# ANNUAL REPORT 2004

## BIG is...

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 and value proposition in the marketplace.**

2004

# Big is **Beautiful**

As the facing page of highlights shows in BIG numbers, Reitmans (Canada) Limited has reached a new level and is poised to become significantly BIGGER.

The Company is the BIGGEST and most profitable ladies' wear retailer in Canada with 845 stores generating a record $851,634,000 in sales, $83,257,000 in EBITDA, $50,898,000 in operating earnings and $102,522,000 of retailing cash flow, the BIGGEST numbers in Company history. In fact, our cash position is such that after year-end, we repaid $74,000,000 of the Shirmax acquisition loan - the BIGGEST acquisition and the BIGGEST loan the Company has ever undertaken.

We are the BIGGEST player in Canada in "plus-size" ladies wear retailing, with almost 250 stores dedicated to serving the apparel needs of these very loyal customers. Similarly, our 66 Thyme Maternity stores represent the BIGGEST chain of stores in Canada dedicated exclusively to the special needs of these special customers.

As of the year-end, all merchandise is now processed through our one Distribution Centre in Montreal, a 566,000 square foot state-of-the-art facility, which is very BIG. We engage approximately 11,000 dedicated employees, more than 95% of whom are women, reflecting the fact that the Company is a BIG provider of full and part-time employment for thousands of Canadians. To complete the BIG picture, the Company paid the BIGGEST dividends per share in the Company's history.

This is a very exciting time for your Company. We believe that we have the very best specialty retailing assets in Canada. Our operations are led by highly motivated, extremely competent professionals. I extend a BIG thank you to them for a BIG year and to add a very BIG thank you to all our suppliers, employees and shareholders and a special BIG thank you to our customers. These are the people who have made possible our many years of success and on whom we rely for the future.

**BIG IS INDEED BEAUTIFUL.**

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman
President

Montreal, April 16, 2004

**$2.33** earnings per share

**63.2%** increase in net earnings

**845** stores

**10,780** employees

**566,000** sq. ft. of distribution space

**$40,035,000** net earnings

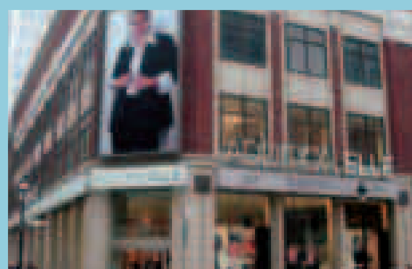
**$175,717,000** cash and investments

**$851,634,000** sales

# 845 stores









| | Reitmans | Smart Set Dalmys | Penningtons | RW & CO. | Addition Elle | Addition Elle Outlet | Thyme Maternity | Total |
|---|---|---|---|---|---|---|---|---|
| **Newfoundland** | 15 | 3 | 3 | - | 1 | 1 | 1 | **24** |
| **Prince Edward Island** | 3 | 3 | 1 | - | - | - | - | **7** |
| **Nova Scotia** | 20 | 6 | 5 | - | 1 | 1 | 1 | **34** |
| **New Brunswick** | 18 | 6 | 3 | 1 | 1 | 2 | 2 | **33** |
| **Québec** | 89 | 29 | 22 | 8 | 19 | 15 | 17 | **199** |
| **Ontario** | 110 | 67 | 46 | 10 | 26 | 18 | 26 | **303** |
| **Manitoba** | 11 | 6 | 5 | - | 2 | 3 | 2 | **29** |
| **Saskatchewan** | 6 | 4 | 5 | - | 2 | 1 | 2 | **20** |
| **Alberta** | 42 | 19 | 17 | 3 | 8 | 5 | 9 | **103** |
| **British Columbia** | 31 | 19 | 19 | 6 | 7 | 3 | 6 | **91** |
| **Northwest Territories** | 1 | - | - | - | - | - | - | **1** |
| **Yukon** | 1 | - | - | - | - | - | - | **1** |
| | **347** | **162** | **126** | **28** | **67** | **49** | **66** | **845** |

Reitmans

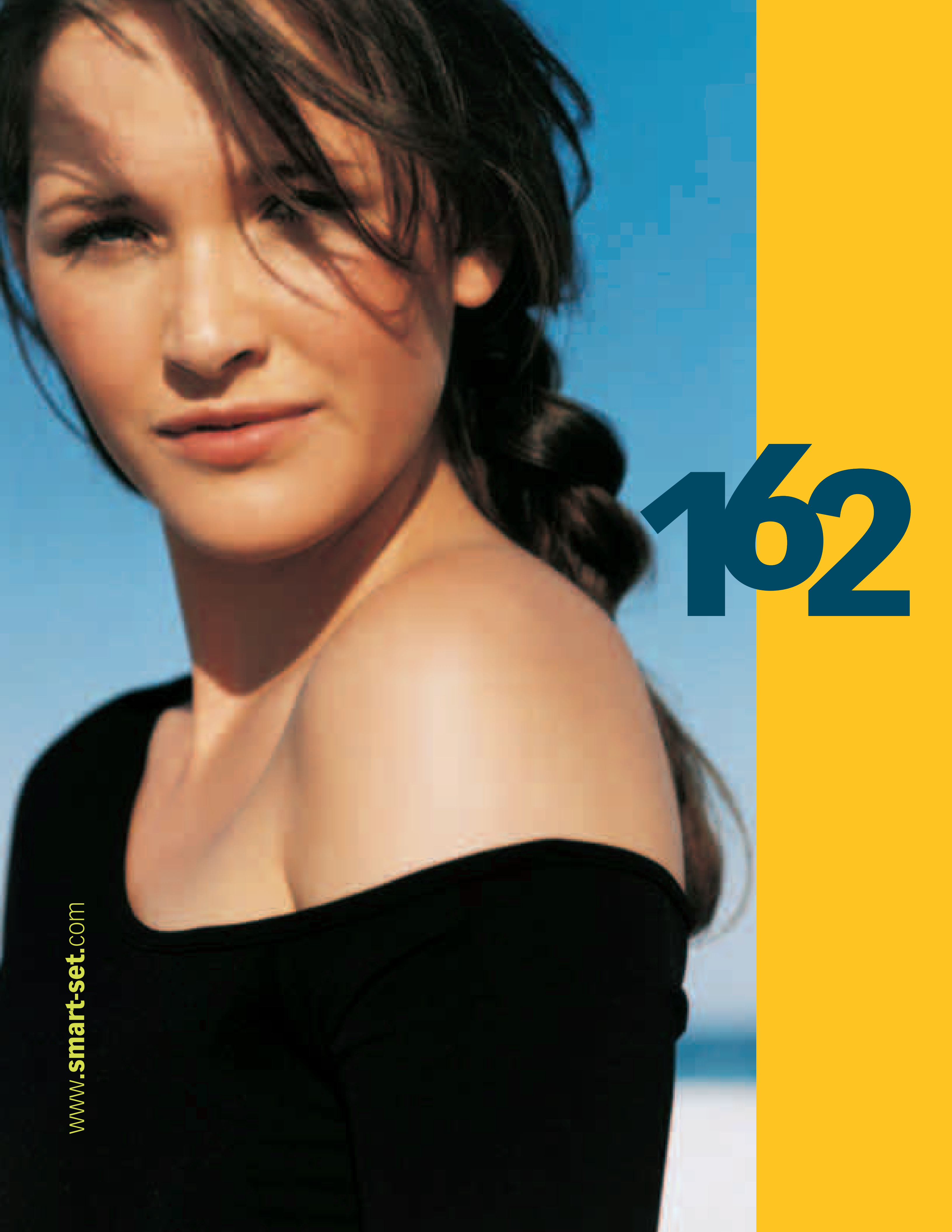
# 347 stores

## from coast to coast

**Petites ▪ Encore ▪ Contrast Jeans ▪ E.K.O**

Operating 347 stores, Reitmans is Canada's largest ladies apparel specialty chain. With stores averaging 4,100 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. Reitmans' website (www.reitmans.com) is an effective marketing tool that will drive the business to further success.


www.reitmans.com


162
www.smart-set.com


# SMART SET

## DALMYS

## **stores** for juniors

The Smart Set / Dalmys banner, with 162 stores averaging 2,800 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 and value. All Smart Set clothing and accessories are designed and manufactured specifically and exclusively for the chain and carry the Smart Set label.

RW & CO.

28 lifestyle stores

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. RW & CO. had an excellent year, with strong sales and earnings growth. We plan to open 3 stores this year.

thyme maternity

Thyme Maternity is Canada's largest specialty retailer of maternity clothing operating 66 stores, averaging 2,000 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.

Canada's largest maternity retailer with **66 stores**

www.**thymematernity**.com

penningtons 14+

# 126 destination **stores**

www.**mxm**.bz

With 126 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, service, quality, value and low prices. We expanded the junior plus-size product range known as "MXM" that caters to the trendy, young value-conscious plus-size customer to 117 stores. Our marketing initiatives are to establish Penningtons as the destination for plus-size fashion at competitive prices, with the emphasis on price.

# ADDITION **ELLE**

**116** **stores**
for plus-size fashion

www.**addition-elle.**com

In February 2004, we initiated the merger of the Addition Elle and Addition Elle Outlet stores under one banner "Addition Elle". With 67 mall stores averaging 4,300 sq. ft. and 49 non-mall stores averaging 7,200 sq. ft., we will focus on one customer in two environments. The Addition Elle product assortment will be broadened to include lower price points that reflect the ongoing value focus or "shift to thrift" sought by consumers in both mall and power centre locations. The merger of these two chains has allowed us to further integrate the Addition Elle operating structure and reduce overhead costs. Our marketing initiatives are to establish Addition Elle as the destination for plus-size fashion at competitive prices, with the emphasis on fashion.

# 566,000 sq. ft. of distribution **space**

The Reitmans Distribution Centre, located in Montreal, has 566,000 square feet of working area, serving all 7 banners. Set on 1,100,000 sq. ft. of land, the facility has over 40 shipping and receiving docks and is capable of processing more than 55,000,000 units of merchandise per year. Computerized sortation equipment for both hanging garments and flat items is capable of serving over 1,100 stores.

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

MD&A

For the year ended January 31, 2004

The following Management's Discussion and Analysis of Financial Condition and Results of Operations of Reitmans (Canada) Limited ("Reitmans" or the "Company") should be read in conjunction with the audited consolidated financial statements of Reitmans for the year ended January 31, 2004 included in this Annual Report. Capitalized terms used, but not defined herein, have the meanings assigned to such terms in such financial statements.

**OVERVIEW OF FINANCIAL CONDITION AND CONSOLIDATED OPERATING RESULTS YEAR ENDED JANUARY 31, 2004** ("2004 year")

The consolidated financial statements for the year ended January 31, 2004 reflect the consolidated operations of Reitmans. These operations now include the Addition Elle, Addition Elle Outlet and Thyme Maternity stores (the "Shirmax stores"), which were acquired effective June 5, 2002 as a result of the acquisition by Reitmans of Shirmax Fashions Ltd. ("Shirmax"). Accordingly, the 2004 and 2003 results are not strictly comparable as the 2003 results do not include sales and operations from Shirmax for the period February 2, 2002 to June 5, 2002.

Sales for the year increased 13.2% to $851,634,000 as compared with $752,494,000 for the year ended February 1, 2003. The increase in sales is due primarily to the addition of the Shirmax Stores, as well as the net addition of 25 stores over the course of the year. Overall, comparable store sales decreased 0.7%. Excluding Shirmax, sales increased 7.7% with comparable store sales increasing 2.7%.

Operating earnings for the year increased 63.3% to $50,898,000 as compared with $31,176,000 for the prior year. Net earnings after tax increased 63.2% to $40,035,000 or $2.33 per share as compared with $24,535,000 or $1.43 per share last year. The factors contributing to such increases included significantly improved gross margins realized at store level, helped in part by a strengthening Canadian dollar, effective cost containment at both store and overhead levels and the successful integration of the Shirmax operations with the resulting cost savings therefrom.

With respect to the Canadian dollar, the Company in its normal course of business must make long lead time commitments for a significant proportion of its merchandise purchases, in some cases as long as 8 months. Many of these purchases must ultimately be paid for in US dollars. The Company uses a variety of strategies designed to fix the cost of its continuing US dollar long-term commitments at the lowest possible cost while at the same time allowing itself the opportunity to take advantage of a positive swing in the value of the Canadian dollar vis-à-vis the US dollar. For the year, these strategies helped the gross margin performance as the Canadian dollar strengthened over the course of the year.

During the year, the Company opened 55 stores comprised of 21 Reitmans, 14 Smart Set, 5 Penningtons, 1 Addition Elle, 8 Addition Elle Outlet and 6 Thyme Maternity; 30 stores were closed. Accordingly, at January 31, 2004, there were 845 stores in operation, consisting of 347 Reitmans, 162 Smart Set / Dalmys, 126 Penningtons, 28 RW & CO., 67 Addition Elle, 49 Addition Elle Outlet and 66 Thyme Maternity.

**THREE MONTH PERIOD ENDED JANUARY 31, 2004** ("fourth quarter")

Sales for the fourth quarter increased 3.5% to $224,976,000 as compared with $217,413,000 for the three month period ended February 1, 2003. For all chains, comparable store sales decreased 1.5%.

Operating earnings for the fourth quarter increased to $4,720,000 as compared with a loss of $6,554,000 for the comparable period last year. This increase reflects a very strong gross margin performance at the store operating level, aided by a strengthening Canadian dollar and the effect of the cost savings resulting from the full integration of the Shirmax operations. Net earnings after tax increased to $5,980,000 or $0.35 per share as compared with a loss of $2,395,000 or $0.14 per share for the comparable period last year.

For information concerning Sales, Operating Earnings, Net Earnings and Earnings Per Share for the previous 4 fiscal years and their relevant quarterly components, the reader is directed to page 32 of this report captioned "Highlights".

Cash and Cash Equivalents are approximately $101,837,000 or approximately a $71,000,000 increase over last year. This reflects in part the very strong positive cash flow generated by our retailing operations (see the Consolidated Statements of Cash Flows forming part of this report). Merchandise Inventories this year are $60,223,000 or approximately $8,280,000 lower than last year reflecting a much tighter control of inventory levels in general over last year and an excellent selling season experienced in the last quarter. Accounts Receivable are approximately $1,100,000 less than last year as most of the remaining tenant allowances and third party licensing fees acquired as a result of the Shirmax acquisition have been collected. As well, the Pension Asset of $5,580,100 as at February 1, 2003 representing the Company's share of the surplus of the Employee Retirement Pension Plan (which was terminated in 2001) was collected in full this year. Prepaid Expenses are $7,604,000 or approximately $8,600,000 less than last year. This decrease is almost entirely due to the fact that last year's year-end was February 1, and as such, Prepaid Expenses reflected rents paid as of that date for the month of February on our various lease commitments.

Current liabilities have increased by approximately $11,000,000 over the same period last year. This increase is accounted for principally by the increase in Accounts Payable and Accrued Items related mainly to deferred payments for certain early merchandise receipts and the net increase in Income Taxes Payable of approximately $4,000,000.

Shortly after the end of the third quarter, the Shirmax office personnel moved from the Jarry Street premises to the Company's Sauvé Street premises. As a result, all of the Company's Head Office personnel are now located at Sauvé Street and all of the Company's merchandise receiving, warehousing and shipping operations are located in the Company's modern, efficient 566,000 sq. ft. Distribution Centre. The Capital Assets section reflects the fact that the new Distribution Centre was substantially completed in the year and, as a result, what was carried as "Building in Progress" is now classified as "Building". Under current Canadian Generally Accepted Accounting Principals (GAAP), the Jarry Street premises is considered to have been "abandoned" during the 2004 year and, as a result, an amount of $2,300,000 has been included in the Company's Accounts Payable and Accrued Items and has been expensed in the Consolidated Statement of Earnings as "Lease Cancellation and Related Costs", as is required under GAAP in the Company's year ended January 31, 2004. This amount represents management's estimate of the Company's ongoing liabilities to lease end in respect of these premises.

All of the Shirmax administrative, merchandising and management activities are now integrated into Reitmans. This has been accomplished on time and without any significant additional cost over that which was anticipated and provided for at the time of the acquisition (principally severance costs for approximately 150 redundant personnel and the software costs to convert the Shirmax POS system to the Reitmans system).

During the fourth quarter, the Company opened 15 new stores and closed 13 stores.

**LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES**

Shareholders' equity at January 31, 2004 amounted to $276,402,000 or $16.05 per share as compared to $243,521,000 or $14.16 per share last year. The Company continues to be in a strong financial position. The Company's principal sources of liquidity are its cash and investments in marketable securities of $175,717,000 (market value of $184,074,000) at January 31, 2004, compared with $110,582,000 (market value of $113,398,000) at February 1, 2003. The Company has also negotiated operating lines of credit with two major Canadian chartered banks, which are used principally to secure letters of credit issued to non-Canadian vendors for merchandise purchases. During the 2004 year, these lines were not used for any other purpose.

Major financing activities in the fourth quarter included paying down $2,000,000 of the $86,000,000 loan obtained to finance the acquisition of Shirmax and $498,000 of other long-term debt, consisting principally of the mortgage on Reitmans' new Distribution Centre. The Company also paid a cash dividend of $0.14 per share for an aggregate amount of $2,411,000 and issued 11,000 class A non-voting shares under its employee stock option plan.

During the fourth quarter, the Company invested $5,891,000 in new and renovated stores, $332,000 in its new Distribution Centre and $2,027,000 in renovating and refurbishing its Sauvé Street offices. For the 2004 year, the Company has expended $40,064,000 on new and renovated stores, the new Distribution Centre and the Sauvé Street offices. The Company has committed $4,400,000 to complete certain equipment upgrades at the Distribution Centre and to complete the expansion of its Head Office facilities. These expenditures, together with ongoing store construction and renovations programs, the payment of cash dividends and the quarterly repayments related to Reitmans' bank credit facility and other long-term debt obligations, are expected to be funded by the Company's existing financial resources and funds derived from its operations.

On March 1, 2004 and on April 15, 2004, the Company exercised its contractual right and accelerated the paydown of its long-term Shirmax acquisition debt by $40,000,000 and $34,000,000 respectively. As of January 31, 2004, the Company was committed to pay $2,000,000 each quarter (April 15, 2004 being the first instalment) for 5 quarters, with a balloon payment of $64,000,000 on July 15, 2005. This debt has now been completely extinguished as of April 15, 2004. These repayments have not been reflected in the Financial Commitments table included below, which reflects the situation as of January 31, 2004. The balance of the long-term debt relates to the mortgage on the Distribution Centre.

On May 30, 2003, the Company entered into a sale leaseback transaction with a third party financial institution for $10,000,000 of its merchandise handling equipment. The lease calls for 48 monthly payments of $193,175, following which the Company has an option to extend the lease or buy back the equipment at market value.

**FINANCIAL COMMITMENTS**

| | Payments Due by Period | | | |
|---|---|---|---|---|
| **Contractual Obligations** | **Total** | **Within 1 year** | **2 to 4 years** | **5 years and over** |
| Long-term debt * | $ 93,022,000 | $ 8,890,000 | $ 69,034,000 | $ 15,098,000 |
| Capital leases | 1,799,000 | 849,000 | 950,000 | - |
| Total contractual obligations | $ 94,821,000 | $ 9,739,000 | $ 69,984,000 | $ 15,098,000 |

*See Liquidity, Cash Flows and Capital Resources above for a discussion of the accelerated repayments of such amounts.

| Contractual Obligations | Total | Within 1 year | 2 to 4 years | 5 years and over |
|---|---|---|---|---|
| | Payments Due by Period | | | |
| Store leases and equipment | $ 359,530,000 | $ 76,240,000 | $ 170,588,000 | $ 112,702,000 |

**FINANCIAL INSTRUMENTS**

The Company as part of its strategies to fix the cost of certain of its US dollar merchandise purchase commitments has entered into a series of forward options and forward plus "knock-in" options. These instruments are exercisable at various dates up to August 2004 granting the Company the ability to purchase up to 45 million US dollars at strike rates between 1.3250 and 1.3400 Canadian dollars.

**RELATED PARTY TRANSACTIONS**

The Company leases two retail locations, which are owned by a related party. The leases for such premises were entered into on commercial terms similar to those for leases entered into with third parties for similar premises.

**INVESTMENTS**

Investments consist mainly of marketable securities, primarily high quality preferred shares. At January 31, 2004, marketable securities amounted to $73,880,000 (market value $82,237,000) as compared with $79,697,000 (market value $82,513,000) last year. Investment income for the 2004 year amounted to $9,584,000 composed principally of net capital gains of $2,605,000 compared to $8,563,000 with $3,363,000 of net capital gains for last year. Last year's investment income included a $1,000,000 net capital gain on the disposition of our interest in ZARA Canada.

**TRENDS, UNCERTAINTIES AND RISKS**

The Company is principally engaged in the sale of women's apparel through 845 leased retail outlets operating under 7 different banners located across Canada. The Company's business is seasonal and is also subject to a number of factors, which directly impact retail sales of apparel over which it has no control, namely fluctuations in weather patterns, swings in consumer confidence and buying habits and the potential of rapid changes in fashion preferences. As well, there is no effective barrier to prevent entry into the Canadian apparel retailing marketplace by any potential competitor, foreign or domestic.

To mitigate these risk exposures, each banner is directed to and focused on a different niche in the Canadian women's apparel market. Virtually all the Company's merchandise is private label. No supplier represents more than 6% of our purchases (in dollars and/or units) and there are a variety of alternative sources (both domestic and offshore) for virtually all the Company's merchandise. When merchandise is sourced offshore and must be paid for in US dollars, the Company uses a variety of strategies to fix the cost of US dollars to ensure it is protected against any material adverse fluctuations in the value of the Canadian dollar between the time the relevant merchandise is ordered and when it must be paid for.

Geographically, the Company's stores are located generally according to Canada's female population. About 40% of RW & CO.'s merchandise is young men's wear and certain Reitmans stores carry a limited selection of children's apparel. Together, these non-women's wear sales account for less than 3% of all apparel sales made by the Company.

The Company has good relationships with its landlords and suppliers and has no reason to believe that it is exposed to any material risk that would operate to prevent the Company from acquiring, distributing and/or selling our merchandise on an ongoing basis.

For the current year, while the Company has experienced significantly improved sales and operating margins and has begun to fully realize the cost savings benefits from the integration of the Shirmax operations, the Company cautions that past financial performance is not necessarily indicative of future results.

**OUTSTANDING SHARE DATA**

As of the date hereof, 3,360,000 Common shares of the Company and 13,864,564 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.

**OUTLOOK**

The Company believes that it is well positioned to compete effectively in the Canadian specialty retail apparel market through its different banners. The Company has continued to expand and strengthen its offshore capabilities in Asia, principally through it's Hong Kong office. The Company's Hong Kong office now has in excess of 70 staff engaged in sourcing, quality control, transportation and logistics. The Shirmax operations, acquired on June 5, 2002, are now benefiting from the Company's ability to source goods offshore.

The Company is in a very strong financial position. It has good relationships with its vendors and suppliers, both in Canada and globally and has invested in technology and people. The Company believes that the prospects for the future remain positive.

# **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

March 19, 2004

# **Auditors'** Report

To the Shareholders of Reitmans (Canada) Limited

We have audited the Consolidated Balance Sheets of Reitmans (Canada) Limited as at January 31, 2004 and February 1, 2003 and the Consolidated Statements of Earnings, 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 31, 2004 and February 1, 2003, 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 19, 2004

# Consolidated **Balance Sheets**

As at January 31, 2004 and February 1, 2003
(in thousands)

| | 2004 | 2003 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | **$ 101,837** | $ 30,885 |
| Accounts receivable | **3,962** | 5,089 |
| Merchandise inventories | **60,223** | 68,501 |
| Prepaid expenses | **7,604** | 16,219 |
| Pension asset | **-** | 5,580 |
| Income taxes recoverable | **-** | 7,911 |
| Total Current Assets | **173,626** | 134,185 |
| INVESTMENTS (note 2) | **73,880** | 79,697 |
| CAPITAL ASSETS (note 3) | **161,110** | 159,044 |
| GOODWILL | **42,426** | 42,426 |
| FUTURE INCOME TAXES (note 6) | **710** | 2,298 |
| OTHER ASSETS (notes 4 and 5) | **1,715** | 1,920 |
| | **$ 453,467** | $ 419,570 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued items | **$ 74,986** | $ 67,688 |
| Income taxes payable | **6,217** | - |
| Current portion of long-term debt (note 5) | **9,739** | 9,991 |
| Future income taxes (note 6) | **-** | 2,236 |
| Total Current Liabilities | **90,942** | 79,915 |
| LONG-TERM DEBT (note 5) | **85,082** | 94,880 |
| DEFERRED LICENSING REVENUE | **367** | 567 |
| FUTURE INCOME TAXES (note 6) | **674** | 687 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (note 7) | **12,798** | 12,528 |
| Contributed surplus | **149** | - |
| Retained earnings | **263,455** | 230,993 |
| Total Shareholders' Equity | **276,402** | 243,521 |
| | **$ 453,467** | $ 419,570 |

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**

For the years ended January 31, 2004 and February 1, 2003
(in thousands except per share amounts)

| | 2004 | 2003 |
|---|---|---|
| Sales | **$ 851,634** | $ 752,494 |
| Cost of goods sold and selling, general and administrative expenses | **768,377** | 695,958 |
| | **83,257** | 56,536 |
| Depreciation and amortization | **30,059** | 25,360 |
| Lease cancellation and related costs (note 9) | **2,300** | - |
| Operating earnings before the undernoted | **50,898** | 31,176 |
| Investment income | **9,584** | 8,563 |
| Interest on long-term debt | **4,792** | 2,656 |
| Earnings before income taxes | **55,690** | 37,083 |
| Income taxes (note 6) | **15,655** | 12,548 |
| Net earnings | **$ 40,035** | $ 24,535 |
| Earnings per share (note 8): | | |
| Basic | **$ 2.33** | $ 1.43 |
| Diluted | **2.29** | 1.41 |

# Consolidated Statements of **Retained Earnings**

For the years ended January 31, 2004 and February 1, 2003
(in thousands)

| | 2004 | 2003 |
|---|---|---|
| Balance at beginning of year | **$ 230,993** | $ 213,334 |
| Net earnings | **40,035** | 24,535 |
| | **271,028** | 237,869 |
| Deduct: | | |
| Dividends (note 7) | **7,573** | 6,876 |
| Balance at end of year | **$ 263,455** | $ 230,993 |

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

# Consolidated Statements of **Cash Flows**

For the years ended January 31, 2004 and February 1, 2003
(in thousands)

| | 2004 | 2003 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net earnings | **$ 40,035** | $ 24,535 |
| Adjustments for: | | |
| Depreciation and amortization | **30,059** | 25,360 |
| Future income taxes | **(661)** | (576) |
| Stock based compensation | **149** | - |
| Amortization of deferred licensing revenue | **(200)** | (134) |
| Pension asset | **(14)** | 1,132 |
| Amortization of deferred financing costs | **219** | 146 |
| Investment income | **(9,584)** | (8,563) |
| Changes in non-cash working capital | **42,519** | (9,665) |
| | **102,522** | 32,235 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of marketable securities | **(50,904)** | (66,361) |
| Proceeds on sale of marketable securities | **59,326** | 65,311 |
| Additions to capital assets | **(40,064)** | (43,441) |
| Proceeds on sale of capital assets | **10,446** | - |
| Investment income, excluding gain on sale of marketable securities of $2,605 (2003 - $3,363) | **6,979** | 5,200 |
| Acquisition of Shirmax Fashions Ltd. including bank indebtedness | **-** | (89,808) |
| | **(14,217)** | (129,099) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid | **(7,573)** | (6,876) |
| Proceeds of long-term debt | **-** | 106,000 |
| Deferred financing costs | **-** | (657) |
| Repayment of long-term debt | **(10,050)** | (4,863) |
| Issue of share capital | **270** | 283 |
| | **(17,353)** | 93,887 |
| NET INCREASE (DECREASE) IN CASH | **70,952** | (2,977) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | **30,885** | 33,862 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | **$ 101,837** | $ 30,885 |

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 January 31, 2004 and February 1, 2003
(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% |

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) Goodwill is not amortized but 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.

The Company conducted the annual impairment test on January 31, 2004 and concluded that there was no indication of impairment in the carrying value of goodwill.

# **Notes** to Consolidated Financial Statements

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. The plan provides 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) In 2004, the Company changed its method of accounting for stock-based compensation and other stock-based payments to the fair value based method. The Company prospectively applied this method of accounting to all awards of employee stock options granted, modified or settled on or after February 2, 2003. For awards of conventional and performance-based employee stock options granted before February 2, 2003, the Company did not record compensation cost and any consideration paid by employees on the exercise of stock options was recorded as share capital.

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.

# **Notes** to Consolidated Financial Statements

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 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 primarily 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 31, 2004 was $82,237 (2003 - $82,513).

## 3. CAPITAL ASSETS

| | 2004 | | | 2003 |
|---|---|---|---|---|
| | Cost | Accumulated Depreciation and Amortization | Net Book Value | Net Book Value |
| Land | **$ 4,115** | **$ -** | **$ 4,115** | $ 4,115 |
| Building | **21,535** | **863** | **20,672** | 15,703 |
| Fixtures and equipment | **130,410** | **57,269** | **73,141** | 78,510 |
| Leasehold improvements | **100,356** | **39,512** | **60,844** | 57,716 |
| Leasehold interests | **231** | **139** | **92** | 131 |
| Assets under capital leases | **4,021** | **1,775** | **2,246** | 2,869 |
| | **$ 260,668** | **$ 99,558** | **$ 161,110** | $ 159,044 |

# **Notes** to Consolidated Financial Statements

## 4. PENSION ASSET

The Company's defined benefit plan was actuarially valued as at December 31, 2002 and the obligation was projected to December 31, 2003.

Assumptions, based upon data as of December 31, 2003, used in developing the net pension expense (income) and projected benefit obligation are as follows:

| | 2004 | 2003 |
|---|---|---|
| Discount rate | **6.05%** | 6.45% |
| Rate of increase in salary levels | **3.00%** | 3.00% |
| Expected long-term rate of return on plan assets | **7.50%** | 7.50% |

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

| | 2004 | 2003 |
|---|---|---|
| **Pension Obligation** | | |
| Pension obligation, beginning of year | **$ 12,686** | $ 24,999 |
| Current service cost | **180** | 142 |
| Interest cost | **631** | 1,046 |
| Benefits paid | **(6,155)** | (7,908) |
| Annuity purchase | **-** | (10,431) |
| Actuarial losses | **503** | 4,838 |
| Pension obligation, end of year | **$ 7,845** | $ 12,686 |
| **Plan Assets** | | |
| Market value of plan assets, beginning of year | **$ 19,675** | $ 39,170 |
| Actual return on plan assets | **1,431** | (1,156) |
| Benefits paid | **(11,838)** | (7,908) |
| Annuity purchase | **-** | (10,431) |
| Market value of plan assets, end of year | **$ 9,268** | $ 19,675 |
| **Pension Asset** | | |
| Pension asset, end of year | **$ 1,423** | $ 6,989 |

During the year, the Company received $5,683 as its share of the surplus of its Employee Retirement Pension Plan, which under an agreement with the plan members had been terminated as of December 31, 2001.

The Company's net annual benefit plan expense (income) consists of the following:

| | 2004 | 2003 |
|---|---|---|
| Current service cost | **$ 180** | $ 142 |
| Interest cost | **631** | 1,046 |
| Expected return on plan assets | **(974)** | (2,550) |
| Net experience losses | **93** | 4,195 |
| (Gain) loss on settlement | **(47)** | 4,349 |
| Change in valuation allowance | **-** | (6,050) |
| Net pension (income) expense | **$ (117)** | $ 1,132 |

# **Notes** to Consolidated Financial Statements

## 5. LONG-TERM DEBT

| | 2004 | 2003 |
|---|---|---|
| Bank financing bearing interest at prime or bankers' acceptance rate, repayable in quarterly instalments of $2 million, due June 2005. The loan is secured by specific marketable securities | **$ 74,000** | $ 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 | **19,022** | 19,864 |
| Obligations under capital leases, expiring at various dates to 2007 bearing interest at varying rates, payable in monthly instalments of approximately $75 | **1,799** | 3,007 |
| | **94,821** | 104,871 |
| Less current portion | **9,739** | 9,991 |
| | **$ 85,082** | $ 94,880 |

Interest on long-term debt includes $219 of amortization of deferred financing costs relating to the bank financing. The balance of deferred financing costs at January 31, 2004 is $292 (2003 - $511) and is included in other assets.

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

| **Years ending** | |
|---|---|
| 2005 | **$ 8,890** |
| 2006 | **66,948** |
| 2007 | **1,010** |
| 2008 | **1,076** |
| 2009 | **1,146** |
| Subsequent years | **13,952** |

On March 1, 2004, the Company repaid $40,000 of its bank financing.

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

| **Years ending** | |
|---|---|
| 2005 | **$ 939** |
| 2006 | **640** |
| 2007 | **360** |
| | **1,939** |
| Amount representing interest (between 5.49% and 9.52%) | **(140)** |
| | **1,799** |
| Less current portion | **849** |
| | **$ 950** |

# **Notes** to Consolidated Financial Statements

## 6. 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:

| | 2004 | 2003 |
|---|---|---|
| **Long-term assets** | | |
| Capital assets | **$ 349** | $ 2,063 |
| Deferred expenses for income tax purposes | **205** | 235 |
| Other | **156** | - |
| | **$ 710** | $ 2,298 |
| **Current liabilities** | | |
| Accounts receivable | **$ -** | $ (121) |
| Pension asset | **-** | (2,115) |
| | **$ -** | $ (2,236) |
| **Long-term liabilities** | | |
| Marketable securities | **$ (184)** | $ (151) |
| Pension asset | **(490)** | (536) |
| | **$ (674)** | $ (687) |

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

| | 2004 | 2003 |
|---|---|---|
| Provision for income taxes based on combined statutory rate of 31.16% (2003 - 37.90%) | **$ 17,353** | $ 14,054 |
| Changes in provision resulting from: | | |
| Tax exempt investment income | **(1,765)** | (1,549) |
| Unrecognized loss carried forward | **-** | 324 |
| Utilization of unrecognized loss | **(589)** | - |
| Large corporations tax | **67** | 75 |
| Tax rate differences | **368** | (60) |
| Permanent and other differences | **221** | (296) |
| Income taxes | **$ 15,655** | $ 12,548 |
| Represented by: | | |
| Current | **$ 16,316** | $ 13,124 |
| Future | **(661)** | (576) |
| | **$ 15,655** | $ 12,548 |

# **Notes** to Consolidated Financial Statements

## 7. SHARE CAPITAL

a) The class A non-voting shares and the Common 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 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)

| | 2004 | 2003 |
|---|---|---|
| Class A non-voting shares (authorized - unlimited) | | |
| - issued 13,864,564 (2003 - 13,839,564) | **$ 12,316** | $ 12,046 |
| Common shares (authorized - unlimited) | | |
| - issued 3,360,000 | **482** | 482 |
| | **$ 12,798** | $ 12,528 |

Dividends paid on class A non-voting and Common shares were $6,095 (2003 - $5,532) and $1,478 (2003 - $1,344) respectively.

c) The Company has reserved 1,380,000 class A non-voting shares for issuance under its Share Option Plan of which 662,000 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.

The Company granted 135,000 stock options during 2004, which will be expensed over their vesting period based on their estimated fair values on the date of grant, determined using the Black-Scholes option-pricing model. For the year ended January 31, 2004, the Company recognized compensation cost of $149 with an offsetting credit to contributed surplus.

Compensation cost related to stock option awards under the fair value based approach was calculated using the following assumptions:

| | |
|---|---|
| Expected option life | 5 years |
| Risk-free interest rate | 4.38% |
| Expected stock price volatility | 26.24% |
| Average dividend yield | 2.47% |
| Weighted average fair value of options granted | $4.09 |

A summary of the status of the Company's Share Option Plan as of January 31, 2004 and February 1, 2003 and changes during the years ending on those dates is presented below:

| | 2004 | | 2003 | |
|---|---|---|---|---|
| **Options** | **Shares** | **Weighted-Average Exercise Price** | **Shares** | **Weighted-Average Exercise Price** |
| Outstanding at beginning of year | **552,000** | **$ 11.02** | 582,000 | $ 10.94 |
| Granted | **135,000** | **17.42** | - | - |
| Exercised | **(25,000)** | **10.77** | (30,000) | 9.46 |
| Outstanding at end of year | **662,000** | **12.34** | 552,000 | 11.02 |
| Options exercisable at end of year | **239,000** | | 150,000 | |

# **Notes** to Consolidated Financial Statements

The following table summarizes information about share options outstanding at January 31, 2004:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| **Range of Exercise Prices** | **Number Outstanding at 01/31/2004** | **Weighted-Average Remaining Contractual Life** | **Weighted-Average Exercise Price** | **Number Exercisable at 01/31/2004** | **Weighted-Average Exercise Price** |
| \$ 9.13 - \$ 9.53 | 32,000 | 2.03 | \$ 9.38 | 24,000 | \$ 9.38 |
| \$11.10 - \$11.15 | 495,000 | 3.00 | 11.14 | 215,000 | 11.14 |
| \$17.00 - \$22.70 | 135,000 | 6.00 | 17.42 | - | - |
| | 662,000 | 3.56 | \$ 12.34 | 239,000 | \$ 10.96 |

## 8. EARNINGS PER SHARE

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

| | **2004** | **2003** |
|---|---|---|
| Weighted average number of shares for basic earnings per share calculations | **17,207,929** | 17,185,663 |
| Effect of dilutive options outstanding | **242,973** | 235,123 |
| Weighted average number of shares for diluted earnings per share calculations | **17,450,902** | 17,420,786 |

## 9. COMMITMENTS

a) 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** | |
|---|---|
| 2005 | **\$ 76,240** |
| 2006 | **66,708** |
| 2007 | **57,024** |
| 2008 | **46,856** |
| 2009 | **37,168** |
| Subsequent years | **75,534** |
| | **\$ 359,530** |

b) In January 2004, the Company closed the former distribution centre of Shirmax Fashions Ltd. Pursuant to an agreement with the landlord, the Company will incur a lease cancellation cost of \$1,800. In addition, the Company provided for \$500 of leasehold improvements and equipment to be written off.

# **Notes** to Consolidated Financial Statements

## 10. STATEMENTS OF CASH FLOWS

Supplementary information:

| | 2004 | 2003 |
|---|---|---|
| Balances with banks | **$ 5,320** | $ 25,950 |
| Short-term deposits | **96,517** | 5,788 |
| | **$ 101,837** | $ 31,738 |
| Cash paid during the year for: | | |
| Income taxes | **$ 14,132** | $ 29,002 |
| Interest | **4,671** | 2,926 |
| Non-cash transactions: | | |
| Capital asset additions included in accounts payable | **2,909** | 402 |
| Capital assets acquired under capital lease | **-** | 43 |

## 11. FINANCIAL INSTRUMENTS

a) Foreign Currency Risk

At January 31, 2004, the Company had entered into various foreign currency put and call options with its financial institution. Under the terms of certain of the contracts, the Company has the option to purchase US $30,000 at rates ranging from 1.3250 to 1.3400 up to August 2004. The financial institution would be able to sell to the Company US $30,000 at the same rates and over the same period, should the spot rate fall to a range of between 1.2440 to 1.2745. The Company also has call options to purchase US $15,000 at rates ranging from 1.3360 to 1.3390 up to April 2004.

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 contracts as disclosed above results in an unrealized gain of $159.

The fair value of long-term debt is not significantly different from its carrying value. The method of calculating fair values for the financial instruments is described below.

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 4.08%.

# Highlights

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

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|---|
| **SALES**[1] | | | | | |
| 1st Quarter | **$ 177,750** | $ 126,028 | $ 116,256 | $ 98,192 | $ 91,618 |
| 2nd Quarter | **233,225** | 201,730 | 142,816 | 139,059 | 132,758 |
| 3rd Quarter | **215,683** | 207,323 | 143,513 | 126,847 | 112,744 |
| 4th Quarter | **224,976** | 217,413 | 163,435 | 154,286 | 140,610 |
| **Total** | **$ 851,634** | $ 752,494 | $ 566,020 | $ 518,384 | $ 477,730 |
| **OPERATING EARNINGS (LOSS)**[1] | | | | | |
| 1st Quarter | **$ 4,709** | $ 4,896 | $ 3,365 | $ (391) | $ 3,466 |
| 2nd Quarter | **24,217** | 21,156 | 9,543 | 8,444 | 14,081 |
| 3rd Quarter | **17,252** | 11,678 | 9,153 | 6,080 | 2,704 |
| 4th Quarter | **4,720** | (6,554) | 11,362 | 9,451 | 6,649 |
| **Total** | **$ 50,898** | $ 31,176 | $ 33,423 | $ 23,584 | $ 26,900 |
| **EARNINGS (LOSS)**[1] | | | | | |
| 1st Quarter | **$ 4,105** | $ 5,127 | $ 4,250 | $ 1,523 | $ 38,465 |
| 2nd Quarter | **17,296** | 13,590 | 7,964 | 7,629 | 10,764 |
| 3rd Quarter | **12,654** | 8,213 | 7,488 | 5,938 | 2,822 |
| 4th Quarter | **5,980** | (2,395) | 7,232 | 5,112 | 3,163 |
| **Total** | **$ 40,035** | $ 24,535 | $ 26,934 | $ 20,202 | $ 55,214 |
| **BASIC EARNINGS (LOSS) PER SHARE**[1, 2] | | | | | |
| 1st Quarter | **$ 0.24** | $ 0.30 | $ 0.25 | $ 0.09 | $ 2.20 |
| 2nd Quarter | **1.00** | 0.79 | 0.47 | 0.44 | 0.62 |
| 3rd Quarter | **0.74** | 0.48 | 0.45 | 0.35 | 0.15 |
| 4th Quarter | **0.35** | (0.14) | 0.43 | 0.30 | 0.18 |
| **Total** | **$ 2.33** | $ 1.43 | $ 1.60 | $ 1.18 | $ 3.15 |
| **LOSS FROM DISCONTINUED OPERATIONS** | **$ -** | $ - | $ - | $ - | $ (3,507) |
| **PER SHARE**[2] | **$ -** | $ - | $ - | $ - | $ (0.20) |
| **NET EARNINGS** | **$ 40,035** | $ 24,535 | $ 26,934 | $ 20,202 | $ 51,707 |
| **PER SHARE**[2] | **$ 2.33** | $ 1.43 | $ 1.60 | $ 1.18 | $ 2.95 |
| **SHAREHOLDERS' EQUITY** | **$ 276,402** | $ 243,521 | $ 225,579 | $ 202,507 | $ 194,121 |
| **PER SHARE**[2] | **$ 16.05** | $ 14.16 | $ 13.14 | $ 12.07 | $ 11.19 |
| **NUMBER OF STORES** | **845** | 820 | 623 | 601 | 588 |

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

## 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

**Geneviève Fortier**
Vice-President - Human Resources

**Cyril Reitman**
Vice-President

**Allen F. Rubin**
Vice-President - Operations

**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

**Donna Flynn**
Vice-President - Reitmans

**Kimberly Schumpert**
Vice-President - Reitmans

**Isabelle Taschereau**
President - Smart Set / Dalmys

**Nicole Lapointe**
Vice-President - Smart Set / Dalmys

**Suzana Vovko**
President - RW & CO.

**Cathryn Adeluca**
Vice-President - RW & CO.

**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

**Jacques Landry, CA**
Vice-President - Addition Elle

**Rhonda Sandler**
Vice-President - Addition Elle

**Lesya McQueen**
President - Thyme Maternity

**William Penney**
Vice-President - Thyme Maternity

# 2004 Corporate Information

**TRANSFER AGENT AND REGISTRAR**

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

**STOCK SYMBOLS**

**THE TORONTO STOCK EXCHANGE**

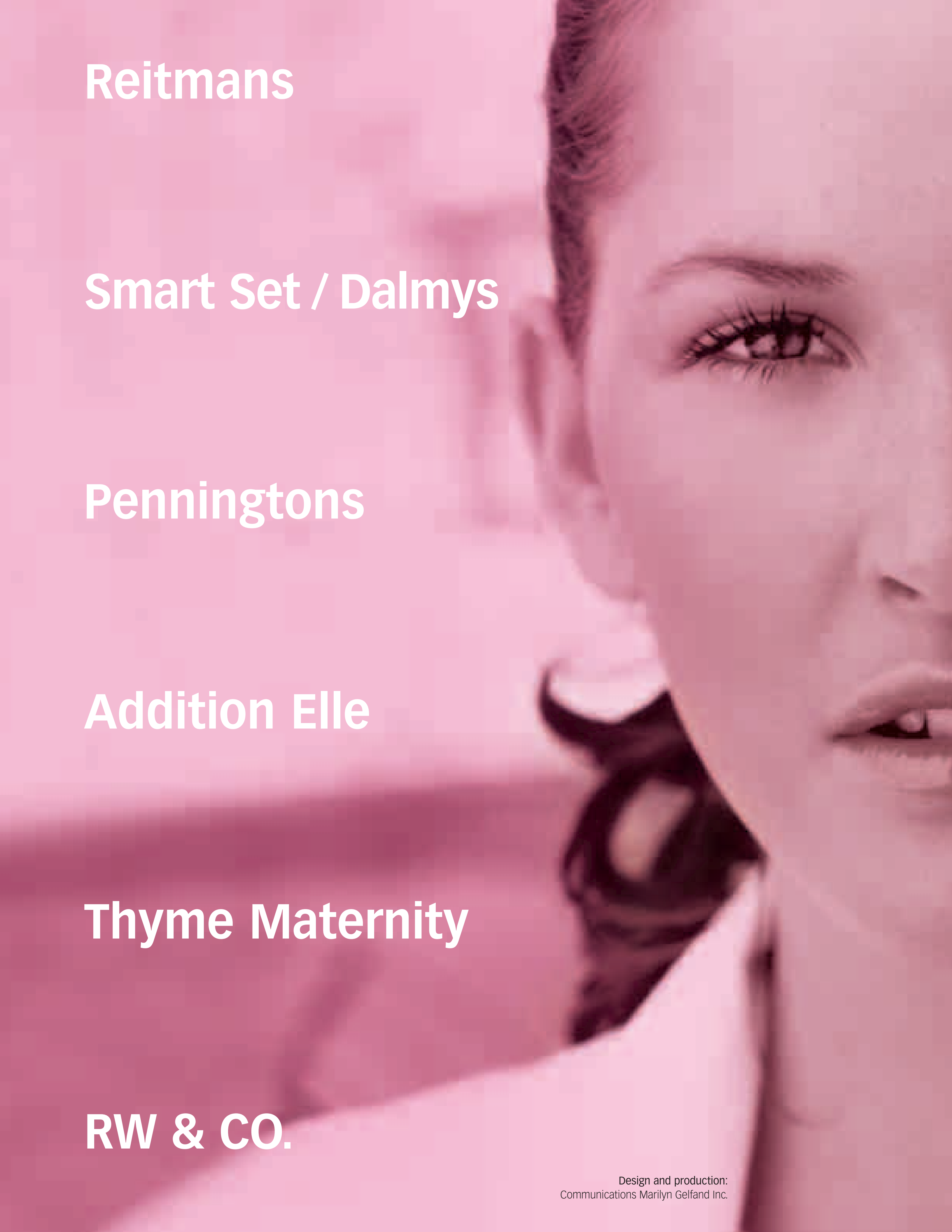
| | |
|---|---|
| Common | RET |
| Class A non-voting | RET.A |

**REITMANS (CANADA) LIMITED**
250 Sauvé Street West, Montreal, QC H3L 1Z2

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

**Registered Office:**
1 Yorkdale Road, Suite 412, Yorkdale Mall, Toronto, ON M6A 3A1

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




Design and production:
Communications Marilyn Gelfand Inc.