annual report 2000

Reitmans

HIGHLIGHTS

For the year ended January 29
(in thousands except per share amounts)
(unaudited)

	2000	1999	1998	1997	1996
SALES[1]					
1st Quarter	$ 91,618	$ 81,935	$ 72,162	$ 67,256	$ 65,849
2nd Quarter	132,758	118,514	103,104	104,928	98,485
3rd Quarter	112,744	103,144	93,100	88,680	78,009
4th Quarter	140,610	127,872	115,449	113,085	107,543
Total	$ 477,730	$ 431,465	$ 383,815	$ 373,949	$ 349,886
OPERATING EARNINGS (LOSS)[1]					
1st Quarter	$ 3,466	$ 446	$ (3,539)	$ (9,806)	$ (3,951)
2nd Quarter	14,081	9,263	3,376	4,806	6,485
3rd Quarter	2,704	3,228	2,499	(1,186)	(3,381)
4th Quarter	6,649	3,852	1,916	1,851	(41)
Total	$ 26,900	$ 16,789	$ 4,252	$ (4,335)	$ (888)
EARNINGS (LOSS)[1]					
1st Quarter	$ 38,465	$ 3,015	$ (1,084)	$ (6,209)	$ (1,572)
2nd Quarter	10,764	8,498	6,503	4,442	8,155
3rd Quarter	2,822	3,437	4,707	1,963	(1,798)
4th Quarter	3,163	2,296	5,136	3,034	4,018
Total	$ 55,214	$ 17,246	$ 15,262	$ 3,230	$ 8,803
EARNINGS (LOSS) PER SHARE[1]					
1st Quarter	$ 4.23	$ 0.34	$ (0.13)	$ (0.70)	$ (0.17)
2nd Quarter	1.19	0.97	0.75	0.50	0.88
3rd Quarter	0.33	0.38	0.53	0.23	(0.19)
4th Quarter	0.36	0.23	0.60	0.34	0.44
Total	$ 6.11	$ 1.92	$ 1.75	$ 0.37	$ 0.96
LOSS FROM DISCONTINUED OPERATIONS	$ (3,507)	$ (3,374)	$ (2,872)	$ (2,178)	$ -
PER SHARE	$ (0.39)	$ (0.37)	$ (0.33)	$ (0.25)	$ -
NET EARNINGS	$ 51,707	$ 13,872	$ 12,391	$ 1,052	$ 8,803
PER SHARE	$ 5.72	$ 1.55	$ 1.42	$ 0.12	$ 0.96
SHAREHOLDERS' EQUITY	$ 194,121	$ 149,347	$ 144,723	$ 135,004	$ 140,531
PER SHARE	$ 22.37	$ 17.12	$ 16.17	$ 15.31	$ 15.67
NUMBER OF STORES	588	564	575	590	598

[1] From continuing operations

a substantial increase in profitability

The year ended January 29, 2000 was another year of significant achievement for the Company.

Sales for the year ended January 29, 2000 increased 11% to $477.7 million as compared with $431.5 million last year. Operating earnings increased 60% to $26.9 million as compared with $16.8 million last year. Pre-tax earnings, including the gain from the sale of our interest in NetStar of $45.7 million, amounted to $75.4 million as compared with $25.0 million last year. Net earnings amounted to $51.7 million or $5.72 per share as compared with $13.9 million or $1.55 per share last year. The Antels and Cactus stores were closed and the resulting loss from these discontinued operations amounts to $3.5 million after tax. Accordingly, we have restated last year's results.

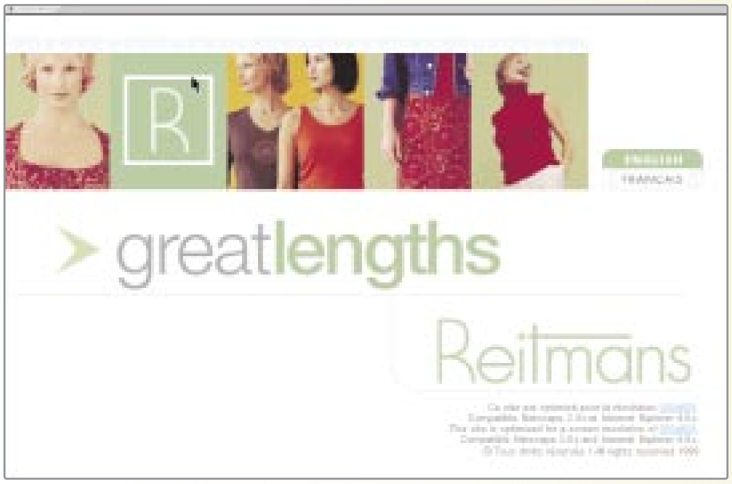
Using sophisticated marketing techniques, customer loyalty programs, improved sourcing from our domestic and offshore vendors and updated inventory management processes, management of each division has successfully sharpened the market focus of each chain to its customers' needs.

The substantial increase in profitability is attributable to the increases in comparable store sales of 7% in Reitmans, 3% in Smart Set and 5% in Penningtons, which resulted in significantly higher gross and operating margins in the Reitmans and Penningtons divisions. Investments in systems and technology in the last three years have resulted in substantial savings in operating costs. In November, we completed a major upgrade of our point of sale ("POS") system to better integrate with the other systems already in place. We expect to continue to increase profitability as a result of these investments.

In August, we launched RW & CO. and opened 13 stores in the last half of the year. Averaging 4,000 sq. ft. in major malls, RW & CO. caters to junior (18 to 30) ladies and men, offering active, casual and city wear clothing and accessories at moderate prices under the RW & CO. brand. Initial results are most encouraging and we intend to expand this division aggressively in selected markets.

In June, we announced a strategic alliance with the Inditex Group of Spain, which will allow them to open Zara stores in Canada. Averaging 10,000 sq. ft. in major high profile downtown and mall locations, Zara targets the junior and contemporary women, men and children's markets at moderate price points. The first store was opened in December in Montreal (Place Montreal Trust). Toronto (Bloor and Bay) and Vancouver (Robson St.) stores will open in April 2000. There are currently over 300 Zara stores in operation worldwide, including England, France, Israel, Italy, Japan, Spain and the United States.

During the year, the Company opened 59 new stores (17 Reitmans, 14 Smart Set/Dalmys, 15 Penningtons and 13 RW & CO.) and closed 69 stores (22 Reitmans, 13 Smart Set/Dalmys, 21 Antels and 13 Cactus). At year-end, the Company operated 588 stores, consisting of 330 Reitmans, 148 Smart Set/Dalmys, 97 Penningtons and 13 RW & CO.



We will continue our aggressive expansion program this year. In January, we completed the acquisition of A. Gold & Sons Inc. whereby we acquired 5 stores which will be converted into 4 RW & CO. and 1 Reitmans. We plan to open approximately 38 stores (12 Reitmans, 2 Smart Set/Dalmys, 12 Penningtons and 12 RW & CO.) and we anticipate closing approximately 20 stores that are not profitable. Our store renovation program involved the substantial renovation of 88 stores last year; we plan to remodel 70 stores this year.

Under the provisions of its 1999 Normal Course Issuer bid, the Company purchased 129,100 Class A non-voting shares at an average cost of $20.00 per share. Furthermore, the Board authorized the Company to purchase up to an additional 347,000 Class A non-voting shares pursuant to the 2000 Normal Course Issuer bid. We believe that at current levels the Company's shares continue to be undervalued and as such represent an appropriate investment of its funds.

The Board of Directors declared the payment of a quarterly cash dividend of 20 cents per Class A non-voting and Common share payable April 28, 2000 to shareholders of record April 19, 2000. This is an increase of 25% over the previous rate of 16 cents per share.

On behalf of the Board of Directors, we wish to express our sincere appreciation to our employees for their dedication and loyalty, to our suppliers for their cooperation and to our customers for their continuing patronage. These are the people who have made possible our many years of success and on whom we rely for the future.

On behalf of the Board of Directors,

(signed)
Jeremy H. Reitman,
President
Montreal, April 19, 2000

Operating results

Sales for the fifty-two weeks ended January 29, 2000 from continuing operations increased 10.7% to $477.7 million from $431.5 million for the fifty-two week period ended January 30, 1999. The increase in sales in 2000 was attributable to a number of factors including the continued improvement in the Reitmans division (6.6% increase), the continued expansion of the Penningtons division (27% increase) and the start up of a new chain, RW & CO. Comparable store sales increased 6.8% in Reitmans, 3% in SmartSet/Dalmys and 4.7% in Penningtons. We closed the Antels and Cactus stores last year and the closing of their operations is reported as "Discontinued Operations".

Net operating earnings from our continuing retail operations before interest, investment income and taxes increased 60% from $16.8 million in 1999 to $26.9 million. Using sophisticated marketing techniques, customer loyalty programs, improved sourcing from our domestic and offshore vendors and updated inventory management processes, management of each division has successfully sharpened the market focus of each chain resulting in improved gross and operating margins. All divisions were profitable except RW & CO., which incurred a loss (as expected) on start up. In particular, Reitmans and Penningtons produced very strong operating results.

We continue to realize the benefits of our automated distribution system, our enhanced management and merchandising systems and our in-store training programs. During the third quarter, we completed the installation of our new state of the art point of sale ("POS")

system, involving the installation of approximately 850 machines in over 600 stores. The completion of the POS installation completes a seven year period involving the replacement of all our systems (POS, management information, finance, human resources, payroll, merchandising and distribution). As a result, the transition to Year 2000 was seamless and without incident.

Investments

Investments consist of marketable securities, principally high quality preferred shares rated P-1. In the first quarter, we sold our interest in NetStar Communications Inc. to CTV Inc. realising a pre-tax capital gain of $45.7 million which is included in investment income. Offsetting the gain on the sale of NetStar, capital losses were realised in the portfolio amounting to $4.8 million as compared to capital gains of $1.4 million last year. Dividend income was $4.9 million compared to $3.0 million for the previous year. This increase in dividend income reflects in part the rise in the level of the prime rate in Canada during the fiscal period. Interest income this year amounted to $3.3 million compared to $5.4 million in 1999. Interest income was significantly lower this year as a result of the sale of our NetStar investment which had provided debenture interest.

At January 29, 2000, marketable securities amounted to $83.8 million (market value $79.7 million) as compared with $68.3 million (market value $64.8 million) last year.

Liquidity and capital assets

Shareholders' equity at January 29, 2000 amounted to $194.1 million or $22.37 per share as compared to $149.3 million or $17.12 per share last year. The Company continues to be in a strong financial position. The Company's sources of liquidity are its cash and investments in marketable securities of $137.1 million at January 29, 2000 compared with $132.2 million at January 30, 1999. Cash provided by operations amounted to $32.5 million in fiscal 2000. The increase in current liabilities relates primarily to increased merchandise payables and increased sales tax accruals as a result of increased business volume. Investing and financing activities during the year were principally for investments in new and renovated stores, the POS system and the purchase of 129,100 Class A non-voting shares. The Company also issued 80,000 Class A non-voting shares under its employee stock option plan. Cash dividends of $5.6 million or 64 cents a share were paid during the year. The Company invested $30.9 million in new and renovated stores in the year ending January 29, 2000 and has budgeted $25 million for store development for fiscal 2001. These expenditures together with the payment of cash dividends will be funded by the Company's existing financial resources and funds derived from its operations.

Outlook

The Company, through its four operating divisions, believes that it is well positioned to compete effectively in the Canadian ladies wear retail market. The Company is reviewing a number of possible acquisitions in the Canadian marketplace; no commitments have been made as at this time. We have continued to successfully test new store designs and layouts in our Reitmans and Smart Set divisions and will continue to implement these designs in new and renovated stores where appropriate. Initial results of our new RW & CO. division are most encouraging and we intend to expand this division aggressively in selected markets. The Company has revised and refined its compensation policies, including comprehensive bonus plans, to ensure that they are consistent with the stated corporate and financial goals of each division, as well as those of the overall Company. As a result of an extensive store-training program started in fiscal 1997, specific standards were developed regarding customer service, store appearance and employee conduct. At store level, these measures have been combined with sales, wage cost and shrinkage targets in a new comprehensive compensation plan. Our employees responded very well to these new procedures and the significantly improved retailing operations reflect the success of the programs.

The Company is in a strong financial position. It has excellent relationships with its vendors and suppliers, both in Canada and globally. It has invested in technology and people. The outlook remains exceedingly positive.

	Reitmans	Smart Set/ Dalmys	Penningtons	RW & CO.	Total
Newfoundland	13	3	1	-	17
Prince Edward Island	3	3	1	-	7
Nova Scotia	19	7	4	-	30
New Brunswick	18	6	3	1	28
Québec	83	22	17	3	125
Ontario	99	60	37	4	200
Manitoba	9	4	5	-	18
Saskatchewan	11	4	3	-	18
Alberta	34	17	13	2	66
British Columbia	39	21	13	3	76
Northwest Territories	1	1	-	-	2
Yukon	1	-	-	-	1
	330	148	97	13	588

www.reitmans.com

Reitmans

Operating 330 stores, Reitmans is Canada's largest ladies apparel specialty chain. With stores averaging 3,500 sq. ft., Reitmans offers Canadian women a broad assortment of current fashions and accessories. This year witnessed an aggressive expansion of all sportswear departments, continued expansion of "Petites" and "Encore" (plus-size) departments along with the national launch of the Air Miles™ loyalty reward program and the launch of the Reitmans' website (www.reitmans.com).

Petites

Encore

Contrast Jeans

Superstore

Air Miles™

The Smart Set/Dalmys division, with over 145 stores, is a major fashion destination for junior clothing. It offers 15 to 35 year old women a complete coordinated line of affordable fashion and accessories at the best quality/price/value. All Smart Set clothing and accessories are designed and manufactured specifically for the stores and carry the Smart Set label.

The successful launch of a new Smart Set store design enabled the division to aggressively renovate and open 44 stores in major shopping centres across Canada. Now the division is well poised to continue its dominance in the junior market.

smart set

www.smart-set.com

DALMYS

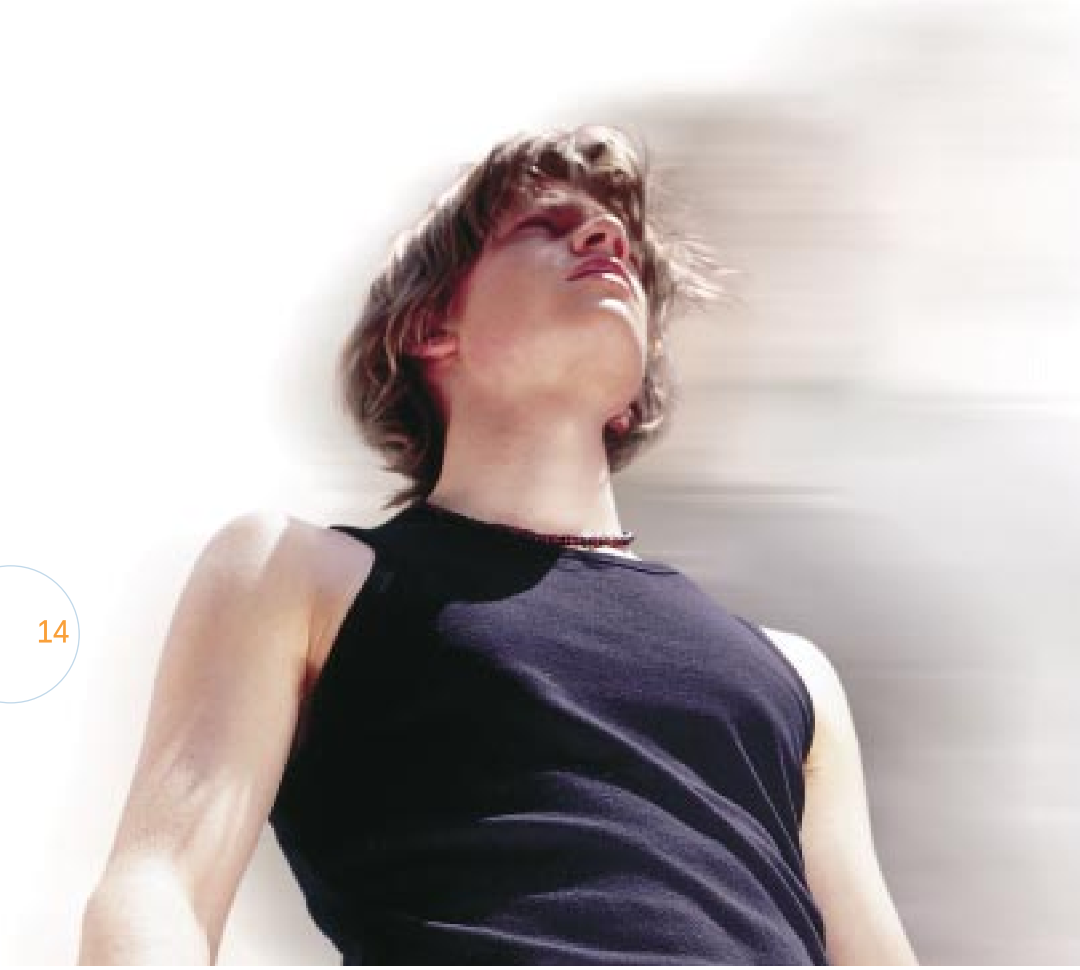
www.penningtons.com

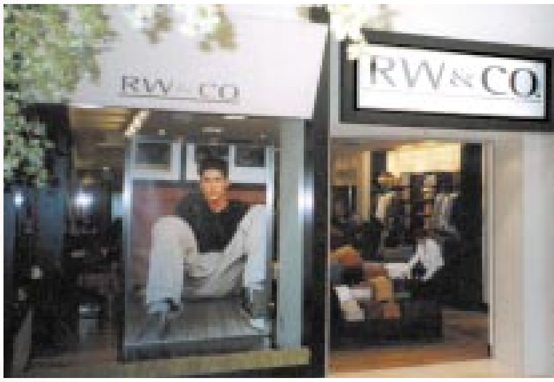
Penningtons SUPERSTORE

Penningtons is a destination store situated in a strip mall or plaza, that provides a broad assortment of career, casual and intimates for the plus-size customer. Penningtons Superstore offers a "feel at home" concept with exceptionally knowledgeable, caring and friendly service. The Penningtons brand means fashion, selection, service, quality, value and unbeatable prices.

Penningtons Superstore opened 15 new stores this year with another 12 scheduled to open in the upcoming year. Penningtons has established itself as the dominant plus-size retailer in its class.

RW & CO.





www.rw-co.com

Averaging 4,000 sq. ft. in major malls, RW & CO. caters to junior (18 to 30) ladies and men, offering active, casual and city wear clothing and accessories at moderate prices under the RW & CO. brand.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements and all the information in this 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 Canadian generally accepted accounting principles 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, Chartered Accountants and their report is presented hereafter.

(signed)
Jeremy H. REITMAN
President

(signed)
Eric WILLIAMS, C.A.
Vice-President - Treasurer

AUDITORS' REPORT

To the Shareholders of Reitmans (Canada) Limited

We have audited the Consolidated Balance Sheets of Reitmans (Canada) Limited as at January 29, 2000 and January 30, 1999 and the Consolidated Statements of Earnings and Retained Earnings and Cash Flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these Consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 29, 2000 and January 30, 1999, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed)
KPMG LLP
Chartered Accountants

Montreal, Canada
April 7, 2000

CONSOLIDATED BALANCE SHEETS

As at January 29, 2000 and January 30, 1999
(in thousands)

	2000	1999
ASSETS		
CURRENT ASSETS		
Cash and short-term deposits	$ 53,226	$ 19,416
Accounts receivable	2,970	2,619
Investment	-	44,560
Merchandise inventories	31,536	29,272
Prepaid expenses	3,628	4,598
Income taxes recoverable	-	142
Total Current Assets	91,360	100,607
INVESTMENTS (note 3)	83,849	68,260
CAPITAL ASSETS (note 4)	73,332	45,602
DEFERRED PENSION COSTS (note 5)	5,308	5,308
DEFERRED INCOME TAXES	-	1,220
	$ 253,849	$ 220,997
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank indebtedness	$ -	$ 29,000
Accounts payable and accrued items	45,463	42,650
Income taxes payable	13,929	-
Total Current Liabilities	59,392	71,650
DEFERRED INCOME TAXES	336	-
SHAREHOLDERS' EQUITY		
Share capital (note 6)	8,865	7,758
Retained earnings	185,256	141,589
Total Shareholders' Equity	194,121	149,347
	$ 253,849	$ 220,997

On behalf of the Board

(signed)
JEREMY H. REITMAN
Director

(signed)
STEPHEN J. KAUSER
Director

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

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the years ended January 29, 2000 and January 30, 1999
(in thousands except per share amounts)

	2000	1999 (Restated)
Sales	$ 477,730	$ 431,465
Cost of goods sold and selling, general and administrative expenses	438,459	404,334
	39,271	27,131
Depreciation and amortization	12,371	10,342
Operating earnings	26,900	16,789
Investment income	49,081	9,735
Interest on long-term debt	608	1,505
Earnings from continuing operations before income taxes	75,373	25,019
Income taxes (note 7)	20,159	7,773
Earnings from continuing operations	55,214	17,246
Loss from discontinued operations (note 8)	(3,507)	(3,374)
Net earnings	51,707	13,872
Retained earnings at beginning of year	141,589	137,122
	193,296	150,994
Deduct:		
Premium on purchase of Class A shares (note 6)	2,435	4,794
Dividends (note 6)	5,605	4,611
Retained earnings at end of year	$ 185,256	$ 141,589
Earnings per share from continuing operations:		
Basic	$ 6.30	$ 1.95
Fully diluted	6.11	1.92
Net earnings per share:		
Basic	5.90	1.57
Fully diluted	5.72	1.55

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended January 29, 2000 and January 30, 1999
(in thousands)

	2000	1999 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings from continuing operations	$ 55,214	$ 17,246
Adjustments for:		
Depreciation and amortization	12,371	10,342
Deferred income taxes	3,256	4,836
Investment income	(49,081)	(9,735)
Changes in non-cash working capital	11,383	5,271
Cash from continuing operations	33,143	27,960
Discontinued operations	(595)	(2,090)
	32,548	25,870
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(61,680)	(35,712)
Proceeds on sale of marketable securities	41,270	14,138
Investment income, excluding loss on sale of marketable securities of $4,822 (1999 - gain of $1,384)	8,236	8,351
Net additions to capital assets	(39,283)	(14,779)
Net proceeds on sale of NetStar	90,396	-
Investment in NetStar	(169)	(2,989)
Acquisition	(1,575)	-
	37,195	(30,991)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	1,262	413
Repayment of long-term debt	(29,000)	-
Purchase of Class A non-voting shares for cancellation	(2,590)	(5,050)
Dividends paid	(5,605)	(4,611)
	(35,933)	(9,248)
NET INCREASE (DECREASE) IN CASH POSITION	33,810	(14,369)
CASH POSITION AT BEGINNING OF YEAR	19,416	33,785
CASH POSITION AT END OF YEAR	$ 53,226	$ 19,416

Cash position consists of cash balances with banks and investments in short-term deposits.

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

As at January 29, 2000 (dollar amounts in thousands except per share amounts)

The Company is incorporated under the Canada Business Corporations Act and its principal business activity is the sale of women's wear at retail.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) The financial statements and accompanying notes have been prepared on a consolidated basis and reflect the consolidated financial position of the Company and its wholly-owned subsidiaries. Balances and transactions between the companies have been eliminated from these financial statements.

b) Merchandise inventories are valued at the lower of cost, determined principally on an average basis using the retail inventory method, and net realizable value.

c) Marketable securities are carried at cost. Income is recorded on the accrual basis.

d) Capital assets are recorded at cost and are depreciated at the following annual rates applied to their cost, commencing with the year of acquisition:

Fixtures and equipment	- 10% to 33 ⅓%
Leasehold improvements	- 10%
Systems development	- 20%
Leasehold interests	- 15%

Depreciation and amortization expense includes gains and losses on disposals of capital assets. Fully depreciated assets are written off.

e) The Company carries on its operations in leased premises under leases of varying terms, which are accounted for as operating leases.

f) Expenditures associated with the opening of new stores, other than fixtures, equipment and leasehold improvements, are expensed as incurred.

g) Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate. Revenues and expenses are translated into Canadian dollars at the average rate of exchange for the year. The resulting gains or losses on translation are included in the determination of net earnings.

h) The Company has a share option plan where options to purchase Class A non-voting shares are issued to directors, officers and key employees. No compensation expense is recognized for these plans when shares or share options are issued to employees. Any consideration paid by employees on the exercise of options is credited to share capital.

i) In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results may differ from these estimates.

2 ACQUISITION

On January 14, 2000, the Company purchased all of the outstanding shares of a Canadian retailer for a total consideration of $1,700 (including a balance payable of $125). The net assets the Company acquired consisted principally of store leases and tax losses. The purchase price has been allocated to a deferred tax asset representing the future benefit of the tax losses.

3 INVESTMENTS

The Company's marketable securities portfolio consists principally of preferred shares of Canadian public companies. Income from marketable securities and short-term deposits is included in investment income. The market value of the portfolio at January 29, 2000 was $79,681 (1999 - $64,816).

On March 5, 1999, the Company sold its interest in NetStar Communications Inc. to CTV Inc. resulting in a pre-tax gain of $45,666 which is included in investment income.

4 CAPITAL ASSETS

	2000			1999
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Fixtures and equipment	$ 58,146	$ 15,550	$ 42,596	$ 23,439
Leasehold improvements	42,867	13,876	28,991	19,440
Systems development	3,477	2,203	1,274	1,969
Leasehold interests	1,650	1,179	471	754
	$106,140	$ 32,808	$ 73,332	$ 45,602

5 PENSION PLANS

The Company maintains contributory, defined benefit retirement pension plans which cover full-time and part-time employees. The plans provide for pensions based on length of service and average earnings in the best five consecutive years.

The cost of the pension plans is determined periodically by independent actuaries. Pension expense/credit is included annually in operations and comprises the following:

- the cost of pension benefits provided in exchange for employees' services rendered during the year, as calculated using the projected benefit method prorated on service;

- amortization over the employees' expected average remaining service life, of (i) adjustments arising from changes in the plans or in assumptions, (ii) experience gains or losses and (iii) the surplus of the plans.

The cumulative difference between pension expense and contributions made to the pension fund is recorded as deferred pension costs.

At January 29, 2000, the estimated market value of the pension plans' assets was $39,692 (1999 - $39,466) and the estimated cost of accrued benefits was $22,485 (1999 - $22,141).

6 SHARE CAPITAL

	2000	1999
a) Class A non-voting shares (authorized - unlimited)		
- issued 6,996,782 (1999 - 7,045,882)	$ 8,383	$ 7,276
Common shares (authorized - unlimited)		
- issued 1,680,000	482	482
	$ 8,865	$ 7,758

Dividends paid on Class A non-voting and Common shares were $4,530 (1999 - $3,738) and $1,075 (1999 - $873) respectively.

b) The holders of Class A non-voting shares are entitled to receive a fixed, cumulative preferential dividend at the rate of five cents per share per annum, payable as and when declared. After the Common shares have received an equal dividend, the Class A non-voting and Common shares rank equally with respect to all further dividends. Both classes of shares rank equally upon any distribution of the assets of the Company. The holders of Class A non-voting shares are entitled to vote in certain circumstances.

c) The Company purchased for cancellation 129,100 (1999 - 251,200) Class A non-voting shares at prevailing market prices pursuant to its Share Purchase Program for a total cash consideration of $2,590 (1999 - $5,050). The excess of $2,435 (1999 - $4,794) over the stated value of the shares was charged to retained earnings.

d) The Company has reserved 674,000 Class A non-voting shares for issuance under its Share Option Plan. The granting of options and the related vesting period are at the discretion of the Board of Directors and have a maximum term of 10 years.

A summary of the status of the Company's Share Option Plan as of January 29, 2000 and January 30, 1999 and changes during the years ending on those dates is presented below:

	2000		1999	
Options	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	384,000	$ 15.42	410,000	$ 15.32
Granted	66,000	20.64	15,000	19.63
Exercised	(80,000)	15.77	(25,000)	16.50
Forfeited	(28,000)	15.21	(16,000)	15.00
Outstanding at end of year	342,000	16.37	384,000	15.42
Options exercisable at end of year	151,000		157,000	

6 SHARE CAPITAL (cont'd)

The following table summarizes information about share options outstanding at January 29, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 01/29/2000	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 01/29/2000	Weighted-Average Exercise Price
$15.00 - $18.25	287,000	1.24	$15.38	148,000	$15.18
$19.45 - $22.20	55,000	5.86	21.50	3,000	19.63
	342,000	1.98	16.37	151,000	15.27

7 INCOME TAXES

a) The Company's provision for income taxes on continuing operations is made up as follows:

	2000	1999
Provision for income taxes based on combined statutory rate of 42.50% (1999 - 42.91%)	$ 32,034	$ 10,741
Changes in provision resulting from:		
Non-taxable portion of NetStar gain	(4,731)	-
Tax exempt investment income	(4,858)	(1,453)
Utilization of prior years' capital losses	(1,482)	(426)
Utilization of prior years' non-capital losses	(1,408)	(2,745)
Permanent and other differences	604	1,656
Income taxes	$ 20,159	$ 7,773
Represented by:		
Current	$ 16,903	$ 2,937
Deferred	3,256	4,836
	$ 20,159	$ 7,773

b) The Company has utilized non-capital losses of $12,322 and capital losses of $3,488 to reduce taxable income.

c) As a result of the acquisition referred to in note 2, the Company has non-capital losses of approximately $5,000 expiring up to January 2007.

8 DISCONTINUED OPERATIONS

On June 17, 1999, the Company announced the closure of its Antels and Cactus stores effective May 1, 1999. As a result, these operations have been classified as discontinued on a comparative basis. Revenues for the year from the discontinued operations were $8,349 as compared to $25,209 for the previous year. The loss from discontinued operations has been reduced by an income tax recovery of $2,593 (1999 - $2,546). All assets related to the operations have been written off.

9 COMMITMENTS

Minimum lease payments under operating leases for retail stores, distribution centre, automobiles and equipment, exclusive of additional amounts based on sales, taxes and other costs are payable as follows:

Years ending	
2001	$ 39,623
2002	36,303
2003	32,147
2004	27,344
2005	19,410
Subsequent years	34,473
	$189,300

10 STATEMENTS OF CASH FLOWS

Supplementary information:

	2000	1999
Balances with banks	$ 7,269	$ 3,396
Short-term deposits	45,957	16,020
	$ 53,226	$ 19,416
Interest paid	$ 985	$ 1,907
Income taxes paid (recovered)	277	(1,027)
Capital asset additions included in accounts payable	3,732	-
Balance payable on acquisition	125	-

11 FINANCIAL INSTRUMENTS

a) Foreign Currency Risk

The Company's non-Canadian sourced merchandise is typically priced and paid for in U.S. dollars. The Company actively manages its exposure to U.S./Canadian dollar exchange rate fluctuations through a combination of spot currency purchases, zero-cost range forward options and Canadian dollar puts. The intent is to fix the Canadian dollar cost of the Company's merchandise purchases.

At year-end the Company had foreign exchange forward contracts to purchase U.S. $6,000 ($8,730) at a rate of $1.4550 maturing up to July 2000.

The Company has entered into call options of U.S. $14,000 ($20,432) and put options of U.S. $28,000 ($40,864) at rates ranging from $1.4288 to $1.4866 maturing up to August 2000.

b) Fair Value Disclosure

Fair value estimates are made at a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

The Company has determined that the carrying value of its short-term financial assets and liabilities approximates fair value at the year-end dates due to the short-term maturity of these instruments. The fair values of the marketable securities are based on published market prices at year-end. The fair value of the Company's forward contracts as disclosed above is $8,673. The fair value of the Company's call options as disclosed above is $20,237 and put options as disclosed above is $40,474.

CORPORATE INFORMATION

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R. James McCoubrey
Cyril Reitman
Jeremy H. Reitman
Stephen F. Reitman
Robert S. Vineberg

OFFICERS

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Executive Vice-President

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Vice-President - Store Planning

Henry Fiederer
President - Reitmans

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Allen F. Rubin
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Allan Salomon
Vice-President - Real Estate and Secretary

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Vice-President - Reitmans

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Co-President - Smart Set / Dalmys / RW & CO.

Suzana Vovko
Co-President - Smart Set / Dalmys / RW & CO.

Richard Wait, C.G.A.
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STOCK SYMBOLS

THE TORONTO STOCK EXCHANGE

Common	RET
Class A non-voting	RET.A

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