.	The Company has successfully completed all steps necessary to enable the fulfillment of Sears Canada orders and now offers the Penningtons brand in five selected store locations, as well as online at sears.ca.
Continuation of a companywide supply chain optimization and retail enterprise initiative, internally branded as "SCORE", focused on deploying best in class retail applications supported by a new and improved technology platform. SCORE will enable new processes that will permit flexibility and adaptability across the merchandising and supply chain operations.	The Company has completed the deployment of its warehouse management system portion of the SCORE deployment. The warehouse system is delivering anticipated results and improved system efficiencies continue to be achieved. Remaining phases of the SCORE project are on track for a fiscal 2016 final completion target.
A corporate initiative aimed at reducing costs across the Company has been introduced which includes a review of head office activities and processes targeted at improving efficiencies, an in-depth review of marketing expenditures and a significant reduction in capital expenditures.	For fiscal 2014 the Company has significantly reduced its capital expenditures to $34,524 from $84,433 in fiscal 2013. The Company has undertaken a comprehensive review of its marketing strategies and related costs to determine any possible savings opportunities while not diminishing advertising effectiveness. In fiscal 2014 the Company's initiatives included a reduction in the number of employees across the Company resulting in severance costs. Process improvements were implemented and resulted in additional savings with further improvement in efficiencies anticipated as the Company continues to move forward with this project.
A comprehensive review of the Company's global sourcing strategy and execution has been undertaken with a goal of reducing lead time for bringing products to market.	This initiative has commenced and is progressing well with the assessment of current practices in order to evaluate opportunities.

OPERATING RESULTS FOR FISCAL 2014 (52 WEEKS) AND COMPARISON TO OPERATING RESULTS FOR FISCAL 2013 (53 WEEKS)

Sales for fiscal 2013 included an extra week due to the Company's floating year-end. Sales for fiscal 2014 were $960,397 as compared with $1,000,513 for fiscal 2013, a decrease of 4.0% (a decrease of 2.7% after adjusting for the extra week in fiscal 2013). Same store sales decreased by 2.8%. Sales for fiscal 2014 were impacted by a number of issues, including:

- weak sales in certain banners with particularly disappointing performance in the Smart Set banner, despite its efforts to regain acceptance by consumers through ongoing repositioning and rebranding;
- a reduction in the number of stores as the Company rationalizes underperforming locations. There has been a net reduction of 33 stores in the year; and
- competitive pressures necessitating more promotional pricing.

Sales through the various banners' e-commerce channels continued to show strong growth, with all banners now offering a wide assortment across virtually all product categories.

Gross profit for fiscal 2014 decreased 7.3% to $582,484 as compared with $628,378 for fiscal 2013, a reduction of $45,894. Excluding the additional week in the prior year, gross profit decreased $38,100 or 6.1%. The Company's gross margin for fiscal 2014 decreased to 60.7% from 62.8% for fiscal 2013. Increased markdowns in the Smart Set banner significantly contributed to the reduction in gross profit. Additionally, the Company has been disappointed with the results of its Thyme Maternity U.S. shop-in-shop operations and has decided to cease its operations. In order to manage an orderly exit from this market, significant discounting of inventory has taken place and has impacted the gross profit.

Selling and distribution expenses for fiscal 2014 decreased 1.0% or $5,486 to $544,679 as compared with $550,165 for fiscal 2013. A net decrease of 33 stores in fiscal 2014 along with cost savings related to corporate initiatives aimed at reducing costs across the Company has contributed to a reduction in selling and distribution expenses. This decrease is despite an increase in the write-off of property and equipment and intangibles related to store closures and net impairment losses relating to underperforming stores of $9,826 for fiscal 2014 ($3,114 for fiscal 2013) and an increase in expenses related to advertising. The increase in impairment expense is primarily attributable to the poor performance of the Smart Set banner stores. Depreciation, amortization and net impairment losses included in selling and distribution expenses for fiscal 2014 were $61,130 compared to $56,869 for fiscal 2013.

Administrative expenses for fiscal 2014 decreased 1.2% or $575 to $47,154 compared with $47,729 for fiscal 2013. Company initiatives, including a reduction of the number of employees, were the most significant contributors to the decrease in administrative expenses. Depreciation and amortization expense included in administrative expenses for fiscal 2014 was $2,594 compared to $2,786 for fiscal 2013.

Other income comprises a non-recurring gain on sale of intellectual property rights of $5,745 and $309 of proceeds from the settlement of a trademark dispute.

Finance income for fiscal 2014 was $20,180 as compared to $5,624 for fiscal 2013. This increase of $14,556 is primarily due to a $7,650 foreign exchange gain recognized for fiscal 2014 ($582 loss for fiscal 2013) largely attributable to the impact of the fluctuation of the U.S. dollar vis-à-vis the Canadian dollar on U.S. currency held by the Company. Additionally, the Company has recorded a gain of $8,428 for fiscal 2014 ($1,036 for fiscal 2013) to recognize the net change in the fair value of U.S. dollar call and put option contracts. Dividend income for fiscal 2014 of $3,481 was comparable with fiscal 2013. Interest income decreased for fiscal 2014 to $621 as compared to $1,062 for fiscal 2013, which was impacted by the fluctuation of daily balances held in short-term investments and the variable rates of interest earned on these short-term investments.

Finance costs for fiscal 2014 were $3,443 as compared to $1,330 for fiscal 2013. This increase is largely attributable to an impairment loss on available-for-sale financial assets of $2,699 included in fiscal 2014 ($156 in fiscal 2013) and a realized loss on the disposal of available-for-sale financial assets of $248 (nil in fiscal 2013). Included in fiscal 2014 was interest on long-term debt of $496 compared to $592 for fiscal 2013, which will continue to decrease as the Company continues its repayment of the mortgage on the Company's distribution centre.

For fiscal 2014, earnings before income taxes were $13,442 as compared to $34,778 for fiscal 2013, a decrease of $21,336 or 61.3%. Adjusted EBITDA for fiscal 2014 was $70,453 as compared with $90,593 for fiscal 2013, a decrease of $20,140 or 22.2%. The reduction in earnings before income taxes and adjusted EBITDA was primarily attributable to poor performance of the Smart Set banner and the Thyme Maternity shop-in-shop U.S. operations. As previously reported, the Company embarked on an initiative aimed at reducing costs across the organization which included a review of head office activities and processes targeted at improving efficiencies. To date this initiative has resulted in a reduction in the number of employees in both head office and field operations resulting in severance costs of approximately $1,700 included in fiscal 2014 results, an increase from earlier projections due to charges in the fourth quarter of fiscal 2014. The employee reductions are projected to result in annualized wage and benefit savings in excess of approximately $6,000, this increase from earlier projections is due to further employee reductions in the fourth quarter of fiscal 2014. Additional savings have been achieved through improved cost management in non-wage areas. The Company is continuing a review aimed at identifying additional process improvements and anticipates additional savings and further efficiencies as the Company moves forward with this project.

Income tax expense for fiscal 2014 amounted to $2,654 for an effective tax rate of 19.7%. In fiscal 2013, income tax expense amounted to $8,422 for an effective tax rate of 24.2%. The reduction in the effective tax rate is primarily attributable to an increase in tax exempt dividend income and a gain on sale of intellectual property rights. The Company's effective tax rates reflect the impact of changes in substantively enacted tax rates in various tax jurisdictions in Canada.

Net earnings for fiscal 2014 decreased 59.1% to $10,788 ($0.17 diluted earnings per share) as compared with $26,356 ($0.40 diluted earnings per share) for fiscal 2013.

The Company imports a majority of its merchandise purchases from foreign vendors, with lead times in some cases extending twelve months. The Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar commitments, including spot rate purchases and foreign exchange option contracts with maturities not exceeding twelve months. In fiscal 2014, the Company satisfied its U.S. dollar requirements through a combination of spot purchases and foreign exchange option contracts. The Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the U.S. dollar. Purchased call options and sold put options expiring on the same date have the same strike price.

In fiscal 2014, these merchandise purchases, payable in U.S. dollars, approximated $240,000 U.S. The Company's U.S. dollar holdings, along with contracts to purchase U.S. dollars are sufficient to satisfy its projected U.S. dollar denominated merchandise purchases for the fiscal year ending January 31, 2015.

Details of the foreign currency option contracts outstanding as at February 1, 2014 are as follows:

	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Call options purchased	**$ 1.07**	**$ 212,000**	**$ 11,775**	**$ –**	**$ 11,775**
Put options sold	**$ 1.07**	**$ 364,000**	**–**	**(3,065)**	**(3,065)**
			$ 11,775	**$ (3,065)**	**$ 8,710**

Details of the foreign currency option contracts outstanding as at February 2, 2013 are as follows:

	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Call options purchased	$ 0.98	$ 30,000	$ 548	$ –	$ 548
Put options sold	$ 0.98	$ 60,000	–	(266)	(266)
			$ 548	$ (266)	$ 282

OPERATING RESULTS FOR THE THIRTEEN WEEKS ENDED FEBRUARY 1, 2014 ("FOURTH QUARTER OF FISCAL 2014") AND COMPARISON TO OPERATING RESULTS FOR THE FOURTEEN WEEKS ENDED FEBRUARY 2, 2013 ("FOURTH QUARTER OF FISCAL 2013")

Sales for the fourth quarter of fiscal 2013 included an extra week due to the Company's floating year-end. Sales for the fourth quarter of fiscal 2014 were $240,677 as compared with $267,659 for the fourth quarter of fiscal 2013, a decrease of 10.1% (a decrease of 3.5% after adjusting for the extra week in the fourth quarter of fiscal 2013). Same store sales decreased by 2.3%. Sales for the fourth quarter of fiscal 2014 were impacted by a number of issues, including:

- weak sales in certain banners with particularly disappointing performance in the Smart Set banner, despite its efforts to regain acceptance by consumers through ongoing repositioning and rebranding;
- a reduction in the number of stores as the Company rationalizes underperforming locations. There has been a net reduction of 33 stores in the year; and
- competitive pressures necessitating more promotional pricing.

Sales through the various banners' e-commerce channels continued to show strong growth, with all banners now offering a wide assortment across virtually all product categories.

Gross profit for the fourth quarter of fiscal 2014 was $131,883 as compared with $158,327 for the fourth quarter of fiscal 2013, a decrease of $26,444 or 16.7%. Excluding the additional week in the fourth quarter of fiscal 2013, gross profit decreased $14,539 or 9.9%. The Company's gross margin for the fourth quarter of fiscal 2014 decreased to 54.8% from 59.2% for the fourth quarter of fiscal 2013. Increased markdowns in the Smart Set banner significantly contributed to the reduction in gross profit. Additionally, the Company has been disappointed with the results of its Thyme Maternity U.S. shop-in-shop operations and has decided to cease its operations. In order to manage an orderly exit from this market, significant discounting of inventory has taken place and has impacted the gross profit.

Selling and distribution expenses for the fourth quarter of fiscal 2014 were $139,444 as compared with $147,396 for the fourth quarter of fiscal 2013, a decrease of $7,952 or 5.4%. A net decrease of 33 stores in fiscal 2014 along with cost savings related to corporate initiatives aimed at reducing costs across the Company has contributed to a reduction in expenses. This decrease is despite an increase in the write-off of property and equipment and intangibles related to store closures and net impairment losses relating to underperforming stores of $4,724 for the fourth quarter of fiscal 2014 ($805 in the fourth quarter of fiscal 2013). Depreciation, amortization and net impairment losses included in selling and distribution expenses for the fourth quarter of fiscal 2014 were $16,701 (compared to $14,793 for the fourth quarter of fiscal 2013).

Administrative expenses for the fourth quarter of fiscal 2014 were $13,317 as compared with $13,642 for the fourth quarter of fiscal 2013, a decrease of $325 or 2.4%. This decrease is largely attributable to a reduction in personnel expense for certain head office functions. Depreciation and amortization expense included in administrative expenses for the fourth quarter of fiscal 2014 was $611, compared to $721 for the fourth quarter of fiscal 2013.

Other income comprises a non-recurring gain on sale of intellectual property rights of $5,745 and $309 of proceeds from the settlement of a trademark dispute.

Finance income for the fourth quarter of fiscal 2014 was $12,759 as compared to $1,361 for the fourth quarter of fiscal 2013. This increase of $11,398 is primarily due to a gain of $7,388 for the fourth quarter of fiscal 2014 ($178 for the fourth quarter of fiscal 2013) recognizing the net change in the fair value of U.S. dollar call and put option contracts. The Company has also recorded a $4,314 foreign exchange gain, recognized for the fourth quarter of fiscal 2014 (gain of $69 recognized for the fourth quarter of fiscal 2013), largely attributable to the impact of the fluctuation of the U.S. dollar vis-à-vis the Canadian dollar on U.S. currency held by the Company. Dividend income for the fourth quarter of fiscal 2014 of $873 was comparable with the fourth quarter of fiscal 2013. Interest income decreased for the fourth quarter of fiscal 2014 to $184 as compared to $203 for the fourth quarter of fiscal 2013 which was impacted by the fluctuation of daily balances held in short-term investments and the variable rates of interest earned on these short-term investments.

Finance costs for the fourth quarter of fiscal 2014 were $2,369 as compared to $189 for the fourth quarter of fiscal 2013. This increase is largely attributable to an impairment loss on available-for-sale financial assets of $2,007 included in the fourth quarter of fiscal 2014 ($50 in the fourth quarter of fiscal 2013) and a realized loss on the disposal of available for sale financial assets of $248 in the fourth quarter of fiscal 2014 (nil in the fourth quarter of fiscal 2013). Included in the fourth quarter of fiscal 2014 was interest on long-term debt of $114 compared to $139 for the fourth quarter of fiscal 2013, which will continue to decrease as the Company continues its repayment of the mortgage on the Company's distribution centre.

In the fourth quarter of fiscal 2014, loss before income taxes was $4,434 as compared to a loss before income taxes of $1,539 in the fourth quarter of fiscal 2013. Adjusted EBITDA in the fourth quarter of fiscal 2014 was $8,136 as compared with $13,050 in the fourth quarter of fiscal 2013, a decrease of $4,914 or 37.7%. The reduction in earnings before income taxes and adjusted EBITDA was primarily attributable to poor performance of the Smart Set banner and the Thyme Maternity shop-in-shop U.S. operations. As previously reported, the Company embarked on an initiative aimed at reducing costs across the organization which included a review of head office activities and processes targeted at improving efficiencies. To date this initiative has resulted in a reduction in the number of employees in both head office and field operations and resulted in wages and benefits reductions. Additional savings have been achieved through improved costs management in non-wage areas. The Company is continuing a review aimed at process improvements and anticipates additional savings and further efficiencies as the Company moves forward with this project.

Due to a loss for income tax purposes, the Company has recorded an income tax recovery for the fourth quarter of fiscal 2014 which amounted to $1,863 for an effective tax recovery rate of 42.0% as compared to $394 in the fourth quarter of fiscal 2013 (effective tax recovery rate of 25.6%). The change in the effective tax rate is primarily attributable to an increase in tax exempt dividend income and a gain on sale of intellectual property rights. The Company's effective tax rates reflect the impact of changes in substantively enacted tax rates in various tax jurisdictions in Canada.

The Company recorded a net loss for the fourth quarter of fiscal 2014 of $2,571 ($0.04 diluted loss per share) as compared with a net loss of $1,145 ($0.02 diluted loss per share) for the fourth quarter of fiscal 2013.

SUMMARY OF QUARTERLY RESULTS

The table below sets forth selected consolidated financial data for the eight most recently completed quarters. This unaudited quarterly information has been prepared in accordance with IFRS. All references to "2014" are to the Company's fiscal year ending February 1, 2014, to "2013" are to the Company's fiscal year ended February 2, 2013.

	FOURTH QUARTER		THIRD QUARTER		SECOND QUARTER		FIRST QUARTER	
	2014	2013 [1]	2014	2013 [1]	2014	2013 [1]	2014	2013 [1]
Sales	$240,677	$267,659	$249,414	$236,247	$253,445	$279,513	$216,861	$217,094
Net earnings (loss)	(2,571)	(1,145)	5,763	(29)	10,182	27,649	(2,586)	(119)
Earnings (loss) per share								
Basic	$ (0.04)	$ (0.02)	$ 0.09	$ 0.00	$ 0.16	$ 0.42	$ (0.04)	$ 0.00
Diluted	(0.04)	(0.02)	0.09	0.00	0.16	0.42	(0.04)	0.00

[1] Quarterly results for fiscal 2013 have been adjusted to reflect the impact from the implementation of the amendments to IAS 19, *Employee Benefits*, as described in Note 3 of the February 1, 2014 consolidated financial statements.

Fluctuations in the above-noted quarterly financial information reflect the underlying operations of the Company as well as the impact of a number of factors including, but not limited to, the effect of the estimated loss in sales due to supply chain disruption in the third quarter of fiscal 2013 and the impact in the fourth quarter of fiscal 2014 of the pre-closure discounting of the Thyme Maternity shop-in-shop boutiques in the U.S. A fifty-third week in fiscal 2013 resulted in a shift in the Company's retail calendar, impacting each of the fiscal 2014 quarters and resulting in an additional week in the fourth quarter of fiscal 2013. Financial results are also affected by seasonality and the timing of holidays. Due to seasonality the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year.

BALANCE SHEET

Cash and cash equivalents as at February 1, 2014 amounted to $122,355 as compared to $97,626 as at February 2, 2013, an increase of 25.3%. Timing of payments for rent and various sales and withholding taxes in fiscal 2013 resulted in lower cash balances, thereby resulting in a significant increase in cash and cash equivalents when compared to fiscal 2013. Reduced capital expenditures, proceeds on sale of marketable securities and a reduction in dividends paid contributed to an improvement in cash and cash equivalents. Marketable securities were $55,062 at February 1, 2014 as compared to $71,630 at February 2, 2013, $16,568 lower primarily due to the sale of marketable securities during the year.

The Company's trade and other receivables are primarily credit card sales from the last few days of the fiscal quarter. Trade and other receivables as at February 1, 2014 were $6,422 or $2,453 higher than as at February 2, 2013. This increase includes a receivable of $1,725 related to the sale of intellectual property rights and trademark settlement along with an increase in trade receivables related to wholesale trade receivables. As at February 1, 2014, income taxes recoverable were $5,656 (February 2, 2013 – $8,709), attributable to instalments made in excess of estimated tax liabilities. Inventories as at February 1, 2014 were $109,601 or $16,284 higher than as at February 2, 2013, primarily due to in-transit merchandise for the spring selling season. Prepaid expenses, consisting mainly of prepaid insurance, maintenance contracts and realty and business taxes, were $12,512 as at February 1, 2014 compared with $25,944 as at February 2, 2013. This reduction in prepaid expenses is largely attributable to the timing of February rent and common area disbursements that were classified as prepaid in the prior year.

The Company has significantly reduced its capital expenditures in fiscal 2014, investing $34,524, on a cash basis, in additions to property and equipment and intangible assets. This is comprised of $30,512 in new store construction and existing store renovation costs and $4,012 mainly related to information technology system hardware and software enhancements. The Company embarked on a major systems development project ("SCORE") in 2010 which is in the final phases of completion. The new functionality offered by this project which spans warehousing and distribution, merchandising, operations and finance is projected for completion in fiscal 2016. Certain milestones have been successfully achieved and the project is progressing well. 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 is being phased in and is estimated to cost approximately $34,000 of which approximately $24,000 has been incurred to date. The escalation in the SCORE project costs are a result of problems encountered during the warehouse management system deployment in fiscal 2013, which has been remedied, along with a longer deployment schedule than was originally planned.

Total trade and other payables were $102,576 as at February 1, 2014 (February 2, 2013 – $80,575), or $22,001 higher than as at February 2, 2013 due mainly to higher trade payables related to the increase of in-transit inventories and the timing of payments for various sales and withholding taxes. The Company's trade and other payables consist largely of trade payables, personnel liabilities, payables relating to premises and sales tax liabilities.

The Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the U.S. dollar. These option contracts extend over a period of twelve months. Purchased call options and sold put options expiring on the same date have the same strike price. The Company has recorded a net derivative financial asset, related to foreign exchange option contracts, as at February 1, 2014 of $8,710 as compared to net derivative financial asset of $282 as at February 2, 2013.

Deferred revenue consists of unredeemed gift cards, loyalty points and awards granted under customer loyalty programs. Revenue is recognized when the gift cards, loyalty points and awards are redeemed. Deferred revenue was $19,998 as at February 1, 2014 or $3,701 higher than as at February 2, 2013 in part due to the timing of loyalty reward program incentives.

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 February 1, 2014 deferred lease credits were $15,607 as compared to $16,805 as at February 2, 2013.

The Company's long-term debt consists of a mortgage, which is secured by the Company's distribution centre. As at February 1, 2014 long-term debt was $7,003 as compared to $8,573 as at February 2, 2013. The decrease in long-term debt is attributable to the continued repayment of the mortgage debt principal.

Pension liability as at February 1, 2014 was $18,259 or $700 higher than as at February 2, 2013. The increase is due to $2,157 of pension expense, offset by actuarial gains of $497 and pension contributions paid of $960.

OPERATING RISK MANAGEMENT

ECONOMIC ENVIRONMENT

Economic factors that impact consumer spending patterns could deteriorate or remain unpredictable due to global, national or regional economic volatility. These factors could negatively affect the Company's revenue and margins. Inflationary trends are unpredictable and changes in the rate of inflation or deflation will affect consumer prices, which in turn could negatively affect the financial performance of the Company. 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 credit resources to draw upon as deemed necessary.

COMPETITIVE ENVIRONMENT

The retail apparel business in Canada is highly competitive with competitors including department stores, specialty apparel chains and independent retailers. If the Company is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be negatively affected. 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 continuing 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. The Company also offers an e-commerce alternative for shoppers through each of the banners' websites. The e-commerce retail landscape is highly competitive with both domestic and foreign competition. The Company has invested significantly in its e-commerce websites and social media to drive consumers to the websites and believes that it is positioned well to compete in this environment.

SEASONALITY

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 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 embarked on a major systems development project in 2010 which is in the final phases of completion. The new functionality offered by this project which spans warehousing and distribution, merchandising, operations and finance is projected for completion in fiscal 2016. Any significant disruptions in the performance of distribution or any other systems could have a material adverse impact on the Company's operations and financial results.

GOVERNMENT LAWS AND 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.

Changes to any of the laws, rules, regulations or policies (collectively, "laws") applicable to the Company's business, including income, capital, property and other taxes, and laws affecting the importation, distribution, packaging and labelling of products, could have an adverse impact on the financial or operational performance of the Company. In the course of complying with such changes, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business. Failure by the Company to comply with applicable laws and orders in a timely manner could subject the Company to civil or regulatory actions or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could negatively affect the reputation, operations and financial performance of the Company.

The Company is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. These reassessments could have a material impact on the Company in future periods.

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 2014, no supplier represented more than 10% of the Company's purchases (in dollars and/or units) and there are a variety of alternative sources (both domestic and international) 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 prevent the Company from acquiring, distributing and/or selling merchandise on an ongoing basis.

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.

PRIVACY AND INFORMATION SECURITY

The Company is subject to various laws regarding the protection of personal information of its customers, cardholders and employees and has adopted a Privacy Policy setting out guidelines for the handling of personal information. The Company's IT systems contain personal information of customers, cardholders and employees. Any failures or vulnerabilities in these systems or non-compliance with laws or regulations, including those in relation to personal information belonging to the Company's customers and employees, could negatively affect the reputation, operations and financial performance of the Company.

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 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 and foreign currency option contracts by dealing with Canadian financial institutions. 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 February 1, 2014, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	$ 122,355
Marketable securities	55,062
Trade and other receivables	6,422
Derivative financial asset	11,775
	$ 195,614

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 twelve months. As at February 1, 2014, the Company had a high degree of liquidity with $177,417 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 U.S. 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 U.S. dollars and as such significant volatility in the U.S. 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 twelve months, and spot rate purchases. A foreign currency option contract represents an option or obligation to buy a foreign currency from a counterparty. Credit risk exists 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 2014, the Company satisfied its U.S. dollar requirements primarily through spot rate purchases and foreign exchange option contracts.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash and cash equivalents of $17,096 and trade payables of $28,070 to determine how a change in the U.S. dollar exchange rate would impact net earnings. On February 1, 2014, a 1% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a $98 decrease or increase, respectively, in the Company's net earnings for fiscal 2014.

The Company has performed a sensitivity analysis on its derivative financial instruments, a series of call and put options on U.S. dollars, to determine how a change in the U.S. dollar exchange rate would impact net earnings. On February 1, 2014, a 1% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in a $2,542 decrease or $1,133 increase, respectively, in the Company's net earnings for fiscal 2014.

INTEREST RATE RISK

Interest rate risk exists in relation to the Company's cash and cash equivalents, defined benefit pension plan and the Company sponsored Supplemental Executive Retirement Plan ("SERP"). Market fluctuations in interest rates impact the Company's earnings with respect to interest earned on cash and cash equivalents that are invested mainly in short-term deposits with major Canadian financial institutions. 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 an 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 U.S. 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 February 1, 2014 to determine how a change in interest rates would impact net earnings. For fiscal 2014, the Company earned interest income of $621 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 net earnings by $148 or decreased net earnings by $118, respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The Company has performed a sensitivity analysis as at February 1, 2014 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 $5,211 in benefit costs included in other comprehensive income for fiscal 2014, whereas a one percentage point increase would have resulted in a decrease of approximately $4,563.

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 February 1, 2014, to determine how a change in the market price of the Company's marketable securities would impact 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 February 1, 2014, would result in a $2,481 increase or decrease, respectively, in other comprehensive income for fiscal 2014. The Company's equity securities are subject to market risk and, as a result, the impact on other comprehensive income may ultimately be greater than that indicated above.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity as at February 1, 2014 amounted to $423,431 or $6.56 per share (February 2, 2013 – $454,893 or $7.04 per share). The Company continues to be in a strong financial position. The Company's principal sources of liquidity are its cash and cash equivalents and investments in marketable securities of $177,417 as at February 1, 2014 (February 2, 2013 – $169,256). Cash is conservatively invested mainly in short-term deposits with major Canadian financial institutions. 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 or its U.S. dollar equivalent. As at February 1, 2014, $30,270 (February 2, 2013 – $46,792) of the operating lines of credit were committed for documentary and standby letters of credit. These credit facilities are used principally for U.S. dollar letters of credit to satisfy international third-party vendors which require such backing before confirming purchase orders issued by the Company and to support U.S. dollar foreign exchange forward contract purchases. 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 February 1, 2014, the maximum potential liability under these guarantees was $5,019 (February 2, 2013 – $5,014). The standby letters of credit mature at various dates during fiscal 2015. 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 $1,570 in fiscal 2014. The Company paid $0.20 dividends per share in the first, second and third quarter of fiscal 2014 and $0.05 in the fourth quarter of fiscal 2014 totalling $41,981 compared to $0.80 dividends per share totalling $52,068 in fiscal 2013. With regard to dividend policy, the Board of Directors considers the Company's earnings per share, cash flow from operations, the level of planned capital expenditures and its cash and marketable securities. The targeted payout ratio is approximately 50% to 80% of sustainable earnings per share, 50% to 75% of cash flow from operations with consideration as to the ability to augment the dividend from the liquidity on the Company's balance sheet, if these targets are missed in a given year. The Board of Directors reviews these guidelines regularly.

In fiscal 2014, the Company invested $34,524, on a cash basis, primarily on new and renovated stores. The Company embarked on a major systems development project in 2010 which is in the final phases of completion. The new functionality offered by this project which spans warehousing and distribution, merchandising, operations and finance is projected for completion in fiscal 2016. Certain milestones have been successfully achieved and the project is progressing well. 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 2016, is estimated to cost approximately $34,000 of which approximately $24,000 has been incurred to date. The escalation in the SCORE project costs are a result of problems encountered during the warehouse management system deployment in fiscal 2013, which have been remedied, along with a longer deployment schedule than was originally planned. In fiscal 2015, the Company expects to invest approximately $36,000 in capital expenditures. These expenditures, together with the payment of dividends, the repayments related to the Company's bank credit facility and long-term debt obligations, 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 February 1, 2014, 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]	$ 433,768	$ 99,418	$ 219,146	$ 115,204
Purchase obligations [2]	119,661	118,949	534	178
Other operating leases [3]	17,381	3,961	9,512	3,908
Long-term debt	7,003	1,672	5,331	–
Interest on long-term debt	898	394	504	–
Total contractual obligations	**$ 578,711**	**$ 224,394**	**$ 235,027**	**$ 119,290**

[1] Represents the minimum lease payments under long-term leases for store locations and office space.

[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 February 1, 2014, 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 April 2, 2014, 13,440,000 Common shares and 51,145,506 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 2,026,000 share options outstanding at an average exercise price of $14.43. 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.

The Company did not purchase any shares under a normal course issuer bid approved in November 2012 in fiscal 2014. The normal course issuer bid expired on November 27, 2013. In December 2013, 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 4,000,000 Class A non-voting shares of the Company, representing 10% of the public float of the issued and outstanding Class A non-voting shares as at December 10, 2013. The bid commenced on December 18, 2013 and may continue to December 17, 2014. No Class A non-voting shares were purchased to date under this new program.

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 twelve months. Most of these purchases must be paid for in U.S. dollars. The Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar long-term commitments, including spot rate purchases and foreign currency option contracts with maturities not exceeding twelve months. The Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the U.S. dollar. These option contracts will expire within the next twelve 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 February 1, 2014 and as at February 2, 2013 are included in the "Operating Results for Fiscal 2014 and Comparison to Operating Results for Fiscal 2013" section of this MD&A.

A foreign currency option contract represents an option (call option) or obligation (put option) 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 2014 was net foreign exchange gains of $7,650 (losses of $582 for fiscal 2013).

RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the entity – directly or indirectly. The definition of key management personnel includes directors (both executive and non-executive). The Chief Executive Officer and Chief Operating Officer are considered 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 consolidated financial statements for fiscal 2014.

Compensation expense for key management personnel is as follows:

	FOR THE FISCAL YEARS ENDED	
	FEBRUARY 1, 2014	FEBRUARY 2, 2013
Salaries, Directors' fees and short-term benefits	**$ 1,993**	$ 1,944
Post-employment benefits	**–**	(5)
Share-based compensation costs	**338**	595
	$ 2,331	$ 2,534

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 2014, the rent expense under these leases was, in the aggregate, approximately $204 (fiscal 2013 – $195).

The Company incurred $560 in fiscal 2014 (fiscal 2013 – $670) 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 is highly liquid with significant 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, marketable securities, trade and other receivables and foreign currency option contracts. The Company reduces this risk by dealing only with highly-rated counterparties, normally 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 volatility of the U.S. dollar vis-à-vis the Canadian dollar impacts earnings and while the Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar commitments, such as spot rate purchases and foreign exchange option contracts, this volatility can result in exposure to risk.

CRITICAL ACCOUNTING ESTIMATES

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 by means of actuarial valuations, which involve making assumptions about discount rates, 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. Based upon the most recently filed actuarial valuation report as at December 31, 2012, the defined benefit plan, despite being fully funded on a going concern basis, had a solvency deficiency of $3,411. The Company has funded the required amounts as at February 1, 2014. The SERP is an unfunded pay as you go plan.

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

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess inventory are made. 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. Given that inventory and cost of sales are significant components of the consolidated 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 (including goodwill) may not be recoverable. Impairment testing is performed whenever there is an indication of impairment, except for goodwill and intangible assets with indefinite useful lives for which impairment testing is performed at least once per year. Significant management estimates are required to determine the recoverable amount of the cash-generating unit ("CGU") including estimates of fair value, selling costs or the discounted future cash flows related to the CGU. Differences in estimates could affect whether tangible and intangible assets (including goodwill) are in fact impaired and the dollar amount of that impairment.

NEW ACCOUNTING POLICIES ADOPTED IN FISCAL 2014

FAIR VALUE MEASUREMENT

In 2011, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"), which establishes a single framework for the fair value measurement and disclosure of financial and non-financial assets and liabilities. The new standard unifies the definition of fair value and also introduces new concepts including "highest and best use" and "principal markets" for non-financial assets and liabilities. There are additional disclosure requirements, including increased fair value disclosure for financial instruments for interim and annual financial statements. The Company implemented this standard prospectively in the first quarter of fiscal 2014. There were no measurement impacts on the Company's consolidated financial statements as a result of the adoption of IFRS 13.

EMPLOYEE BENEFITS

In 2011, the IASB revised IAS 19, *Employee Benefits* ("IAS 19"). The most significant amendments for the Company are the requirement to immediately recognize all unvested past service costs and the replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying a prescribed discount rate to the net defined benefit obligation. The Company implemented this standard retrospectively in the first quarter of fiscal 2014.

The impact arising from the adoption of the amendments to IAS 19 is summarized as follows:

Consolidated Balance Sheet:

	AS AT FEBRUARY 2, 2013		
	AS PRESENTED	RESTATEMENTS	AS RESTATED
Deferred income tax assets	$ 26,400	$ 44	$ 26,444
Pension liability	$ 17,390	$ 169	$ 17,559
Retained earnings	$ 400,605	$ (125)	$ 400,480

Consolidated Statement of Earnings and Statement of Comprehensive Income:

	FOR THE YEAR ENDED FEBRUARY 2, 2013		
	AS PRESENTED	RESTATEMENTS	AS RESTATED
Earnings before income taxes	$ 35,136	$ (358)	$ 34,778
Income taxes	(8,517)	95	(8,422)
Net earnings	26,619	(263)	26,356
Other comprehensive loss	(1,133)	325	(808)
Total comprehensive income	$ 25,486	$ 62	$ 25,548

Consolidated Balance Sheet:

	AS AT JANUARY 29, 2012		
	AS PRESENTED	RESTATEMENTS	AS RESTATED
Deferred income tax assets	$ 23,174	$ 67	$ 23,241
Pension liability	$ 14,877	$ 254	$ 15,131
Retained earnings	$ 439,067	$ (187)	$ 438,880

This new accounting policy did not have a material impact on the consolidated statement of cash flows or on earnings per share.

IMPAIRMENT OF ASSETS

In 2013, the IASB issued amendments to IAS 36, *Impairment of Assets*, which clarifies the disclosure requirements for recoverable amounts of CGUs. These amendments are required to be applied for periods beginning on or after January 1, 2014. The Company has elected to early adopt these amendments during 2014. There was no significant impact on the Company's consolidated financial statements as a result of these amendments.

CONSOLIDATED FINANCIAL STATEMENTS AND INTERESTS IN OTHER ENTITIES

In addition to the above standards, the Company implemented the following standards: IFRS 10, *Consolidated Financial Statements* and IFRS 12, *Disclosure of Interests in Other Entities*. There was no significant impact on the Company's consolidated financial statements as a result of the implementation of these standards.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new accounting standards, and amendments to standards and interpretations, are not yet effective for fiscal 2014 and have not been applied in preparing the consolidated financial statements. New standards and amendments to standards and interpretations that are currently under review include:

IFRS 9 – FINANCIAL INSTRUMENTS

On November 12, 2009, the IASB issued a new standard, IFRS 9, *Financial Instruments* ("IFRS 9") which will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities and was initiated in response to the crisis in financial markets.

In November 2013, the IASB released IFRS 9, *Financial Instruments (2013)*, which introduces a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a significant change in hedge accounting requirements. It increases the scope of hedged items eligible for hedge accounting and it enables entities to better reflect their risk management activities in their financial statements.

The mandatory effective date of this standard has been deferred. The Company is evaluating the impact of this standard on its consolidated financial statements.

IFRIC 21 – LEVIES

In May 2013, the IASB issued IFRIC Interpretation 21, *Levies*, which is an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for years beginning on or after January 1, 2014 and must be applied retrospectively. The Company is evaluating the impact of this standard on its consolidated financial statements.

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 February 1, 2014. Based on this evaluation, the CEO and the CFO have concluded that, as of February 1, 2014, 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 February 1, 2014. 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") 1992, a recognized control model, and the requirements of National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings".

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There have been no changes in the Company's internal controls over financial reporting during fiscal 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

The retail environment remains challenging with consumer debt remaining high and heightened competitive pressure on retailers. Changes to the retail landscape in Canada are taking place with increased competition from both large and mid-size international rivals expanding into Canada, spurred by a relatively strong Canadian economy and low barriers to entry. The Company has invested considerably in its stores and head office systems while reducing capital expenditures significantly in fiscal 2014. In conjunction, the Company will leverage its technology with improved systems and processes as part of the SCORE project while continuing its process improvement initiatives.

The Company's Hong Kong office, with over 120 full-time employees, is dedicated to seeking out the highest quality, affordable and fashionable apparel for all of our banners. A comprehensive review of the Company's global sourcing strategy and execution has been undertaken with a goal of reducing lead time for bringing products to market.

The Company has a strong balance sheet, with excellent liquidity and borrowing capacity providing 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 believes in the strength of its employees and is committed to continue to invest in training for all levels.

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated 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 consolidated 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 consolidated 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 consolidated financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the consolidated financial statements in this annual report principally through its Audit Committee, consisting of all outside directors. The Audit Committee reviews the Company's annual consolidated 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 consolidated financial statements have been examined by the auditors appointed by the shareholders, KPMG LLP, and their report is presented hereafter.

(signed)

Jeremy H. Reitman
Chairman and Chief Executive Officer

(signed)

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

April 2, 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Reitmans (Canada) Limited

We have audited the accompanying consolidated financial statements of Reitmans (Canada) Limited, which comprise the consolidated balance sheets as at February 1, 2014 and February 2, 2013, the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

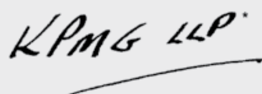
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Reitmans (Canada) Limited as at February 1, 2014 and February 2, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.



Montreal, Canada
April 2, 2014

* CPA auditor, CA, public accountancy Permit No. A122264

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED FEBRUARY 1, 2014 (52 WEEKS) AND FEBRUARY 2, 2013 (53 WEEKS)
(IN THOUSANDS OF CANADIAN DOLLARS EXCEPT PER SHARE AMOUNTS)

	2014	2013 (NOTE 3A)
Sales	**$ 960,397**	$ 1,000,513
Cost of goods sold (note 7)	**377,913**	372,135
Gross profit	**582,484**	628,378
Selling and distribution expenses	**544,679**	550,165
Administrative expenses	**47,154**	47,729
Results from operating activities	**(9,349)**	30,484
Other income (note 19)	**6,054**	–
Finance income (note 19)	**20,180**	5,624
Finance costs (note 19)	**3,443**	1,330
Earnings before income taxes	**13,442**	34,778
Income tax expense (note 11)	**2,654**	8,422
Net earnings	**$ 10,788**	$ 26,356
Earnings per share (note 20):		
Basic	**$ 0.17**	$ 0.40
Diluted	**0.17**	0.40

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED FEBRUARY 1, 2014 (52 WEEKS) AND FEBRUARY 2, 2013 (53 WEEKS)
(IN THOUSANDS OF CANADIAN DOLLARS)

	2014	2013 (NOTE 3A)
Net earnings	**$ 10,788**	$ 26,356
Other comprehensive loss		
Items that are or may be reclassified subsequently to net earnings:		
Reclassification of impairment loss on available-for-sale financial assets to net earnings (net of tax of $358; 2013 – $21) (note 19)	**2,341**	135
Net change in fair value of available-for-sale financial assets (net of tax of $561; 2013 – $25) (note 19)	**(3,679)**	(207)
Foreign currency translation differences	**29**	–
	(1,309)	(72)
Items that will not be reclassified to net earnings:		
Actuarial gain (loss) on defined benefit plans (net of tax of $124; 2013 – $293) (note 15)	**373**	(736)
Total other comprehensive loss	**(936)**	(808)
Total comprehensive income	**$ 9,852**	$ 25,548

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

CONSOLIDATED BALANCE SHEETS

AS AT FEBRUARY 1, 2014 AND FEBRUARY 2, 2013
(IN THOUSANDS OF CANADIAN DOLLARS)

	2014	2013 (NOTE 3A)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 5)	**$ 122,355**	$ 97,626
Marketable securities	**55,062**	71,630
Trade and other receivables	**6,422**	3,969
Derivative financial asset (note 6)	**11,775**	548
Income taxes recoverable	**5,656**	8,709
Inventories (note 7)	**109,601**	93,317
Prepaid expenses	**12,512**	25,944
Total Current Assets	**323,383**	301,743
NON-CURRENT ASSETS		
Property and equipment (note 8)	**178,341**	205,131
Intangible assets (note 9)	**17,211**	19,224
Goodwill (note 10)	**42,426**	42,426
Deferred income taxes (note 11)	**28,578**	26,444
Total Non-Current Assets	**266,556**	293,225
Total Assets	**$ 589,939**	$ 594,968
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade and other payables (note 12)	**$ 90,734**	$ 69,150
Derivative financial liability (note 6)	**3,065**	266
Deferred revenue (note 13)	**19,998**	16,297
Current portion of long-term debt (note 14)	**1,672**	1,570
Total Current Liabilities	**115,469**	87,283
NON-CURRENT LIABILITIES		
Other payables (note 12)	**11,842**	11,425
Deferred lease credits	**15,607**	16,805
Long-term debt (note 14)	**5,331**	7,003
Pension liability (note 15)	**18,259**	17,559
Total Non-Current Liabilities	**51,039**	52,792
SHAREHOLDERS' EQUITY		
Share capital (note 16)	**39,227**	39,227
Contributed surplus	**7,188**	6,521
Retained earnings	**369,660**	400,480
Accumulated other comprehensive income (note 16)	**7,356**	8,665
Total Shareholders' Equity	**423,431**	454,893
Total Liabilities and Shareholders' Equity	**$ 589,939**	$ 594,968

Commitments (note 18)

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

On behalf of the Board,

(signed) (signed)

Jeremy H. Reitman, Director John J. Swidler, Director

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED FEBRUARY 1, 2014 (52 WEEKS) AND FEBRUARY 2, 2013 (53 WEEKS)
(IN THOUSANDS OF CANADIAN DOLLARS)

	NOTE	SHARE CAPITAL	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL SHAREHOLDERS' EQUITY
Balance as at February 3, 2013		**$ 39,227**	**$ 6,521**	**$ 400,480**	**$ 8,665**	**$ 454,893**
Total comprehensive income for the year						
Net earnings				**10,788**		**10,788**
Total other comprehensive income (loss)				**373**	**(1,309)**	**(936)**
Total comprehensive income for the year		**–**	**–**	**11,161**	**(1,309)**	**9,852**
Contributions by (distributions to) owners of the Company						
Share-based compensation costs	17		**667**			**667**
Dividends	16			**(41,981)**		**(41,981)**
Total contributions by (distributions to) owners of the Company		**–**	**667**	**(41,981)**	**–**	**(41,314)**
Balance as at February 1, 2014		**$ 39,227**	**$ 7,188**	**$ 369,660**	**$ 7,356**	**$ 423,431**
Balance as at January 29, 2012		$ 39,890	$ 5,158	$ 438,880	$ 8,737	$ 492,665
Total comprehensive income for the year						
Net earnings				26,356		26,356
Total other comprehensive loss				(736)	(72)	(808)
Total comprehensive income for the year		–	–	25,620	(72)	25,548
Contributions by (distributions to) owners of the Company						
Cancellation of shares pursuant to share repurchase program	16	(663)				(663)
Share-based compensation costs	17		1,363			1,363
Dividends	16			(52,068)		(52,068)
Premium on repurchases of Class A non-voting shares	16			(11,952)		(11,952)
Total contributions by (distributions to) owners of the Company		(663)	1,363	(64,020)	–	(63,320)
Balance as at February 2, 2013		$ 39,227	$ 6,521	$ 400,480	$ 8,665	$ 454,893

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED FEBRUARY 1, 2014 (52 WEEKS) AND FEBRUARY 2, 2013 (53 WEEKS)
(IN THOUSANDS OF CANADIAN DOLLARS)

	2014	2013 (NOTE 3A)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	**$ 10,788**	$ 26,356
Adjustments for:		
Depreciation, amortization and net impairment losses	**63,724**	59,655
Share-based compensation costs	**667**	1,363
Amortization of deferred lease credits	**(4,517)**	(4,485)
Deferred lease credits	**3,319**	3,973
Pension contribution	**(960)**	(303)
Pension expense	**2,157**	1,701
Other income	**(6,054)**	–
Realized loss on sale of marketable securities	**248**	–
Impairment loss on available-for-sale financial assets	**2,699**	156
Net change in fair value of derivatives	**(8,428)**	(1,036)
Foreign exchange gain on cash and cash equivalents	**(1,604)**	(4)
Interest and dividend income, net	**(3,358)**	(3,996)
Interest paid	**(496)**	(592)
Interest received	**594**	1,184
Dividends received	**3,355**	3,871
Income tax expense	**2,654**	8,422
	64,788	96,265
Changes in:		
Trade and other receivables	**(533)**	(906)
Inventories	**(15,945)**	(129)
Prepaid expenses	**13,432**	(14,042)
Trade and other payables	**20,929**	(8,107)
Deferred revenue	**3,701**	(5,981)
Cash from operating activities	**86,372**	67,100
Income taxes received	**650**	4,497
Income taxes paid	**(2,306)**	(19,800)
Net cash flows from operating activities	**84,716**	51,797
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of marketable securities	**(420)**	(420)
Proceeds on sale of marketable securities	**12,500**	–
Proceeds on sale of trademarks	**4,329**	–
Additions to property and equipment and intangible assets	**(34,524)**	(84,433)
Cash flows used in investing activities	**(18,115)**	(84,853)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	**(41,981)**	(52,068)
Purchase of Class A non-voting shares for cancellation	**–**	(12,615)
Repayment of long-term debt	**(1,570)**	(1,474)
Cash flows used in financing activities	**(43,551)**	(66,157)
FOREIGN EXCHANGE GAIN ON CASH HELD IN FOREIGN CURRENCY	**1,679**	4
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**24,729**	(99,209)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	**97,626**	196,835
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**$ 122,355**	$ 97,626

Supplementary cash flow information (note 26)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 1, 2014 (52 WEEKS) AND FEBRUARY 2, 2013 (53 WEEKS)
(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) FISCAL YEAR

The Company's fiscal year ends on the Saturday closest to the end of January. All references to 2014 and 2013 represent the fiscal years ended February 1, 2014 and February 2, 2013, respectively. Fiscal 2013 included 53 weeks instead of 52 weeks. The inclusion of an extra week occurs every fifth or sixth fiscal year due to the Company's floating year-end date.

B) STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). Certain comparative figures have been reclassified to conform to the current year's presentation.

These consolidated financial statements were authorized for issue by the Board of Directors on April 2, 2014.

C) BASIS OF MEASUREMENT

These consolidated 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
- derivative financial instruments are measured at fair value.

D) FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated 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.

E) ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of the consolidated 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.

Following are the most important accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

Key Sources of Estimation Uncertainty

i) Pension Plans

The cost of defined benefit pension plans is determined by means of actuarial valuations, which involve making assumptions about discount rates, 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.

ii) 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.

iii) Inventory

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess inventory are made. 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.

iv) Asset Impairment

The Company must assess the possibility that the carrying amounts of tangible and intangible assets (including goodwill) may not be recoverable. Impairment testing is performed whenever there is an indication of impairment, except for goodwill and intangible assets with indefinite useful lives for which impairment testing is performed at least once per year. Significant management estimates are required to determine the recoverable amount of the cash-generating unit ("CGU") including estimates of fair value, selling costs or the discounted future cash flows related to the CGU. Differences in estimates could affect whether tangible and intangible assets (including goodwill) are in fact impaired and the dollar amount of that impairment.

Judgments Made in Relation to Accounting Policies Applied

i) Financial Instruments

The Company does not separately account for embedded U.S. dollar foreign exchange derivatives in its purchase contracts of merchandise from suppliers in China as the Company has determined the U.S. dollar to be commonly used in that country's economic environment.

3 SIGNIFICANT ACCOUNTING POLICIES

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

A) ADOPTION OF NEW ACCOUNTING POLICIES

Fair Value Measurement

In 2011, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"), which establishes a single framework for the fair value measurement and disclosure of financial and non-financial assets and liabilities. The new standard unifies the definition of fair value and also introduces new concepts including "highest and best use" and "principal markets" for non-financial assets and liabilities. There are additional disclosure requirements, including increased fair value disclosure for financial instruments for interim and annual financial statements. The Company implemented this standard prospectively in the first quarter of the year ended February 1, 2014. There were no measurement impacts on the Company's consolidated financial statements as a result of the adoption of IFRS 13. The Company has included the additional disclosures required by this standard in note 6.

Employee Benefits

In 2011, the IASB revised IAS 19, *Employee Benefits* ("IAS 19"). The most significant amendments for the Company are the requirement to immediately recognize all unvested past service costs and the replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying a prescribed discount rate to the net defined benefit obligation. The Company implemented this standard retrospectively in the first quarter of the year ended February 1, 2014. The Company has included the additional disclosures required by this standard in note 15.

The impact arising from the adoption of the amendments to IAS 19 is summarized as follows:

Consolidated Balance Sheet:

	AS AT FEBRUARY 2, 2013		
	AS PRESENTED	RESTATEMENTS	AS RESTATED
Deferred income tax assets	$ 26,400	$ 44	$ 26,444
Pension liability	$ 17,390	$ 169	$ 17,559
Retained earnings	$ 400,605	$ (125)	$ 400,480

Consolidated Statement of Earnings and Statement of Comprehensive Income:

	FOR THE YEAR ENDED FEBRUARY 2, 2013		
	AS PRESENTED	RESTATEMENTS	AS RESTATED
Earnings before income taxes	$ 35,136	$ (358)	$ 34,778
Income taxes	(8,517)	95	(8,422)
Net earnings	26,619	(263)	26,356
Other comprehensive loss	(1,133)	325	(808)
Total comprehensive income	$ 25,486	$ 62	$ 25,548

Consolidated Balance Sheet:

	AS AT JANUARY 29, 2012		
	AS PRESENTED	RESTATEMENTS	AS RESTATED
Deferred income tax assets	$ 23,174	$ 67	$ 23,241
Pension liability	$ 14,877	$ 254	$ 15,131
Retained earnings	$ 439,067	$ (187)	$ 438,880

This new accounting policy did not have a material impact on the consolidated statement of cash flows or on earnings per share.

Impairment of Assets

In 2013, the IASB issued amendments to IAS 36, *Impairment of Assets*, which clarifies the disclosure requirements for recoverable amounts of CGUs. These amendments are required to be applied for periods beginning on or after January 1, 2014. The Company has elected to early adopt these amendments during 2014. There was no significant impact on the Company's consolidated financial statements as a result of these amendments.

Consolidated Financial Statements and Interests in Other Entities

In addition to the above standards, the Company implemented the following standards: IFRS 10, *Consolidated Financial Statements* and IFRS 12, *Disclosure of Interests in Other Entities*. There was no significant impact on the Company's consolidated financial statements as a result of the implementation of these standards.

B) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company reassesses control on an ongoing basis. Subsidiaries are consolidated from the date on which the Company obtains control until the date that such control ceases. The financial statements of subsidiaries are prepared with the same reporting period of the Company. The accounting policies of subsidiaries are aligned with the policies of the Company. All significant inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, have been eliminated in preparing the consolidated financial statements.

C) 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.

D) FOREIGN OPERATIONS

The assets and liabilities of foreign operations are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

E) 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.

F) 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 consolidated 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.

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.

Financial assets and liabilities are offset and the net amount is presented in the consolidated 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.

The Company uses foreign currency option contracts, with maturities not exceeding twelve months, to manage its U.S. dollar exposure. Foreign currency option contracts are not designated as hedges. Derivative financial instruments are not used for trading or speculative purposes.

G) 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.

H) 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.

I) INTANGIBLE ASSETS

Intangible assets are comprised of software and acquired trademarks and their useful lives are assessed to be either finite or indefinite.

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. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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.

Intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment annually or more frequently if events or changes in circumstances indicate the asset may be impaired. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Trademarks are considered to have indefinite useful lives.

J) 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.

K) INVENTORIES

Merchandise inventories are measured at the lower of cost, determined on an average basis, 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.

L) 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 purpose of impairment testing of property and equipment, each store is managed at the corporate level, with internal reporting organized to measure performance of each retail store. Management has determined that its cash generating units are identifiable at the individual retail store level since the assets devoted to and cash inflows generated by each store are separately identifiable and independent of each other.

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.

M) EMPLOYEE BENEFITS

i) Pension Benefit Plans

The Company maintains a contributory defined benefit plan ("Plan") that provides benefits to Reitmans (Canada) Limited (the "Employer") executive employees based on length of service and average earnings in the best five consecutive years of employment. Contributions are made by the Plan members and Employer. A Pension Committee, as appointed under the provisions of the Plan, is responsible for the administration of the Plan. All the investments of the Plan are deposited with RBC Investors Services Trust, which acts as the custodian of the assets entrusted to it. The investment manager of the Plan's investments is SEI Investments Canada Company. The Company also sponsors a Supplemental Executive Retirement Plan ("SERP") for certain senior executives, 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.

The Company's net liability in respect of defined benefits is calculated separately for each plan by estimating the amount of future benefits that Plan members have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Defined benefit obligations are actuarially calculated annually by a qualified actuary as at the reporting date. The actuarial valuations are determined based on management's best estimate of the discount rate, the rate of compensation increase, retirement rates, termination rates and mortality rates. The discount rate used to value the net defined benefit obligation for accounting purposes is based on the yield on a portfolio of Corporate AA bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit plan obligations.

The fair value of plan assets are deducted from the defined benefit obligation to arrive at the net liability. Plan assets are measured at fair value as at the reporting date. Past service costs arising from plan amendments are recognized in net earnings in the period that they arise.

Remeasurements of the net defined benefit liability, which comprise actuarial gains or losses, the return on plan assets, excluding interest, and the effect of the asset ceiling, if any, are recognized in other comprehensive income in the period in which they arise and subsequently reclassified from accumulated other comprehensive income to retained earnings.

Pension expense consists of the following:

- the cost of pension benefits provided in exchange for Plan members' services rendered in the period;
- net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the net defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments;
- past service costs; and
- gains or losses on settlements or curtailments.

Expenses related to defined contribution plans are recognized in net earnings in the periods in which they occur.

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 bonuses 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 recognized as an employee expense, with a corresponding increase to contributed surplus 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.

N) 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.

O) 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.

P) 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.

Q) 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 consolidated balance sheet under non-current assets or liabilities, irrespective of the expected date of realization or settlement.

R) 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.

S) 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.

T) 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 February 1, 2014 and have not been applied in preparing these consolidated financial statements. New standards and amendments to standards and interpretations that are currently under review include:

IFRS 9 – Financial Instruments

On November 12, 2009, the IASB issued a new standard, IFRS 9, *Financial Instruments* ("IFRS 9") which will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities and was initiated in response to the crisis in financial markets.

In November 2013, the IASB released IFRS 9, *Financial Instruments (2013)*, which introduces a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a significant change in hedge accounting requirements. It increases the scope of hedged items eligible for hedge accounting and it enables entities to better reflect their risk management activities in their financial statements.

The mandatory effective date of this standard has been deferred. The Company is evaluating the impact of this standard on its consolidated financial statements.

IFRIC 21 – Levies

In May 2013, the IASB issued IFRIC Interpretation 21, *Levies*, which is an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for years beginning on or after January 1, 2014 and must be applied retrospectively. The Company is evaluating the impact of this standard on its consolidated financial statements.

4 FAIR VALUE MEASUREMENT

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

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

Fair value estimates are made at a specific point in time, using available information about the asset or liability. These estimates are subjective in nature and often cannot be determined with precision. 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, which is considered Level 2 input in the fair value hierarchy.

C) 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.

5 CASH AND CASH EQUIVALENTS

	FEBRUARY 1, 2014	FEBRUARY 2, 2013
Cash on hand and with banks	**$ 19,224**	$ 9,248
Short-term deposits, bearing interest at 0.9% (February 2, 2013 – 0.6%)	**103,131**	88,378
	$ 122,355	$ 97,626

6 FINANCIAL INSTRUMENTS

ACCOUNTING CLASSIFICATION AND FAIR VALUES

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value. The Company has determined that the fair value of its current financial assets and liabilities (other than those included below) approximates their respective carrying amounts as at the reporting dates because of the short-term nature of those financial instruments.

	FEBRUARY 1, 2014						
	CARRYING AMOUNT				FAIR VALUE		
	FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	TOTAL
Financial assets measured at fair value							
Derivative financial asset	**$ 11,775**	**$ –**	**$ –**	**$ 11,775**	**$ –**	**$ 11,775**	**$ 11,775**
Marketable securities	**$ –**	**$ 55,062**	**$ –**	**$ 55,062**	**$ 55,062**	**$ –**	**$ 55,062**
Financial liabilities measured at fair value							
Derivative financial liability	**$ (3,065)**	**$ –**	**$ –**	**$ (3,065)**	**$ –**	**$ (3,065)**	**$ (3,065)**
Financial liabilities not measured at fair value							
Long-term debt	**$ –**	**$ –**	**$ 7,003**	**$ 7,003**	**$ –**	**$ 7,462**	**$ 7,462**

	FEBRUARY 2, 2013						
	CARRYING AMOUNT				FAIR VALUE		
	FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	TOTAL
Financial assets measured at fair value							
Derivative financial asset	$ 548	$ –	$ –	$ 548	$ –	$ 548	$ 548
Marketable securities	$ –	$ 71,630	$ –	$ 71,630	$ 71,630	$ –	$ 71,630
Financial liabilities measured at fair value							
Derivative financial liability	$ (266)	$ –	$ –	$ (266)	$ –	$ (266)	$ (266)
Financial liabilities not measured at fair value							
Long-term debt	$ –	$ –	$ 8,573	$ 8,573	$ –	$ 9,208	$ 9,208

There were no transfers between levels of the fair value hierarchy for the years ended February 1, 2014 and February 2, 2013.

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 U.S. dollar. These option contracts extend over a period of twelve 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 for the years ended February 1, 2014 and February 2, 2013 are as follows:

	FEBRUARY 1, 2014				
	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Call options purchased	**$ 1.07**	**$ 212,000**	**$ 11,775**	**$ –**	**$ 11,775**
Put options sold	**$ 1.07**	**$ 364,000**	**–**	**(3,065)**	**(3,065)**
			$ 11,775	**$ (3,065)**	**$ 8,710**

	FEBRUARY 2, 2013				
	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Call options purchased	$ 0.98	$ 30,000	$ 548	$ –	$ 548
Put options sold	$ 0.98	$ 60,000	–	(266)	(266)
			$ 548	$ (266)	$ 282

7 INVENTORIES

During the year ended February 1, 2014, inventories recognized as cost of goods sold amounted to $374,922 (February 2, 2013 – $369,271). In addition, $2,991 (February 2, 2013 – $2,864) of write-downs of inventories as a result of net realizable value being lower than cost were recognized in cost of goods sold, and no inventory write-downs recognized in previous periods were reversed. Included in inventories is an amount of $30,524 (February 2, 2013 – $21,600) representing goods in transit.

8 PROPERTY AND EQUIPMENT

	LAND	BUILDINGS	FIXTURES AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
Cost					
Balance at January 29, 2012	$ 5,860	$ 54,163	$ 163,119	$ 182,073	$ 405,215
Additions	–	1,166	34,757	39,562	75,485
Disposals	–	(2,180)	(31,120)	(31,905)	(65,205)
Balance at February 2, 2013	$ 5,860	$ 53,149	$ 166,756	$ 189,730	$ 415,495
Balance at February 3, 2013	**$ 5,860**	**$ 53,149**	**$ 166,756**	**$ 189,730**	**$ 415,495**
Additions	**–**	**267**	**16,659**	**14,512**	**31,438**
Disposals	**–**	**(4,818)**	**(35,819)**	**(39,702)**	**(80,339)**
Effect in movement in exchange rate	**–**	**–**	**166**	**–**	**166**
Balance at February 1, 2014	**$ 5,860**	**$ 48,598**	**$ 147,762**	**$ 164,540**	**$ 366,760**
Accumulated depreciation and impairment losses					
Balance at January 29, 2012	$ –	$ 22,018	$ 92,429	$ 106,547	$ 220,994
Depreciation	–	2,629	24,627	25,791	53,047
Impairment loss	–	–	–	2,128	2,128
Reversal of impairment loss	–	–	–	(600)	(600)
Disposals	–	(2,180)	(31,120)	(31,905)	(65,205)
Balance at February 2, 2013	$ –	$ 22,467	$ 85,936	$ 101,961	$ 210,364
Balance at February 3, 2013	**$ –**	**$ 22,467**	**$ 85,936**	**$ 101,961**	**$ 210,364**
Depreciation	**–**	**2,459**	**24,026**	**24,691**	**51,176**
Impairment loss	**–**	**–**	**1,378**	**6,583**	**7,961**
Reversal of impairment loss	**–**	**–**	**–**	**(775)**	**(775)**
Disposals	**–**	**(4,818)**	**(35,819)**	**(39,702)**	**(80,339)**
Effect in movement in exchange rate	**–**	**–**	**32**	**–**	**32**
Balance at February 1, 2014	**$ –**	**$ 20,108**	**$ 75,553**	**$ 92,758**	**$ 188,419**
Net carrying amounts					
At February 2, 2013	$ 5,860	$ 30,682	$ 80,820	$ 87,769	$ 205,131
At February 1, 2014	**$ 5,860**	**$ 28,490**	**$ 72,209**	**$ 71,782**	**$ 178,341**

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 $7,961 (February 2, 2013 – $2,128). When determining the value in use of a retail location, the Company develops a discounted cash flow model for each CGU. The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant asset within the CGU. Sales forecasts for cash flows are based on actual operating results, industry's expected growth rates and management's experiences. 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 13% (February 2, 2013 – 10%). During the year, $775 of impairment losses were reversed following an improvement in the profitability of certain CGUs (February 2, 2013 – $600).

Depreciation expense and net impairment losses for the year have been recorded in selling and distribution expenses for an amount of $56,697 (February 2, 2013 – $52,903) and in administrative expenses for an amount of $1,665 (February 2, 2013 – $1,672) in the consolidated statements of earnings.

Property and equipment includes an amount of $1,802 (February 2, 2013 – $1,779) that is not being depreciated. Depreciation will begin when the assets are available for use.

9 INTANGIBLE ASSETS

	SOFTWARE	TRADEMARKS	TOTAL
Cost			
Balance at January 29, 2012	$ 28,254	$ –	$ 28,254
Additions	6,748	499	7,247
Disposals	(6,086)	–	(6,086)
Balance at February 2, 2013	$ 28,916	$ 499	$ 29,415
Balance at February 3, 2013	**$ 28,916**	**$ 499**	**$ 29,415**
Additions	**3,351**	**–**	**3,351**
Disposals	**(7,425)**	**–**	**(7,425)**
Effect in movement in exchange rates	**1**	**–**	**1**
Balance at February 1, 2014	**$ 24,843**	**$ 499**	**$ 25,342**
Accumulated depreciation and impairment losses			
Balance at January 29, 2012	$ 11,197	$ –	$ 11,197
Amortization	5,080	–	5,080
Disposals	(6,086)	–	(6,086)
Balance at February 2, 2013	$ 10,191	$ –	$ 10,191
Balance at February 3, 2013	**$ 10,191**	**$ –**	**$ 10,191**
Amortization	**4,738**	**–**	**4,738**
Impairment loss	**125**	**499**	**624**
Disposals	**(7,425)**	**–**	**(7,425)**
Effect in movement in exchange rates	**3**	**–**	**3**
Balance at February 1, 2014	**$ 7,632**	**$ 499**	**$ 8,131**
Net carrying amounts			
At February 2, 2013	$ 18,725	$ 499	$ 19,224
At February 1, 2014	**$ 17,211**	**$ –**	**$ 17,211**

During the year, the Company tested for impairment certain items of intangible assets for which there were indications that their carrying amounts may not be recoverable and recognized an impairment loss of $624 (February 2, 2013 – nil).

The amortization of intangibles has been recorded in selling and distribution expenses for an amount of $4,433 (February 2, 2013 – $3,966) and in administrative expenses for an amount of $929 (February 2, 2013 – $1,114) in the consolidated statements of earnings.

Software includes an amount of $8,892 (February 2, 2013 – $6,638) 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(l). 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 and budget projections for the coming year, assuming a series of cash flows in perpetuity. Projected cash flows were discounted using a pre-tax rate of 12.5% (February 2, 2013 – 9.5%). The discount rate represents a weighted average cost of capital (WACC) for comparable companies operating in similar industries, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of the CGU.

The pre-tax rate used for discounting cash flows was based on a risk-free rate, equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, after-tax cost of debt based on corporate bond yields and the capital structure of the Company.

Based upon the impairment tests as at February 1, 2014 and February 2, 2013, 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 FEBRUARY 1, 2014	FOR THE YEARS ENDED FEBRUARY 2, 2013
Current tax expense		
Current period	**$ 4,708**	$ 11,450
Adjustment in respect of prior years	**1**	(121)
Current tax expense	**$ 4,709**	$ 11,329
Deferred tax expense		
Deferred tax recovery prior to adjustment	**(1,955)**	(2,562)
Changes in tax rates	**(100)**	(345)
Deferred tax recovery	**(2,055)**	(2,907)
Total income tax expense	**$ 2,654**	$ 8,422

INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME

	FEBRUARY 1, 2014			FEBRUARY 2, 2013		
	BEFORE TAX	TAX RECOVERY (EXPENSE)	NET OF TAX	BEFORE TAX	TAX RECOVERY	NET OF TAX
Available-for-sale financial assets	**$ (1,541)**	**$ 203**	**$ (1,338)**	$ (76)	$ 4	$ (72)
Defined benefit plan actuarial gains (losses)	**497**	**(124)**	**373**	(1,029)	293	(736)
	$ (1,044)	**$ 79**	**$ (965)**	$ (1,105)	$ 297	$ (808)

FOR THE YEARS ENDED

RECONCILIATION OF EFFECTIVE TAX RATE

	FEBRUARY 1, 2014		FEBRUARY 2, 2013	
Earnings before income taxes	**$ 13,442**		$ 34,778	
Income tax using the Company's statutory tax rate	**3,631**	**27.01%**	9,331	26.83%
Changes in tax rates	**(100)**	**(0.74%)**	(345)	(0.99%)
Non-deductible expenses and other adjustments	**24**	**0.18%**	591	1.70%
Tax exempt income	**(902)**	**(6.71%)**	(1,034)	(2.97%)
Adjustment in respect of prior years	**1**	**0.00%**	(121)	(0.35%)
	$ 2,654	**19.74%**	$ 8,422	24.22%

FOR THE YEARS ENDED

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
	FEBRUARY 1, 2014	FEBRUARY 2, 2013	FEBRUARY 1, 2014	FEBRUARY 2, 2013	FEBRUARY 1, 2014	FEBRUARY 2, 2013
Property, equipment and intangible assets	**$ 21,253**	$ 19,326	**$ –**	$ –	**$ 21,253**	$ 19,326
Marketable securities	**207**	–	**–**	354	**207**	(354)
Inventories	**–**	–	**1,429**	1,490	**(1,429)**	(1,490)
Trade and other payables	**4,012**	3,636	**–**	–	**4,012**	3,636
Derivative financial asset	**–**	–	**2,311**	–	**(2,311)**	–
Pension liability	**4,845**	4,639	**–**	–	**4,845**	4,639
Tax benefit of losses carried forward	**2,037**	693	**–**	–	**2,037**	693
Other	**–**	33	**36**	39	**(36)**	(6)
	$ 32,354	$ 28,327	**$ 3,776**	$ 1,883	**$ 28,578**	$ 26,444

CHANGES IN DEFERRED TAX BALANCES DURING THE YEAR

	BALANCE JANUARY 28, 2012	RECOGNIZED IN NET EARNINGS	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	BALANCE FEBRUARY 2, 2013	RECOGNIZED IN NET EARNINGS	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	BALANCE FEBRUARY 1, 2014
Property, equipment and intangible assets	$ 17,364	$ 1,962	$ –	$ 19,326	$ 1,927	$ –	**$ 21,253**
Marketable securities	(379)	21	4	(354)	358	203	**207**
Inventories	(1,144)	(346)	–	(1,490)	61	–	**(1,429)**
Trade and other payables	3,461	175	–	3,636	376	–	**4,012**
Derivative financial asset	–	–	–	–	(2,311)	–	**(2,311)**
Pension liability	3,934	412	293	4,639	330	(124)	**4,845**
Tax benefit of losses carried forward	–	693	–	693	1,344	–	**2,037**
Other	4	(10)	–	(6)	(30)	–	**(36)**
	$ 23,240	$ 2,907	$ 297	$ 26,444	$ 2,055	$ 79	**$ 28,578**

12 TRADE AND OTHER PAYABLES

	FEBRUARY 1, 2014	FEBRUARY 2, 2013
Trade payables	**$ 49,593**	$ 41,494
Non-trade payables due to related parties	**55**	74
Other non-trade payables	**10,878**	319
Personnel liabilities	**25,566**	24,443
Payables relating to premises	**15,777**	13,489
Provision for sales returns	**707**	756
	102,576	80,575
Less non-current portion	**11,842**	11,425
	$ 90,734	$ 69,150

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 and other payables beyond the next twelve months.

13 DEFERRED REVENUE

	FEBRUARY 1, 2014	FEBRUARY 2, 2013
Loyalty points and awards granted under loyalty programs	**$ 7,198**	$ 5,473
Unredeemed gift cards	**12,800**	10,824
	$ 19,998	$ 16,297

14 LONG-TERM DEBT

	FEBRUARY 1, 2014	FEBRUARY 2, 2013
Mortgage payable	**$ 7,003**	$ 8,573
Less current portion	**1,672**	1,570
	$ 5,331	$ 7,003

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 $16,354 (February 2, 2013 – $17,330).

As at February 1, 2014, principal repayments on long-term debt are as follows:

Within 1 year	$ 1,672
Within 2 years	1,780
Within 3 years	1,896
Within 4 years	1,655
	$ 7,003

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	PENSION ASSET (LIABILITY)
As at February 1, 2014			
Plan	**$ 18,544**	**$ 18,238**	**$ 306**
SERP	**–**	**18,565**	**(18,565)**
Total	**$ 18,544**	**$ 36,803**	**$ (18,259)**
As at February 2, 2013			
Plan	$ 16,432	$ 17,192	$ (760)
SERP	–	16,799	(16,799)
Total	$ 16,432	$ 33,991	$ (17,559)

	FOR THE YEARS ENDED					
	FEBRUARY 1, 2014			FEBRUARY 2, 2013		
	PLAN	SERP	TOTAL	PLAN	SERP	TOTAL
Movement in the present value of the defined benefit obligation						
Defined benefit obligation, beginning of year	**$ 17,192**	**$ 16,799**	**$ 33,991**	$ 15,318	$ 15,540	$ 30,858
Current service cost	**905**	**103**	**1,008**	812	105	917
Interest cost	**713**	**674**	**1,387**	690	670	1,360
Employee contributions	**146**	**–**	**146**	143	–	143
Actuarial (gain) / loss – experience	**(403)**	**140**	**(263)**	1	(24)	(23)
Actuarial loss – demographic assumptions	**1,299**	**1,376**	**2,675**	–	–	–
Actuarial (gain) / loss – financial assumptions	**(776)**	**(720)**	**(1,496)**	697	636	1,333
Benefits paid	**(838)**	**(130)**	**(968)**	(469)	(128)	(597)
Past service costs	**–**	**323**	**323**	–	–	–
Defined benefit obligation, end of year	**$ 18,238**	**$ 18,565**	**$ 36,803**	$ 17,192	$ 16,799	$ 33,991
Movement in the fair value of plan assets						
Fair value of plan assets, beginning of year	**$ 16,432**	**$ –**	**$ 16,432**	$ 15,727	$ –	$ 15,727
Return on plan assets	**1,413**	**–**	**1,413**	280	–	280
Interest income on plan assets	**658**	**–**	**658**	671	–	671
Employer contributions	**830**	**130**	**960**	175	128	303
Employee contributions	**146**	**–**	**146**	143	–	143
Benefits paid	**(838)**	**(130)**	**(968)**	(469)	(128)	(597)
Plan administration costs	**(97)**	**–**	**(97)**	(95)	–	(95)
Fair value of plan assets, end of year	**$ 18,544**	**$ –**	**$ 18,544**	$ 16,432	$ –	$ 16,432

For the year ended February 1, 2014, the net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants 69% (February 2, 2013 – 71%)
- Retired plan members 24% (February 2, 2013 – 24%)
- Deferred plan participants 7% (February 2, 2013 – 5%)

The defined benefit pension plan assets are held in trust and consisted of the following assets categories:

	FOR THE YEARS ENDED			
	FEBRUARY 1, 2014		FEBRUARY 2, 2013	
Equity securities				
Canadian – pooled funds	**$ 6,174**	**33%**	$ 5,449	33%
Foreign – pooled funds	**5,185**	**28%**	4,654	28%
Total equity securities	**11,359**	**61%**	10,103	61%
Debt securities – fixed income pooled funds	**6,833**	**37%**	5,956	37%
Cash and cash equivalents	**352**	**2%**	373	2%
Total	**$ 18,544**	**100%**	$ 16,432	100%

The Company's pension expense was as follows:

	FOR THE YEARS ENDED					
	FEBRUARY 1, 2014			FEBRUARY 2, 2013		
	PLAN	SERP	TOTAL	PLAN	SERP	TOTAL
Pension costs recognized in net earnings						
Current service cost	**$ 905**	**$ 103**	**$ 1,008**	$ 812	$ 105	$ 917
Net interest cost on net pension liability	**55**	**674**	**729**	19	670	689
Plan administration costs	**97**	**–**	**97**	95	–	95
Past service cost	**–**	**323**	**323**	–	–	–
Pension expense	**$ 1,057**	**$ 1,100**	**$ 2,157**	$ 926	$ 775	$ 1,701

Pension expense is recognized in administrative expenses in the consolidated statements of earnings.

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

	FOR THE YEARS ENDED					
	FEBRUARY 1, 2014			FEBRUARY 2, 2013		
	PLAN	SERP	TOTAL	PLAN	SERP	TOTAL
Cumulative loss in retained earnings at the beginning of the year	**$ 2,729**	**$ 3,355**	**$ 6,084**	$ 2,312	$ 2,743	$ 5,055
(Gain) loss recognized during the year	**(1,293)**	**796**	**(497)**	417	612	1,029
Cumulative loss in retained earnings at the end of the year	**$ 1,436**	**$ 4,151**	**$ 5,587**	$ 2,729	$ 3,355	$ 6,084
(Gain) loss recognized during the year net of tax			**$ (373)**			$ 736

ACTUARIAL ASSUMPTIONS

Principal actuarial assumptions used were as follows:

	FOR THE YEARS ENDED	
	FEBRUARY 1, 2014	FEBRUARY 2, 2013
Accrued benefit obligation:		
Discount rate	**4.30%**	4.00%
Salary increase	**5.00%**	5.00%
Mortality	**CPM-RPP 2014 Public (projected generationally using Scale A1-2014)**	1994 Uninsured Pensioner Mortality Table (projected generationally using Scale AA)
Employee benefit expense:		
Discount rate	**4.00%**	4.30%
Salary increase	**5.00%**	5.00%

SENSITIVITY OF KEY ACTUARIAL ASSUMPTIONS

The following table outlines the key assumptions for the year ended February 1, 2014 and the sensitivity of a 1% change in each of these assumptions on the defined benefit plan obligations and the net defined benefit plan costs.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	FEBRUARY 1, 2014		
	PLAN	SERP	TOTAL
(Decrease) increase in defined benefit obligation			
Discount rate			
Impact of increase in discount rate of 1%	**$ (2,354)**	**$ (2,209)**	**$ (4,563)**
Impact of decrease in discount rate of 1%	**$ 2,703**	**$ 2,508**	**$ 5,211**
Lifetime expectancy			
Impact of increase of 1 year in expected lifetime of plan members	**$ 502**	**$ 470**	**$ 972**

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 an adverse effect on the funded status of the retirement benefit plans and on the Company's results of operations.

The Company expects $700 in employer contributions to be paid to the Plan and $131 to the SERP in the year ended January 31, 2015.

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, 2012 and the next required valuation will be as of December 31, 2013.

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			
	FEBRUARY 1, 2014		FEBRUARY 2, 2013	
	NUMBER OF SHARES (IN 000'S)	CARRYING AMOUNT	NUMBER OF SHARES (IN 000'S)	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	**51,146**	**38,745**	52,146	39,408
Shares purchased under issuer bid	**–**	**–**	(1,000)	(663)
Balance at end of the year	**51,146**	**38,745**	51,146	38,745
Total share capital	**64,586**	**$ 39,227**	64,586	$ 39,227

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 February 1, 2014, there were no Class A non-voting shares issued as a result of the exercise of vested options arising from the Company's share option program (February 2, 2013 – nil).

PURCHASE OF SHARES FOR CANCELLATION

For the year ended February 1, 2014, the Company did not purchase any shares under a normal course issuer bid approved in November 2012. For the year ended February 2, 2013, the Company purchased, under the prior year's normal course issuer bid, 1,000,000 Class A non-voting shares having a carrying value of $663 for a total cash consideration of $12,615. The excess of the purchase price over the carrying value of the shares in the amount of $11,952 was charged to retained earnings.

In December 2013, 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 4,000,000 Class A non-voting shares of the Company, representing 10% of the public float of the issued and outstanding Class A non-voting shares as at December 10, 2013. The bid commenced on December 18, 2013 and may continue to December 17, 2014. No Class A non-voting shares were purchased under this new program.

ACCUMULATED OTHER COMPREHENSIVE INCOME ("AOCI")

AOCI is comprised of the following:

	FEBRUARY 1, 2014	FEBRUARY 2, 2013
Net change in fair value of available-for-sale financial assets, net of taxes	**$ 7,356**	$ 8,665

DIVIDENDS

The following dividends were declared and paid by the Company:

	FOR THE YEARS ENDED	
	FEBRUARY 1, 2014	FEBRUARY 2, 2013
Common shares and Class A non-voting shares	**$ 41,981**	$ 52,068
Dividends per share	**$ 0.65**	$ 0.80

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) MEASUREMENT OF THE SHARE-BASED PAYMENT ARRANGEMENTS

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).

C) DISCLOSURE OF EQUITY-SETTLED SHARE OPTION PLAN

Changes in outstanding share options were as follows:

	FOR THE YEARS ENDED FEBRUARY 1, 2014		FOR THE YEARS ENDED FEBRUARY 2, 2013	
	OPTIONS (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, at beginning of year	**2,420**	**$ 14.53**	1,945	$ 15.07
Granted	**–**	**–**	790	14.28
Exercised	**–**	**–**	–	–
Forfeited	**(240)**	**14.69**	(160)	14.50
Expired	**(90)**	**16.59**	(155)	20.00
Outstanding, at end of year	**2,090**	**$ 14.43**	2,420	$ 14.53
Options exercisable, at end of year	**1,255**	**$ 14.53**	964	$ 14.78

For the year ended February 1, 2014 and February 2, 2013, no share options were exercised.

There were no share option awards granted during the year ended February 1, 2014. Compensation cost related to share option awards granted during the year ended February 2, 2013 under the fair value based approach was calculated using the following assumptions:

	FOR THE YEAR ENDED FEBRUARY 2, 2013		
	590 OPTIONS GRANTED MAY 30, 2012	100 OPTIONS GRANTED AUGUST 29, 2012	100 OPTIONS GRANTED DECEMBER 11, 2012
Expected option life	6.4 years	6.1 years	5.8 years
Weighted average risk-free interest rate	1.91%	1.40%	1.47%
Expected stock price volatility	32.70%	32.80%	32.70%
Average dividend yield	5.33%	6.34%	6.85%
Weighted average fair value of options granted	$ 2.70	$ 1.86	$ 1.66
Share price at grant date	$ 15.00	$ 12.62	$ 11.68

The following table summarizes information about share options outstanding at February 1, 2014:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
Range of Exercise Prices	NUMBER OUTSTANDING (IN 000'S)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE
$11.68 – $12.62	200	8.00 years	$ 12.15	40	$ 12.15
$14.50 – $15.00	1,875	4.41	14.64	1,206	14.58
$18.26	15	3.00	18.26	9	18.26
	2,090	**4.75 years**	**$ 14.43**	**1,255**	**$ 14.53**

D) EMPLOYEE EXPENSE

For the year ended February 1, 2014, the Company recognized compensation costs of $667 relating to share-based payment arrangements ($1,363 for the year ended February 2, 2013), with a corresponding credit to contributed surplus.

18 COMMITMENTS

As at February 1, 2014, 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	PURCHASE OBLIGATIONS	OTHER OPERATING LEASES	TOTAL
Within 1 year	$ 99,418	$ 118,949	$ 3,961	$ 222,328
Within 2 years	89,461	178	3,824	93,463
Within 3 years	73,007	178	2,869	76,054
Within 4 years	56,678	178	2,819	59,675
Within 5 years	42,443	178	2,348	44,969
Subsequent years	72,761	–	1,560	74,321
Total	**$ 433,768**	**$ 119,661**	**$ 17,381**	**$ 570,810**

The Company leases retail stores and offices under operating leases. 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 February 1, 2014, $177,904 was recognized as an expense in net earnings with respect to operating leases ($179,423 for the year ended February 2, 2013), of which $175,542 ($176,948 for the year ended February 2, 2013) represents minimum lease payments and additional rent charges and $2,362 ($2,475 for the year ended February 2, 2013) represents contingent rents.

19 OTHER INCOME, FINANCE INCOME AND FINANCE COSTS

RECOGNIZED IN NET EARNINGS

	FOR THE YEARS ENDED FEBRUARY 1, 2014	FEBRUARY 2, 2013
Dividend income from available-for-sale financial assets	**$ 3,481**	$ 3,526
Interest income from loans and receivables	**621**	1,062
Net change in fair value of derivatives (note 6)	**8,428**	1,036
Foreign exchange gain	**7,650**	–
Finance income	**20,180**	5,624
Interest expense – mortgage	**496**	592
Impairment loss on available-for-sale financial assets	**2,699**	156
Foreign exchange loss	**–**	582
Realized loss on disposal of available-for-sale financial assets	**248**	–
Finance costs	**3,443**	1,330
Net finance income recognized in net earnings	**$ 16,737**	$ 4,294

Other income comprises a gain on sale of intellectual property rights of $5,745 and $309 of proceeds from the settlement of a trademark dispute.

RECOGNIZED IN OTHER COMPREHENSIVE INCOME

	FOR THE YEARS ENDED FEBRUARY 1, 2014	FOR THE YEARS ENDED FEBRUARY 2, 2013
Net change in fair value of available-for-sale financial assets arising during the year (net of tax of $561; 2013 – $25)	**$ (3,679)**	$ (207)
Finance cost recognized in other comprehensive income (net of tax)	**$ (3,679)**	$ (207)

20 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on net earnings for the year ended February 1, 2014 of $10,788 ($26,356 for the year ended February 2, 2013).

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

	FOR THE YEARS ENDED FEBRUARY 1, 2014	FOR THE YEARS ENDED FEBRUARY 2, 2013
Weighted average number of shares per basic earnings per share calculations	**64,586**	65,188
Weighted average number of shares per diluted earnings per share calculations	**64,586**	65,188

As at February 1, 2014, a total of 2,090,000 (February 2, 2013 – 2,420,000) 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 year.

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

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the entity – directly or indirectly. The definition of key management personnel includes directors (both executive and non-executive). The Chief Executive Officer and Chief Operating Officer are considered 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 FEBRUARY 1, 2014	FOR THE YEARS ENDED FEBRUARY 2, 2013
Salaries, Directors' fees and short-term benefits	**$ 1,993**	$ 1,944
Post-employment benefits	**–**	(5)
Share-based compensation costs	**338**	595
	$ 2,331	$ 2,534

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 February 1, 2014, the rent expense under these leases was, in the aggregate, approximately $204 (February 2, 2013 – $195).

The Company incurred $560 in the year ended February 1, 2014 (February 2, 2013 – $670) 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	
	FEBRUARY 1, 2014	FEBRUARY 2, 2013
Wages, salaries and employee benefits	**$ 248,952**	$ 255,387
Expenses related to defined benefit plans	**2,157**	1,701
Share-based compensation costs	**667**	1,363
	$ 251,776	$ 258,451

23 CREDIT FACILITY

At February 1, 2014, the Company had unsecured operating lines of credit available with Canadian chartered banks to a maximum of $125,000 or its U.S. dollar equivalent. As at February 1, 2014, $30,270 (February 2, 2013 – $46,792) 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 February 1, 2014, the maximum potential liability under these guarantees was $5,019 (February 2, 2013 – $5,014). The standby letters of credit mature at various dates during year ending January 31, 2015. 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.

25 OPERATING SEGMENTS

In order to identify the Company's reportable segments, the Company uses the process outlined in IFRS 8, which includes the identification of the Chief Operating Decision Maker ("CODM"), the identification of operating segments and the aggregation of operating segments. The Company's operating segments, before aggregation, have been identified as the Company's six banners: Reitmans, Smart Set, RW&CO., Thyme Maternity, Penningtons and Addition Elle. Each operating segment is reviewed by the CODM in reviewing their profitability so that the information can be used to ensure adequate resources are allocated to that part of the Company's operations. The Company has aggregated its operating segments into one reportable segment, because the operating segments have similar economic characteristics and derive revenue mainly from the sale of ladies' specialty apparel to customers.

26 SUPPLEMENTARY CASH FLOW INFORMATION

	FEBRUARY 1, 2014	FEBRUARY 2, 2013
Non-cash transactions:		
Additions to property and equipment and intangible assets included in trade and other payables	**$ 1,592**	$ 1,327

27 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 and foreign currency option contracts by dealing with Canadian financial institutions. 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 February 1, 2014, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	$ 122,355
Marketable securities	55,062
Trade and other receivables	6,422
Derivative financial asset	11,775
	$ 195,614

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 twelve months. As at February 1, 2014, the Company had a high degree of liquidity with $177,417 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 U.S. 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 U.S. dollars and as such significant volatility in the U.S. 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 twelve 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 February 1, 2014, the Company satisfied its U.S. dollar requirements primarily through spot rate purchases and foreign exchange option contracts.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash and cash equivalents of $17,096 and trade payables of $28,070 to determine how a change in the U.S. dollar exchange rate would impact net earnings. On February 1, 2014, a 1% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a $98 decrease or increase, respectively, in the Company's net earnings for the year ended February 1, 2014.

The Company has performed a sensitivity analysis on its derivative financial instruments, a series of call and put options on U.S. dollars, to determine how a change in the U.S. dollar exchange rate would impact net earnings. On February 1, 2014, a 1% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in a $2,542 decrease or a $1,133 increase, respectively, in the Company's net earnings for the year ended February 1, 2014.

INTEREST RATE RISK

Interest rate risk exists in relation to the Company's cash and cash equivalents. Market fluctuations in interest rates impacts the Company's earnings with respect to interest earned on cash and cash equivalents that are invested mainly in short term deposits with major Canadian financial institutions. The Company has unsecured borrowing and working capital credit facilities available up to an amount of $125,000 or its U.S. 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 February 1, 2014 to determine how a change in interest rates would impact net earnings. For the year ended February 1, 2014, the Company earned interest income of $621 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 net earnings by $148 or decreased net earnings by $118, respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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 February 1, 2014, to determine how a change in the market price of the Company's marketable securities would impact 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 February 1, 2014, would result in a $2,481 increase or decrease, respectively, in other comprehensive income for the year ended February 1, 2014. The Company's equity securities are subject to market risk and, as a result, the impact on other comprehensive income may ultimately be greater than that indicated above.

28 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; and
- 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 U.S. 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.

DIRECTORS AND OFFICERS

DIRECTORS

David J. Kassie
Stephen J. Kauser
Samuel Minzberg
Daniel Rabinowicz
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

Brian Lindy, CPA, CA
Executive Vice-President

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

Henry Fiederer
Senior Vice-President

Walter Lamothe
Group President

Diane Archibald
Vice-President – Store Design and Development

Nathalie Bélanger
Vice-President – eCommerce

Leta Bridgeman
Vice-President – Global Sourcing

Domenic Carbone
Vice-President – Distribution and Logistics

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

Danielle Vallières
Vice-President – Global Sourcing

Richard Wait, CPA, CGA
Vice-President – Comptroller

BANNERS

Nadia Cerantola
President – Reitmans

Bruce MacKeracher
Vice-President – Reitmans

Stefanie Ravenda
Vice-President – Reitmans

Jacqueline Tardif
Vice-President – Reitmans

Henry Fiederer
President – Smart Set

Cathy Cockerton
Vice-President – Smart Set

Sylvain Forest
Vice-President – Smart Set

Valérie Vedrines
Vice-President – Smart Set

Jonathan Plens
President – Thyme Maternity

Sophie Gagnon
Vice-President – Thyme Maternity

Roxane Liboiron
Vice-President – Thyme Maternity

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Jean-François Fortin
Vice-President – RW & CO.

Alain Lessard
Vice-President – RW & CO.

Rita McAdam
Vice-President – RW & CO.

Jeff Ronald
Vice-President – RW & CO.

Walter Lamothe
President – Penningtons / Addition Elle

Maria Bligouras
Vice-President – Penningtons

Ginette Harnois
Vice-President – Penningtons

Rhonda Sandler
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Richard Dumont
Vice-President – Addition Elle

Roslyn Griner
Vice-President – Addition Elle

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TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.
Montreal, Toronto, Calgary, Vancouver

STOCK SYMBOLS

THE TORONTO STOCK EXCHANGE

Common	RET
Class A non-voting	RET.A

Une version française de ce rapport peut être obtenue en écrivant au secrétaire de Reitmans (Canada) Limitée, 250, rue Sauvé ouest, Montréal, Québec H3L 1Z2

REITMANS SMART SET RW & CO. THYME PENNINGTONS ADDITION ELLE

DESIGN AND PRODUCTION:
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