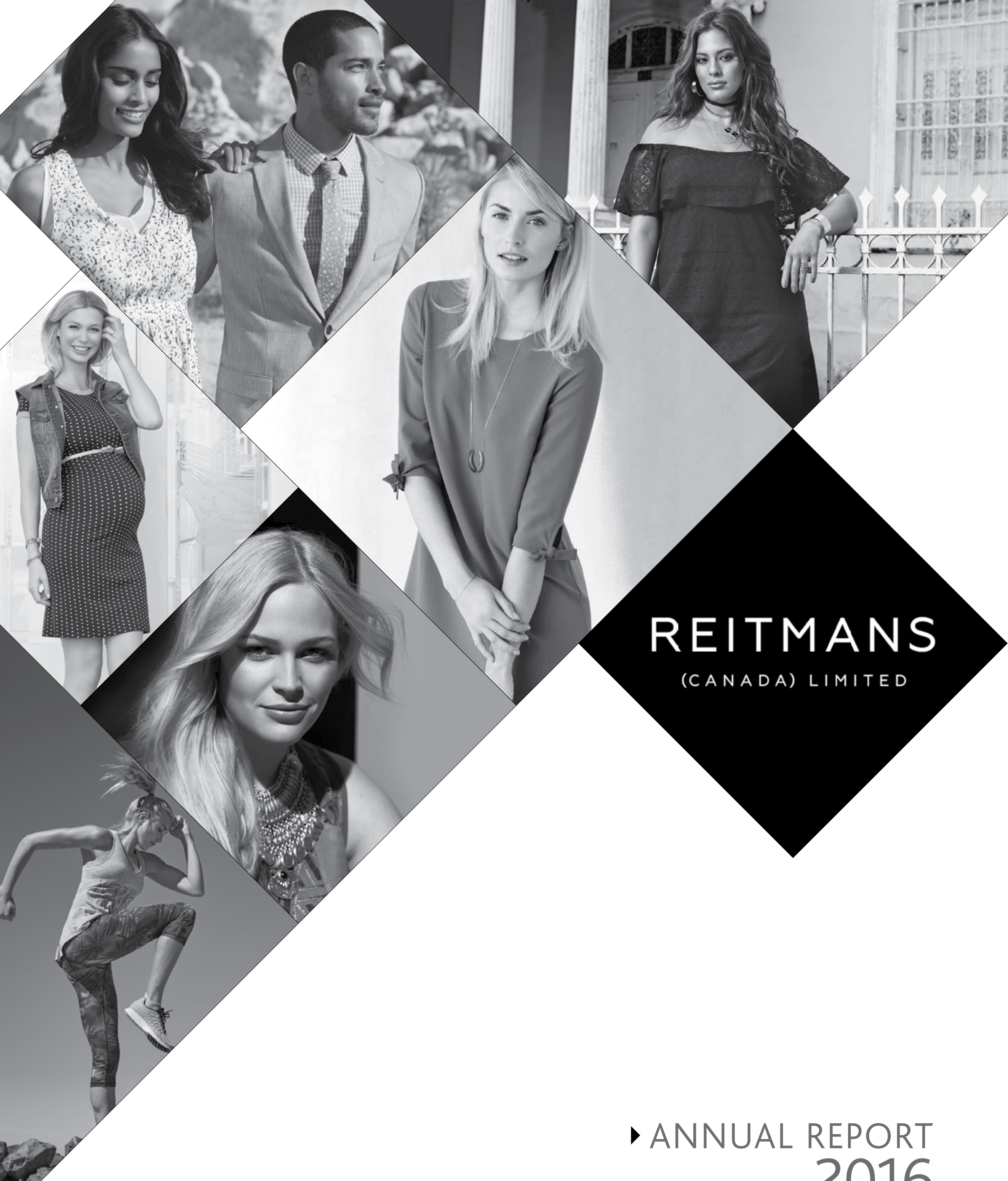


REITMANS
(CANADA) LIMITED

ANNUAL REPORT 2016

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 2016 was a most challenging year.

Sales for the year ended January 30, 2016 were $937.2 million as compared with $939.4 million for the year ended January 31, 2015, a decrease of 0.2%, despite a net reduction of 56 stores primarily attributable to the closure of Smart Set stores. Same store sales increased 5.1% with stores increasing 2.5% and e-commerce increasing 69.1%.

The Company's gross margin for the year ended January 30, 2016 decreased to 56.2% compared with 60.4% for the year ended January 31, 2015. Gross profit for the year ended January 30, 2016 decreased $40.2 million or 7.1% to $527.1 million as compared with $567.3 million for the year ended January 31, 2015, with the weakness of the Canadian dollar vis-à-vis the U.S. dollar negatively impacting gross profit by approximately $36.4 million.

Net loss for the year ended January 30, 2016 was $24.7 million ($0.39 basic and diluted loss per share) as compared with net earnings of $13.4 million ($0.21 basic and diluted earnings per share) for the year ended January 31, 2015. The Company's net loss was attributable principally to the weakness of the Canadian dollar impacting gross profit by approximately $36.4 million, goodwill impairment expense of $4.2 million and a $16.1 million loss due to a net change in fair value of marketable securities.

A focused and disciplined approach to evaluating store performance has seen a reduction in the number of stores, including the winding down of the Smart Set banner, while increasing profitability in remaining locations. The Company's repositioning includes the launch of a new activewear banner, Hyba.

During the year, the Company opened 40 new stores and closed 96. Accordingly, at January 30, 2016, there were 767 stores in operation, consisting of 329 Reitmans, 134 Penningtons, 107 Addition Elle, 83 RW & CO., 68 Thyme Maternity, 17 Hyba and 29 Smart Set, as compared with a total of 823 stores as at January 31, 2015.

We plan to open 12 new stores, close 50 stores (including 23 Smart Set), remodel 64 stores and convert 6 remaining Smart Set stores at a capital cost of approximately $18 million.

Successful collaborations, featuring Meghan Markle for Reitmans, P.K. Subban for RW & CO., Ashley Graham for Addition Elle and Tess Holliday for Penningtons are an integral part of the Company's branding, improved product offerings and innovative designs.

In fiscal 2017, we will complete a multi-year supply chain optimization and retail enterprise initiative and will complete the redesign of our distribution centre facility to accommodate the significant e-commerce growth experienced which will satisfy the changing store and online demands.

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 90 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 growth of the Company.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman
Chairman and Chief Executive Officer

Montreal, March 30, 2016

5-YEAR HIGHLIGHTS

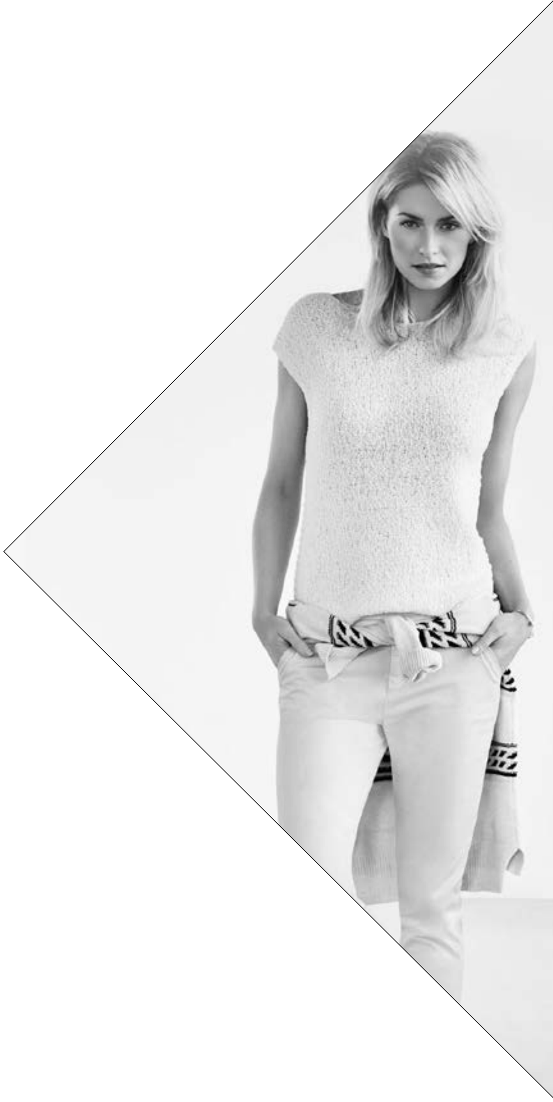
FOR THE YEARS ENDED:
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	2016	2015	2014	2013 [1]	2012
SALES					
1st Quarter	**$ 201,731**	$ 206,478	$ 216,861	$ 217,094	$ 219,296
2nd Quarter	**252,998**	258,326	253,445	279,513	286,075
3rd Quarter	**240,270**	238,295	249,414	236,247	254,072
4th Quarter	**242,156**	236,277	240,677	267,659	259,954
TOTAL	**$ 937,155**	$ 939,376	$ 960,397	$ 1,000,513	$ 1,019,397
RESULTS FROM OPERATING ACTIVITIES [2]					
1st Quarter	**$ (10,164)**	$ (16,629)	$ (5,117)	$ (736)	$ 5,018
2nd Quarter	**2,683**	10,904	13,463	35,211	40,968
3rd Quarter	**2,997**	14,078	6,133	(1,135)	10,609
4th Quarter	**(13,200)**	4,143	(11,373)	(2,538)	4,493
TOTAL	**$ (17,684)**	$ 12,496	$ 3,106	$ 30,802	$ 61,088
NET EARNINGS (LOSS)					
1st Quarter	**$ (7,671)**	$ (13,415)	$ (2,586)	$ (119)	$ 624
2nd Quarter	**(222)**	9,557	10,182	27,649	31,680
3rd Quarter	**(269)**	12,866	5,763	(29)	10,561
4th Quarter	**(16,541)**	4,407	(2,571)	(1,145)	4,674
TOTAL	**$ (24,703)**	$ 13,415	$ 10,788	$ 26,356	$ 47,539
BASIC EARNINGS (LOSS) PER SHARE					
1st Quarter	**$ (0.12)**	$ (0.21)	$ (0.04)	$ 0.00	$ 0.01
2nd Quarter	**0.00**	0.15	0.16	0.42	0.48
3rd Quarter	**0.00**	0.20	0.09	0.00	0.16
4th Quarter	**(0.27)**	0.07	(0.04)	(0.02)	0.07
TOTAL	**$ (0.39)**	$ 0.21	$ 0.17	$ 0.40	$ 0.72
NET EARNINGS (LOSS)	**$ (24,703)**	$ 13,415	$ 10,788	$ 26,356	$ 47,539
BASIC EARNINGS (LOSS) PER SHARE	**$ (0.39)**	$ 0.21	$ 0.17	$ 0.40	$ 0.72
SHAREHOLDERS' EQUITY	**$ 381,168**	$ 421,123	$ 423,431	$ 454,893	$ 492,852
PER SHARE	**$ 6.02**	$ 6.52	$ 6.56	$ 7.04	$ 7.51
NUMBER OF STORES	**767**	823	878	911	942
DIVIDENDS PAID	**$ 12,782**	$ 12,917	$ 41,981	$ 52,068	$ 52,654
SHARE PRICE AT YEAR-END					
CLASS A NON-VOTING	**$ 4.00**	$ 8.10	$ 5.56	$ 12.39	$ 14.64
COMMON	**$ 4.05**	$ 7.11	$ 5.61	$ 11.85	$ 14.98

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

[2] Adjusted to reflect the reclassification of realized and unrealized gains and losses on foreign exchange contracts not eligible for hedge accounting to conform with presentation in the current year. Gains and losses on these foreign exchange contracts were previously reported in finance income and finance costs as described in the present MD&A.

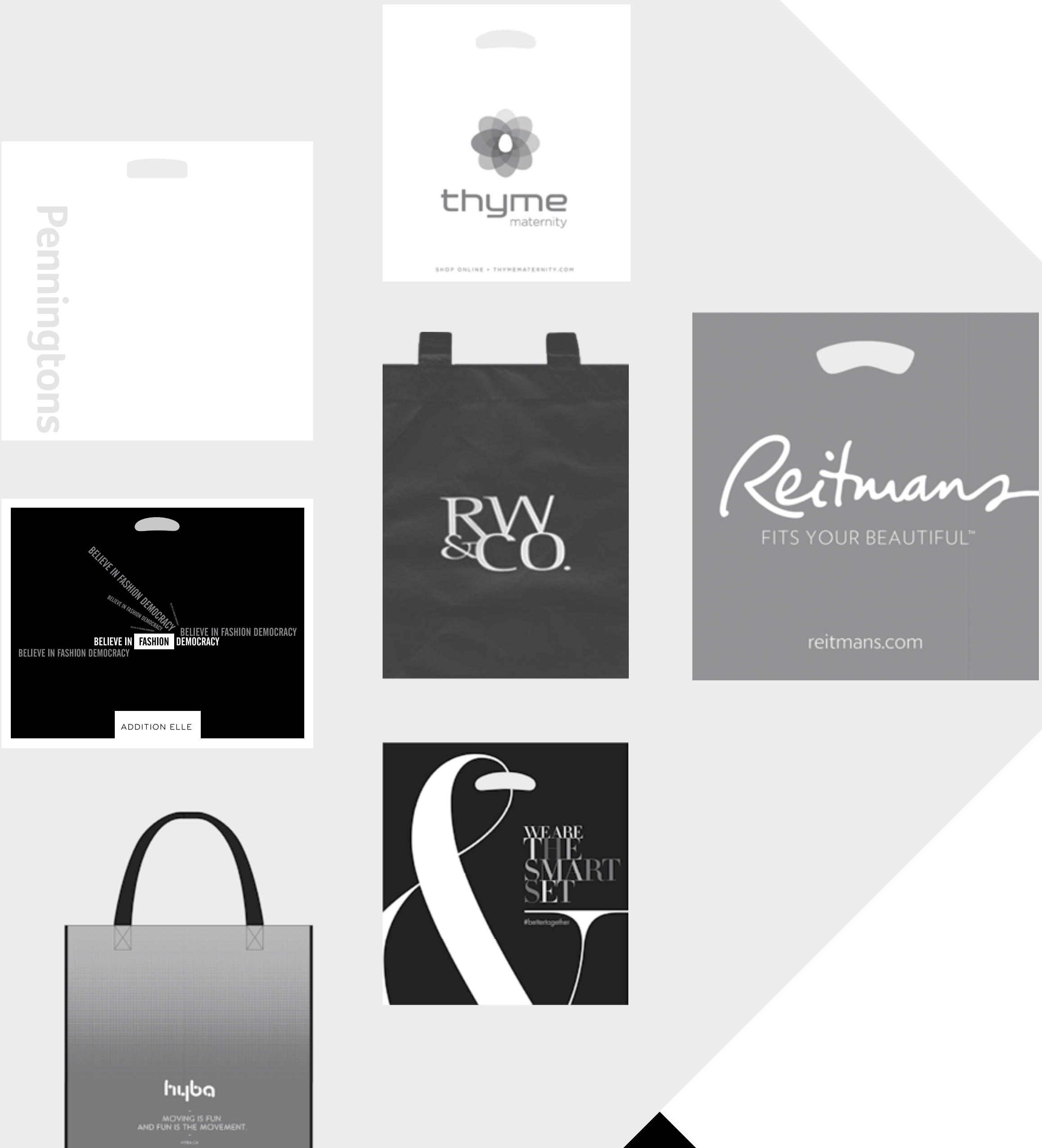
STORES ACROSS CANADA



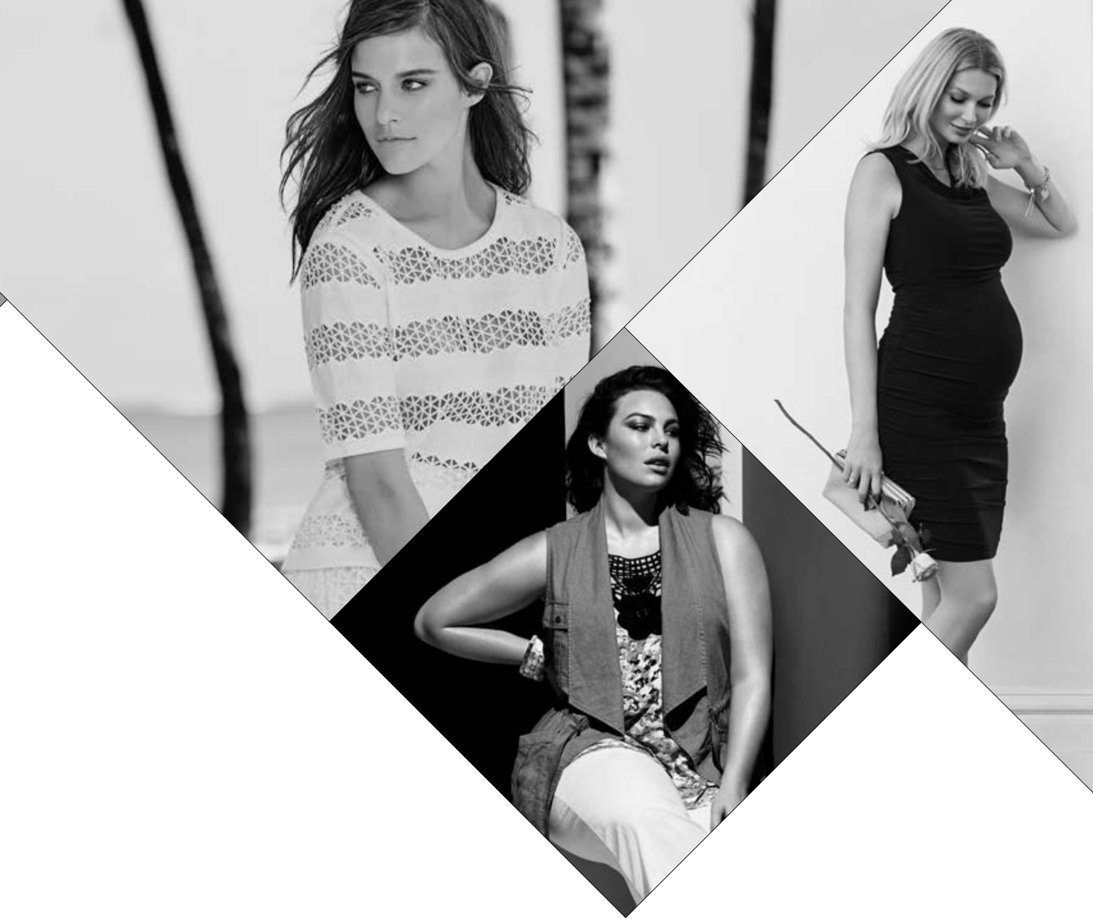
REITMANS	PENNINGTONS	ADDITION ELLE	RW & CO.	THYME	HYBA	SMART SET	**TOTAL STORES**	
14	3	2	1	–	–	–	**20**	NEWFOUNDLAND
3	1	–	–	–	–	1	**5**	PRINCE EDWARD ISLAND
18	6	2	1	1	1	–	**29**	NOVA SCOTIA
13	5	3	3	1	1	–	**26**	NEW BRUNSWICK
83	24	31	22	22	4	13	**199**	QUÉBEC
100	51	40	29	26	6	12	**264**	ONTARIO
12	5	3	3	2	–	1	**26**	MANITOBA
11	6	3	2	2	–	–	**24**	SASKATCHEWAN
38	18	17	11	10	2	1	**97**	ALBERTA
35	15	6	11	4	3	1	**75**	BRITISH COLUMBIA
1	–	–	–	–	–	–	**1**	NORTHWEST TERRITORIES
1	–	–	–	–	–	–	**1**	YUKON
329	**134**	**107**	**83**	**68**	**17**	**29**		

767
STORES

OUR RETAIL BANNERS



REITMANS
(CANADA) LIMITED



- REITMANS offers a unique combination of superior fit, fashion, quality and value. With 329 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, it 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**.

- Canadian leader of plus-size apparel, PENNINGTONS 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 134 STORES across Canada averaging 6,000 sq. ft. and is available online at **penningtons.com**.

- ADDITION ELLE is Canada's leading fashion destination for plus-size women. Addition Elle's vision of "Fashion Democracy" delivers the latest trends in updated fashion essentials in an inspiring shopping environment, offering casual daywear, dresses, contemporary career, sexy intimates, accessories, footwear, high performance activewear and a large assortment of premium denim labels. Addition Elle operates 107 STORES averaging 6,000 sq. ft. in major malls and power centres nationwide and an e-commerce site at **additionelle.com**.

- 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 83 STORES averaging 4,500 sq. ft. in premium locations in major malls and power centres across Canada, as well as an e-commerce site at **rw-co.com**.

- 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 68 STORES averaging 2,300 sq. ft. in major malls and power centres nationwide. Thyme Maternity fashions can also be purchased online at **thymematernity.com**.

- HYBA launched its store locations in October 2015 offering affordable, on-trend activewear and yoga clothes for exercising or sports in sizes XS to 2X. Hyba operates 17 STORES averaging 3,000 sq. ft. in major malls across Canada, as well as an e-commerce site at **hyba.ca**.

- On November 25, 2014, the Company announced its plan to close all SMART SET stores. Management determined that its optimum strategy to improve operating results was to refocus its sales and merchandising efforts either through conversion of Smart Set stores to other Company banners or through store closures. The remaining 29 STORES are anticipated to close by the year ending January 28, 2017.

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

FOR THE FISCAL YEAR ENDED JANUARY 30, 2016

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 January 30, 2016 ("fiscal 2016") and January 31, 2015 ("fiscal 2015") and the notes thereto which are available on the SEDAR website at www.sedar.com. This MD&A is dated March 30, 2016.

All financial information contained in this MD&A and Reitmans' audited consolidated financial statements has 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 MD&A are in millions of Canadian dollars, except per share and strike price 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 March 30, 2016.

Additional information about Reitmans is available on the Company's website at www.reitmanscanadalimited.com 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. 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. This MD&A, for the Company contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. 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. These specific forward-looking statements are contained throughout this MD&A including those listed in the "Operating Risk Management" and "Financial Risk Management" sections of this MD&A. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "should" and similar expressions, as they relate to the Company and its management.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including:

- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates, interest rates, currency exchange rates or derivative prices;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- the changing consumer preferences toward e-commerce, online retailing and the introduction of new technologies;
- seasonality and weather;
- the inability of the Company's information technology ("IT") infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cyber security or data breaches;
- failure to realize benefits from investments in the Company's new IT systems;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies associated with the Company's major initiatives, including those from restructuring;
- changes in the Company's income, capital, property and other tax and regulatory liabilities, including changes in tax laws, regulations or future assessments.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time. 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

The Company has identified several key operating performance measures and non-GAAP financial measures which management believes are useful in assessing the performance of the Company; however, readers are cautioned that some of these measures may not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies.

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 net earnings before income tax expense, other income, dividend income, interest income, net change in fair value of marketable securities, realized gains or losses on disposal of marketable securities, interest expense, impairment of goodwill, depreciation, amortization and net impairment losses. The following table reconciles the most comparable GAAP measure, net earnings or 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 working capital needs and fund capital expenditures and uses the metric for this purpose. The exclusion of dividend, interest income, net change in fair value of marketable securities and realized gains or losses on disposal of marketable securities eliminates the impact on earnings 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 are defined as sales generated by stores that have been continuously open during both of the periods being compared and include 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 following table reconciles net (loss) earnings to adjusted EBITDA for the three months and fiscal year ended January 30, 2016 and January 31, 2015:

(in millions of Canadian dollars)	FOR THE THREE MONTHS ENDED		FOR THE FISCAL YEAR ENDED	
	JANUARY 30, 2016	JANUARY 31, 2015	JANUARY 30, 2016	JANUARY 31, 2015
Net (loss) earnings	**$ (16.5)**	$ 4.4	**$ (24.7)**	$ 13.4
Depreciation, amortization and net impairment losses	**9.8**	12.3	**45.5**	54.0
Dividend income	**(0.6)**	(0.4)	**(2.6)**	(2.3)
Interest income	**(0.2)**	(0.4)	**(0.6)**	(1.0)
Realized gains on disposal of available-for-sale financial assets	**–**	(4.0)	**–**	(4.8)
Impairment of goodwill	**4.2**	–	**4.2**	–
Net change in fair value of marketable securities	**5.4**	–	**16.1**	–
Impairment losses on available-for-sale financial assets	**–**	0.4	**–**	1.0
Interest expense	**0.1**	0.1	**0.3**	0.4
Income tax (recovery) expense	**(0.2)**	1.8	**(1.4)**	4.1
Adjusted EBITDA	**$ 2.0**	$ 14.2	**$ 36.8**	$ 64.8
Adjusted EBITDA as % of sales	**0.83%**	5.99%	**3.93%**	6.90%

CORPORATE OVERVIEW

The Company has a single reportable segment which derives its revenue from the sale of ladies' specialty apparel to consumers through its seven retail banners. The Company's stores are primarily located in malls and retail power centres across Canada. The Company currently operates under the following banners:

The Reitmans banner, operating 329 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.

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 134 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 107 stores averaging 6,000 sq. ft. in major malls and power centres nationwide.

RW & CO. operates 83 stores averaging 4,500 sq. ft. in premium locations in major shopping malls, catering to a customer with an urban mindset by offering fashions for men and women.

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 68 stores averaging 2,300 sq. ft. in major malls and power centres across Canada. In addition, the Company operates 21 Thyme Maternity shop-in-shop boutiques in select Babies"R"Us locations in Canada. The Company has terminated its agreement with Toys"R"Us and will no longer operate Babies"R"Us shop-in-shop locations as of August 31, 2016.

Hyba launched its store locations in October 2015 and operates 17 stores averaging 3,000 sq. ft. offering affordable, on-trend activewear and yoga clothes for exercising or sports in sizes XS to 2X.

On November 25, 2014 the Company announced its plan to close all Smart Set stores. Management determined that its optimum strategy to improve operating results was to refocus its sales and merchandising efforts either through conversion of Smart Set stores to other Company banners or through store closures. The remaining 29 stores are anticipated to close by the year ending January 28, 2017.

E-COMMERCE

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

RETAIL BANNERS

	NUMBER OF STORES AT JANUARY 31, 2015	Q1 OPENINGS	Q1 CLOSINGS	Q2 OPENINGS	Q2 CLOSINGS	Q3 OPENINGS	Q3 CLOSINGS	Q4 OPENINGS	Q4 CLOSINGS	NUMBER OF STORES AT JANUARY 30, 2016
Reitmans	341	–	(4)	–	(4)	2	(3)	–	(3)	329
Penningtons	139	1	(2)	1	(4)	3	(2)	–	(2)	134
Addition Elle	105	2	–	1	(1)	1	(1)	–	–	107
RW & CO.	76	3	(1)	3	(1)	4	(1)	–	–	83
Thyme Maternity	68	1	(1)	1	–	–	(1)	–	–	68
Hyba	–	–	–	–	–	17	–	–	–	17
Smart Set	94	–	(12)	–	(12)	–	(38)	–	(3)	29
Total	**823**	**7**	**(20)**	**6**	**(22)**	**27**	**(46)**	**–**	**(8)**	**767**
Thyme Maternity Babies"R"Us shop-in-shop [1]	21	–	–	–	–	–	–	–	–	21

[1] Effective August 31, 2016 the Company will no longer operate Babies"R"Us shop-in-shop locations.

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

THREE-YEAR REVIEW OF SELECTED FINANCIAL INFORMATION

	FOR THE FISCAL YEARS ENDED		
	JANUARY 30, 2016 (52 WEEKS)	JANUARY 31, 2015 (52 WEEKS)	FEBRUARY 1, 2014 (52 WEEKS)
Total of stores at end of fiscal year [1]	**767**	823	878
Sales	**$ 937.2**	$ 939.4	$ 960.4
(Loss) earnings before income taxes	**(26.1)**	17.5	13.4
Net (loss) earnings	**(24.7)**	13.4	10.8
(Loss) earnings per share ("EPS")			
Basic	**(0.39)**	0.21	0.17
Diluted	**(0.39)**	0.21	0.17
Total assets	**542.1**	584.4	589.9
Total non-current liabilities	**39.7**	48.6	51.0
Dividends per share	**$ 0.20**	$ 0.20	$ 0.65

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

Canadian retailers continue to face challenges including the influx of foreign entrants, increased e-commerce competition and, more recently, the weakening of the Canadian dollar vis-à-vis the U.S. dollar. The Company has been undergoing a transformation including repositioning of certain banners, significantly investing in new technologies and closely evaluating store profitability. Underperforming stores have been closed and store count decreased, with a net reduction of 111 stores over two years.

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.

In fiscal 2015 the net reduction of stores contributed to lower sales in a highly competitive environment and greater e-commerce alternatives. The Smart Set banner continued to perform poorly in fiscal 2015 in a highly competitive niche and was impacted by significant discounting as it competed with many retailers targeting the same customer demographics. In fiscal 2015 the Company announced its plan to close all Smart Set stores.

In fiscal 2016 the net reduction of stores, including the planned reduction of Smart Set stores, contributed to lower sales while e-commerce sales continued to grow at a fast pace.

The Company's gross profit, and ultimately net earnings, have been significantly impacted by weakness in the Canadian dollar in relation to the U.S. dollar. In the last three years, this weakening of the Canadian dollar has resulted in increased merchandise costs as virtually all merchandise payments are settled in U.S. dollars.

In fiscal 2014 the Canadian dollar began to depreciate significantly vis-à-vis the U.S. dollar, impacting the Company's gross margin, while sales continued to be under pressure due to the competitive landscape. In fiscal 2014 gross profit was further impacted by substantial discounting in the Smart Set banner. Additionally, in deciding to exit the U.S. marketplace for Thyme Maternity shop-in-shop boutiques, gross profit was also impacted by significant discounting in its U.S. operations.

In fiscal 2015, as the Canadian dollar further depreciated against the U.S. dollar, the Company's gross margin was negatively impacted which was offset by improved inventory and markdown management.

Fiscal 2016 gross margin remained under pressure due to the weakening of the Canadian dollar. In the face of an increasingly competitive and challenging retail environment and in order to offset pressures brought on by the impact of a weaker Canadian dollar, the Company instituted cost reductions in January 2016, including the elimination of 77 head office positions. The Company continues to maintain a disciplined approach to reducing costs where applicable while investing in growth areas of the business.

Despite a challenging retail environment over the past three years, the Company's balance sheet has remained strong. The Company has continued to maintain a strong position in cash, cash equivalents and marketable securities. Marketable securities, consisting of high quality preferred shares, have been impacted by low interest rates thereby resulting in a significant reduction in their fair value. Inventories, although trending somewhat higher on a per store basis, continue to be closely managed. In fiscal 2014, the Company significantly reduced its capital expenditures to $34.5 million, $29.0 in fiscal 2015 and $33.4 in fiscal 2016. This reduced level of expenditure reflects fewer new stores, excluding store conversions from one banner to another.

STRATEGIC INITIATIVES

The Company has undertaken a number of strategic initiatives to enhance its brands, improve productivity and profitability at all levels through system advances and foster a culture of process improvements.

Ongoing and new Company initiatives include:

INITIATIVES	STATUS
An international growth strategy has been developed within the Company aimed at growing existing successful brands outside Canada.	The Company has assembled a team of highly skilled, experienced members devoted to expanding internationally. Some recent developments include: • In March 2015, the Company launched a Penningtons product offering through Amazon.com in the U.S.; • Addition Elle launched an "Ashley Graham" collection online at Nordstrom in August 2015 and a select offering at Lord & Taylor in September 2015, both in the U.S.; • Additional U.S. retailers have expressed interest in the product lines which is anticipated to lead to further expansion.
The Company announced its intention to launch Hyba, a new banner targeting healthy minded women over the age of 25. Hyba offers activewear that covers performance to leisure.	Hyba launched in 17 former Smart Set store locations in October 2015. Selected Hyba products are also available in all Reitmans locations. The Company is continuing to develop and promote the Hyba brand in both its stand-alone and Reitmans store offerings.
A significant investment in the Company's distribution and logistics system has been undertaken in order to satisfy changes in consumer demand related to the growth of e-commerce and to provide for improved in-store fulfillment.	A redesign of the Company's distribution centre facility to accommodate the significant e-commerce growth experienced is nearing completion which will satisfy the changing store and online demands.
The Company is committed to continued investment in e-commerce, including improvements in customer relationship management and technology.	The Company continues to invest in e-commerce, including the deployment of mobile technology. An initiative is underway to optimize the use of the Company's customer relationship database through technological improvements such as advanced email technology enabling targeted marketing. The Company is pleased with the continued growth in e-commerce sales.
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 refocused its efforts on the SCORE project to ensure major milestones for completion are achieved in the current year. The SCORE project is on track for completion in fiscal 2017.
A comprehensive review of the Company's global sourcing strategy and execution continues with a goal of reducing lead time for bringing products to market.	This initiative is progressing well with significant milestone achievements. A corporate global sourcing unit was developed with a goal of improving current sourcing practices, reducing costs and evaluating other sourcing opportunities. Vendor consolidation has been achieved and further improvements in the supply chain are ongoing.

OPERATING RESULTS FOR THE THREE MONTHS ENDED JANUARY 30, 2016 ("FOURTH QUARTER OF FISCAL 2016") AND COMPARISON TO OPERATING RESULTS FOR THE THREE MONTHS ENDED JANUARY 31, 2015 ("FOURTH QUARTER OF FISCAL 2015")

Sales for the fourth quarter of fiscal 2016 were $242.2 million as compared with $236.3 million for the fourth quarter of fiscal 2015, an increase of 2.5%, despite a net reduction of 56 stores, primarily attributable to the closure of Smart Set stores. Same store sales increased 9.0% with stores increasing 6.3% and e-commerce increasing 54.0%.

Gross profit for the fourth quarter of fiscal 2016 decreased $14.3 million or 9.9% to $129.8 million as compared with $144.1 million for the fourth quarter of fiscal 2015, with the weakness of the Canadian dollar vis-à-vis the U.S. dollar negatively impacting gross profit by approximately $14.7 million. Gross margin for the fourth quarter of fiscal 2016 decreased to 53.6% from 61.0% for the fourth quarter of fiscal 2015.

Selling and distribution expenses for the fourth quarter of fiscal 2016 increased 2.5% or $3.2 million to $130.5 million as compared with $127.3 million for the fourth quarter of fiscal 2015. Factors contributing to this change included:

- impairment of goodwill of $4.2 million was recognized as the recoverable amount of the Thyme Maternity banner cash-generating unit ("CGU") was determined to be less than its carrying value including the goodwill;
- increased severance costs of approximately $1.6 million related to initiatives aimed at streamlining the workforce to better support future needs of the business;
- a provision of $1.3 million was recognized (nil for the fourth quarter of fiscal 2015) for onerous contracts, primarily related to the closure of the Smart Set store locations;
- increased overhead costs related to growth areas of the business including global sourcing, international business and e-commerce; partially offset by
- a decrease in store operating costs of approximately $3.4 million due to a net reduction of 56 stores;
- lower depreciation and amortization for the fourth quarter of fiscal 2016 of $9.5 million, compared to $11.9 million for the fourth quarter of fiscal 2015, which includes decreased net impairment losses and write-offs of property, equipment and intangibles relating to underperforming stores and store closures.

Administrative expenses for the fourth quarter of fiscal 2016 decreased 0.8% or $0.1 million to $12.6 million as compared with $12.7 million for the fourth quarter of fiscal 2015.

Net finance costs were $3.5 million for the fourth quarter of fiscal 2016 as compared to net finance income of $2.1 million for the fourth quarter of fiscal 2015. This change is largely attributable to the following:

- a $5.4 million loss due to a change in the fair value of marketable securities for the fourth quarter of fiscal 2016 compared to nil for the fourth quarter of fiscal 2015. The Company adopted IFRS 9 (2014) *Financial Instruments* ("IFRS 9 (2014)") in the first quarter of fiscal 2016 and as a result, changes in fair value of marketable securities are now recorded in earnings as opposed to other comprehensive income in the comparative period. The full impact from the implementation of IFRS 9 (2014) can be found in Note 3 of the January 30, 2016 audited consolidated financial statements;
- a reduction in realized gain on disposal of marketable securities (nil for the fourth quarter of fiscal 2016 compared to $4.0 million in the fourth quarter of fiscal 2015); partially offset by
- a foreign exchange gain of $1.1 million for the fourth quarter of fiscal 2016 (loss of $2.3 million for the fourth quarter of fiscal 2015), largely attributable to foreign exchange impact on U.S. denominated monetary assets and liabilities.

For the fourth quarter of fiscal 2016, loss before income taxes was $16.7 million as compared to earnings before income taxes of $6.2 million for the fourth quarter of fiscal 2015. The decrease was primarily attributable to reduced gross margins, combined with a $5.4 million loss due to a change in the fair value of marketable securities and a $4.2 million impairment of goodwill, as explained above. Adjusted EBITDA for the fourth quarter of fiscal 2016 was $2.0 million as compared with $14.2 million for the fourth quarter of fiscal 2015, a decrease of $12.2 million. The reduction in adjusted EBITDA was primarily attributable to lower gross profit as a result of the impact of the weakness of the Canadian dollar vis-à-vis the U.S. dollar as noted above.

Income tax recovery for the fourth quarter of fiscal 2016 amounted to $0.2 million. In the fourth quarter of fiscal 2015, income tax expense amounted to $1.8 million. The effective tax rate for the fourth quarter of fiscal 2016 was impacted primarily by the change in the fair value of marketable securities due to the adoption of IFRS 9 (2014), non-deductible goodwill impairment and a $2.7 million change in an unrecognized deferred tax asset on the marketable securities portfolio. The Company's effective tax rates include the impact of changes in substantively enacted tax rates in various tax jurisdictions in Canada.

Net loss for the fourth quarter of fiscal 2016 was $16.5 million ($0.26 basic and diluted loss per share) as compared with net earnings of $4.4 million ($0.07 basic and diluted earnings per share) for the fourth quarter of fiscal 2015.

OPERATING RESULTS FOR FISCAL 2016 AND COMPARISON TO OPERATING RESULTS FOR FISCAL 2015

Sales for fiscal 2016 were $937.2 million as compared with $939.4 million for fiscal 2015, a decrease of 0.2%, impacted by the net reduction of 56 stores primarily attributable to the closure of Smart Set stores. Same store sales increased 5.1% with stores increasing 2.5% and e-commerce increasing 69.1%.

Gross profit for fiscal 2016 decreased $40.2 million or 7.1% to $527.1 million as compared with $567.3 million for fiscal 2015, with the weakness of the Canadian dollar vis-à-vis the U.S. dollar negatively impacting gross profit by approximately $36.4 million. Gross margin for fiscal 2016 decreased to 56.2% from 60.4% for fiscal 2015.

Selling and distribution expenses for fiscal 2016 decreased 1.6% or $8.3 million to $497.9 million as compared with $506.2 million for fiscal 2015. Factors contributing to this change included:

- a decrease in store operating costs of approximately $11.5 million (excluding depreciation) due to a net reduction of 56 stores;
- lower depreciation and amortization for fiscal 2016 of $43.9 million, compared to $51.9 million for fiscal 2015, which includes lower net impairment losses and write-offs of property, equipment and intangibles relating to underperforming stores and store closures; partially offset by
- impairment of goodwill of $4.2 million was recognized, as the recoverable amount of the Thyme Maternity banner cash-generating unit ("CGU") was determined to be less than the carrying value including the goodwill;
- increased severance costs of approximately $1.9 million related to initiatives aimed at streamlining the workforce to better support future needs of the business;
- a provision of $1.3 million was recognized (nil for fiscal 2015) for onerous contracts, primarily related to the closure of the Smart Set store locations;
- increased overhead costs related to growth areas of the business including global sourcing, international business, e-commerce and distribution costs.

Administrative expenses for fiscal 2016 decreased 3.6% or $1.7 million to $47.0 million as compared with $48.7 million for fiscal 2015 primarily due to:

- a reduction in severance expense of approximately $0.5 million;
- lower depreciation and amortization for fiscal 2016 of $1.6 million, compared to $2.1 million for fiscal 2015.

Net finance costs were $8.4 million for fiscal 2016 as compared to net finance income of $5.0 million for fiscal 2015. This change is largely attributable to the following:

- a $16.1 million loss due to a net change in the fair value of marketable securities for fiscal 2016 compared to nil for fiscal 2015. The Company adopted IFRS 9 (2014) in the first quarter of fiscal 2016 and as a result, changes in fair value of marketable securities are now recorded in earnings as opposed to other comprehensive income in the comparative period. The full impact from the implementation of IFRS 9 (2014) can be found in Note 3 of the January 30, 2016 audited consolidated financial statements;
- a reduction in realized gain on disposal of marketable securities (nil for fiscal 2016 compared to $4.8 million for fiscal 2015); partially offset by
- a foreign exchange gain of $4.9 million for fiscal 2016 (loss of $1.7 million for fiscal 2015), largely attributable to foreign exchange impact on U.S. denominated monetary assets and liabilities.

For fiscal 2016, loss before income taxes was $26.1 million as compared to earnings before income taxes of $17.5 million for fiscal 2015, a decrease of $43.6 million. The decrease was primarily attributable to reduced gross profit in the fiscal 2016, as explained above, along with a $16.1 million loss for fiscal 2016 due to a net change in the fair value of marketable securities and a $4.2 million impairment of goodwill mitigated by reduced operating costs both at the store level and head office. Adjusted EBITDA for fiscal 2016 was $36.8 million as compared with $64.8 million for fiscal 2015, a decrease of $28.0 million. The reduction in adjusted EBITDA was primarily attributable to lower gross profit as a result of the impact of the weakness of the Canadian dollar vis-à-vis the U.S. dollar as noted above.

Income tax recovery for fiscal 2016 amounted to $1.4 million for an effective tax recovery rate of 5.5%. In fiscal 2015, income tax expense amounted to $4.1 million for an effective tax expense rate of 23.5%. The effective tax rate for fiscal 2016 was impacted primarily by the change in the fair value of marketable securities due to the adoption of IFRS 9 (2014), non-deductible goodwill impairment and a $2.7 million change in an unrecognized deferred tax asset on the marketable securities portfolio. The Company's effective tax rates include the impact of changes in substantively enacted tax rates in various tax jurisdictions in Canada.

Net loss for fiscal 2016 was $24.7 million ($0.39 basic and diluted loss per share) as compared with net earnings of $13.4 million ($0.21 basic and diluted earnings per share) for fiscal 2015.

FOREIGN EXCHANGE CONTRACTS

The Company imports a majority of its merchandise purchases from foreign vendors, with lead times in some cases extending twelve months. The Company enters into foreign exchange forward contracts to hedge a significant portion of its exposure to fluctuations in the value of the U.S. dollar, generally up to twelve months in advance. In fiscal 2016, the Company satisfied its U.S. dollar requirements through a combination of foreign exchange forward hedge contracts and spot purchases. In fiscal 2016, merchandise purchases, payable in U.S. dollars, approximated $238.6 million U.S. The Company's policy is to satisfy at least 80% of projected U.S. dollar denominated merchandise purchases in any given fiscal year by way of foreign exchange forward hedge contracts, with any additional requirements being met through spot U.S. dollar purchases.

Details of the foreign currency contracts outstanding as at January 30, 2016 are as follows:

	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange contracts designated as cash flow hedges:					
Forwards	**$ 1.325**	**$ 168.0**	**$ 14.4**	**$ (1.8)**	**$ 12.6**
			$ 14.4	**$ (1.8)**	**$ 12.6**

Details of the foreign currency contracts outstanding as at January 31, 2015 are as follows:

	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange contracts designated as cash flow hedges:					
Forwards	$ 1.183	$ 69.5	$ 6.3	$ –	$ 6.3
Call options purchased	$ 1.188	$ 23.0	2.1	–	2.1
Put options sold	$ 1.188	$ 11.5	–	(0.1)	(0.1)
Foreign exchange contracts classified at FVTPL[1]:					
Call options purchased	$ 1.081	$ 64.0	12.2	–	12.2
Put options sold	$ 1.081	$ 128.0	–	–	–
			$ 20.6	$ (0.1)	$ 20.5

[1] Fair value through profit or loss ("FVTPL") are held as economic hedges.

SUMMARY OF QUARTERLY RESULTS

Quarterly sales are affected by seasonality and the timing of holidays. Largely due to the seasonal nature of the merchandise and the timing of marketing programs, the second quarter typically generates the greatest contribution to sales, and the first quarter the least. Due to seasonality the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year. 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 "2016" are to the Company's fiscal year ending January 30, 2016, to "2015" are to the Company's fiscal year ended January 31, 2015.

	FOURTH QUARTER		THIRD QUARTER		SECOND QUARTER		FIRST QUARTER	
	2016	2015	2016	2015	2016	2015	2016	2015
Sales	$ 242.2	$ 236.3	$ 240.3	$ 238.3	$ 253.0	$ 258.3	$ 201.7	$ 206.5
Net earnings (loss)	(16.5)	4.4	(0.3)	12.9	(0.2)	9.6	(7.7)	(13.4)
Earnings (loss) per share								
Basic	$ (0.26)	$ 0.07	$ –	$ 0.20	$ –	$ 0.15	$ (0.12)	$ (0.21)
Diluted	(0.26)	0.07	–	0.20	–	0.15	(0.12)	(0.21)

Fluctuations in the above-noted quarterly financial information reflect the impact on net earnings and earnings per share of the fluctuation of the Canadian dollar vis-à-vis the U.S. dollar along with the change in the fair value of marketable securities.

BALANCE SHEET

Selected line items from the Company's balance sheets as at January 30, 2016 and January 31, 2015 are presented below:

	2016	2015	$ CHANGE	% CHANGE
ASSETS				
Cash and cash equivalents	**$ 118.6**	$ 139.9	$ (21.3)	(15.2)
Marketable securities	**45.2**	57.4	(12.2)	(21.3)
Trade and other receivables	**4.1**	4.6	(0.5)	(10.9)
Derivative financial asset	**14.4**	20.6	(6.2)	(30.1)
Income taxes recoverable	**3.3**	2.0	1.3	65.0
Inventories	**124.9**	106.4	18.5	17.4
Prepaid expenses	**8.9**	12.2	(3.3)	(27.0)
Property and equipment & intangible assets	**158.7**	172.4	(13.7)	(7.9)
Goodwill	**38.2**	42.4	(4.2)	(9.9)
Deferred income taxes	**25.8**	26.5	(0.7)	(2.6)
TOTAL ASSETS	**$ 542.1**	$ 584.4	$ (42.3)	(7.2)
LIABILITIES				
Trade and other payables	**$ 106.3**	$ 101.6	$ 4.7	4.6
Derivative financial liability	**1.8**	0.1	1.7	1,700.0
Deferred revenue	**19.3**	21.1	(1.8)	(8.5)
Deferred lease credits	**10.6**	13.2	(2.6)	(19.7)
Long-term debt	**3.6**	5.3	(1.7)	(32.1)
Pension liability	**19.3**	22.0	(2.7)	(12.3)
TOTAL LIABILITIES	**$ 160.9**	$ 163.3	$ (2.4)	(1.5)

Significant changes in total assets of the Company year over year were primarily due to:

- cash and cash equivalents decreased primarily due to reduced cash flows from operating activities along with the purchase of Class A non-voting shares for cancellation and a slight increase in capital expenditures. Dividends paid were comparable with the prior year;
- the decrease in marketable securities was primarily due to the net change in the fair value in fiscal 2016 due to the influences of lower interest rates and stock market declines. The marketable securities are comprised of preferred shares of Canadian public companies;
- the Company has recorded a net derivative financial asset, related to foreign exchange contracts. The reduction in the net derivative financial asset is attributable to the impact of mark-to-market adjustments on foreign exchange contracts;
- income taxes recoverable are attributable to estimated tax refunds relating to current and prior years;
- the impact of a weaker Canadian dollar vis-à-vis the U.S. dollar along with planned early receipts of spring merchandise in certain banners contributed to higher inventory costs. A net reduction of 56 stores, being primarily Smart Set stores with a lower average store inventory, contributed to reduced inventories but was offset by the above noted foreign exchange impact, early receipts and a slight increase in fall and holiday inventories carried over;
- decreased prepaid expenses at January 30, 2016 as compared to January 31, 2015 is principally due to the recovery of a prepaid insurance deposit resulting from a reorganization of the Company's general liability property insurance;
- the Company continues to closely manage its investment in property and equipment and intangible assets. For fiscal 2016, $33.4 million was invested in additions to property and equipment and intangible assets. Depreciation, amortization and net impairment losses of $45.5 million were recognized for fiscal 2016, contributing to a lower carrying value;
- the reduction in goodwill is attributable to the recoverable amount of the Thyme Maternity banner CGU that was determined to be less than the carrying value including the goodwill.

Significant changes in total liabilities of the Company year-over-year were primarily due to:

- trade and other payables were higher mainly due to higher trade payables impacted by a weaker Canadian dollar vis-à-vis the U.S. dollar resulting in increased merchandise costs. The Company's trade and other payables consist largely of trade payables, personnel liabilities, payables relating to premises and sales tax liabilities;
- deferred revenue decreased largely due to the timing of loyalty reward program incentives. 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.
- tenant allowances are recorded as deferred lease credits and amortized as a reduction of rent expense over the term of the related leases. A reduced level of tenant allowances is reflective of fewer new store openings;
- a decrease in long-term debt is attributable to the continued repayment of the mortgage debt principal. The Company's long-term debt consists of a mortgage, which is secured by the Company's distribution centre;
- the decrease in pension liability is due to $2.1 million of pension expense, actuarial gains of $3.2 million partially offset by pension contributions paid of $1.5 million. The pension liability is primarily related to the unfunded Supplemental Executive Retirement Plan ("SERP").

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 called SCORE. The new functionality offered by this project which spans warehousing and distribution, merchandising, operations and finance is projected for completion in fiscal 2017. 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 2016, 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.

CYBER SECURITY AND DATA BREACHES

The Company depends on the uninterrupted operation of its IT systems, networks and services including internal and public internet sites, data hosting and processing facilities, cloud-based services and hardware, such as point-of-sale processing at stores, to operate its business. In the ordinary course of business, the Company collects, processes, transmits and retains confidential, sensitive and personal information ("Confidential Information") regarding the Company and its employees, vendors, customers and credit card holders. Some of this Confidential Information is held and managed by third party service providers. As with other large and prominent companies, the Company is regularly subject to cyber attacks and such attempts are occurring more frequently, are constantly evolving in nature and are becoming more sophisticated.

The Company has implemented security measures, including employee training, monitoring and testing, maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access of Confidential Information and to reduce the likelihood of disruptions to its IT systems. The Company also has security processes, protocols and standards that are applicable to its third party service providers. Despite these measures, all of the Company's information systems, including its back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failures due to a variety of reasons, including physical theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events.

The Company or its third party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the Company's security measures or those of our third party service providers' information systems. As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the Company's security measures or those of its third party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the Company's or its third party service providers' security measures, which could result in a breach of employee, customer or credit card holder privacy or Confidential Information.

If the Company does not allocate and effectively manage the resources necessary to build and sustain reliable IT infrastructure, fails to timely identify or appropriately respond to cyber security incidents, or the Company's or its third party service providers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the Company's business could be disrupted and the Company could, among other things, be subject to: transaction errors; processing inefficiencies; the loss of or failure to attract new customers; the loss of sales; the loss or unauthorized access to Confidential Information or other assets; the loss of or damage to intellectual property or trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

FINANCIAL RISK MANAGEMENT

The Company may periodically use derivative financial instruments to manage risks related to fluctuations in foreign exchange rates. The use of derivative financial instruments is governed by the Company's risk management policies approved by the Board of Directors. 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 forwards and option contracts by dealing with Canadian financial institutions. Marketable securities consist of preferred shares of highly-rated Canadian public companies. The Company's trade and other receivables consist primarily of credit card receivables from the last few days of the fiscal year, which are settled within the first days of the next fiscal year.

As at January 30, 2016, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	$	118.6
Marketable securities		45.2
Trade and other receivables		4.1
Derivative financial asset		14.4
	$	**182.3**

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 January 30, 2016, the Company had a high degree of liquidity with $163.8 million in cash and cash equivalents and marketable securities. In addition, the Company has unsecured credit facilities of $100 million 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. These include, but are 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. A forward foreign exchange contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. Effective in the fourth quarter of fiscal 2015, the Company entered into certain qualifying foreign exchange contracts that it designated as cash flow hedging instruments. This has resulted in mark-to-market foreign exchange adjustments, for qualifying hedged instruments, being recorded as a component of other comprehensive income. The outstanding contracts and the majority of foreign exchange contracts that were settled during fiscal 2016 were designated as cash flow hedges and qualified for hedge accounting. The underlying risk of the foreign exchange contracts is identical to the hedged risk, and accordingly the Company established a ratio of 1:1 for all foreign exchange hedges.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash and cash equivalents of $12.8 million and trade payables of $26.1 million to determine how a change in the U.S. dollar exchange rate would impact net earnings. On January 30, 2016, a 5% 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 $0.9 million increase or decrease, respectively, in the Company's net earnings for the year ended January 30, 2016.

The Company has performed a sensitivity analysis on its derivative financial instruments (which are all designated as cash flow hedges), to determine how a change in the U.S. dollar exchange rate would impact other comprehensive income. On January 30, 2016, a 5% 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 $8.6 million decrease or increase in the Company's other comprehensive income for the year ended January 30, 2016.

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 $100 million 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 January 30, 2016 to determine how a change in interest rates would impact net earnings. For the year ended January 30, 2016, the Company earned interest income of $0.6 million on its cash and cash equivalents. An increase or decrease of 100 basis points in the average interest rate earned during the year would have increased or decreased net earnings by $0.1 million, respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

EQUITY PRICE RISK

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

The Company has performed a sensitivity analysis on equity price risk at January 30, 2016, to determine how a change in the market price of the Company's marketable securities would impact net earnings. The Company's equity investments consist principally of preferred shares of Canadian public companies. The Company believes that changes in interest rates influence the market price of these securities. A 5% increase or decrease in the market price of the securities at January 30, 2016, would result in a $2.2 million increase or decrease, respectively, in net earnings for the year ended January 30, 2016. The Company's equity securities are subject to market risk and, as a result, the impact on net earnings may ultimately be greater than that indicated above.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity as at January 30, 2016 amounted to $381.2 million or $6.02 per share (January 31, 2015 – $421.1 million or $6.52 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 $163.8 million as at January 30, 2016 (January 31, 2015 – $197.3 million). Cash is held in interest bearing accounts and 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 $100 million or its U.S. dollar equivalent. As at January 30, 2016, $14.1 million (January 31, 2015 – $30.0 million) 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 January 30, 2016, the maximum potential liability under these guarantees was $2.8 million (January 31, 2015 – $5.0 million). The standby letters of credit mature at various dates during fiscal 2017. 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 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 $1.8 million in fiscal 2016. The Company paid $0.20 dividends per share in fiscal 2016 totalling $12.8 million compared to $0.20 dividends per share totalling $12.9 million in fiscal 2015. 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.

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 2017. Due to delays in the project, the total project costs have been increasing and most recent projected costs to completion are estimated at $40.0 million of which approximately $34.8 million 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 2016, the Company invested $33.4 million, on a cash basis, primarily on new and renovated stores. In fiscal 2017, the Company expects to invest approximately $45 million in capital expenditures, including in its SCORE project. 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 January 30, 2016:

Contractual Obligations	TOTAL	WITHIN 1 YEAR	2 TO 4 YEARS	5 YEARS AND OVER
Store & office operating leases[1]	$ 323.7	$ 85.6	$ 167.4	$ 70.7
Purchase obligations[2]	119.9	115.3	4.4	0.2
Other operating leases[3]	20.0	5.7	14.3	–
Long-term debt	3.6	1.9	1.7	–
Interest on long-term debt	0.2	0.2	–	–
Total contractual obligations	**$ 467.4**	**$ 208.7**	**$ 187.8**	**$ 70.9**

[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 January 30, 2016, the Company's pension liability has not been included in the table above as the timing and amount of future payments are uncertain.

OUTSTANDING SHARE DATA

At March 30, 2016, 13,440,000 Common shares and 49,890,266 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 3,573,200 share options outstanding at an average exercise price of $9.65. 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.

For fiscal 2016, the Company purchased, under the prior year's normal course issuer bid, 1,255,440 Class A non-voting shares having a carrying value of $0.8 million for a total cash consideration of $6.9 million. The excess of the purchase price over carrying value of the shares in the amount of $6.1 was charged to retained earnings. The normal course issuer bid expired on December 17, 2015.

In December 2015, 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 3,326,658 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 7, 2015. The bid commenced on December 18, 2015 and may continue to December 17, 2016. 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 and forward 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. dollars and entered into forward contracts. These foreign exchange contracts extend over a period not exceeding 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 January 30, 2016 and as at January 31, 2015 are included in the "Foreign Exchange Contracts" 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. A forward foreign exchange contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. 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.

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 Board of Directors (which includes the Chief Executive Officer and President) and the Chief Operating Officer have the responsibility for planning, directing and controlling the activities of the Company and are considered key management personnel. The Directors participate in the share option plan, as described in note 15 to the audited consolidated financial statements for fiscal 2016.

Compensation expense for key management personnel is as follows:

	FOR THE FISCAL YEARS ENDED JANUARY 30, 2016	JANUARY 31, 2015
Salaries, Directors' fees and short-term benefits	**$ 3.1**	$ 2.1
Share-based compensation costs	**0.5**	0.2
	$ 3.6	$ 2.3

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 2016, the rent expense under these leases was, in the aggregate, $0.2 million (fiscal 2015 – $0.2 million).

The Company incurred $0.5 million in fiscal 2016 (fiscal 2015 – $0.4 million) 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 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 contracts, this volatility can result in exposure to risk.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

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

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.

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

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.

OPERATING SEGMENTS

The Company uses judgment in assessing the criteria used to determine the aggregation of operating segments. In order to identify the Company's reportable segments, the Company uses the process outlined in IFRS 8, *Operating Segments*, which includes the identification of the Chief Operating Decision Maker ("CODM"), being the Chief Executive Officer, 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 seven banners: Reitmans, Penningtons, Addition Elle, RW & CO., Thyme Maternity, Hyba and Smart Set. Each operating segment is reviewed by the CODM in assessing 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 on the basis of their similar economic characteristics, customers (mainly female) and nature of products (mainly ladies' specialty apparel). The similarity in economic characteristics reflects the fact that the Company's operating segments operate mainly in the ladies apparel business, primarily in Canada and are therefore subject to the same economic market pressures. The Company's operating segments are subject to similar competitive pressures such as price and product innovation and assortment from existing competitors and new entrants into the marketplace. The operating segments also share centralized, common functions such as distribution and IT.

NEW ACCOUNTING POLICIES ADOPTED IN FISCAL 2016

The new accounting policies set out below have been adopted in the January 30, 2016 audited consolidated financial statements:

- Annual Improvements to IFRS (2010–2012) and (2011–2013) cycles
- IFRS 9 (2014) – *Financial Instruments*

Further information on these new accounting policies can be found in Note 3 of the January 30, 2016 audited consolidated financial statements.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 30, 2016 and have not been applied in preparing in the January 30, 2016 audited consolidated financial statements. New standards and amendments to standards and interpretations that are currently under review include:

- IFRS 16 – *Leases*
- IFRS 15 – *Revenue from Contracts with Customers*
- Disclosure Initiative: Amendments to IAS 1

Further information on these modifications can be found in Note 3 of the January 30, 2016 audited 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.

There were no changes in the Company's disclosure controls and procedures and internal controls over financial reporting that occurred during fiscal 2016 that have materially affected or are reasonably likely to materially affect the Company's disclosures of required information and internal control over financial reporting.

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted as of January 30, 2016. Based on this evaluation, the CEO and the CFO have concluded that, as of January 30, 2016, the disclosure controls and procedures, as defined by *National Instrument 52-109*, were appropriately designed and were operating effectively.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

An evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting was conducted as of January 30, 2016. 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") 2013, 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 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

The impact of a weakened Canadian dollar vis-à-vis the U.S. dollar significantly impacts Canadian retailers importing finished goods from abroad that are settled in U.S. dollars, which, when combined with increased store competition and an abundance of online shopping alternatives creates a challenging retail environment. The Company has taken a variety of measures to respond to these challenges including considerably improving its sourcing capabilities through improved vendor collaboration with a focus on quality, pricing and payment terms. Through improved product development, branding and partnerships with noteworthy spokespersons, the banners continue to improve the store experience while maintaining attention to driving profitability of stores. The Company's wholesale operations are in the early stages but have shown exciting opportunities in the U.S. marketplace with a wide variety of retailers showing interest in product offerings. Additionally, the Company has significantly invested in its e-commerce talent and technology contributing to its exceptional growth.

The Company has invested considerably in technology, looking to complete the SCORE project in the next year, and has plans to invest further in its store, e-commerce and fulfillment capabilities. The retail industry and our customers are changing faster than ever before and, as a result, the Company recognizes its need to significantly increase its agility and improve efficiencies. The ability to quickly respond to these new demands and continue to reinvent will be key to long-term growth and future success.

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

March 30, 2016

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 January 30, 2016 and January 31, 2015, 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 January 30, 2016 and January 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed)

Montreal, Canada
March 30, 2016

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

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED JANUARY 30, 2016 AND JANUARY 31, 2015
(IN THOUSANDS OF CANADIAN DOLLARS EXCEPT PER SHARE AMOUNTS)

	Notes	2016	2015
Sales		**$ 937,155**	$ 939,376
Cost of goods sold	5	**410,035**	372,033
Gross profit		**527,120**	567,343
Selling and distribution expenses	8	**497,854**	506,156
Administrative expenses		**46,950**	48,691
Results from operating activities		**(17,684)**	12,496
Finance income	17	**7,998**	8,112
Finance costs	17	**16,443**	3,081
(Loss) earnings before income taxes		**(26,129)**	17,527
Income tax recovery (expense)	9	**1,426**	(4,112)
Net (loss) earnings		**$ (24,703)**	$ 13,415
(Loss) earnings per share :	18		
Basic		**$ (0.39)**	$ 0.21
Diluted		**(0.39)**	0.21

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED JANUARY 30, 2016 AND JANUARY 31, 2015
(IN THOUSANDS OF CANADIAN DOLLARS)

	Notes	2016	2015
Net (loss) earnings		**$ (24,703)**	$ 13,415
Other comprehensive income (loss)			
Items that are or may be reclassified subsequently to net earnings:			
Available-for-sale financial assets (net of tax of $1,069)	14	**–**	(6,987)
Cash flow hedges (net of tax of $564; 2015 – $2,177)	14	**1,488**	6,026
Foreign currency translation differences	14	**(395)**	(754)
		1,093	(1,715)
Items that will not be reclassified to net earnings:			
Actuarial gain (loss) on defined benefit plan (net of tax of $837; 2015 – $692)	13	**2,355**	(1,917)
Total other comprehensive income (loss)		**3,448**	(3,632)
Total comprehensive (loss) income		**$ (21,255)**	$ 9,783

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

CONSOLIDATED BALANCE SHEETS

AS AT JANUARY 30, 2016 AND JANUARY 31, 2015
(IN THOUSANDS OF CANADIAN DOLLARS)

	Notes	2016	2015
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	**$ 118,595**	$ 139,913
Marketable securities	24	**45,189**	57,364
Trade and other receivables		**4,103**	4,599
Derivative financial asset	24	**14,405**	20,635
Income taxes recoverable		**3,301**	1,977
Inventories	5	**124,848**	106,440
Prepaid expenses		**8,921**	12,148
Total Current Assets		**319,362**	343,076
NON-CURRENT ASSETS			
Property and equipment	6	**134,363**	152,349
Intangible assets	7	**24,347**	20,077
Goodwill	8	**38,183**	42,426
Deferred income taxes	9	**25,828**	26,463
Total Non-Current Assets		**222,721**	241,315
TOTAL ASSETS		**$ 542,083**	$ 584,391
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables	10	**$ 98,135**	$ 91,719
Derivative financial liability	24	**1,816**	96
Deferred revenue	11	**19,325**	21,073
Current portion of long-term debt	12	**1,896**	1,780
Total Current Liabilities		**121,172**	114,668
NON-CURRENT LIABILITIES			
Other payables	10	**8,112**	9,903
Deferred lease credits		**10,640**	13,178
Long-term debt	12	**1,655**	3,551
Pension liability	13	**19,336**	21,968
Total Non-Current Liabilities		**39,743**	48,600
SHAREHOLDERS' EQUITY			
Share capital	14	**38,397**	39,227
Contributed surplus		**9,007**	8,014
Retained earnings		**327,370**	368,241
Accumulated other comprehensive income	14	**6,394**	5,641
Total Shareholders' Equity		**381,168**	421,123
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 542,083**	$ 584,391

Commitments (note 16)

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

On behalf of the Board,

(signed)

Jeremy H. Reitman, Director

(signed)

John J. Swidler, Director

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

▶ FOR THE YEARS ENDED JANUARY 30, 2016 AND JANUARY 31, 2015
(IN THOUSANDS OF CANADIAN DOLLARS)

	Notes	SHARE CAPITAL	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL SHAREHOLDERS' EQUITY
Balance as at February 1, 2015		**$ 39,227**	**$ 8,014**	**$ 368,241**	**$ 5,641**	**$ 421,123**
Impact of adopting IFRS 9 (2014)	3a	**–**	**–**	**340**	**(340)**	**–**
Adjusted balance as at February 1, 2015		**39,227**	**8,014**	**368,581**	**5,301**	**421,123**
Net loss		**–**	**–**	**(24,703)**	**–**	**(24,703)**
Total other comprehensive income		**–**	**–**	**2,355**	**1,093**	**3,448**
Total comprehensive (loss) income for the year		**–**	**–**	**(22,348)**	**1,093**	**(21,255)**
Cash consideration on exercise of share options		**2**	**–**	**–**	**–**	**2**
Cancellation of shares pursuant to share repurchase program	14	**(832)**	**–**	**–**	**–**	**(832)**
Share-based compensation costs	15	**–**	**993**	**–**	**–**	**993**
Dividends	14	**–**	**–**	**(12,782)**	**–**	**(12,782)**
Premium on repurchase of Class A non-voting shares	14	**–**	**–**	**(6,081)**	**–**	**(6,081)**
Total (distributions to) contributions by owners of the Company		**(830)**	**993**	**(18,863)**	**–**	**(18,700)**
Balance as at January 30, 2016		**$ 38,397**	**$ 9,007**	**$ 327,370**	**$ 6,394**	**$ 381,168**
Balance as at February 2, 2014		$ 39,227	$ 7,188	$ 369,660	$ 7,356	$ 423,431
Net earnings		–	–	13,415	–	13,415
Total other comprehensive loss		–	–	(1,917)	(1,715)	(3,632)
Total comprehensive income (loss) for the year		–	–	11,498	(1,715)	9,783
Share-based compensation costs	15	–	826	–	–	826
Dividends	14	–	–	(12,917)	–	(12,917)
Total contributions by (distributions to) owners of the Company		–	826	(12,917)	–	(12,091)
Balance as at January 31, 2015		$ 39,227	$ 8,014	$ 368,241	$ 5,641	$ 421,123

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JANUARY 30, 2016 AND JANUARY 31, 2015
(IN THOUSANDS OF CANADIAN DOLLARS)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) earnings		$ (24,703)	$ 13,415
Adjustments for:			
Depreciation, amortization and net impairment losses	6, 7	45,534	54,038
Impairment of goodwill	8	4,243	–
Share-based compensation costs	15	993	826
Amortization of deferred lease credits		(4,365)	(3,935)
Deferred lease credits		1,827	1,506
Pension contribution	13	(1,531)	(875)
Pension expense	13	2,091	1,975
Realized gain on sale of marketable securities	17	–	(4,820)
Impairment loss on marketable securities	17	–	958
Net change in fair value of marketable securities	17	16,157	–
Net change in fair value of derivatives		12,335	(3,625)
Foreign exchange gain		(4,687)	(2,120)
Interest and dividend income, net	17	(2,860)	(2,898)
Interest paid	17	(286)	(394)
Interest received		650	904
Dividends received		2,515	2,473
Income tax (recovery) expense	9	(1,426)	4,112
		46,487	61,540
Changes in:			
Trade and other receivables		(223)	713
Inventories		(18,408)	3,161
Prepaid expenses		3,227	364
Trade and other payables		6,099	(3,007)
Deferred revenue		(1,748)	1,075
Cash from operating activities		35,434	63,846
Income taxes received		1,914	6,009
Income taxes paid		(2,578)	(4,743)
Net cash flows from operating activities		34,770	65,112
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of marketable securities		(5,660)	(39,904)
Proceeds on sale of marketable securities		1,678	33,408
Proceeds on sale of trademarks		1,038	1,025
Additions to property and equipment and intangible assets	6, 7	(33,354)	(28,960)
Proceeds on disposal of property and equipment and intangibles	6, 7	63	101
Cash flows used in investing activities		(36,235)	(34,330)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid	14	(12,782)	(12,917)
Purchase of Class A non-voting shares for cancellation	14	(6,913)	–
Repayment of long-term debt	12	(1,780)	(1,672)
Proceeds from issue of share capital	14	2	–
Cash flows used in financing activities		(21,473)	(14,589)
FOREIGN EXCHANGE GAIN ON CASH HELD IN FOREIGN CURRENCY		1,620	1,365
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(21,318)	17,558
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR		139,913	122,355
CASH AND CASH EQUIVALENTS, END OF THE YEAR		$ 118,595	$ 139,913

Supplementary cash flow information (note 23)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 30, 2016 AND JANUARY 31, 2015
(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 155 Wellington Street West, 40th Floor, Toronto, Ontario M5V 3J7. 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 2016 and 2015 represent the fiscal years ended January 30, 2016 and January 31, 2015, respectively.

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 March 30, 2016.

C) BASIS OF MEASUREMENT

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

- marketable securities and derivative financial instruments are measured at fair value; and
- the pension liability is recognized as the present value of the defined benefit obligation less the fair value of the plan assets.

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.

JUDGMENTS MADE IN RELATION TO DETERMINING THE AGGREGATION OF OPERATING SEGMENTS

I) OPERATING SEGMENTS

The Company uses judgment in assessing the criteria used to determine the aggregation of operating segments. In order to identify the Company's reportable segments, the Company uses the process outlined in IFRS 8, *Operating Segments*, which includes the identification of the Chief Operating Decision Maker ("CODM"), being the Chief Executive Officer, 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 seven banners: Reitmans, Penningtons, Addition Elle, RW & CO., Thyme Maternity, Hyba and Smart Set. 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 on the basis of their similar economic characteristics, customers (mainly female) and nature of products (mainly ladies' specialty apparel). The similarity in economic characteristics reflects the fact that the Company's operating segments operate mainly in the ladies apparel business, primarily in Canada and are therefore subject to the same economic market pressures. The Company's operating segments are subject to similar competitive pressures such as price and product innovation and assortment from existing competitors and new entrants into the marketplace. The operating segments also share centralized, common functions such as distribution and information technology.

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

ANNUAL IMPROVEMENTS TO IFRS (2010–2012) AND (2011–2013) CYCLES

On December 12, 2013 the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. Most amendments applied prospectively for annual periods beginning on or after July 1, 2014. Adoption of these amendments did not have a material impact on these consolidated financial statements.

IFRS 9 (2014) – FINANCIAL INSTRUMENTS

The Company early adopted all of the requirements of IFRS 9 (2014), *Financial Instruments* ("IFRS 9 (2014)") with a date of initial application of February 1, 2015. This standard establishes principles for the financial reporting classification and measurement of financial assets and financial liabilities. This standard also incorporates a new hedging model which increases the scope of hedged items eligible for hedge accounting and aligns hedge accounting more closely with risk management. This standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. This new standard also increases required disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the consolidated financial statements.

IFRS 9 (2014) uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial Instruments – Recognition and Measurement* ("IAS 39"). The approach in IFRS 9 (2014) is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 (2014).

The following summarizes the classification and measurement changes for the Company's non-derivative and derivative financial assets and financial liabilities as a result of the adoption of IFRS 9 (2014).

	IAS 39	IFRS 9 (2014)
Financial assets:		
Cash and cash equivalents	Loans and receivables	Amortized cost
Marketable securities	Available-for-sale	Fair value through profit or loss
Trade and other receivables	Loans and receivables	Amortized cost
Non-hedge derivative assets	Fair value through profit or loss	Fair value through profit or loss
Financial liabilities:		
Trade and other payables	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Non-hedge derivative liabilities	Fair value through profit or loss	Fair value through profit or loss

In accordance with the transitional provisions of IFRS 9 (2014) the financial assets and financial liabilities held at February 1, 2015 were reclassified retrospectively without prior period restatement based on the new classification requirements and the characteristics of each financial instrument at February 1, 2015.

The accounting for these instruments and the line item in which they are included in the balance sheet were unaffected by the adoption of IFRS 9 (2014) with the exception of the Company's marketable securities, which were reclassified from available-for-sale to financial assets measured at fair value through profit or loss ("FVTPL"). Fair value gains and losses on marketable securities are recognized in finance income or finance cost in net earnings (note 17). In accordance with transitional provisions, the Company has reflected the retrospective impact of the adoption of IFRS 9 (2014) due to the change in accounting policy for marketable securities as an adjustment to opening components of equity as at February 1, 2015.

	FEBRUARY 1, 2015		
	AS PRESENTED	RESTATEMENTS	AS RESTATED
Equity			
Retained earnings	$ 368,241	$ 340	$ 368,581
Accumulated other comprehensive income	5,641	(340)	5,301
Impact on equity	$ 373,882	$ –	$ 373,882

The adoption of IFRS 9 (2014) did not result in any changes in the eligibility of existing hedge relationships, the accounting for the derivative financial instruments designated as effective hedging instruments and the line item in which they are included in the balance sheet.

B) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 30, 2016 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 16 – LEASES

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"), replacing IAS 17, *Leases* and related interpretations. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as finance and operating leases. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") has been adopted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

DISCLOSURE INITIATIVE: AMENDMENTS TO IAS 1

In December 2014 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

C) 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.

D) 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.

E) 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.

F) 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.

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 on the balance sheet 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. Corporate assets are tested for impairment at the minimum grouping of CGUs to which the corporate assets can be reasonably and consistently allocated. 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.

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 is 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) TERMINATION BENEFITS

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

IV) 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.

An onerous contract provision is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

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 recorded as deferred revenue 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, net gains in the fair value of marketable securities, as well as foreign exchange gains. Finance costs comprise interest expense, net losses in the fair value of marketable securities, 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 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) FINANCIAL INSTRUMENTS

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

I) FINANCIAL ASSETS MEASURED AT AMORTIZED COST

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

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

The Company currently classifies its cash and cash equivalents and trade and other receivables as assets measured at amortized cost.

IMPAIRMENT OF FINANCIAL ASSETS:

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

II) FINANCIAL ASSETS MEASURED AT FAIR VALUE

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss. The marketable securities are currently measured at fair value with changes in fair value recognized in profit or loss.

However, for investments in equity instruments that are not held for trading, the Company may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss. Dividends earned from such investments are recognized in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment. The Company currently has no equity instruments that are not held for trading.

III) FINANCIAL LIABILITIES ARE CLASSIFIED INTO THE FOLLOWING CATEGORIES

FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST:

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

FINANCIAL LIABILITIES MEASURED AT FAIR VALUE:

Financial liabilities measured at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in profit or loss. The Company currently has no financial liabilities measured at fair value.

IV) NON-HEDGE DERIVATIVE FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Non-hedge derivative financial instruments, including foreign exchange contracts, are recorded as either assets or liabilities measured initially at their fair value. Attributable transaction costs are recognized in profit or loss as incurred. All derivative financial instruments not designated in a hedge relationship are classified as financial instruments at fair value through profit and loss. Any subsequent change in the fair value of non-hedge foreign exchange contracts are accounted for in cost of goods sold for the period in which it arises.

V) HEDGING RELATIONSHIPS

The Company enters into derivative financial instruments to hedge its foreign exchange risk exposures of part of its purchases in U.S. dollars. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings. The time value component of options designated as cash flow hedges is excluded from the hedging relationships and recorded in other comprehensive income as a cost of hedging and, presented separately when significant.

Derivatives used for hedging are recognized initially at fair value, and attributable transaction costs are recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

CASH FLOW HEDGES:

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity. The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statement of earnings and comprehensive income as the hedged item, in the same period that the hedged cash flows affect net earnings. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income remains in accumulated other comprehensive income until the forecasted transaction affects profit or loss. If the forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in net earnings.

When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred directly to the initial cost of that asset.

U) FAIR VALUE MEASUREMENT

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

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

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

I) 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 marketable securities is determined by reference to their quoted closing prices in active markets at the reporting date, which is considered a Level 1 input in the fair value hierarchy.

II) 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.

III) 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.

4 CASH AND CASH EQUIVALENTS

	JANUARY 30, 2016	JANUARY 31, 2015
Cash on hand and with banks	**$ 112,596**	$ 106,917
Short-term deposits, bearing interest at 0.6% (January 31, 2015 – 0.8%)	**5,999**	32,996
	$ 118,595	$ 139,913

5 INVENTORIES

During the year ended January 30, 2016, inventories recognized as cost of goods sold amounted to $397,021 (January 31, 2015 – $363,350). In addition, the Company recorded $13,014 (January 31, 2015 – $8,683) of inventory write-downs as a result of net realizable value being lower than cost which were recognized in cost of goods sold, and no inventory write-downs recognized in previous periods were reversed.

Included in cost of goods sold is a loss of $2,125 for the year ended January 30, 2016 (January 31, 2015 – gain of $10,921) representing changes in fair value of derivatives not eligible for hedge accounting.

6 PROPERTY AND EQUIPMENT

	LAND	BUILDINGS	FIXTURES AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
Cost					
Balance at February 2, 2014	$ 5,860	$ 48,598	$ 147,762	$ 164,540	$ 366,760
Additions	–	58	13,029	10,933	24,020
Disposals	–	(3,023)	(29,718)	(35,285)	(68,026)
Balance at January 31, 2015	$ 5,860	$ 45,633	$ 131,073	$ 140,188	$ 322,754
Balance at February 1, 2015	**$ 5,860**	**$ 45,633**	**$ 131,073**	**$ 140,188**	**$ 322,754**
Additions	**–**	**28**	**12,270**	**10,088**	**22,386**
Disposals	**–**	**(3,314)**	**(21,596)**	**(28,849)**	**(53,759)**
Balance at January 30, 2016	**$ 5,860**	**$ 42,347**	**$ 121,747**	**$ 121,427**	**$ 291,381**
Accumulated depreciation and impairment losses					
Balance at February 2, 2014	$ –	$ 20,108	$ 75,553	$ 92,758	$ 188,419
Depreciation	–	2,011	20,871	19,528	42,410
Impairment loss	–	–	1,849	6,427	8,276
Reversal of impairment loss	–	–	(574)	(201)	(775)
Disposals	–	(3,023)	(29,689)	(35,213)	(67,925)
Balance at January 31, 2015	$ –	$ 19,096	$ 68,010	$ 83,299	$ 170,405
Balance at February 1, 2015	**$ –**	**$ 19,096**	**$ 68,010**	**$ 83,299**	**$ 170,405**
Depreciation	**–**	**1,900**	**19,228**	**16,062**	**37,190**
Impairment loss	**–**	**–**	**425**	**5,932**	**6,357**
Reversal of impairment loss	**–**	**–**	**(81)**	**(3,157)**	**(3,238)**
Disposals	**–**	**(3,314)**	**(21,554)**	**(28,828)**	**(53,696)**
Balance at January 30, 2016	**$ –**	**$ 17,682**	**$ 66,028**	**$ 73,308**	**$ 157,018**
Net carrying amounts					
At January 31, 2015	$ 5,860	$ 26,537	$ 63,063	$ 56,889	$ 152,349
At January 30, 2016	**$ 5,860**	**$ 24,665**	**$ 55,719**	**$ 48,119**	**$ 134,363**

During the year, the Company tested for impairment certain items of property and equipment for which there were indications that their carrying amounts may not be recoverable and recognized an impairment loss of $6,357 (January 31, 2015 – $8,276). The impairment related to the property and equipment is due to the reduction in profitability at individual retail store locations (cash-generating units). A reversal of impairment occurs when previously impaired individual retail store locations see increased profitability. 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% (January 31, 2015 – 11%). During the year, $3,238 of impairment losses were reversed following an improvement in the profitability of certain CGUs (January 31, 2015 – $775).

Depreciation expense and net impairment losses for the year have been recorded in selling and distribution expenses for an amount of $39,115 (January 31, 2015 – $48,515) and in administrative expenses for an amount of $1,194 (January 31, 2015 – $1,396) in the consolidated statements of earnings.

Property and equipment includes an amount of $1,184 (January 31, 2015 – $2,055) that is not being depreciated. Depreciation will begin when the assets are available for use.

7 INTANGIBLE ASSETS

	SOFTWARE	TRADEMARKS	TOTAL
Cost			
Balance at February 2, 2014	$ 24,843	$ 499	$ 25,342
Additions	6,993	–	6,993
Disposals	(3,575)	–	(3,575)
Balance at January 31, 2015	$ 28,261	$ 499	$ 28,760
Balance at February 1, 2015	**$ 28,261**	**$ 499**	**$ 28,760**
Additions	**9,495**	**–**	**9,495**
Disposals	**(2,495)**	**–**	**(2,495)**
Balance at January 30, 2016	**$ 35,261**	**$ 499**	**$ 35,760**
Accumulated amortization and impairment losses			
Balance at February 2, 2014	$ 7,632	$ 499	$ 8,131
Amortization	3,999	–	3,999
Impairment loss	128	–	128
Disposals	(3,575)	–	(3,575)
Balance at January 31, 2015	$ 8,184	$ 499	$ 8,683
Balance at February 1, 2015	**$ 8,184**	**$ 499**	**$ 8,683**
Amortization	**5,225**	**–**	**5,225**
Impairment loss	**–**	**–**	**–**
Disposals	**(2,495)**	**–**	**(2,495)**
Balance at January 30, 2016	**$ 10,914**	**$ 499**	**$ 11,413**
Net carrying amounts			
At January 31, 2015	$ 20,077	$ –	$ 20,077
At January 30, 2016	**$ 24,347**	**$ –**	**$ 24,347**

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 nil (January 31, 2015 – $128). For the year ended January 31, 2015, the impairment related to the intangible assets is attributable to the discontinuation of a banner.

The amortization of intangibles has been recorded in selling and distribution expenses for an amount of $4,788 (January 31, 2015 – $3,466) and in administrative expenses for an amount of $437 (January 31, 2015 – $661) in the consolidated statements of earnings.

Software includes an amount of $7,894 (January 31, 2015 – $7,247) that is not being amortized. Amortization will begin when the software is put into service.

8 GOODWILL

	ADDITION ELLE	THYME MATERNITY	TOTAL
Balance at February 2, 2014	**$ 38,183**	**$ 4,243**	**$ 42,426**
Impairment	–	–	–
Balance at January 31, 2015	**$ 38,183**	**$ 4,243**	**$ 42,426**
Impairment	–	4,243	4,243
Balance at January 30, 2016	**$ 38,183**	**$ –**	**$ 38,183**

Goodwill acquired through business combinations was allocated to the groups of CGUs, being the Addition Elle and Thyme Maternity banners, based on the expected future benefits to be derived.

In assessing whether goodwill is impaired, the carrying amount of the groups of CGUs (including goodwill) is compared to their recoverable amount. The recoverable amounts of the groups of CGUs are based on the higher of the value in use and fair value less costs to sell. The Company performed its annual impairment test of goodwill as at January 30, 2016 and January 31, 2015. For the year ended January 30, 2016, the recoverable amount of the Addition Elle banner CGU was based on fair value less costs to sell and the recoverable amount of Thyme Maternity banner CGU was based on value in use. For the year ended January 31, 2015, the recoverable amounts of the Addition Elle and Thyme Maternity banner GCUs were both based on fair value less costs to sell. There was no impairment in the Addition Elle banner CGU at January 30, 2016 (January 31, 2015 – nil) but the Thyme Maternity banner CGU had an impairment loss of $4,243 at January 30, 2016 (January 31, 2015 – nil). This impairment loss amount is included in selling and distribution expenses.

As at January 30, 2016, the value in use of the Thyme Maternity banner CGU was determined by discounting the future cash flows generated from the continuing use. Cash flows for fiscal 2017 to fiscal 2019 were projected based on past experience, actual operating results and budget projections, with a sales growth rate of approximately 3% in fiscal 2017, 5% in fiscal 2018 and fiscal 2019 and a growth rate in perpetuity of nil. Projected cash flows were discounted using a pre-tax rate of 12.5%. The discount rate was estimated based on a weighted average cost of capital ("WACC") which is based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on corporate bond yields and the capital structure of the Company.

As at January 31, 2015, the fair value less costs of disposal of the Thyme Maternity banner CGU was based on a market earnings multiple applied to normalized earnings. The market earnings multiple was based on external sources for comparable companies operating in similar industries. Normalized earnings were based on management's assessment of market trends taking into account historical data from internal and external sources. These assumptions are considered to be Level 3 in the fair value hierarchy.

As at January 30, 2016 and as at January 31, 2015, the fair value less costs of disposal of the Addition Elle banner CGU were based on market earnings multiples applied to normalized earnings. The market earnings multiples were based on external sources for comparable companies operating in similar industries. Normalized earnings were based on management's assessment of market trends taking into account historical data from internal and external sources. These assumptions are considered to be Level 3 in the fair value hierarchy.

There is no reasonable possible change in assumptions in the Addition Elle banner CGU that would cause the net carrying amount to exceed the estimated recoverable amount.

9 INCOME TAX

INCOME TAX RECOVERY (EXPENSE)

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

	FOR THE YEARS ENDED	
	JANUARY 30, 2016	JANUARY 31, 2015
Current tax recovery (expense)		
Current period	**$ 647**	$ (2,439)
Adjustment in respect of prior years	**13**	26
Current tax recovery (expense)	**660**	(2,413)
Deferred tax recovery (expense)		
Deferred tax recovery (expense) prior to adjustments	**3,263**	(1,699)
Unrecognized deferred tax asset	**(2,690)**	–
Changes in tax rates	**193**	–
Deferred tax recovery (expense)	**766**	(1,699)
Total income tax recovery (expense)	**$ 1,426**	$ (4,112)

INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME

	FOR THE YEARS ENDED					
	JANUARY 30, 2016			JANUARY 31, 2015		
	BEFORE TAX	TAX EXPENSE	NET OF TAX	BEFORE TAX	TAX RECOVERY (EXPENSE)	NET OF TAX
Cash flow hedges	**$ 2,052**	**$ (564)**	**$ 1,488**	$ 8,203	$ (2,177)	$ 6,026
Marketable securities	**–**	**–**	**–**	(8,056)	1,069	(6,987)
Defined benefit plan actuarial gains (losses)	**3,192**	**(837)**	**2,355**	(2,609)	692	(1,917)
	$ 5,244	**$ (1,401)**	**$ 3,843**	$ (2,462)	$ (416)	$ (2,878)

RECONCILIATION OF EFFECTIVE TAX RATE

	FOR THE YEARS ENDED			
	JANUARY 30, 2016		JANUARY 31, 2015	
(Loss) earnings before income taxes	**$ (26,129)**		$ 17,527	
Income tax using the Company's statutory tax rate	**(6,958)**	**26.63%**	4,651	26.54%
Changes in tax rates	**(193)**	**0.74%**	–	–
Non-deductible expenses and other adjustments	**2,588**	**(9.90%)**	115	0.66%
Goodwill	**1,130**	**(4.33%)**	–	–
Change in unrecognized temporary differences	**2,690**	**(10.29%)**	–	–
Tax exempt income	**(670)**	**2.56%**	(653)	(3.73%)
Adjustment in respect of prior years	**(13)**	**0.05%**	(1)	(0.01%)
	$ (1,426)	**5.46%**	$ 4,112	23.46%

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
	JANUARY 30, 2016	JANUARY 31, 2015	JANUARY 30, 2016	JANUARY 31, 2015	JANUARY 30, 2016	JANUARY 31, 2015
Property, equipment and intangible assets	**$ 19,382**	$ 21,395	**$ –**	$ –	**$ 19,382**	$ 21,395
Marketable securities	**–**	530	**–**	–	**–**	530
Inventories	**–**	–	**1,279**	1,205	**(1,279)**	(1,205)
Trade and other payables	**3,360**	3,525	**–**	–	**3,360**	3,525
Derivative financial asset	**–**	–	**2,740**	5,449	**(2,740)**	(5,449)
Pension liability	**5,167**	5,829	**–**	–	**5,167**	5,829
Tax benefit of losses carried forward	**1,767**	1,844	**–**	–	**1,767**	1,844
Other	**173**	–	**2**	6	**171**	(6)
	$ 29,849	$ 33,123	**$ 4,021**	$ 6,660	**$ 25,828**	$ 26,463

CHANGES IN DEFERRED TAX BALANCES DURING THE YEAR

	BALANCE FEBRUARY 1, 2014	RECOGNIZED IN NET EARNINGS	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	BALANCE JANUARY 31, 2015	RECOGNIZED IN NET EARNINGS	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	BALANCE JANUARY 30, 2016
Property, equipment and intangible assets	$ 21,253	$ 142	$ –	$ 21,395	$ (2,013)	$ –	**$ 19,382**
Marketable securities	207	(746)	1,069	530	(530)	–	**–**
Inventories	(1,429)	224	–	(1,205)	(74)	–	**(1,279)**
Trade and other payables	4,012	(487)	–	3,525	(165)	–	**3,360**
Derivative financial asset	(2,311)	(961)	(2,177)	(5,449)	3,273	(564)	**(2,740)**
Pension liability	4,845	292	692	5,829	175	(837)	**5,167**
Tax benefit of losses carried forward	2,037	(193)	–	1,844	(77)	–	**1,767**
Other	(36)	30	–	(6)	177	–	**171**
	$ 28,578	$ (1,699)	$ (416)	$ 26,463	$ 766	$ (1,401)	**$ 25,828**

UNRECOGNIZED DEFERRED TAX ASSETS

As at January 30, 2016, deferred tax assets that have not been recognized amounted to $2,690 (January 31, 2015 – nil) relating to deductible temporary differences of $10,065 on the marketable securities (January 31, 2015 – nil) that do not expire.

10 TRADE AND OTHER PAYABLES

	JANUARY 30, 2016	JANUARY 31, 2015
Trade payables	**$ 53,359**	$ 49,577
Non-trade payables due to related parties	**40**	40
Other non-trade payables	**12,204**	9,502
Personnel liabilities	**26,943**	27,201
Payables relating to premises	**12,630**	14,576
Provision for sales returns	**1,071**	726
	106,247	101,622
Less non-current portion	**8,112**	9,903
	$ 98,135	$ 91,719

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.

11 DEFERRED REVENUE

	JANUARY 30, 2016	JANUARY 31, 2015
Loyalty points and awards granted under loyalty programs	**$ 6,308**	$ 8,735
Unredeemed gift cards	**13,017**	12,338
	$ 19,325	$ 21,073

12 LONG-TERM DEBT

	JANUARY 30, 2016	JANUARY 31, 2015
Mortgage payable	**$ 3,551**	$ 5,331
Less current portion	**1,896**	1,780
	$ 1,655	$ 3,551

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 $14,403 (January 31, 2015 – $15,378).

As at January 30, 2016, principal repayments on long-term debt are as follows:

Within 1 year	$ 1,896
Within 2 years	1,655
	$ 3,551

13 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 LIABILITY
As at January 30, 2016			
Plan	**$ 21,818**	**$ 21,998**	**$ (180)**
SERP	**–**	**19,156**	**(19,156)**
Total	**$ 21,818**	**$ 41,154**	**$ (19,336)**
As at January 31, 2015			
Plan	$ 21,340	$ 21,594	$ (254)
SERP	–	21,714	(21,714)
Total	$ 21,340	$ 43,308	$ (21,968)

	FOR THE YEARS ENDED JANUARY 30, 2016			JANUARY 31, 2015		
	PLAN	SERP	TOTAL	PLAN	SERP	TOTAL
Movement in the present value of the defined benefit obligation						
Defined benefit obligation, beginning of year	**$ 21,594**	**$ 21,714**	**$ 43,308**	$ 18,238	$ 18,565	$ 36,803
Current service cost	**1,189**	**34**	**1,223**	857	193	1,050
Interest cost	**772**	**734**	**1,506**	817	801	1,618
Employee contributions	**184**	**–**	**184**	103	–	103
Actuarial loss (gain) – experience	**423**	**(1,880)**	**(1,457)**	(744)	5	(739)
Actuarial loss – demographic assumptions	**–**	**–**	**–**	94	64	158
Actuarial (gain) loss – financial assumptions	**(1,613)**	**(1,146)**	**(2,759)**	2,635	2,330	4,965
Benefits paid	**(551)**	**(300)**	**(851)**	(406)	(244)	(650)
Defined benefit obligation, end of year	**$ 21,998**	**$ 19,156**	**$ 41,154**	$ 21,594	$ 21,714	$ 43,308
Movement in the fair value of plan assets						
Fair value of plan assets, beginning of year	**$ 21,340**	**$ –**	**$ 21,340**	$ 18,544	$ –	$ 18,544
(Loss) return on plan assets	**(1,024)**	**–**	**(1,024)**	1,775	–	1,775
Interest income on plan assets	**739**	**–**	**739**	802	–	802
Employer contributions	**1,231**	**300**	**1,531**	631	244	875
Employee contributions	**184**	**–**	**184**	103	–	103
Benefits paid	**(551)**	**(300)**	**(851)**	(406)	(244)	(650)
Plan administration costs	**(101)**	**–**	**(101)**	(109)	–	(109)
Fair value of plan assets, end of year	**$ 21,818**	**$ –**	**$ 21,818**	$ 21,340	$ –	$ 21,340

For the year ended January 30, 2016, the net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants 65% (January 31, 2015 – 60%)
- Retired plan members 28% (January 31, 2015 – 28%)
- Deferred plan participants 7% (January 31, 2015 – 12%)

The defined benefit pension plan assets are held in trust and consisted of the following assets categories, which are not based on quoted market prices in an active market:

	FOR THE YEARS ENDED			
	JANUARY 30, 2016		JANUARY 31, 2015	
Equity securities				
Canadian – pooled funds	**$ 6,922**	**32%**	$ 6,717	32%
Foreign – pooled funds	**5,800**	**27%**	5,981	28%
Total equity securities	**12,722**	**59%**	12,698	60%
Debt securities – fixed income pooled funds	**8,450**	**38%**	8,238	38%
Cash and cash equivalents	**646**	**3%**	404	2%
Total	**$ 21,818**	**100%**	$ 21,340	100%

The Company's pension expense was as follows:

	FOR THE YEARS ENDED					
	JANUARY 30, 2016			JANUARY 31, 2015		
	PLAN	SERP	TOTAL	PLAN	SERP	TOTAL
Pension costs recognized in net earnings						
Current service cost	**$ 1,189**	**$ 34**	**$ 1,223**	$ 857	$ 193	$ 1,050
Net interest cost on net pension liability	**33**	**734**	**767**	15	801	816
Plan administration costs	**101**	**–**	**101**	109	–	109
Pension expense	**$ 1,323**	**$ 768**	**$ 2,091**	$ 981	$ 994	$ 1,975

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					
	JANUARY 30, 2016			JANUARY 31, 2015		
	PLAN	SERP	TOTAL	PLAN	SERP	TOTAL
Cumulative loss in retained earnings at the beginning of the year	**$ 1,646**	**$ 6,550**	**$ 8,196**	$ 1,436	$ 4,151	$ 5,587
(Gain) loss recognized during the year	**(166)**	**(3,026)**	**(3,192)**	210	2,399	2,609
Cumulative loss in retained earnings at the end of the year	**$ 1,480**	**$ 3,524**	**$ 5,004**	$ 1,646	$ 6,550	$ 8,196
(Gain) loss recognized during the year net of tax			**$ (2,355)**			$ 1,917

ACTUARIAL ASSUMPTIONS

Principal actuarial assumptions used were as follows:

	FOR THE YEARS ENDED JANUARY 30, 2016	FOR THE YEARS ENDED JANUARY 31, 2015
Accrued benefit obligation:		
Discount rate	**3.90 %**	3.40 %
Salary increase	**5.00 %**	5.00 %
Mortality	**2014 Private Sector Canadian Pensioner's Mortality Table, projected generationally using Scale B, adjusted for pension size**	2014 Private Sector Canadian Pensioner's Mortality Table, projected generationally using Scale B, adjusted for pension size
Employee benefit expense:		
Discount rate	**3.40 %**	4.30 %
Salary increase	**5.00 %**	5.00 %

SENSITIVITY OF KEY ACTUARIAL ASSUMPTIONS

The following table outlines the key assumptions for the years ended January 30, 2016 and January 31, 2015 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.

	FOR THE YEARS ENDED					
	JANUARY 30, 2016			JANUARY 31, 2015		
	PLAN	SERP	TOTAL	PLAN	SERP	TOTAL
(Decrease) increase in defined benefit obligation						
Discount rate						
Impact of increase of 1%	**$ (2,895)**	**$ (2,103)**	**$ (4,998)**	$ (2,906)	$ (2,571)	$ (5,477)
Impact of decrease of 1%	**$ 3,334**	**$ 2,362**	**$ 5,696**	$ 3,358	$ 2,916	$ 6,274
Salary increase						
Impact of increase of 1%	**$ 652**	**$ 29**	**$ 681**	$ 1,081	$ 172	$ 1,253
Impact of decrease of 1%	**$ (633)**	**$ (29)**	**$ (662)**	$ (1,030)	$ (171)	$ (1,201)
Lifetime expectancy						
Impact of increase of 1 year in expected lifetime of plan members	**$ 502**	**$ 452**	**$ 954**	$ 569	$ 570	$ 1,139

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 $1,505 in employer contributions to be paid to the Plan and $372 to the SERP in the year ended January 28, 2017. The weighted average durations of the Plan and SERP are each approximately 14 years at January 30, 2016 (January 31, 2015 – 14 years).

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, 2014 and the next required valuation will be as of December 31, 2015.

14 SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

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

	FOR THE YEARS ENDED			
	JANUARY 30, 2016		JANUARY 31, 2015	
	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 period	**51,146**	**38,745**	51,146	38,745
Shares issued pursuant to exercise of share options	**–**	**2**	–	–
Shares purchased under issuer bid	**(1,256)**	**(832)**	–	–
Balance at end of the period	**49,890**	**37,915**	51,146	38,745
Total share capital	**63,330**	**$ 38,397**	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 January 30, 2016, a total of 200 Class A non-voting shares were issued as a result of the exercise of vested options arising from the Company's share option program (January 31, 2015 – nil). The amounts credited to share capital from the exercise of share options include a cash consideration of $2, including an ascribed value from contributed surplus (January 31, 2015 – nil).

PURCHASE OF SHARES FOR CANCELLATION

The Company purchased, under the normal course issuer bid approved in December 2014, 1,255,440 Class A non-voting shares for the year ended January 30, 2016 (January 31, 2015 – nil) having a carrying value of $832 (January 31, 2015 – nil) and for a total cash consideration of $6,913 (January 31, 2015 – nil). The excess of the purchase price over the carrying value of the shares in the amount of $6,081 for the year ended January 30, 2016 (January 31, 2015 – nil) was debited to retained earnings.

In December 2015, 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 3,326,658 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 7, 2015. The bid commenced on December 18, 2015 and may continue to December 17, 2016. No Class A non-voting shares were purchased under this new program.

ACCUMULATED OTHER COMPREHENSIVE INCOME ("AOCI")
AOCI is comprised of the following:

	MARKETABLE SECURITIES	CASH FLOW HEDGES	FOREIGN CURRENCY TRANSLATION DIFFERENCES	TOTAL AOCI
Balance at February 1, 2015	**$ 340**	**$ 6,026**	**$ (725)**	**$ 5,641**
Impact of adopting IFRS 9 (2014) (note 3a)	**(340)**	**–**	**–**	**(340)**
Net change in fair value of cash flow hedges (net of tax of $4,030)	**–**	**10,843**	**–**	**10,843**
Reclassification of realized gain on cash flow hedges to inventory (net of tax of $3,466)	**–**	**(9,355)**	**–**	**(9,355)**
Change in foreign currency translation differences	**–**	**–**	**(395)**	**(395)**
Balance at January 30, 2016	**$ –**	**$ 7,514**	**$ (1,120)**	**$ 6,394**
Balance at February 2, 2014	$ 7,327	$ –	$ 29	$ 7,356
Net change in fair value of cash flow hedges (net of tax of $2,177)	–	6,026	–	6,026
Net change in fair value of available-for-sale financial assets (net of tax of $557)	(3,637)	–	–	(3,637)
Reclassification of realized gain on available-for-sale financial assets to net earnings (net of tax of $639)	(4,181)	–	–	(4,181)
Reclassification of impairment loss on available-for-sale financial assets to net earnings (net of tax of $127)	831	–	–	831
Change in foreign currency translation differences	–	–	(754)	(754)
Balance at January 31, 2015	$ 340	$ 6,026	$ (725)	$ 5,641

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

	FOR THE YEARS ENDED JANUARY 30, 2016	JANUARY 31, 2015
Common shares and Class A non-voting shares	**$ 12,782**	$ 12,917
Dividends per share	**$ 0.20**	$ 0.20

15 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 JANUARY 30, 2016		JANUARY 31, 2015	
	OPTIONS (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, at beginning of year	**3,051**	**$ 10.75**	2,090	$ 14.43
Granted	**1,030**	**6.75**	1,557	6.00
Exercised	**–**	**6.00**	–	–
Forfeited	**(471)**	**10.71**	(596)	11.23
Outstanding, at end of year	**3,610**	**$ 9.62**	3,051	$ 10.75
Options exercisable, at end of year	**1,486**	**$ 13.20**	1,657	$ 13.12

For the year ended January 30, 2016, a total of 200 Class A non-voting shares were issued, as a result of the exercise of vested options arising from the Company's share option program. There were no share options exercised during the year ended January 31, 2015.

For the year ended January 30, 2016, the Company granted 1,030,000 share options (2015 – 1,557,000), the cost of which will be expensed over their vesting period based on their estimated fair values on the date of the grant, determined using the Black-Scholes option pricing model. Compensation cost related to share option awards granted during the year ended January 30, 2016 and January 31, 2015 under the fair value based approach was calculated using the following assumptions:

	830,000 OPTIONS GRANTED JUNE 9, 2015	200,000 OPTIONS GRANTED APRIL 23, 2015	1,557,000 OPTIONS GRANTED JUNE 16, 2014
Expected option life	6.2 years	6.3 years	6.3 years
Risk-free interest rate	1.29%	0.99%	1.79%
Expected stock price volatility	29.74%	30.06%	32.38%
Average dividend yield	2.96%	2.95%	3.33%
Weighted average fair value of options granted	$ 1.42	$ 1.42	$ 1.38
Share price at grant date	$ 6.75	$ 6.77	$ 6.00

The following table summarizes information about share options outstanding at January 30, 2016:

Range of Exercise Prices	OPTIONS OUTSTANDING: NUMBER OUTSTANDING (IN 000'S)	OPTIONS OUTSTANDING: WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	OPTIONS OUTSTANDING: WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE: NUMBER EXERCISABLE (IN 000'S)	OPTIONS EXERCISABLE: WEIGHTED AVERAGE EXERCISE PRICE
$6.00 – $6.77	2,165	8.61 years	$ 6.35	233	$ 6.00
$11.68 – $12.62	100	6.01	11.68	60	11.68
$14.50 – $18.26	1,345	2.79	14.72	1,193	14.68
	3,610	**6.37 years**	**$ 9.62**	**1,486**	**$ 13.20**

D) EMPLOYEE EXPENSE

For the year ended January 30, 2016, the Company recognized compensation costs of $993 relating to share-based payment arrangements ($826 for the year ended January 31, 2015), with a corresponding credit to contributed surplus.

16 COMMITMENTS

As at January 30, 2016, 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	$ 85,570	$ 115,274	$ 5,675	$ 206,519
Within 2 years	70,859	2,816	6,029	79,704
Within 3 years	56,044	1,403	5,002	62,449
Within 4 years	40,523	211	3,277	44,011
Within 5 years	29,446	65	6	29,517
Subsequent years	41,226	177	–	41,403
Total	**$ 323,668**	**$ 119,946**	**$ 19,989**	**$ 463,603**

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 January 30, 2016, $162,572 was recognized as an expense in net earnings with respect to operating leases ($171,894 for the year ended January 31, 2015), of which $160,282 ($169,554 for the year ended January 31, 2015) represents minimum lease payments and additional rent charges and $2,290 ($2,340 for the year ended January 31, 2015) represents contingent rents.

17 OTHER INCOME, FINANCE INCOME AND FINANCE COSTS

RECOGNIZED IN NET EARNINGS

	FOR THE YEARS ENDED JANUARY 30, 2016	JANUARY 31, 2015
Dividend income from marketable securities	**$ 2,552**	$ 2,298
Interest income	**594**	994
Foreign exchange gain	**4,852**	–
Realized gain on disposal of marketable securities	**–**	4,820
Finance income	**7,998**	8,112
Interest expense – mortgage	**286**	394
Net change in fair value of marketable securities	**16,157**	–
Impairment loss on marketable securities	**–**	958
Foreign exchange loss	**–**	1,729
Finance costs	**16,443**	3,081
Net finance (cost) income recognized in net earnings	**$ (8,445)**	$ 5,031

18 (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on a net loss for the year ended January 30, 2016 of $24,703 (net earnings of $13,415 for the year ended January 31, 2015).

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

	FOR THE YEARS ENDED JANUARY 30, 2016	JANUARY 31, 2015
Weighted average number of shares per basic (loss) earnings per share calculations	**64,079**	64,586
Weighted average number of shares per diluted (loss) earnings per share calculations	**64,079**	64,586

As at January 30, 2016, a total of 3,609,600 (January 31, 2015 – 3,051,000) share options were excluded from the calculation of diluted (loss) earnings per share as these options were deemed to be anti-dilutive.

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.

19 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 Board of Directors (which includes the Chief Executive Officer and President) and the Chief Operating Officer have the responsibility for planning, directing and controlling the activities of the Company and are considered key management personnel. The Directors participate in the share option plan, as described in note 15.

Compensation expense for key management personnel is as follows:

	FOR THE YEARS ENDED JANUARY 30, 2016	JANUARY 31, 2015
Salaries, Directors' fees and short-term benefits	**$ 3,125**	$ 2,134
Share-based compensation costs	**502**	176
	$ 3,627	$ 2,310

OTHER RELATED-PARTY TRANSACTIONS

The Company leases two retail locations which are owned by companies controlled by the major shareholders of the Company. For the year ended January 30, 2016, the rent expense under these leases was, in the aggregate, $220 (January 31, 2015 – $223).

The Company incurred $505 in the year ended January 30, 2016 (January 31, 2015 – $384) 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.

20 PERSONNEL EXPENSES

	FOR THE YEARS ENDED JANUARY 30, 2016	JANUARY 31, 2015
Wages, salaries and employee benefits	**$ 242,020**	$ 243,213
Expenses related to defined benefit plans	**2,091**	1,975
Share-based compensation costs	**993**	826
	$ 245,104	$ 246,014

21 CREDIT FACILITY

At January 30, 2016, the Company had unsecured operating lines of credit available with Canadian chartered banks to a maximum of $100,000 or its U.S. dollar equivalent. As at January 30, 2016, $14,134 (January 31, 2015 – $29,984) of the operating lines of credit were committed for documentary and standby letters of credit.

22 GUARANTEES

The Company has granted irrevocable standby letters of credit, issued by highly-rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As at January 30, 2016, the maximum potential liability under these guarantees was $2,750 (January 31, 2015 – $5,007). The standby letters of credit mature at various dates during the year ending January 28, 2017. 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.

23 SUPPLEMENTARY CASH FLOW INFORMATION

	JANUARY 30, 2016	JANUARY 31, 2015
Non-cash transactions:		
Additions to property and equipment and intangible assets included in trade and other payables	**$ 2,172**	$ 3,645

24 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.

	JANUARY 30, 2016						
	CARRYING AMOUNT				FAIR VALUE		
	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE OF HEDGING INSTRUMENTS	AMORTIZED COST	TOTAL	LEVEL 1	LEVEL 2	TOTAL
Financial assets measured at fair value							
Derivative financial asset	**$ –**	**$ 14,405**	**$ –**	**$ 14,405**	**$ –**	**$ 14,405**	**$ 14,405**
Marketable securities	**$ 45,189**	**$ –**	**$ –**	**$ 45,189**	**$ 45,189**	**$ –**	**$ 45,189**
Financial liabilities measured at fair value							
Derivative financial liability	**$ –**	**$ (1,816)**	**$ –**	**$ (1,816)**	**$ –**	**$ (1,816)**	**$ (1,816)**
Financial liabilities not measured at fair value							
Long-term debt	**$ –**	**$ –**	**$ (3,551)**	**$ (3,551)**	**$ –**	**$ (3,686)**	**$ (3,686)**

	JANUARY 31, 2015							
	CARRYING AMOUNT					FAIR VALUE		
	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE OF HEDGING INSTRUMENTS	AVAILABLE-FOR-SALE	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	TOTAL
Financial assets measured at fair value								
Derivative financial asset	$ 12,191	$ 8,444	$ –	$ –	$ 20,635	$ –	$ 20,635	$ 20,635
Marketable securities	$ –	$ –	$ 57,364	$ –	$ 57,364	$ 57,364	$ –	$ 57,364
Financial liabilities measured at fair value								
Derivative financial liability	$ (2)	$ (94)	$ –	$ –	$ (96)	$ –	$ (96)	$ (96)
Financial liabilities not measured at fair value								
Long-term debt	$ –	$ –	$ –	$ (5,331)	$ (5,331)	$ –	$ (5,621)	$ (5,621)

There were no transfers between levels of the fair value hierarchy for the years ended January 30, 2016 and January 31, 2015.

DERIVATIVE FINANCIAL INSTRUMENTS

During the year, the Company entered into foreign exchange forward hedge contracts on the U.S. dollar with its bank. These foreign exchange contracts extend over a period not exceeding twelve months.

Details of the foreign exchange contracts outstanding for the years ended January 30, 2016 and January 31, 2015 are as follows:

	JANUARY 30, 2016				
	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange contracts designated as cash flow hedges:					
Forwards	**$ 1.325**	**$ 168,000**	**$ 14,405**	**$ (1,816)**	**$ 12,589**
			$ 14,405	**$ (1,816)**	**$ 12,589**

	JANUARY 31, 2015				
	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange contracts designated as cash flow hedges:					
Forwards	$ 1.183	$ 69,500	$ 6,292	$ –	$ 6,292
Call options purchased	$ 1.188	$ 23,000	2,152	–	2,152
Put options sold	$ 1.188	$ 11,500	–	(94)	(94)
Foreign exchange contracts classified at FVTPL[1]:					
Call options purchased	$ 1.081	$ 64,000	12,191	–	12,191
Put options sold	$ 1.081	$ 128,000	–	(2)	(2)
			$ 20,635	$ (96)	$ 20,539

[1] Held as economic hedges.

No ineffectiveness was recognized in net earnings as the change in fair value used for calculating the ineffectiveness of hedging instruments was the same or lower than the change in fair value used for calculating the ineffectiveness of the hedged items.

25 FINANCIAL RISK MANAGEMENT

The Company may periodically use derivative financial instruments to manage risks related to fluctuations in foreign exchange rates. The use of derivative financial instruments is governed by the Company's risk management policies approved by the Board of Directors. 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 forwards and option contracts by dealing with Canadian financial institutions. Marketable securities consist of preferred shares of highly-rated Canadian public companies. The Company's trade and other receivables consist primarily of credit card receivables from the last few days of the fiscal year, which are settled within the first days of the next fiscal year.

As at January 30, 2016, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	$ 118,595
Marketable securities	45,189
Trade and other receivables	4,103
Derivative financial asset	14,405
	$ 182,292

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 January 30, 2016, the Company had a high degree of liquidity with $163,784 in cash and cash equivalents, and marketable securities. In addition, the Company has unsecured credit facilities of $100,000 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. A forward foreign exchange contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. Effective in the fourth quarter of fiscal 2015, the Company entered into certain qualifying foreign exchange contracts that it designated as cash flow hedging instruments. This has resulted in mark-to-market foreign exchange adjustments, for qualifying hedged instruments, being recorded as a component of other comprehensive income. The outstanding contracts and the majority of foreign exchange contracts that were settled during fiscal 2016 were designated as cash flow hedges and qualified for hedge accounting. The underlying risk of the foreign exchange contracts is identical to the hedged risk, and accordingly the Company established a ratio of 1:1 for all foreign exchange hedges.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash and cash equivalents of $12,803 and trade payables of $26,108 to determine how a change in the U.S. dollar exchange rate would impact net earnings. On January 30, 2016, a 5% 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 $881 increase or decrease, respectively, in the Company's net earnings for the year ended January 30, 2016.

The Company has performed a sensitivity analysis on its derivative financial instruments (which are all designated as cash flow hedges), to determine how a change in the U.S. dollar exchange rate would impact other comprehensive income. On January 30, 2016, a 5% 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 $8,601 decrease or increase in the Company's other comprehensive income for the year ended January 30, 2016.

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 $100,000 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 January 30, 2016 to determine how a change in interest rates would impact net earnings. For the year ended January 30, 2016, the Company earned interest income of $594 on its cash and cash equivalents. An increase or decrease of 100 basis points in the average interest rate earned during the year would have increased net earnings by $96 or decreased net earnings by $61, respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

EQUITY PRICE RISK

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

The Company has performed a sensitivity analysis on equity price risk at January 30, 2016, to determine how a change in the market price of the Company's marketable securities would impact net earnings. The Company's equity investments consist principally of preferred shares of Canadian public companies. The Company believes that changes in interest rates influence the market price of these securities. A 5% increase or decrease in the market price of the securities at January 30, 2016, would result in a $2,198 increase or decrease, respectively, in net earnings for the year ended January 30, 2016. The Company's equity securities are subject to market risk and, as a result, the impact on net earnings may ultimately be greater than that indicated above.

26 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
MARIE-JOSÉE LAMOTHE
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

WALTER LAMOTHE
President – Retail and Chief Operating Officer

ERIC WILLIAMS, CPA, CA
Vice-President – Finance and Chief Financial Officer

ALAIN MURAD
Vice-President – Legal and Secretary

DIANE ARCHIBALD
Vice-President – Store Design and Development

AGA BARAN
Vice-President – eCommerce

LETA BRIDGEMAN
Vice-President – Global Sourcing

DOMENIC CARBONE
Vice-President – Distribution and Logistics

DENIS GAGNON
Vice-President – Retail Systems

GINO GUALTIERI
Vice-President – Chief Information Officer

KENNY MINZBERG
Vice-President – Business Development

ISABELLE OLIVA
Vice-President – Human Resources

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

MICHAEL STRACHAN
President – Reitmans

JACQUELINE TARDIF
Senior Vice-President – Reitmans and Smart Set

SYLVAIN FOREST
Vice-President – Reitmans and Smart Set

JEANNIE VONDJIDIS-MILLER
Vice-President – Reitmans

MICHAEL WATSON
Vice-President – Reitmans

CARL JANZEN
President – Penningtons

MARIA BLIGOURAS
Vice-President – Penningtons

CATHY COCKERTON
Vice-President – Penningtons

GINETTE HARNOIS
Vice-President – Penningtons

RHONDA SANDLER
Vice-President – Penningtons

JANICE LECLERC
President – Addition Elle

IAN DORAIS
Vice-President – Addition Elle

RICHARD DUMONT
Vice-President – Addition Elle

ROSLYN GRINER
Vice-President – Addition Elle

GISELLA PLASTINA
Vice-President – Addition Elle

LORA TISI
President – RW & CO.

JEAN-FRANÇOIS FORTIN
Vice-President – RW & CO.

ALAIN LESSARD
Vice-President – RW & CO.

JEFF RONALD
Vice-President – RW & CO.

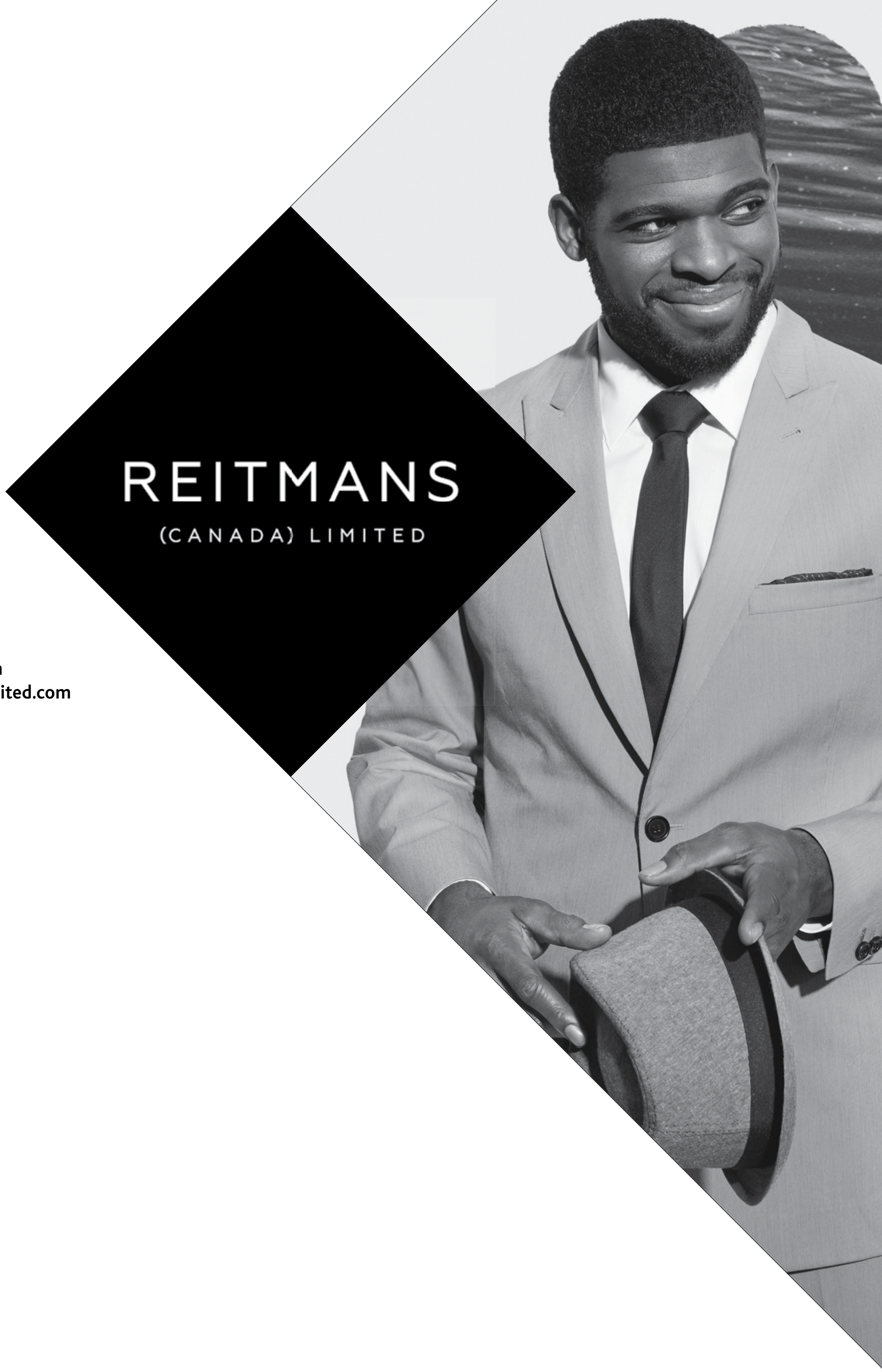
JONATHAN PLENS
President – Thyme Maternity

FIONA HORGAN
Vice-President – Thyme Maternity

ROXANE LIBOIRON
Vice-President – Thyme Maternity

PERRIN WOLFSON
Vice-President – Thyme Maternity

CORPORATE INFORMATION



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Fax:	**416-863-0871**

TRANSFER AGENT AND REGISTRAR

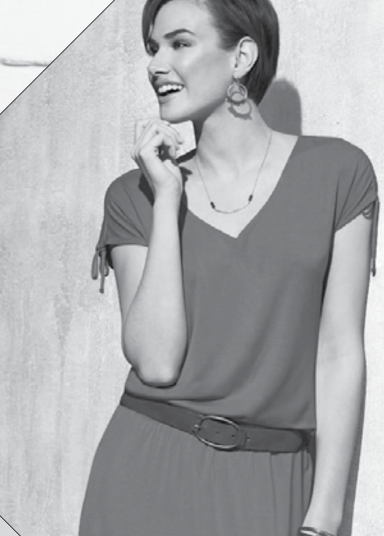
Computershare Investor Services Inc.
Montreal, Toronto, Calgary, Vancouver

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



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PENNINGTONS
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THYME
HYBA
SMART SET

DESIGN AND PRODUCTION:
COMMUNICATIONS MARILYN GELFAND INC.