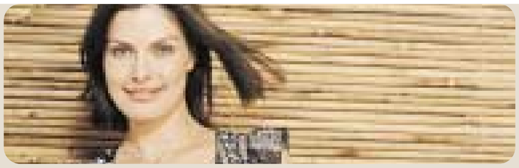
ANNUAL REPORT 2003

Reitmans

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.

A preeminent force in the retail industry for over 75 years, Reitmans has evolved from a single division chain of fashion retail stores "where smart women shop" to an 820 store, multi-banner operation where all women shop.



REITMANS (CANADA) LIMITED

HIGHLIGHTS

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

	2003	2002	2001	2000	1999
SALES[1]					
1st Quarter	**$ 126,028**	$ 116,256	$ 98,192	$ 91,618	$ 81,935
2nd Quarter	**201,730**	142,816	139,059	132,758	118,514
3rd Quarter	**207,323**	143,513	126,847	112,744	103,144
4th Quarter	**217,413**	163,435	154,286	140,610	127,872
Total	**$ 752,494**	$ 566,020	$ 518,384	$ 477,730	$ 431,465
OPERATING EARNINGS (LOSS)[1]					
1st Quarter	**$ 4,896**	$ 3,365	$ (391)	$ 3,466	$ 446
2nd Quarter	**21,156**	9,543	8,444	14,081	9,263
3rd Quarter	**11,678**	9,153	6,080	2,704	3,228
4th Quarter	**(6,554)**	11,362	9,451	6,649	3,852
Total	**$ 31,176**	$ 33,423	$ 23,584	$ 26,900	$ 16,789
EARNINGS (LOSS)[1]					
1st Quarter	**$ 5,127**	$ 4,250	$ 1,523	$ 38,465	$ 3,015
2nd Quarter	**13,590**	7,964	7,629	10,764	8,498
3rd Quarter	**8,213**	7,488	5,938	2,822	3,437
4th Quarter	**(2,395)**	7,232	5,112	3,163	2,296
Total	**$ 24,535**	$ 26,934	$ 20,202	$ 55,214	$ 17,246
EARNINGS (LOSS) PER SHARE[1,2]					
1st Quarter	**$ 0.30**	$ 0.25	$ 0.09	$ 2.20	$ 0.17
2nd Quarter	**0.79**	0.47	0.44	0.62	0.49
3rd Quarter	**0.48**	0.45	0.35	0.15	0.19
4th Quarter	**(0.14)**	0.43	0.30	0.18	0.13
Total	**$ 1.43**	$ 1.60	$ 1.18	$ 3.15	$ 0.98
LOSS FROM DISCONTINUED OPERATIONS	**$ -**	$ -	$ -	$ (3,507)	$ (3,374)
PER SHARE[2]	**$ -**	$ -	$ -	$ (0.20)	$ (0.19)
NET EARNINGS	**$ 24,535**	$ 26,934	$ 20,202	$ 51,707	$ 13,872
PER SHARE[2]	**$ 1.43**	$ 1.60	$ 1.18	$ 2.95	$ 0.79
SHAREHOLDERS' EQUITY	**$ 243,521**	$ 225,579	$ 202,507	$ 194,121	$ 149,347
PER SHARE[2]	**$ 14.16**	$ 13.14	$ 12.07	$ 11.19	$ 8.56
NUMBER OF STORES	**820**	623	601	588	564

[1] From continuing operations
[2] Restated to account for 100% stock dividend in October 2002

TO OUR SHAREHOLDERS

Fiscal 2003 was a year of great accomplishment for the Company.

We completed the largest acquisition in the Company's history with the purchase on June 5, 2002 of Shirmax Fashions Ltd., comprising 175 stores operating under the Addition-Elle, Addition-Elle Outlet and Thyme Maternity banners. We completed the integration of Shirmax (with the exception of its distribution centre) on schedule with all technology systems converted and installed. We completed Phase I of the installation of the automated merchandise handling equipment in our new Montreal Distribution Centre with the Reitmans banner in operation. Subsequent to year-end, we completed Phase II with the Penningtons, Smart Set and RW & CO. banners now operating from the Distribution Centre. We started a 120,000 square foot expansion of the facility which when completed in August 2003 will total 445,000 square feet and will be able to serve 1,100 stores.

Notwithstanding these accomplishments, fiscal 2003 produced somewhat disappointing results. After experiencing three quarters of excellent sales and margin growth across virtually all our banners, the serious weakness in sales in the fourth quarter resulted in significantly depressed operating earnings. Decreased consumer traffic as a result of poor weather, weak consumer confidence and economic uncertainty made deeper discounting necessary, resulting in materially reduced gross and operating margins and profit for the quarter. Our Smart Set and Addition-Elle banners were more severely impacted by these factors than were our other banners. The U.S. west coast dock strike had a particularly negative impact on Smart Set, where late deliveries of much of its seasonal and holiday merchandise led to inventory imbalances with the resulting loss of sales and higher markdowns.

Including the results of Shirmax for the 35 weeks from June 5, 2002, the effective date of acquisition, sales for the year ended February 1, 2003 increased 32.9% to $752,494,000 as compared with $566,020,000 last year. Excluding Shirmax, sales increased 7.7% with comparable store sales increasing 2.2%. Operating earnings decreased 6.7% to $31,176,000 as compared with $33,423,000 last year. Excluding Shirmax, operating earnings decreased 7.7%. Net earnings decreased 8.9% to $24,535,000 or $1.43 per share as compared with $26,934,000 or $1.60 per share.

During the year, the Company acquired 69 Addition-Elle, 40 Addition-Elle Outlet and 66 Thyme Maternity stores. In addition, the Company opened 53 new stores comprised of 20 Reitmans, 12 Smart Set, 10 Penningtons, 2 Addition-Elle, 3 Addition-Elle Outlet and 6 Thyme Maternity stores and closed 31 stores. Accordingly, at year-end there were 820 stores in operation, consisting of 334 Reitmans, 154 Smart Set / Dalmys, 124 Penningtons, 28 RW & CO., 70 Addition-Elle, 42 Addition-Elle Outlet and 68 Thyme Maternity stores as compared with a total of 623 stores last year.

I am pleased to welcome the many Shirmax associates, as well as several new members of our management team, into our Company. I also wish to recognize our senior management for their leadership in successfully integrating the Shirmax operations. Finally, I am pleased to welcome Max Konigsberg, founder and former President of Shirmax and Howard Stotland, founder and former President of STS Systems, a leading information systems company for the retail industry, to our Board of Directors.

Looking forward, we are concerned with the fragility of the world economy and its effect on Canada. As the war in Iraq winds down and rebuilding begins, the war on terrorism has really just begun. These issues will certainly impact Canada, its economy and our Company. Nevertheless, I believe that our Company is exceedingly well-positioned for the future, with a strong, professional and seasoned management team in place and with an expanded portfolio of highly respected and well-positioned ladies wear retail banners.

On behalf of the Board of Directors, I 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 17, 2003

Addition-Elle 14+ Addition-Elle Fashion Outlet 14+ thyme maternity RW & CO.

MANAGEMENT DISCUSSION AND ANALYSIS

Management's discussion and analysis provides an overview of the performance of Reitmans (Canada) Limited and its subsidiaries for the year ended February 1, 2003 ("fiscal 2003"), compared to the year ended February 2, 2002 ("fiscal 2002") and reflects the combined operations of Reitmans (Canada) Limited ("Reitmans") and Shirmax Fashions Ltd. ("Shirmax"), a wholly-owned subsidiary of Reitmans, which was acquired effective June 5, 2002. Included in these results are the results of Shirmax for the 35 weeks from June 5, 2002, the effective date of acquisition. This should be read in conjunction with the audited financial statements and notes thereon found on page 21 and following, as well as the 5 year highlights found on page 1. On June 5, 2002, Reitmans completed the acquisition of Shirmax, which operated at that time 175 stores under the Addition-Elle, Addition-Elle Outlet and Thyme Maternity banners, with annualized gross revenues of approximately $200,000,000.

OPERATING RESULTS

Sales for the year ended February 1, 2003 increased 32.9% to $752,494,000 as compared with $566,020,000 last year. Excluding Shirmax, sales increased 7.7% to $609,409,000 with comparable store sales increasing 2.2%. Operating earnings decreased 6.7% to $31,176,000 as compared with $33,423,000 last year. Excluding Shirmax, operating earnings decreased 7.7%. Net earnings decreased 8.9% to $24,535,000 or $1.43 per share as compared with $26,934,000 or $1.60 per share.

The serious weakness in sales in the fourth quarter resulted in significantly depressed operating earnings. Decreased consumer traffic as a result of poor weather, weak consumer confidence and economic uncertainty made deeper discounting necessary, resulting in materially reduced gross and operating margins and profit for the quarter. Our Smart Set and Addition-Elle banners were more severely impacted by these factors than were our other banners. The U.S. west coast dock strike had a particularly negative impact on Smart Set, where late deliveries of much of its seasonal and Holiday merchandise led to inventory imbalances with the resulting loss of sales and higher markdowns.

During the year, the Company acquired 69 Addition-Elle, 40 Addition-Elle Outlet and 66 Thyme Maternity stores. In addition, the Company opened 53 new stores comprised of 20 Reitmans, 12 Smart Set, 10 Penningtons, 2 Addition-Elle, 3 Addition-Elle Outlet and 6 Thyme Maternity stores and closed 31 stores. Accordingly, at year-end, there were 820 stores in operation, consisting of 334 Reitmans, 154 Smart Set / Dalmys, 124 Penningtons, 28 RW & CO., 70 Addition-Elle, 42 Addition-Elle Outlet and 68 Thyme Maternity stores as compared with a total of 623 stores last year.

The integration of Shirmax was completed on schedule with all technology systems converted and installed. Phase II of the installation of the automated merchandise handling equipment in our new Montreal Distribution Centre is complete with the Reitmans, Penningtons, Smart Set and RW & CO. banners in operation. We expect to move the remaining banners into this facility in August 2003.

INVESTMENTS

Investments consist of marketable securities, principally high quality preferred shares. At February 1, 2003, marketable securities amounted to $79,697,000 (market value $82,513,000) as compared with $75,284,000 (market value $78,674,000) last year. Investment income amounted to $8,563,000, including net capital gains of $3,363,000 compared to $9,869,000 with $3,127,000 of net capital gains last year. Included in investment income is a $1,000,000 capital gain realized on the sale of our interest in ZARA.

LIQUIDITY AND CAPITAL ASSETS

Shareholders' equity at February 1, 2003 amounted to $243,521,000 or $14.16 per share as compared to $225,579,000 or $13.14 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 $110,582,000 at February 1, 2003 compared with $109,146,000 at February 2, 2002.

In June 2002, the Company borrowed $86,000,000 to fully fund the Shirmax acquisition. This loan was initially funded by a combination of three month and six month Bankers Acceptances. The Company must repay $2,000,000 each quarter, commencing October 15, 2002, for 11 quarters, with the balance of $64,000,000 million repayable on June 5, 2005. As at February 1, 2003, $4,000,000 has been repaid, and management fully expects that the Company will be able to fulfill its obligations under the terms and conditions of this financing from the cash flow generated from the Company's operations.

In November 2002, the Company mortgaged its new Distribution Centre, receiving $20,000,000 at a fixed rate of 6.40% for a 15-year period.

The current portion of long-term debt as reflected on the Balance Sheet includes $8,000,000 under the acquisition loan facility and the remainder represents the principal repayments on the mortgage and capital leases due by the end of the Company's 2004 fiscal year.

During the 2003 fiscal period, the Company invested $43,441,000 in capital additions. This consisted of $24,400,000 on new and renovated stores, $15,500,000 on the new Distribution Centre and $3,541,000 on other assets. The Company paid dividends amounting to $6,876,000.

The Company's principal capital requirements are to fund ongoing new and renovation store construction projects, fund the expansion of the Distribution Centre from its current 447,000 square feet configuration to approximately 567,000 square feet (estimated cost is $6,000,000), and fund its working capital needs. These requirements have in the past been satisfied by a combination of cash flow from its retailing and investment operations, and management expects that to continue.

The Company does have borrowing and working capital credit facilities available to it in excess of $100 million. These credit facilities are used principally for US dollar Letters of Credit to satisfy offshore third party vendors who require such backing before confirming purchase orders issued by the Company. The Company rarely uses such credit facilities for other day-to-day purposes.

OUTLOOK

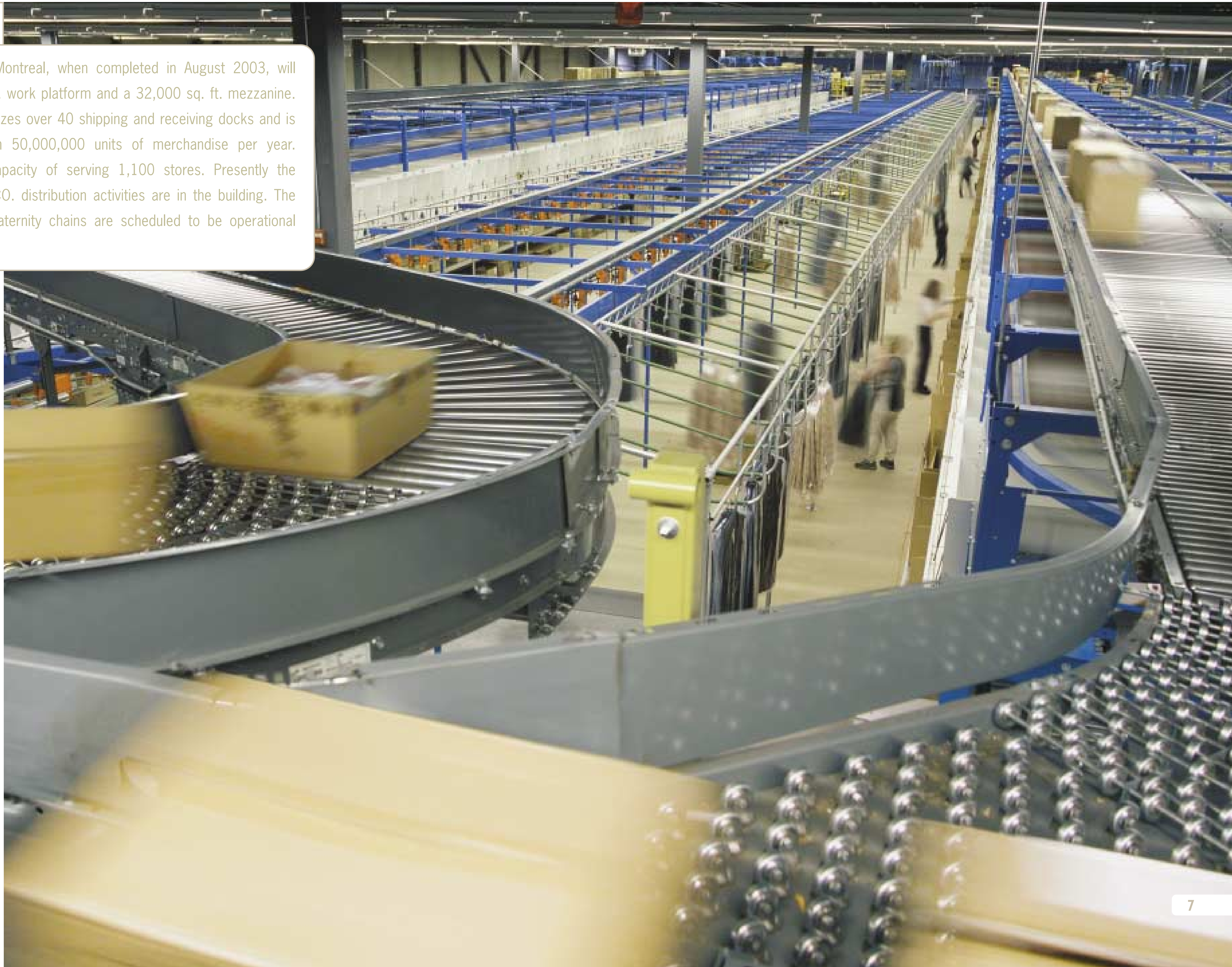
The Company is very well positioned for the future. It has consolidated its position as the leader in maternity apparel and plus-size ladies apparel in Canada with the Shirmax acquisition. The Reitmans banner has continued to successfully expand its offerings in off-mall, lower cost locations, while serving its target market in larger stores with a deeper merchandise assortment. Our more youth-oriented banners, namely Smart Set / Dalmys and RW & CO. are positioned for further growth.

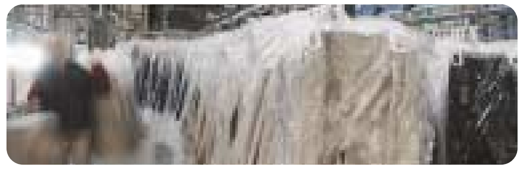
Our Hong Kong sourcing office continues to perform very well, with over 50 full-time employees dedicated to seeking out the highest quality, affordable and fashionable apparel for all our banners. We expect our newest banners to be major beneficiaries of our presence in the Far East.

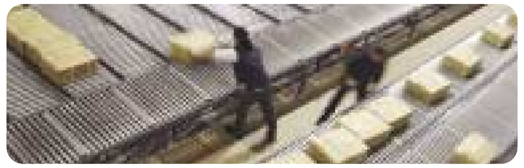
The Company has a very strong Balance Sheet, with excellent liquidity and borrowing capacity should it need to avail itself thereof. Its systems, including merchandise procurement, inventory control, planning, allocation and distribution, Distribution Centre management, point-of-sale, financial management and information technology, are now fully integrated. The Company is committed to continue to invest in training for all levels of its employees.

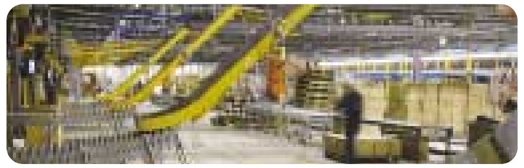
DISTRIBUTION CENTRE

The Reitmans Distribution Centre, located in Montreal, when completed in August 2003, will comprise 445,000 sq. ft., plus a 90,000 sq. ft. work platform and a 32,000 sq. ft. mezzanine. Set on 1,100,000 sq. ft. of land, the facility utilizes over 40 shipping and receiving docks and is configured to be able to process more than 50,000,000 units of merchandise per year. Computerized sortation equipment has the capacity of serving 1,100 stores. Presently the Reitmans, Penningtons, Smart Set and RW & CO. distribution activities are in the building. The Addition-Elle, Addition-Elle Outlet and Thyme Maternity chains are scheduled to be operational by August 2003.

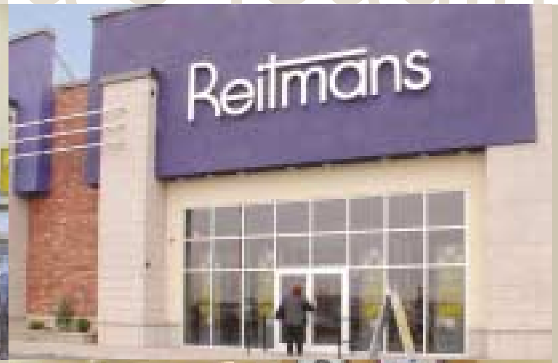






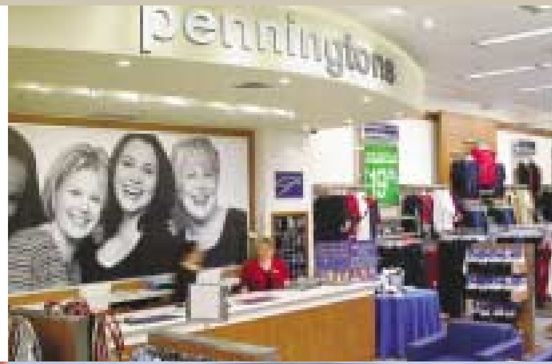


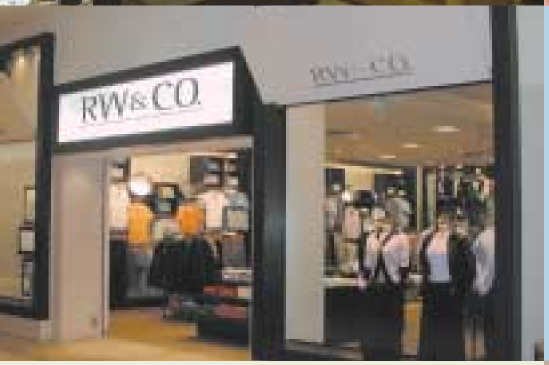
Canada's leading fashion retailer

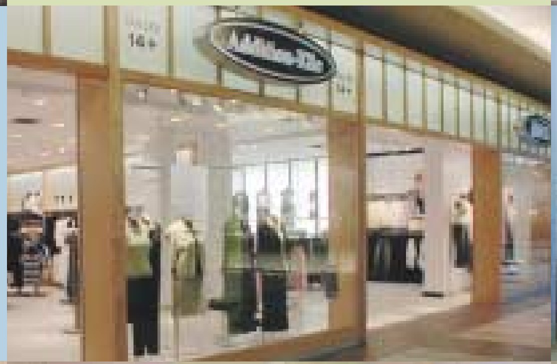


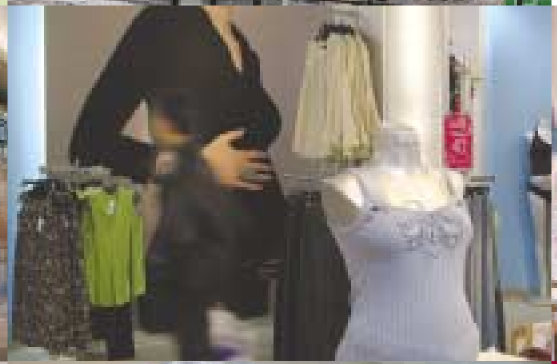
	Reitmans	Smart Set/ Dalmys	Penningtons	RW & CO.	Addition-Elle	Addition-Elle Outlet	Thyme Maternity	Total
Newfoundland	14	3	3	-	1	1	1	23
Prince Edward Island	3	3	1	-	-	-	-	7
Nova Scotia	19	6	5	-	2	1	1	34
New Brunswick	18	5	3	1	1	1	2	31
Québec	83	26	22	8	20	13	16	188
Ontario	106	65	45	10	26	17	28	297
Manitoba	12	5	5	-	2	2	2	28
Saskatchewan	6	4	5	-	2	1	2	20
Alberta	38	18	16	3	8	3	8	94
British Columbia	33	19	19	6	8	3	8	96
Northwest Territories	1	-	-	-	-	-	-	1
Yukon	1	-	-	-	-	-	-	1
	334	**154**	**124**	**28**	**70**	**42**	**68**	**820**

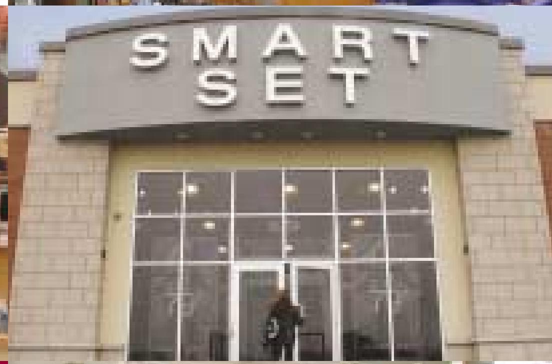
Over
800
stores











www.reitmans.com

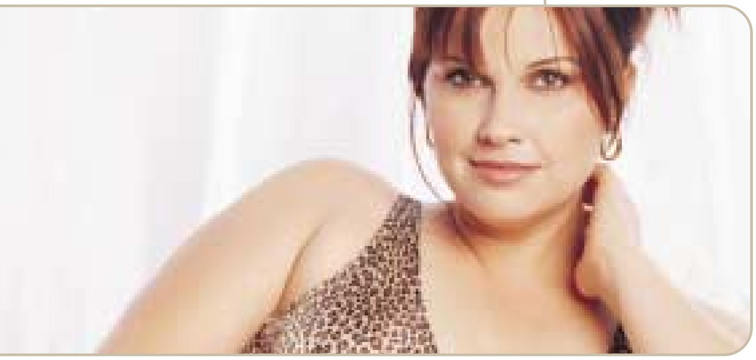
Operating 334 stores, Reitmans is Canada's largest ladies apparel specialty chain. With stores averaging 3,700 sq. ft., Reitmans offers Canadian women a targeted assortment of current fashions and accessories. In addition to broad assortments of sportswear and ready-to-wear, many stores have Petites, Encore (plus-size) and E.K.O (kids, tweens, teens) departments. The Air Miles™ loyalty reward program and Reitmans' website (www.reitmans.com) are effective marketing tools that will drive the business to further success.

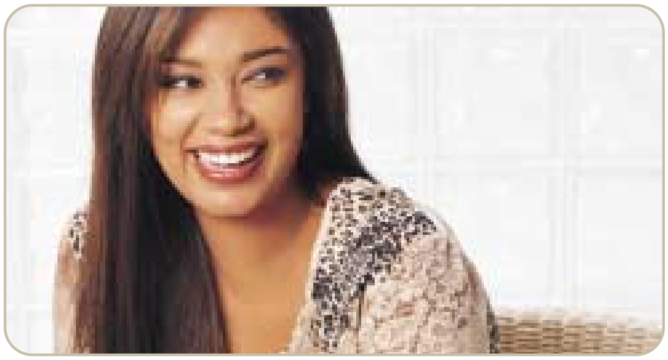
www.smart-set.com

The Smart Set/Dalmys division, with over 150 stores averaging 2,300 sq. ft., is a major fashion destination for junior customers. It offers 15 to 30 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 and exclusively for the chain and carry the Smart Set label.

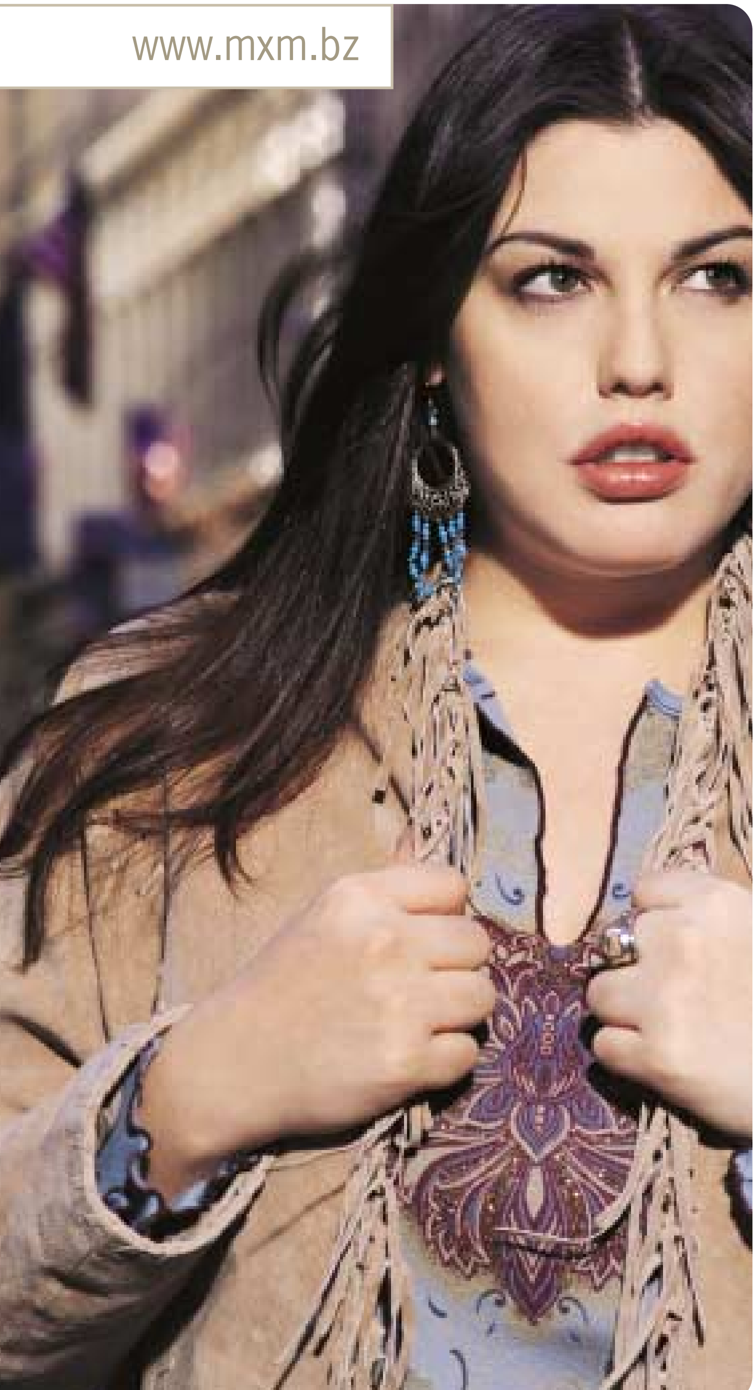
A new model averaging 6,000 sq. ft. in power centre locations, debuted in July 2001. With 12 stores in operation, this second generation Smart Set offers a refreshing, affordable alternative to our traditional mall stores.

www.penningtons.com

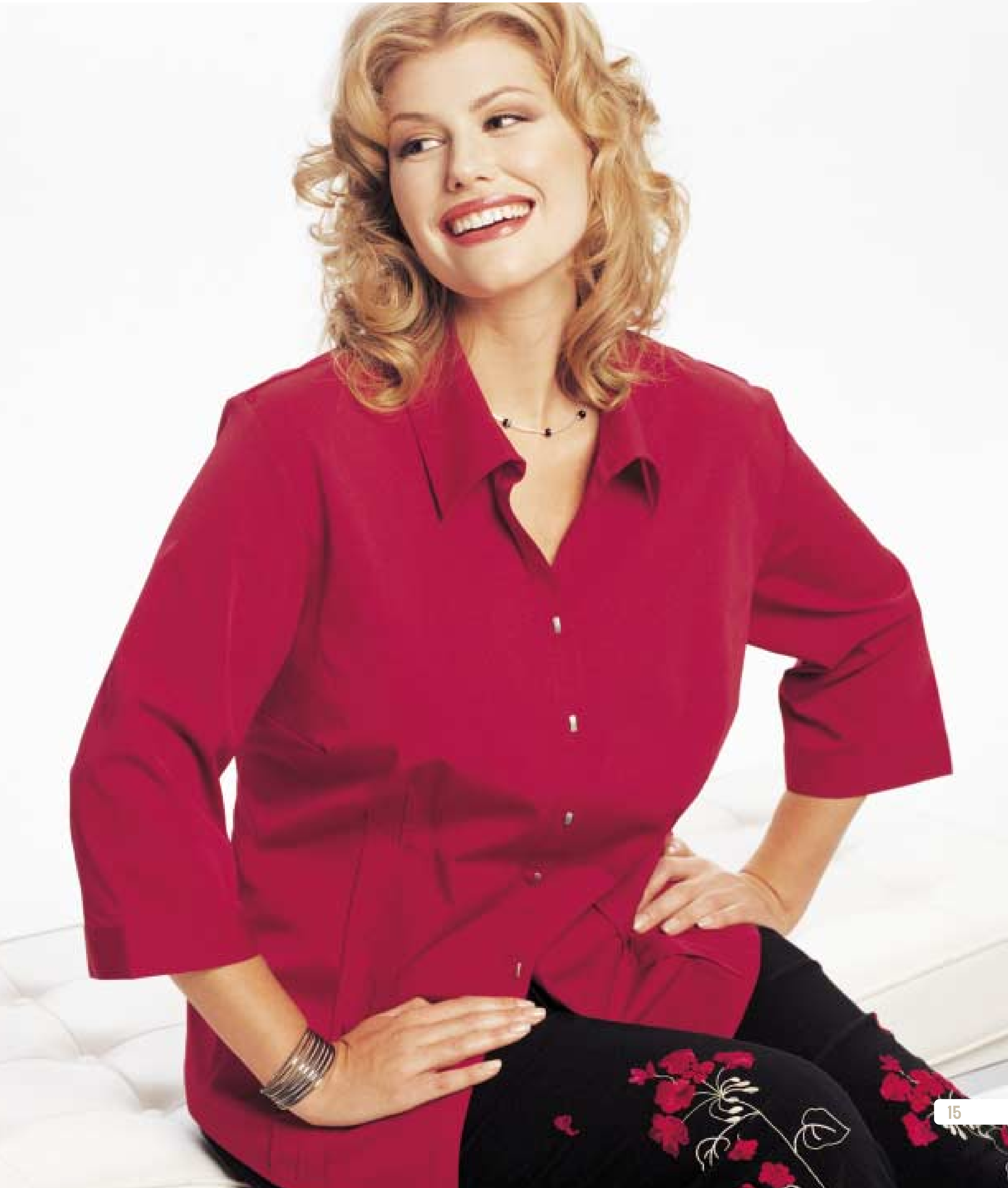




www.mxm.bz



With 124 stores from coast to coast, Penningtons is a destination store averaging 6,200 sq. ft. located in a strip mall or plaza, that provides a broad assortment of career, casual, intimate apparel and accessories for the plus-size woman of all ages. Penningtons stores offer a "feel at home" concept with exceptionally knowledgeable, caring and friendly service. The Penningtons brand means fashion, selection, service, quality, value and unbeatable prices. New this year was the launch of the junior plus-sized product range known as "MXM" that caters to the trendy, young value priced plus-sized consumer.



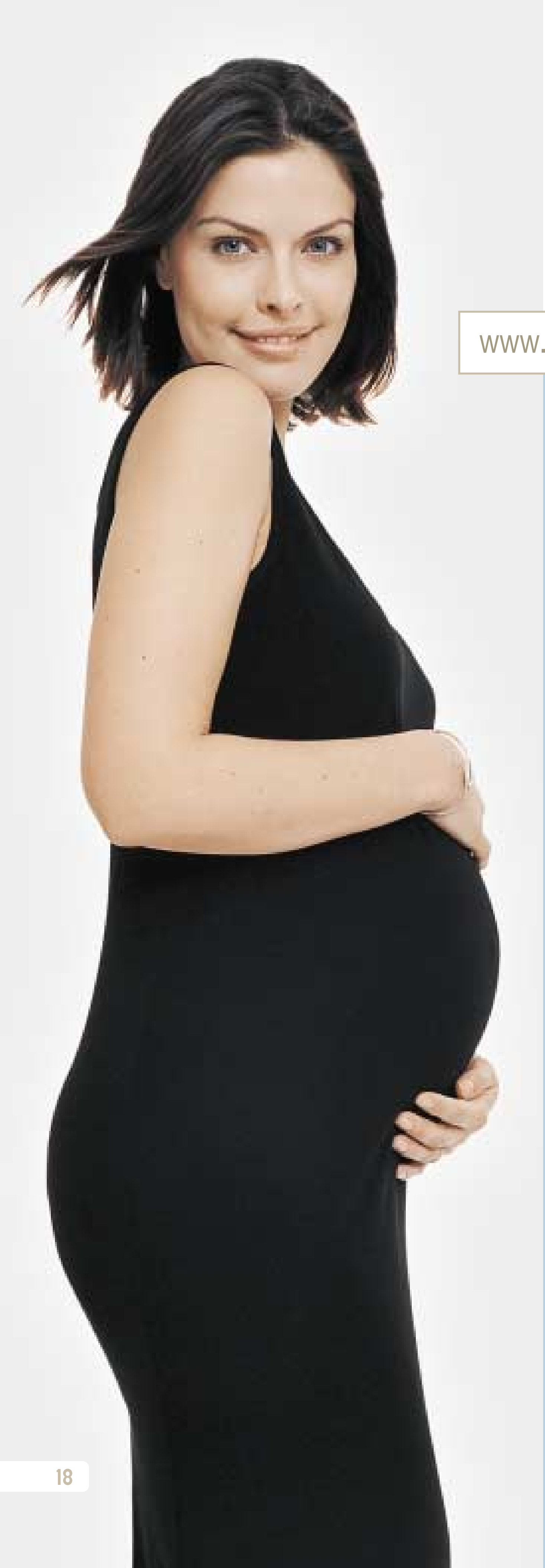
Addition-Elle

Operating 70 stores averaging 4,200 sq. ft. in Canada's major malls, Addition-Elle offers the fashion conscious, plus-size career woman high quality branded merchandise in a high service environment. The focused assortment offers the best of career, casual, sportswear and intimate apparel.

www.addition-elle.com

Operating 42 stores averaging 7,000 sq. ft. in power centres and strip plazas, Addition-Elle Outlet offers the budget conscious plus-size woman a broad assortment of fashion merchandise at discounted prices, as well as "brands for less". The stores present a complete selection of casual and career sportswear, as well as lingerie, sleepwear and accessories, making this a destination store for bargain shoppers and fashion followers alike.

14+ Addition-Elle Fashion Outlet 14+

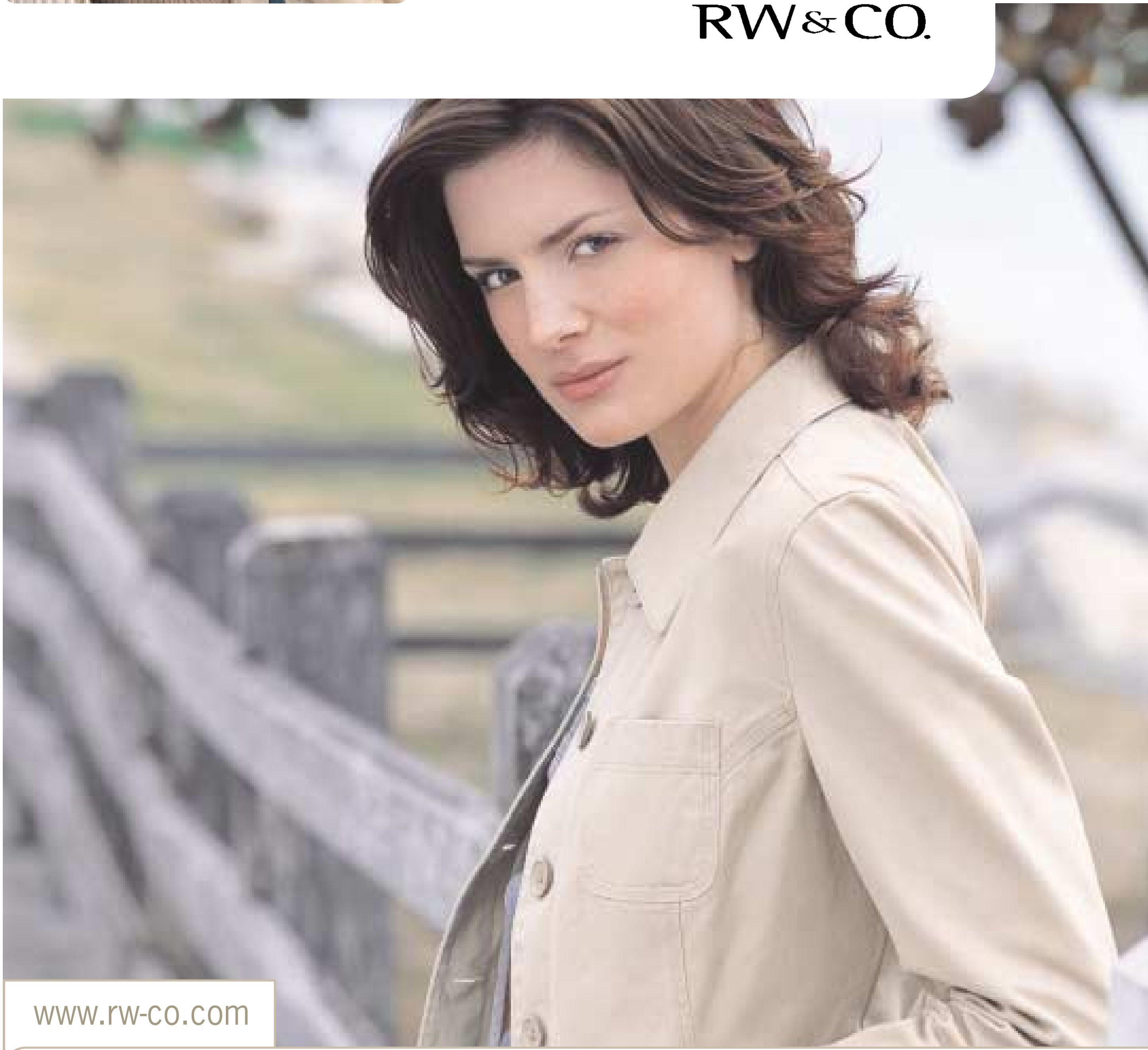


thyme maternity

www.thymematernity.com

Thyme Maternity is Canada's largest specialty retailer of maternity clothing operating 68 stores, averaging 1,800 sq. ft., in regional shopping malls and power centres. In addition, there are 14 franchise stores worldwide, in Singapore, Malaysia, Iceland, Sweden, Dubai and Saudi Arabia. Thyme Maternity sells clothing and accessories that are designed to meet an expectant mother's entire fashion needs including her career, casual, lingerie, special occasion and nursing apparel needs, all at affordable prices.

RW&CO.



www.rw-co.com

A unique and comfortable store environment, genuine customer care and exceptional marketing support the RW & CO. lifestyle brand. Averaging 4,000 sq. ft., in major malls, RW & CO. caters to junior (18 to 30) ladies and men, offering active, casual and city clothing and accessories at moderate prices. After opening the first stores in August 1999, RW & CO. now operates 28 stores, in major urban and suburban markets throughout the country. The RW & CO. customer is a participant in life, not a spectator.

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, CA
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 February 1, 2003 and February 2, 2002 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 February 1, 2003 and February 2, 2002, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Montreal, Canada
March 21, 2003

CONSOLIDATED BALANCE SHEETS

As at February 1, 2003 and February 2, 2002
(in thousands)

	2003	2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 30,885**	$ 33,862
Accounts receivable	**5,089**	1,912
Merchandise inventories	**68,501**	39,197
Prepaid expenses	**16,219**	10,440
Pension asset (note 5)	**5,580**	-
Income taxes recoverable	**7,911**	-
Total Current Assets	**134,185**	85,411
INVESTMENTS (note 2)	**79,697**	75,284
CAPITAL ASSETS (note 3)	**159,044**	109,377
GOODWILL (note 4)	**42,426**	-
FUTURE INCOME TAXES (note 7)	**2,298**	1,143
OTHER ASSETS (notes 5 and 6)	**1,920**	8,121
	$ 419,570	$ 279,336
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued items	**$ 67,688**	$ 40,785
Income taxes payable	**-**	9,473
Current portion of long-term debt (note 6)	**9,991**	-
Future income taxes (note 7)	**2,236**	-
Total Current Liabilities	**79,915**	50,258
LONG-TERM DEBT (note 6)	**94,880**	-
DEFERRED LICENSING REVENUE	**567**	-
FUTURE INCOME TAXES (note 7)	**687**	3,499
SHAREHOLDERS' EQUITY		
Share capital (note 8)	**12,528**	12,245
Retained earnings	**230,993**	213,334
Total Shareholders' Equity	**243,521**	225,579
	$ 419,570	$ 279,336

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

On behalf of the Board,

(signed)
JEREMY H. REITMAN
Director

(signed)
STEPHEN J. KAUSER
Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the years ended February 1, 2003 and February 2, 2002
(in thousands except per share amounts)

	2003	2002
Sales	**$ 752,494**	$ 566,020
Cost of goods sold and selling, general and administrative expenses	**695,958**	514,812
	56,536	51,208
Depreciation and amortization	**25,360**	17,785
Operating earnings before the undernoted	**31,176**	33,423
Investment income	**8,563**	9,869
Interest on long-term debt	**2,656**	-
Earnings before income taxes	**37,083**	43,292
Income taxes (note 7)	**12,548**	16,358
Net earnings	**24,535**	26,934
Retained earnings at beginning of year	**213,334**	193,960
Deduct:		
Dividends (note 8)	**6,876**	6,749
Premium on purchase of class A shares	**-**	811
Retained earnings at end of year	**$ 230,993**	$ 213,334
Earnings per share (note 9):		
Basic	**$ 1.43**	$ 1.60
Diluted	**1.41**	1.60

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended February 1, 2003 and February 2, 2002
(in thousands)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	**$ 24,535**	$ 26,934
Adjustments for:		
Depreciation and amortization	**25,360**	17,785
Future income taxes	**(576)**	975
Amortization of deferred licensing revenue	**(134)**	-
Pension asset	**1,132**	(1,218)
Amortization of deferred financing costs	**146**	-
Investment income	**(8,563)**	(9,869)
Changes in non-cash working capital	**(9,665)**	8,135
	32,235	42,742
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	**(66,361)**	(63,163)
Proceeds on sale of marketable securities	**65,311**	72,405
Net additions to capital assets	**(43,441)**	(41,010)
Investment income, excluding gain on sale of marketable securities of $3,363 (2002 - $3,127)	**5,200**	6,742
Acquisition of Shirmax Fashions Ltd. including bank indebtedness	**(89,808)**	-
	(129,099)	(25,026)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(6,876)**	(6,749)
Proceeds of long-term debt	**106,000**	-
Deferred financing costs	**(657)**	-
Purchase of class A non-voting shares for cancellation	**-**	(876)
Repayment of long-term debt	**(4,863)**	-
Issue of share capital	**283**	3,763
	93,887	(3,862)
NET (DECREASE) INCREASE IN CASH	**(2,977)**	13,854
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**33,862**	20,008
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 30,885**	$ 33,862

Cash and cash equivalents consist of cash balances with banks and investments in short-term deposits.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 1, 2003 and February 2, 2002
(dollar amounts in thousands except per share amounts)

Reitmans (Canada) Limited, "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) Cash and cash equivalents consist of cash and short-term deposits with maturities of less than three months.

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

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

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

Building	- 4%
Fixtures and equipment	- 10% to 33⅓%
Leasehold improvements	- 10%
Leasehold interests	- 15%
Assets under capital lease	- 10% to 20%
Systems development	- 20% to 33⅓%

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

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

Depreciation and amortization expense includes gains and losses on disposals of capital assets.

f) In 2003 the Company adopted, on a prospective basis, the recommendations of The Canadian Institute of Chartered Accountants relating to goodwill and other intangible assets. Under the standard, goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any.

g) The Company uses the asset and liability method when accounting for income taxes. Under this method, future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using 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 future income tax assets and liabilities of a change in tax rates is included in income in the period that includes the enactment date.

h) Deferred financing costs, included in other assets, are amortized on a straight-line basis over the term of the bank financing.

i) The Company maintains a non-contributory, defined benefit plan, the Reitmans Executive Retirement Pension Plan and until December 31, 2001 a Reitmans Employee Retirement Pension Plan. The plans provide for pensions based on length of service and average earnings in the best five consecutive years.

The cost of the pension plan is determined periodically by independent actuaries. Pension expense/income is included annually in operations.

The Company records its pension costs according to the following policies:

- The cost of pensions is actuarially determined using the projected benefit method prorated on service.
- For the purpose of calculating expected return on plan assets, the valuation of those assets are based on market related values.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- Experience gains or losses arising on accrued benefit obligations and plan assets are recognized in the period in which they occur.

The difference between the cumulative amounts expensed and the funding contributions is reflected in the balance sheet as an accrued pension asset or an accrued pension liability as the case may be.

j) The Company has a share option plan where options to purchase class A non-voting shares are issued to directors, officers and key employees. In 2003 the Company adopted, on a prospective basis, the new recommendations of the Canadian Institute of Chartered Accountants relating to stock-based compensation and other stock-based payments. Under the new standard, the Company has the option to use the fair value method of accounting or settlement accounting. As in prior periods, the Company uses settlement accounting such that transactions are reflected in the financial statements only upon the exercise of options, at the exercise price. Any consideration paid by employees on the exercise of options is credited to share capital. During the year ended February 1, 2003 no options were granted.

k) Basic earnings per share is determined using the weighted average number of Common and class A non-voting shares outstanding during the period. The standard requires that the treasury stock method be used for calculating diluted earnings per share. In calculating diluted earnings per share, the weighted average shares outstanding are increased to include additional shares from the assumed exercise of options, if dilutive. The number of additional shares is calculated by assuming that the proceeds from such exercises are used to repurchase Common or class A non-voting shares at the average market price during the reporting period.

l) Deferred licensing revenue is amortized on a straight-line basis over the terms of the agreements.

m) 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.

n) 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.

o) The Company uses derivative financial instruments, principally through a combination of spot currency purchases, zero-cost range forward options, Canadian dollar puts and US dollar calls, to manage risks from fluctuations in exchange rates. The intent is to fix the Canadian dollar cost of the Company's merchandise purchases. Derivative financial instruments are not used for trading purposes.

2 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 February 1, 2003 was $82,513 (2002 - $78,674).

3 CAPITAL ASSETS

	2003			2002
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Land	**$ 4,115**	**$ -**	**$ 4,115**	$ 3,883
Building	**15,875**	**172**	**15,703**	14,133
Fixtures and equipment	**128,958**	**50,448**	**78,510**	53,460
Leasehold improvements	**94,786**	**37,070**	**57,716**	37,499
Leasehold interests	**231**	**100**	**131**	113
Assets under capital leases	**4,484**	**1,615**	**2,869**	-
Systems development	**-**	**-**	**-**	289
	$ 248,449	**$ 89,405**	**$ 159,044**	$ 109,377

4 ACQUISITION

Effective June 5, 2002, the Company acquired all of the outstanding common shares of Shirmax Fashions Ltd. ("Shirmax") for $85.3 million, including acquisition costs. Shirmax is a specialty retailer of ladies' plus-size and maternity wear in Canada. The acquisition has been accounted for using the purchase method of accounting with the results of Shirmax included in the consolidated financial statements from the date of acquisition. The estimated fair value of the net assets acquired and consideration paid, are summarized as follows:

Consideration paid	**$ 85,277**
Net Assets acquired:	
Sundry receivables	**3,934**
Merchandise inventories	**31,015**
Capital assets	**32,017**
Other assets	**6,495**
Bank indebtedness	**(4,531)**
Accounts payable and accrued items	**(21,687)**
Long-term debt	**(3,691)**
Deferred licensing revenue	**(701)**
	42,851
Goodwill	**$ 42,426**

Subsequent to the acquisition date, adjustments to the fair value of certain assets acquired and liabilities assumed were identified resulting in an increase in goodwill of $990.

5 PENSION ASSET

The Company's defined benefit plans were actuarially valued as at December 31, 1999 and the obligation was projected to December 31, 2002.

Assumptions, based upon data as of December 31, 2002, used in developing the net pension expense (income) and projected benefit obligation are as follows:

	2003	2002
Discount rate	**6.45%**	6.55%
Rate of increase in salary levels	**3.00%**	3.00%
Expected long-term rate of return on plan assets	**7.50%**	8.50%

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

	2003	2002
Pension Obligation		
Pension obligation, beginning of year	**$ 24,999**	$ 22,810
Current service cost	**142**	379
Employee contributions	**-**	425
Interest cost	**1,046**	1,583
Benefits and annuities paid	**(18,339)**	(1,991)
Actuarial losses	**4,838**	1,793
Pension obligation, end of year	**$ 12,686**	$ 24,999
Plan Assets		
Market value of plan assets, beginning of year	**$ 39,170**	$ 41,965
Actual return on plan assets	**(1,156)**	(1,229)
Employee contributions	**-**	425
Benefits and annuities paid	**(18,339)**	(1,991)
Market value of plan assets, end of year	**$ 19,675**	$ 39,170
Pension Asset		
Funded status – plan surplus	**$ 6,989**	$ 14,171
Valuation allowance	**-**	(6,050)
Pension asset, net of valuation allowance, end of year	**$ 6,989**	$ 8,121

Effective December 31, 2001, the Reitmans Employee Retirement Pension Plan was terminated. The termination has been approved by the pension authorities and an agreement has been arrived at with the plan members as to the equal sharing of the remaining surplus after all entitlements have been disbursed from the plan. The Company expects that the surplus will be distributed in fiscal 2004 and as a result the pension asset related to the Employee Plan of $5,580 is shown as a current asset.

The Company's net pension expense (income) consists of the following:

	2003	2002
Current service cost	**$ 142**	$ 379
Interest cost	**1,046**	1,583
Expected return on plan assets	**(2,550)**	(3,500)
Net experience losses	**8,544**	6,522
Change in valuation allowance	**(6,050)**	(6,202)
Net pension expense (income)	**$ 1,132**	$ (1,218)

6 LONG-TERM DEBT

Bank financing bearing interest at prime or bankers' acceptance rate, repayable in quarterly instalments of $2 million, due June 2005. The loan is secured by specific marketable securities	**$ 82,000**
Mortgage bearing interest at 6.40%, payable in monthly instalments of principal and interest of $172, due November 2017 and secured by the Company's distribution centre	**19,864**
Obligations under capital leases, expiring at various dates to 2007 bearing interest at varying rates, payable in monthly instalments of approximately $96	**3,007**
	104,871
Less current portion	**9,991**
	$ 94,880

Interest on long-term debt includes $146 of amortization of deferred financing costs relating to the bank financing. The balance of deferred financing costs at February 1, 2003 is $511 and is included in other assets.

Principal repayments on long-term debt other than obligations under capital leases are as follows:

Years ending	
2004	**$ 8,838**
2005	**8,890**
2006	**66,948**
2007	**1,010**
2008	**1,076**
Subsequent years	**15,102**

Future minimum lease payments required under capital leases, which expire at various dates to 2007 are as follows:

Years ending	
2004	**$ 1,321**
2005	**990**
2006	**640**
2007	**360**
	3,311
Amount representing interest (between 5.49% and 9.52%)	**(304)**
	3,007
Less current portion	**1,153**
	$ 1,854

7 INCOME TAXES

a) Future income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax assets (liabilities) are as follows:

	2003	2002
Long-term assets		
Capital assets	**$ 2,063**	$ 1,143
Deferred expenses for income tax purposes	**235**	-
	$ 2,298	$ 1,143
Current liabilities		
Accounts receivable	**$ (121)**	$ -
Pension asset	**(2,115)**	-
	$ (2,236)	$ -
Long-term liabilities		
Marketable securities	**$ (151)**	$ (149)
Pension asset	**(536)**	(3,350)
	$ (687)	$ (3,499)

b) The Company's provision for income taxes is made up as follows:

	2003	2002
Provision for income taxes based on combined statutory rate of 37.90% (2002 - 41.25%)	**$ 14,054**	$ 17,859
Changes in provision resulting from:		
Tax exempt investment income	**(1,549)**	(1,485)
Unrecognized loss carried forward	**324**	-
Large corporations tax	**75**	64
Tax rate differences	**(60)**	-
Permanent and other differences	**(296)**	(80)
Income taxes	**$ 12,548**	$ 16,358
Represented by:		
Current	**$ 13,124**	$ 15,383
Future	**(576)**	975
	$ 12,548	$ 16,358

8 SHARE CAPITAL

a) On June 6, 2002, the Company adopted a special resolution amending the rights and privileges attached to the Common and class A non-voting shares with respect to the right to receive dividends. Subject to the provisions of the Canada Business Corporations Act, the holders of the class A non-voting shares shall not have any right to receive notice of, attend, or vote at meetings of the shareholders. The class A non-voting shares and the Common shares of the Company shall 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 stock dividends, the holders of Common shares shall have the right to receive Common shares and the holders of class A non-voting shares shall have the right to receive class A non-voting shares.

b) On October 14, 2002, the Company paid a 100% stock dividend on the Common and class A non-voting shares. The comparative number of shares for 2002 have been adjusted to reflect this dividend.

c)

	2003	**2002**
Class A non-voting shares (authorized - unlimited)		
- issued 13,839,564 (2002 - 13,809,564)	**$ 12,046**	$ 11,763
Common shares (authorized - unlimited)		
- issued 3,360,000	**482**	482
	$ 12,528	$ 12,245

Dividends paid on class A non-voting and Common shares were $5,532 (2002 - $5,405) and $1,344 (2002 - $1,344) respectively.

d) The Company has reserved 1,380,000 class A non-voting shares for issuance under its Share Option Plan of which 552,000 options are outstanding. 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 February 1, 2003 and February 2, 2002 and changes during the years ending on those dates is presented below:

		2003		**2002**
Options	**Shares**	**Weighted-Average Exercise Price**	**Shares**	**Weighted-Average Exercise Price**
Outstanding at beginning of year	**582,000**	**$ 10.94**	668,000	$ 8.18
Granted	**-**	**-**	440,000	11.15
Exercised	**(30,000)**	**9.46**	(500,000)	7.53
Forfeited	**-**	**-**	(26,000)	9.21
Outstanding at end of year	**552,000**	**11.02**	582,000	10.94
Options exercisable at end of year	**150,000**		62,000	

The following table summarizes information about share options outstanding at February 1, 2003:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 02/01/2003	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 02/01/2003	Weighted-Average Exercise Price
$ 9.13 - $10.00	40,000	2.63	$ 9.50	22,000	$ 9.58
$11.10 - $11.15	512,000	4.00	11.14	128,000	11.13
	552,000	3.90	11.02	150,000	10.91

9 EARNINGS PER SHARE

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

	2003	2002
Weighted average number of shares for basic earnings per share calculations	**17,185,663**	16,810,274
Effect of dilutive options outstanding	**235,123**	77,725
Weighted average number of shares for diluted earnings per share calculations	**17,420,786**	16,887,999

10 COMMITMENTS

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

Years ending	
2004	**$ 72,011**
2005	**63,595**
2006	**52,964**
2007	**44,235**
2008	**36,525**
Subsequent years	**77,814**
	$ 347,144

11 STATEMENTS OF CASH FLOWS

Supplementary information:

	2003	2002
Balances with banks	**$ 25,950**	$ 1,872
Short-term deposits	**5,788**	31,990
	$ 31,738	$ 33,862
Cash paid during the year for:		
Income taxes	**$ 29,002**	$ 11,592
Interest	**2,926**	18
Non-cash transactions:		
Capital asset additions included in accounts payable	**402**	876
Capital assets acquired under capital lease	**43**	-

12 FINANCIAL INSTRUMENTS

a) Foreign Currency Risk

At year-end, the Company had foreign exchange forward contracts to purchase U.S. $24,000 ($36,724) at an average rate of 1.5302 maturing up to April 2003.

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 foreign exchange forward contracts as disclosed above is $36,515 resulting in an unrealized loss of $209.

The fair value of long-term debt is not significantly different from its carrying value.

The fair value of the Company's long-term debt bearing interest at fixed rates was 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 maturities. For long-term debt bearing interest at variable rates, the fair value is considered to approximate the carrying value.

c) Interest Rate Risk

The Company's exposure to interest rate fluctuations is with respect to the use of its bank financing, which bears interest at floating rates. The effective interest rate for the year was 3.92%.

CORPORATE INFORMATION

DIRECTORS

H. Jonathan Birks
Stephen J. Kauser
Max Konigsberg
R. James McCoubrey
Samuel Minzberg
Cyril Reitman
Jeremy H. Reitman
Stephen F. Reitman
Howard Stotland
Robert S. Vineberg

OFFICERS

Jeremy H. Reitman
President

Stephen F. Reitman
Executive Vice-President

Douglas M. Deruchie, CA
Vice-President - Finance

Cyril Reitman
Vice-President

Allen F. Rubin
Vice-President - Human Resources and Corporate Services

Allan Salomon
Vice-President - Real Estate and Secretary

Richard Wait, CGA
Vice-President - Comptroller

Jay Weiss
Vice-President - Distribution and Logistics

Eric Williams, CA
Vice-President - Treasurer

Henry Fiederer
President - Reitmans

Nadia Cerantola
Vice-President - Reitmans

Kimberly Schumpert
Vice-President - Reitmans

Kerry Mitchell
President - Penningtons / Addition-Elle

Doug Edwards
Vice-President - Penningtons / Addition-Elle

Jonathan Plens
Vice-President - Penningtons / Addition-Elle

Sally Firth
Vice-President - Penningtons

Jamie Lee Goulakos
Vice-President - Addition-Elle

Jacques Landry, CA
Vice-President - Addition-Elle

Rhonda Sandler
Vice-President - Addition-Elle

Isabelle Taschereau
President - Smart Set / Dalmys

Nicole Lapointe
Vice-President - Smart Set / Dalmys

Suzana Vovko
President - RW & CO.

Cathryn Adeluca
Vice-President - RW & CO.

Lesya McQueen
Vice-President - Thyme Maternity

William Penney
Vice-President - Thyme Maternity

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
Halifax, Montreal, Toronto, Calgary, Vancouver

STOCK SYMBOLS

THE TORONTO STOCK EXCHANGE

Common	RET
Class A non-voting	RET.A

REITMANS (CANADA) LIMITED

250 Sauvé Street West
Montreal, Québec H3L 1Z2

Telephone:	(514) 384-1140
Fax:	(514) 385-2636
e-mail:	info@reitmans.com
Corporate website:	www.reitmans.ca

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

Design and production: Communications Marilyn Gelfand Inc.

Over 800 stores

Reitmans – Smart Set / Dalmys – Penningtons – Addition-Elle – Addition-Elle Outlet – Thyme Maternity – RW & CO.