ANNUAL REPORT 2010

REITMANS IS CANADA'S LEADING SPECIALTY RETAILER. WE ARE CUSTOMER DRIVEN, VALUE ORIENTED AND COMMITTED TO EXCELLENCE. BY PROMOTING INNOVATION, GROWTH, DEVELOPMENT AND TEAMWORK, WE STRIVE TO SERVE OUR CUSTOMERS THE BEST QUALITY/VALUE PROPOSITION IN THE MARKETPLACE.

TO OUR SHAREHOLDERS

2009 will be remembered as a year of challenge and recovery.

An economy in recession, weak consumer confidence, a weak Canadian dollar and unseasonable weather negatively impacted our results throughout the year. However, the fourth quarter did show welcome signs of recovery.

Sales for the year ended January 30, 2010 increased to $1,056,527,000 or 0.5% as compared with $1,050,861,000 for the year ended January 31, 2009. Same store sales decreased 1.0%. Operating earnings before depreciation and amortization (EBITDA) decreased 12.4% to $158,488,000 as compared with $180,931,000 last year. Net earnings and diluted earnings per share (EPS) decreased to $67,236,000 or $0.98 per share as compared to $85,806,000 or $1.21 per share last year.

The Company generated cash flow from operations of $146,139,000, which funded new store construction and renovation costs of $31,642,000, increased our marketable securities portfolio by $12,951,000, purchased Class A non-voting shares for cancellation of $40,835,000, paid dividends to our shareholders of $49,351,000, and contributed to increasing cash and investments at January 30, 2010 by $14,523,000 to $276,603,000.

During the year, the Company opened 24 new stores and closed 20. Accordingly, at year-end, there were 977 stores in operation, consisting of 369 Reitmans, 164 Smart Set, 66 RW & CO., 76 Thyme Maternity, 17 Cassis, 162 Penningtons and 123 Addition Elle, as compared with a total of 973 stores last year.

We continue to grow all areas of our business. In fiscal 2011, we expect to open 29 new stores, close 17 stores and remodel 32 stores. We continue to upgrade our technology platform and distribution centre. We continue to invest in our people with skills development and management training programs. Our cash resources and infrastructure allow us to seek out new business opportunities through acquisition and development.

The Company continues to execute its strategy of delivering fashionable clothing at excellent prices to Canadian consumers. We are proud of our achievements over the past 80 years and most confident of our future. We believe that we have the very best specialty retailing assets in Canada. Our operations are led and staffed by highly motivated, extremely competent professionals. I extend sincere thanks and appreciation to all our associates, suppliers, customers and shareholders. These are the people who have made possible our many years of success and on whom we rely for the continued growth of the Company.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman, President
Montreal, March 29, 2010

THE YEAR AT A GLANCE

SALES	$1,056,527,000	+ 0.5%
EBITDA[1]	$158,488,000	- 12.4%
PRE-TAX EARNINGS	$99,015,000	- 22.1%
NET EARNINGS	$67,236,000	- 21.6%
EARNINGS PER SHARE[2]	$0.98	- 19.0%
CASH AND INVESTMENTS	$276,603,000	+ 12.0%
STORES	977	+ 0.4%

2010

[1] These highlights include a reference to EBITDA, a Non-GAAP financial measure. EBITDA is defined as earnings before interest, taxes, depreciation and amortization and investment income. The Company believes this measure provides meaningful information on the Company's performance and operating results. However, readers should know that such a Non-GAAP financial measure has no standardized meaning as prescribed by GAAP and may not be comparable to similar measures presented by other companies. Accordingly, it should not be considered in isolation.

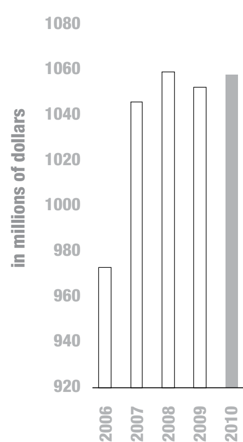
[2] Earnings per share on a fully diluted basis.

5-YEAR HIGHLIGHTS

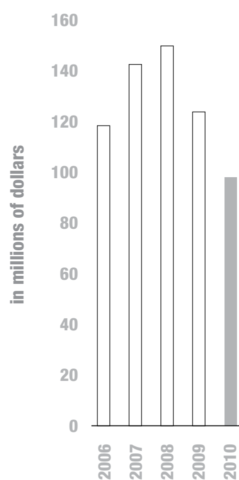
FOR THE YEARS ENDED:
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	2010	2009	2008	2007	2006
SALES					
1st Quarter	**$ 231,652**	$ 228,318	$ 230,695	$ 222,969	$ 213,732
2nd Quarter	**286,071**	289,502	291,942	278,828	261,785
3rd Quarter	**270,684**	271,240	265,465	258,602	238,613
4th Quarter	**268,120**	261,801	269,618	282,110	255,128
Total	**$1,056,527**	$1,050,861	$1,057,720	$1,042,509	$ 969,258
OPERATING EARNINGS					
1st Quarter	**$ 10,814**	$ 25,372	$ 23,052	$ 27,564	$ 25,014
2nd Quarter	**38,100**	49,165	47,801	51,048	42,066
3rd Quarter	**27,076**	33,358	39,698	33,781	27,200
4th Quarter	**21,879**	14,852	38,527	29,473	22,766
Total	**$ 97,869**	$ 122,747	$ 149,078	$ 141,866	$ 117,046
ADJUSTED NET EARNINGS[1]					
1st Quarter	**$ 7,801**	$ 18,436	$ 18,838[1]	$ 21,674	$ 19,667
2nd Quarter	**26,426**	35,385	32,540[1]	33,593[1]	29,224
3rd Quarter	**18,921**	23,004	27,869[1]	23,823[1]	19,238
4th Quarter	**14,088**	8,981	28,506[1]	23,433[1]	16,760
Total	**$ 67,236**	$ 85,806	$ 107,753[1]	$ 102,523[1]	$ 84,889
ADJUSTED BASIC EARNINGS PER SHARE[1]					
1st Quarter	**$ 0.11**	$ 0.26	$ 0.27[1]	$ 0.31	$ 0.28
2nd Quarter	**0.38**	0.50	0.46[1]	0.48[1]	0.42
3rd Quarter	**0.28**	0.33	0.40[1]	0.34[1]	0.28
4th Quarter	**0.21**	0.13	0.40[1]	0.33[1]	0.24
Total	**$ 0.98**	$ 1.21	$ 1.53[1]	$ 1.46[1]	$ 1.22
ADJUSTED NET EARNINGS[1]	**$ 67,236**	$ 85,806	$ 107,753[1]	$ 102,523[1]	$ 84,889
ADJUSTED BASIC EARNINGS PER SHARE[1]	**$ 0.98**	$ 1.21	$ 1.53[1]	$ 1.46[1]	$ 1.22
SHAREHOLDERS' EQUITY	**$ 510,166**	$ 522,539	$ 495,119	$ 436,119	$ 390,257
PER SHARE	**$ 7.55**	$ 7.43	$ 6.98	$ 6.12	$ 5.56
NUMBER OF STORES	**977**	973	958	920	887
DIVIDENDS PAID	**$ 49,351**	$ 50,885	$ 46,930	$ 40,893	$ 29,345
STOCK PRICE AT YEAR-END					
CLASS A NON-VOTING	**$ 16.14**	$ 10.68	$ 17.12	$ 23.05	$ 17.90
COMMON	**$ 15.00**	$ 8.75	$ 16.50	$ 23.30	$ 18.70

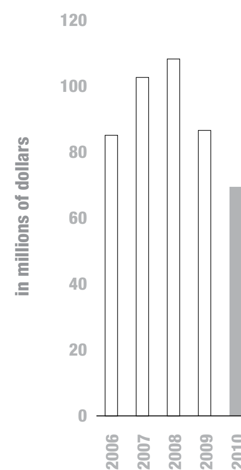
[1] Adjusted net earnings and adjusted basic earnings per share exclude the impact of the retroactive Québec income tax reassessments in 2007 and 2008.



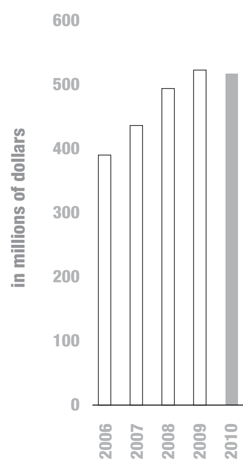
SALES



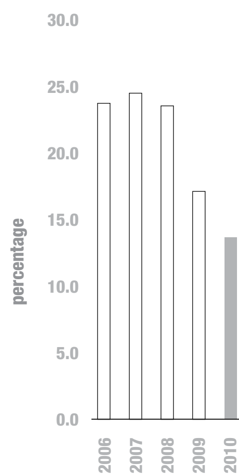
OPERATING EARNINGS



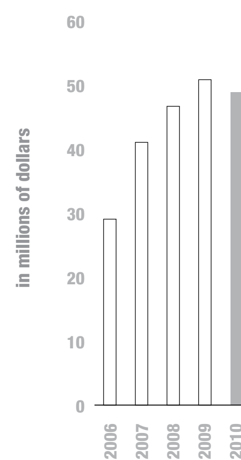
ADJUSTED NET EARNINGS[1]



SHAREHOLDERS' EQUITY



RETURN ON EQUITY[1]



DIVIDENDS

[1] Adjusted net earnings and return on equity exclude the impact of the retroactive Québec income tax reassessments in 2007 and 2008.

977

STORES ACROSS CANADA

	REITMANS	SMART SET	RW & CO.	THYME	CASSIS	PENNINGTONS	ADDITION ELLE	TOTAL
NEWFOUNDLAND	14	3	1	-	-	3	2	23
PRINCE EDWARD ISLAND	3	3	-	-	-	1	-	7
NOVA SCOTIA	20	6	1	2	-	10	2	41
NEW BRUNSWICK	16	6	3	1	1	4	5	36
QUÉBEC	85	38	16	19	8	25	33	224
ONTARIO	117	64	25	29	8	58	43	344
MANITOBA	13	5	1	2	-	6	4	31
SASKATCHEWAN	11	3	-	2	-	8	3	27
ALBERTA	46	19	8	12	-	24	16	125
BRITISH COLUMBIA	42	17	11	9	-	23	15	117
NORTHWEST TERRITORIES	1	-	-	-	-	-	-	1
YUKON	1	-	-	-	-	-	-	1
	369	164	66	76	17	162	123	977

Inspired by role models not supermodels, **REITMANS** offers affordable, stylish fashions designed to fit everybody and every body. Operating **369 STORES**, Reitmans, Canada's largest women's apparel specialty chain and leading fashion brand, has developed strong customer loyalty through superior service, insightful marketing and quality merchandise. "Reitmans, designed for real life".

With **164 STORES**, **SMART SET** is Canada's fashion destination for style savvy women aged 25 to 35. Averaging 3,400 sq.ft., Smart Set's energetic and fun "fashion workshop" environment provides our customer with the tools she needs to create her own lifestyle wardrobe. Smart Set offers great value in a wide assortment of styles from workwear essentials and accessories, to activewear and city casual clothing.

Operating **66 STORES**, which average 4,500 sq.ft. in major malls, **RW & CO.** caters to junior (18 to 30) ladies and men, featuring fashionable, original and quality urban and casual wear at moderate prices. A unique and comfortable store environment, genuine customer care and exceptional marketing support distinguish the RW & CO. lifestyle brand.

THYME, Canada's leading maternity fashion brand, offers all pregnant women current maternity styles with expert and friendly staff. Thyme caters to all pregnant women who want to stay fun-loving and stylish throughout their pregnancy. Thyme operates **76 STORES** averaging 2,400 sq.ft. in major malls and power centres.

The newest of the Reitmans (Canada) Limited retail banners, **CASSIS** has **17 STORES** averaging 3,600 sq.ft., which are located in major regional malls. Cassis features urban casual and career clothing that reflects the personality of our customer: charismatic and youthful. We offer styles, cuts and fabrics that flatter the figure of the forty-something woman, while showcasing the energy and attitude of her 35-year-old mindset.

With **162 STORES** across the country, **PENNINGTONS** offers its plus-size customers a great selection of career, casual, intimate apparel and accessories that fit her lifestyle. Featuring an assortment of classic, as well as contemporary styling, Penningtons has affordable fashions that fit, with sizes ranging from 14 to 32 and 1X to 6X. Also, available in all Penningtons locations is our MXM line catering to the younger, trendy plus-size customer. Stores average 6,000 sq.ft. and are situated in power centres and strip malls. Penningtons fashions can also be purchased online at penningtons.com.

Operating in **123 STORES** across Canada, **ADDITION ELLE** invites its customers to "Make a Statement" with their exciting array of body-confident contemporary and classic fashions that are both stylish and affordable. In addition to unique collections of work to weekend styles, Addition Elle carries a selection of intimate apparel, sleepwear, active wear, outerwear and accessories, as well as offering a more junior line for young, trendy customers called MXM. Averaging 6,100 sq.ft., Addition Elle stores are located in power centres and malls across Canada. Addition Elle fashions can also be purchased online at additionelle.com.

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

FOR THE FISCAL YEAR ENDED JANUARY 30, 2010

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Reitmans (Canada) Limited ("Reitmans" or the "Company") should be read in conjunction with the audited financial statements of Reitmans for the fiscal year ended January 30, 2010 and the notes thereto which are available at www.sedar.com. This MD&A is dated March 29, 2010.

All financial information contained in this MD&A and Reitmans' financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), except for certain information referred to as Non-GAAP financial measures discussed below. All amounts in this report are in Canadian dollars, unless otherwise noted. The financial statements and this MD&A were reviewed by Reitmans' Audit Committee and were approved by its Board of Directors on March 29, 2010.

At the beginning of the year, the Company wound up its wholly-owned subsidiaries, effectively eliminating the preparation of consolidated financial statements for the fiscal year ended January 30, 2010. There was no impact on the comparative financial statements as at and for the year ended January 31, 2009.

Additional information about Reitmans, including the Company's 2010 Annual Information Form, is available on the Company's website at www.reitmans.ca or on the SEDAR website at www.sedar.com.

FORWARD-LOOKING STATEMENTS

All of the statements contained herein, other than statements of fact that are independently verifiable at the date hereof, are forward-looking statements. Such statements, based as they are on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown, many of which are beyond the Company's control. Such risks include but are not limited to: the impact of general economic conditions, general conditions in the retail industry, seasonality, weather and other risks included in public filings of the Company. Consequently, actual future results may differ materially from the anticipated results expressed in forward-looking statements. The reader should not place undue reliance on the forward-looking statements included herein. These statements speak only as of the date made and the Company is under no obligation and disavows any intention to update or revise such statements as a result of any event, circumstances or otherwise, except to the extent required under applicable securities law.

NON-GAAP FINANCIAL MEASURES

This MD&A includes references to a Non-GAAP financial measure such as operating earnings before depreciation and amortization ("EBITDA"), which is defined as earnings before interest, taxes, depreciation and amortization, and investment income. The Company believes this measure provides meaningful information on the Company's performance and operating results. However, readers should know that such a Non-GAAP financial measure has no standardized meaning as prescribed by GAAP and may not be comparable to a similar measure presented by other companies. Accordingly, this financial measure should not be considered in isolation.

CORPORATE OVERVIEW

Reitmans is a Canadian ladies' wear specialty apparel retailer. The Company has seven banners: Reitmans, Smart Set, RW & CO., Thyme Maternity, Cassis, Penningtons and Addition Elle. Each banner is focused on a particular niche in the retail marketplace. Each banner has a distinct marketing program as well as a specific website thereby allowing the Company to continue to enhance its brands and strengthen customer loyalty. The Company has several competitors in each niche, including local, regional and national chains of specialty stores and department stores, as well as foreign based competitors. The Company's stores are located in malls, strip plazas, retail power centres and on major shopping streets across Canada. The Company continues to grow all areas of its business by investing in stores, technology and people. The Company's growth has been driven by continuing to offer Canadian consumers affordable fashions and accessories at the best value reflecting price and quality.

The Company offers e-commerce website shopping in its plus-size banners (Penningtons and Addition Elle). This online channel offers customers convenience, selection and ease of purchase, while enhancing customer loyalty and continuing to build the brands.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SELECTED FINANCIAL INFORMATION

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	For the fiscal years ended		
	January 30, 2010	**January 31, 2009**	**February 2, 2008**
Sales	**$ 1,056,527**	$ 1,050,861	$ 1,057,720
Earnings before income taxes	**99,015**	127,177	159,216
Net earnings	**67,236**	85,806	114,902[1]
Earnings per share ("EPS")			
Basic	**0.98**	1.21	1.61[1]
Diluted	**0.98**	1.21	1.60[1]
Total assets	**631,392**	633,165	620,960
Long-term debt[2]	**11,431**	12,731	13,951
Dividends per share	**0.72**	0.72	0.66

[1] Excluding the impact of retroactive Québec income tax reassessments, net earnings for the year would have been $107,753, Basic EPS $1.53 and Diluted EPS $1.50.
[2] Excluding current portion of long-term debt, deferred lease credits and accrued pension liability.

For more information concerning Sales, Operating Earnings, Net Earnings and Earnings Per Share for the last five fiscal years and their relevant quarterly components, the reader is directed to page 2 of the Company's printed annual report under the caption "5-year highlights".

OPERATING RESULTS FOR THE 52 WEEK FISCAL YEAR ENDED JANUARY 30, 2010 ("FISCAL 2010") AND COMPARISON TO OPERATING RESULTS FOR THE 52 WEEK FISCAL YEAR ENDED JANUARY 31, 2009 ("FISCAL 2009")

Sales for fiscal 2010 increased 0.5% to $1,056,527,000 as compared with $1,050,861,000 for fiscal 2009. Same store sales decreased 1.0%. This reflects reduced consumer spending as households felt the impact of the recession throughout much of fiscal 2010. Modest sales increases did materialize in the fourth quarter as the economic conditions improved and consumer confidence in a recovery appeared to grow. This was further evidenced as seasonally adjusted sales in the clothing sector showed a 1.2% increase from November to December 2009 and a 1.5% increase for December 2009 as compared to December 2008, as reported by Statistics Canada. Regionally, sales were most impacted in the west with Alberta continuing to show a slower rate of recovery as compared to elsewhere in Canada. Sales can be heavily influenced by weather conditions that, on a Canada-wide basis, were temperate with most provinces experiencing near normal temperatures during most of 2009 despite a cooler spring across the country. Precipitation levels were more than 20% below normal in Western Canada while Eastern Canada experienced precipitation levels more than 20% wetter than normal. With a high concentration of stores in Ontario and Québec, this contributed to softer sales in the summer months.

For fiscal 2010, EBITDA decreased by $22,443,000 or 12.4% to $158,488,000 as compared with $180,931,000 for fiscal 2009. The Company's gross margin of 64.2% for fiscal 2010 decreased as compared to 65.4% for fiscal 2009, or $8,973,000. Despite sales remaining virtually unchanged from the prior year, the reduction in gross margin was primarily attributable to the negative impact of the Canadian dollar vis-à-vis the US dollar. The average rate for a US dollar in fiscal 2010 was $1.13 Canadian as compared to $1.08 Canadian in fiscal 2009. The Canadian dollar remained weak against the US dollar throughout the first quarter of fiscal 2010, strengthening throughout the remainder of fiscal 2010. Spot prices for $1.00 US during fiscal 2010 ranged between a high of $1.30 and a low of $1.03 Canadian ($1.30 and $0.97 respectively during fiscal 2009). For fiscal 2010 as compared to fiscal 2009, the fluctuation of the US dollar negatively impacted gross margin by approximately $10,000,000. Significant components of operating costs that contributed to the decrease in EBITDA included a $10,000,000 increase in the expense related to the Company's performance incentive plan along with rent and occupancy costs, which increased by approximately $4,000,000.

Depreciation and amortization expense for fiscal 2010 was $60,619,000 compared to $58,184,000 for the prior year. This increase reflects the increased new store construction and store renovation activities of the Company. As well, it includes $1,670,000 of write-offs as a result of closed and renovated stores, compared to $2,577,000 in the prior year.

Investment income for fiscal 2010 decreased 62.8% to $1,992,000 as compared to $5,351,000 in the prior year. Interest income decreased for fiscal 2010 to $677,000 as compared to $5,982,000 for fiscal 2009 due to lower amounts invested at significantly reduced rates of interest. Dividend income for fiscal 2010 was $2,109,000 as compared to $1,719,000 for fiscal 2009. The disposal of marketable securities in the fourth quarter of fiscal 2010 resulted in net capital losses of $794,000 for fiscal 2010, which allowed net capital losses to be carried back for income tax purposes to recover previous years' taxes, as compared to net capital losses of $2,350,000 for fiscal 2009.

Interest expense on long-term debt decreased to $846,000 for fiscal 2010 from $921,000 in fiscal 2009. This decrease reflects the continued repayment of the mortgage on the Company's distribution centre.

Income tax expense for fiscal 2010 amounted to $31,779,000, for an effective tax rate of 32.1% as compared to $41,371,000, for an effective tax rate of 32.5%, for fiscal 2009. The reduction in the effective tax rate reflects the impact of changes in substantively enacted tax rates in various tax jurisdictions.

Net earnings for fiscal 2010 decreased 21.6% to $67,236,000 ($0.98 diluted earnings per share) as compared with $85,806,000 ($1.21 diluted earnings per share) for fiscal 2009.

The Company in its normal course of business makes long lead time commitments for a significant portion of its merchandise purchases, in some cases as long as eight months. In fiscal 2010, these merchandise purchases, which are payable in US dollars, approximated $200,000,000 US. The Company considers a variety of strategies, such as foreign exchange option contracts, designed to fix the cost of its continuing US dollar commitments. Due to the strengthening of the Canadian dollar throughout most of fiscal 2010, the Company satisfied its US dollar requirements through spot rate purchases.

During fiscal 2010, the Company opened 24 stores comprised of 7 Reitmans, 3 Smart Set, 7 RW & CO., 1 Thyme Maternity, 2 Cassis, 3 Penningtons and 1 Addition Elle; 20 stores were closed. Accordingly, at January 30, 2010, there were 977 stores in operation, consisting of 369 Reitmans, 164 Smart Set, 66 RW & CO., 76 Thyme Maternity, 17 Cassis, 162 Penningtons and 123 Addition Elle, as compared with a total of 973 stores last year.

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

OPERATING RESULTS FOR THE 52 WEEK FISCAL YEAR ENDED JANUARY 31, 2009 ("FISCAL 2009") AND COMPARISON TO OPERATING RESULTS FOR THE 52 WEEK FISCAL YEAR ENDED FEBRUARY 2, 2008 ("FISCAL 2008")

Sales for fiscal 2009 decreased 0.6% to $1,050,861,000 as compared with $1,057,720,000 for fiscal 2008. Same store sales decreased 4.0%. In the first and second quarters of fiscal 2009, weakness in the US economy and sharp increases in the price of certain commodities in Canada, most notably oil and gas, negatively impacted consumer confidence, which led to reduced traffic in all venues as consumers cut back on spending for apparel. Particularly unfavorable weather conditions yielded close to historical records for snowfall, which persisted into the spring in Central and Eastern Canada, contributing to a softening in the demand for spring merchandise as customers delayed their purchases. Unseasonable weather continued throughout Canada during the months of May, June and July with higher than average levels of rainfall and below normal temperatures. This impacted traditional buying patterns as consumers delayed purchases resulting in the Company's merchandise being more heavily promoted to manage inventory levels. In the third quarter of fiscal 2009, global economic conditions deteriorated significantly. Despite a relatively positive outlook in Canada, consumer confidence continued to weaken over financial markets concerns and the fear of recession. This resulted in downward pressure on retail prices for apparel as concern over inventory levels rose. In the fourth quarter of fiscal 2009, economic conditions deteriorated further as the impact of the US financial crisis moved into Canada and consumer spending patterns reflected increased concern over the recession. Statistics Canada reported sales in the clothing and accessories stores sector fell 3.7% in December 2008, continuing several months of declines. With a continued weakening of consumer confidence and facing rising unemployment, consumers reduced their spending in all areas and particularly on apparel.

For fiscal 2009, EBITDA decreased by $18,245,000 or 9.2% to $180,931,000 as compared with $199,176,000 for fiscal 2008. The Company's gross margin of 65.4% for fiscal 2009 remained unchanged from fiscal 2008 after adjusting for transportation costs and certain distribution centre costs, which were excluded from the computation of gross margin in fiscal 2008 and included in fiscal 2009 as a result of the adoption of a new accounting standard. The decline in sales of $6,859,000 in fiscal 2009 as compared to fiscal 2008 resulted in a reduction of approximately $4,500,000 in gross margin (and EBITDA). As the Company purchases the majority of its merchandise with US dollars, a significant fluctuation of the Canadian dollar vis-à-vis the US dollar can impact earnings. Despite the effect of a weaker Canadian dollar vis-à-vis the US dollar in fiscal 2009 as compared to fiscal 2008, EBITDA was not significantly impacted. This was largely the result of a relatively comparable average rate for a US dollar for fiscal 2009 as compared to fiscal 2008. The average rate for a US dollar in fiscal 2009 was $1.08 Canadian as compared to $1.06 Canadian in fiscal 2008. The Canadian dollar was close to par with the US dollar throughout the first six months of fiscal 2009, weakening somewhat in the third quarter and more significantly in the fourth quarter of fiscal 2009. Spot prices for $1.00 US during fiscal 2009 ranged between a high of $1.30 and a low of $0.97 Canadian ($1.19 and $0.91 respectively during fiscal 2008). Significant components of store operating costs that negatively impacted EBITDA included wages, which increased by 48 basis points as a percentage of sales and rent and occupancy costs, which increased by 97 basis points as a percentage of sales. The combined increase of 145 basis points as a percentage of sales negatively impacted EBITDA by approximately $15,000,000, offset by modest improvements in other store expenses.

Depreciation and amortization expense for fiscal 2009 was $58,184,000 compared to $50,098,000 for the prior year. This increase reflects the increased new store construction and store renovation activities of the Company. As well, it includes $2,577,000 of write-offs as a result of closed and renovated stores, compared to $1,793,000 in the prior year.

Investment income for fiscal 2009 decreased 51.9% to $5,351,000 as compared to $11,128,000 in the prior year. The disposal of marketable securities in the fourth quarter of fiscal 2008 contributed to a reduction in dividend income for fiscal 2009 to $1,719,000 as compared to $2,398,000 for fiscal 2008. The disposal of marketable securities in the fourth quarter of fiscal 2009 resulted in net capital losses of $2,350,000 for fiscal 2009, which allowed for net capital losses to be carried back for income tax purposes to recover previous years' taxes, as compared to net capital gains of $474,000 for fiscal 2008. Interest income decreased for fiscal 2009 to $5,982,000 as compared to $8,256,000 for fiscal 2008 due to significantly lower rates of interest.

Interest expense on long-term debt decreased to $921,000 for fiscal 2009 from $990,000 in fiscal 2008. This decrease reflects the continued repayment of the mortgage on the Company's distribution centre.

Income tax expense for fiscal 2009 amounted to $41,371,000, for an effective tax rate of 32.5%. For fiscal 2008, income tax expense was $44,314,000, for an effective tax rate of 27.8% (32.3% prior to a Québec tax reassessments recovery). The variation in the effective tax rate is primarily due to a reduction in the Company's income tax expense in fiscal 2008 of $7,149,000 related to settlement of the retroactive income tax reassessments issued in connection with Bill 15 enacted by the Québec National Assembly.

Net earnings for fiscal 2009 decreased 25.3% to $85,806,000 ($1.21 diluted earnings per share) as compared with $114,902,000 ($1.60 diluted earnings per share) for fiscal 2008.

The Company in its normal course of business makes long lead time commitments for a significant portion of its merchandise purchases, in some cases as long as eight months. In fiscal 2009, these merchandise purchases, which are payable in US dollars, exceeded $200,000,000 US. The Canadian dollar remained strong through September 2008. Due to the strengthening Canadian dollar throughout most of fiscal 2009, the Company satisfied its US dollar requirements through spot rate purchases. The Company considers a variety of strategies designed to fix the cost of its continuing US dollar long-term commitments, including foreign exchange option contracts with maturities not exceeding three months.

During fiscal 2009, the Company opened 47 stores comprised of 17 Reitmans, 5 Smart Set, 7 RW & CO., 4 Thyme Maternity, 2 Cassis, 4 Penningtons and 8 Addition Elle; 32 stores were closed. Accordingly, at January 31, 2009, there were 973 stores in operation, consisting of 372 Reitmans, 166 Smart Set, 59 RW & CO., 76 Thyme Maternity, 16 Cassis, 161 Penningtons and 123 Addition Elle, as compared with a total of 958 stores in the prior year.

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

FOURTH QUARTER RESULTS FOR THE 13 WEEKS ENDED JANUARY 30, 2010 AND COMPARISON TO THE 13 WEEKS ENDED JANUARY 31, 2009

Sales for the fourth quarter of fiscal 2010 increased 2.4% to $268,120,000 as compared with $261,801,000 for the fourth quarter of fiscal 2009. Same store sales increased 1.5% for the comparable 13 weeks. Modest sales increases materialized in the fourth quarter as economic conditions improved and consumer confidence in a recovery appeared to grow. This was further evidenced as seasonally adjusted sales in the clothing sector showed a 1.2% increase from November to December 2009 and a 1.5% increase for December 2009 as compared to December 2008, as reported by Statistics Canada.

In the fourth quarter of fiscal 2010, EBITDA increased by $7,578,000 or 25.5% to $37,317,000 as compared with $29,739,000 for the fourth quarter of fiscal 2009. The Company's gross margin for the fourth quarter of fiscal 2010 increased to 65.0% from 60.8% for the fourth quarter of fiscal 2009, or $15,103,000. The significant improvement in the gross margin was primarily attributable to the strength of the Canadian dollar in the fourth quarter of fiscal 2010. The average rate for a US dollar for the fourth quarter of fiscal 2010 was $1.05 Canadian as compared to $1.23 for the fourth quarter of fiscal 2009. Spot prices for $1.00 US during the fourth quarter of fiscal 2010 ranged between a high of $1.07 and a low of $1.03 Canadian ($1.30 and $1.15 respectively during the fourth quarter of fiscal 2009). For the fourth quarter of fiscal 2010 as compared to the fourth quarter of fiscal 2009, the fluctuation of the US dollar positively impacted gross margin by approximately $7,000,000. Significant components of operating costs that reduced EBITDA included a $7,000,000 increase in the expense related to the Company's performance incentive plan.

Depreciation and amortization expense for the fourth quarter was $15,438,000 compared to $14,887,000 for the fourth quarter of fiscal 2009. This increase reflects the increased new store construction and store renovation activities of the Company. As well, it includes $473,000 of write-offs as a result of closed and renovated stores, compared to $191,000 in the fourth quarter of fiscal 2009.

Investment income for the fourth quarter was a loss of $28,000 as compared to a loss of $528,000 in fiscal 2009. Interest income decreased for the fourth quarter to $158,000 as compared to $1,327,000 for the fourth quarter of fiscal 2009 due to lower amounts invested at significantly reduced rates of interest. Dividend income in the fourth quarter of fiscal 2010 was $547,000 as compared to $495,000 for the fourth quarter of fiscal 2009. There were net capital losses of $733,000 for the fourth quarter as compared to net capital losses of $2,350,000 for the fourth quarter of fiscal 2009.

Interest expense on long-term debt decreased to $204,000 in the fourth quarter of fiscal 2010 from $224,000 in the fourth quarter of fiscal 2009. This decrease reflects the continued repayment of the mortgage on the Company's distribution centre.

Income tax expense for the fourth quarter of fiscal 2010 amounted to $7,559,000, for an effective tax rate of 34.9%. For the fourth quarter of fiscal 2009, income tax expense was $5,119,000, for an effective tax rate of 36.3%.

Net earnings for the fourth quarter of fiscal 2010 increased 56.9% to $14,088,000 ($0.21 diluted earnings per share) as compared with $8,981,000 ($0.13 diluted earnings per share) for the fourth quarter of fiscal 2009.

The Company in its normal course of business makes long lead time commitments for a significant portion of its merchandise purchases, in some cases as long as eight months. In the fourth quarter, these merchandise purchases, which are payable in US dollars, approximated $36,000,000 US. The Company considers a variety of strategies, such as foreign exchange option contracts, designed to fix the cost of its continuing US dollar commitments. Due to the strengthening of the Canadian dollar in the fourth quarter, the Company satisfied its US dollar requirements through spot rate purchases. The Company did not enter into any foreign exchange option contracts during the fourth quarter.

During the fourth quarter, the Company opened 3 stores comprised of 2 Reitmans and 1 RW & CO.; 7 stores were closed. Accordingly, at January 30, 2010, there were 977 stores in operation, consisting of 369 Reitmans, 164 Smart Set, 66 RW & CO., 76 Thyme Maternity, 17 Cassis, 162 Penningtons and 123 Addition Elle, as compared with a total of 973 stores last year.

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

SUMMARY OF QUARTERLY RESULTS

The table below sets forth selected financial data for the eight most recently completed quarters. This unaudited quarterly information has been prepared on the same basis as the annual financial statements. The operating results for any quarter are not necessarily indicative of the results to be expected for any future period.

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

			Earnings per Share ("EPS")	
	Sales	**Net Earnings**	**Basic**	**Diluted**
January 31, 2010	$ 268,120	$ 14,088	$ 0.21	$ 0.21
October 31, 2009	270,684	18,921	0.28	0.28
August 1, 2009	286,071	26,426	0.38	0.38
May 2, 2009	231,652	7,801	0.11	0.11
January 31, 2009	261,801	8,981	0.13	0.13
November 1, 2008	271,240	23,004	0.33	0.32
August 2, 2008	289,502	35,385	0.50	0.50
May 3, 2008	228,318	18,436	0.26	0.26

The retail business is seasonal and results of operations for any interim period are not necessarily indicative of the results of operations for the full fiscal year.

BALANCE SHEET

Cash and cash equivalents amounted to $228,577,000 or 6.8% higher than $214,054,000 last year. Marketable securities held by the Company consist primarily of preferred shares of Canadian public companies. At January 30, 2010, marketable securities (reported at fair value) amounted to $48,026,000 as compared with $32,818,000 last year, $15,208,000 higher. Marketable securities increased by $12,951,000 as a result of purchases during the year. The Company's investment portfolio is subject to stock market volatility. The impact of the recession resulted in declines in the stock market and consequently to reductions in the market value of the Company's marketable securities. Recent improvement in market conditions has resulted in excess of a 20% increase in the market value of the marketable securities over the prior year. The Company is highly liquid with over 80% of its cash, cash equivalents and marketable securities being invested in bank bearer deposit notes and bank term deposits of short duration with major Canadian chartered banks.

Accounts receivable are $2,926,000 or $237,000 higher than last year. The Company's accounts receivable are essentially the credit card sales from the last few days of the fiscal quarter. Merchandise inventories this year were $63,127,000 or $934,000 lower than last year, despite an increase in the number of stores, reflecting the increased focus on inventory levels. Prepaid expenses are $11,873,000 or $471,000 higher than last year.

Future income taxes are attributable to differences between the carrying values of assets and liabilities and their respective income tax bases and are recognized at enacted or substantively enacted tax rates for the future income tax consequences.

The Company invested $33,185,000 in additions to capital assets and intangible assets in fiscal 2010 compared to $58,152,000 last year. This included $31,642,000 (2009 - $52,430,000) in new store construction and existing store renovation costs and $1,543,000 (2009 - $5,722,000) to the Sauvé Street office and Henri-Bourassa Boulevard distribution centre. The Company's planned capital expenditures for new stores and existing store renovations in fiscal 2011 are expected to approximate $30,000,000.

Accounts payable and accrued items are $77,766,000, or $7,134,000 higher than last year, due mainly to an increase in employee performance incentive bonus costs. The Company's accounts payable consist largely of trade payables and liabilities for unredeemed gift cards. Income taxes payable are $4,677,000 as compared to income taxes recoverable of $3,826,000 last year, due to lower instalments in fiscal 2010.

The Company maintains a defined benefit pension plan ("plan"). An actuarial valuation was performed as at December 31, 2007 to determine the estimated liability the Company incurred with respect to the provisions of the plan. The Company's next actuarial valuation is scheduled for December 31, 2010. The Company also sponsors a Supplemental Executive Retirement Plan ("SERP") for certain senior executives. The SERP is unfunded and when the obligation arises to make any payment called for under the SERP (e.g. when an eligible plan member retires and begins receiving payments under the SERP), the payments reduce the accrual amount as the payments are actually made. An amount of $2,137,000 (2009 - $2,825,000) was expensed in fiscal 2010 with respect to both plans.

The funded status of the plan fluctuates with market conditions and impacts funding requirements. Based on the latest actuarial valuation conducted as at December 31, 2007, the plan was in a funding deficit, which the Company funded in the fiscal year ended January 31, 2009. Total Company contributions to the plan are expected to be approximately $493,000 in fiscal 2011 based on the plan's current position. For fiscal 2010, the Company paid $510,000 in contributions to the plan (2009 - $1,384,000). The Company will continue to make contributions to the plan that as a minimum meet pension legislative requirements. Adverse changes to the assumptions used such as the discount rate and expected long-term rate of return on plan assets could affect the funded status of the plan and, as such, could have a significant impact on the cash funding requirements of the plan.

To develop its expected long-term rate of return assumption used in the calculation of net periodic benefit costs applicable to the fair value of assets, the Company considers both its past experience and future estimates of long-term investment returns, the expected composition of the plan's assets as well as the expected long-term market returns in the future. For fiscal 2010, the Company reduced the long-term rate of return assumption from 7.5% to 7.0% on the fair value of plan assets to compute net periodic benefit cost.

OPERATING RISK MANAGEMENT

ECONOMIC ENVIRONMENT

Retail sales in Canada were weak throughout most of fiscal 2010 with modest signs of improvement in the fourth quarter of fiscal 2010. Despite the impact of reduced access to credit for many businesses, the Company is in a strong financial position with significant liquidity available and ample financial credit resources to draw upon as deemed necessary.

COMPETITIVE ENVIRONMENT

The apparel business in Canada is highly competitive with competitors including department stores, specialty apparel chains and independent retailers. There is no effective barrier to entry into the Canadian apparel retailing marketplace by any potential competitor, foreign or domestic, and in fact the Company has witnessed the arrival over the past few years of a number of foreign-based competitors now operating in virtually all of the Company's Canadian retail sectors. The Company believes that it is well positioned to compete with any competitor. The Company operates under seven banners and our product offerings are diversified as each banner is directed to and focused on a different niche in the Canadian women's apparel market. Our stores, located throughout Canada, offer affordable fashions to consumers. Additionally, Canadian women have a significant number of e-commerce shopping alternatives available to them on a global basis.

SEASONALITY

The Company is principally engaged in the sale of women's apparel through 977 leased retail outlets operating under seven 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.

DISTRIBUTION AND SUPPLY CHAIN

The Company depends on the efficient operation of its sole distribution centre, such that any significant disruption in the operation thereof (e.g. natural disaster, system failures, destruction or major damage by fire), could materially delay or impair its ability to replenish its stores on a timely basis causing a loss of future sales, which could have a significant effect on the Company's results of operations.

INFORMATION TECHNOLOGY

The Company depends on information systems to manage its operations, including a full range of retail, financial, merchandising and inventory control, planning, forecasting, reporting and distribution systems. The Company regularly invests to upgrade, enhance, maintain and replace these systems. Any significant disruptions in the performance of these systems could have a material adverse impact on the Company's operations and financial results.

GOVERNMENT REGULATION

The Company is structured in a manner that management considers to be most effective to conduct its business in every Canadian province and territory. The Company is therefore subject to all manner of material and adverse changes that can take place in any one or more of these jurisdictions as they might impact income and sales, taxation, duties, quota impositions or re-impositions and other legislated or government regulated matters.

MERCHANDISE SOURCING

Virtually all of the Company's merchandise is private label. In fiscal 2010, no supplier represented more than 10% of the Company's purchases (in dollars and/or units) and there are a variety of alternative sources (both domestic and offshore) for virtually all of the Company's merchandise. The Company has good relationships with its suppliers and has no reason to believe that it is exposed to any material risk that would operate to prevent the Company from acquiring, distributing and/or selling merchandise on an ongoing basis.

FINANCIAL RISK MANAGEMENT

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk are provided below.

CREDIT RISK

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, marketable securities, accounts receivable and foreign exchange option contracts. The Company limits its exposure to credit risk with respect to cash and cash equivalents by investing available cash in bank bearer deposit notes and bank term deposits with Canadian financial institutions with a rating not less than R1. Marketable securities consist primarily of preferred shares of highly-rated Canadian public companies. The Company's receivables consist primarily of credit card receivables from the last few days of the fiscal year, which are settled within the first days of the new fiscal year.

As at January 30, 2010, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	$ 228,577,000
Marketable securities	48,026,000
Accounts receivable	2,926,000
	$ 279,529,000

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of accounts payable is within six months. As at January 30, 2010, the Company had a high degree of liquidity with $276,603,000 in cash and cash equivalents and marketable securities. In addition, the Company has unsecured credit facilities of $125,000,000, subject to annual renewals. The Company has financed its store expansion through internally-generated funds and its unsecured credit facilities are used to finance seasonal working capital requirements for US dollar merchandise purchases. The Company's long-term debt consists of a mortgage bearing interest at 6.40%, due November 2017, which is secured by the Company's distribution centre.

FOREIGN CURRENCY RISK

The Company purchases a significant amount of its merchandise with US dollars. The Company uses a combination of foreign exchange option contracts and spot purchases to manage its foreign exchange exposure on cash flows related to these purchases. These option contracts generally do not exceed three months. A foreign exchange option contract represents an option to buy a foreign currency from a counterparty to meet its obligations. Credit risks exist in the event of failure by a counterparty to fulfill its obligations. The Company reduces this risk by dealing only with highly-rated counterparties, normally major Canadian financial institutions.

As at January 30, 2010 and January 31, 2009, there were no outstanding foreign exchange option contracts.

The Company has performed a sensitivity analysis on its US dollar denominated financial instruments, which consist principally of cash and cash equivalents of $2,884,000 and accounts payable of $2,123,000 to determine how a change in the US dollar exchange rate would impact net earnings. On January 30, 2010, a 10% rise or fall in the Canadian dollar against the US dollar, assuming that all other variables, in particular interest rates, had remained the same, would not have a material impact on the financial statements.

INTEREST RATE RISK

The Company's exposure to interest rate fluctuations is primarily related to any overdraft denominated in Canadian or US dollars drawn on its bank accounts and interest earned on its cash and cash equivalents. The Company has available unsecured borrowing and working capital credit facilities up to an amount of $125,000,000 available that it utilizes for documentary and standby letters of credit, and the Company funds the drawings on these facilities as the payments are due.

The Company has performed a sensitivity analysis on interest rate risk at January 30, 2010 to determine how a change in interest rates would impact equity and net earnings. During fiscal 2010, the company earned interest income of $677,000 on its cash and cash equivalents. An increase or decrease of 25 basis points in the average interest rate earned during the year would have increased equity and net earnings by $318,000 or decreased equity and net earnings by $293,000. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

EQUITY PRICE RISK

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

The Company has performed a sensitivity analysis on equity price risk at January 30, 2010 to determine how a change in the market price of the Company's marketable securities would impact equity and other comprehensive income. The Company's equity investments consist principally of preferred shares of Canadian public companies. The Company believes that changes in interest rates influence the market price of these securities. A 5% increase or decrease in the market price of the securities at January 30, 2010 would result in a $2,015,000 increase or decrease in equity and other comprehensive income. The Company's equity securities are subject to market risk and, as a result, the impact on equity and other comprehensive income may ultimately be greater than that indicated above.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity at January 30, 2010 amounted to $510,166,000 or $7.55 per share as compared to $522,539,000 or $7.43 per share last year. Despite the recession that resulted in a significant drop in the Toronto Stock Exchange composite index, the Company, by virtue of its holdings in cash and cash equivalents, sustained minimal loss in value in its liquid assets. The Company continues to be in a strong financial position. The Company's principal sources of liquidity are its cash, cash equivalents and investments in marketable securities (reported at fair value) of $276,603,000 as compared with $246,872,000 last year. Short-term cash is conservatively invested in bank bearer deposit notes and bank term deposits with major Canadian chartered banks. The Company closely monitors its risk with respect to short-term cash investments and does not hold any asset-backed commercial paper. The Company has borrowing and working capital credit facilities (unsecured) available of $125,000,000. As at January 30, 2010, $53,624,000 (January 31, 2009 - $61,759,000) of the operating line of credit was committed for documentary and standby letters of credit. These credit facilities are used principally for US dollar letters of credit to satisfy offshore third-party vendors, which require such backing before confirming purchase orders issued by the Company. The Company rarely uses such credit facilities for other purposes.

The Company has granted standby letters of credit, issued by highly-rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As at January 30, 2010, the maximum potential liability under these guarantees was $5,139,000. The standby letters of credit mature at various dates during fiscal 2011. The Company has recorded no liability with respect to these guarantees, as the Company does not expect to make any payments for these items.

The Company is self-insured on a limited basis with respect to certain property risks and also purchases excess insurance coverage from financially stable third-party insurance companies. The Company maintains comprehensive loss prevention programs aimed at mitigating the financial impact of operational risks.

The Company continued repayment on its long-term debt, relating to the mortgage on the distribution centre, paying down $1,220,000 in fiscal 2010. Throughout fiscal 2010 and 2009, the Company paid $0.72 dividends per share totalling $49,351,000 in fiscal 2010 compared to $50,885,000 in fiscal 2009, the reduction being attributable to a lower number of shares outstanding due to the normal course issuer bid share purchases.

In fiscal 2010, the Company invested $33,185,000 on new and renovated stores, the Sauvé Street office and Henri-Bourassa Boulevard distribution centre. In the fiscal year ending January 29, 2011, the Company expects to invest approximately $30,000,000 in capital expenditures related to new stores and renovations. These expenditures, together with ongoing store construction and renovation programs, the payment of cash dividends, pension plan funding and the repayments related to the Company's bank credit facility and long-term debt obligations, are expected to be funded by the Company's existing financial resources and funds derived from its operations.

FINANCIAL COMMITMENTS

The following table sets forth the Company's financial commitments, excluding accounts payable and accrued items, as at January 30, 2010, the details of which are described in the previous commentary.

Contractual Obligations	**Total**	**Within 1 year**	**2 to 4 years**	**5 years and over**
Store & office operating leases[1]	$ 462,710,000	$ 98,574,000	$ 213,805,000	$ 150,331,000
Other operating leases[2]	16,107,000	3,637,000	8,562,000	3,908,000
Long-term debt	12,731,000	1,300,000	4,428,000	7,003,000
Interest on long-term debt	3,435,000	766,000	1,771,000	898,000
Total contractual obligations	**$ 494,983,000**	**$ 104,277,000**	**$ 228,566,000**	**$ 162,140,000**

[1] Represents the minimum lease payments under long-term leases for store locations and office space as at January 30, 2010.
[2] Includes lease payments for computer equipment, automobiles and office equipment.

OFF-BALANCE SHEET ARRANGEMENTS

DERIVATIVE FINANCIAL INSTRUMENTS

The Company in its normal course of business must make long lead time commitments for a significant portion of its merchandise purchases, in some cases as long as eight months. Most of these purchases must be paid for in US dollars. The Company considers a variety of strategies, such as foreign exchange option contracts, designed to fix the cost of its continuing US dollar commitments. Due to the strengthening of the Canadian dollar throughout most of fiscal 2010, the Company satisfied its US dollar requirements through spot rate purchases.

A foreign exchange option contract represents an option to buy a foreign currency from a counterparty at a predetermined date and amount. Credit risks exist in the event of failure by a counterparty to fulfill its obligations. The Company reduces this risk by dealing only with highly-rated counterparties, normally Canadian chartered banks.

The Company does not use derivative financial instruments for speculative purposes. Foreign exchange option contracts are entered into with maturities usually not exceeding three months. As at January 30, 2010, the Company had no outstanding foreign exchange option contracts.

Included in the determination of the Company's net earnings for fiscal 2010 is a foreign exchange loss of $231,000 (2009 - gain of $1,998,000).

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. The annual rent expense under these leases is, in the aggregate, approximately $197,000 (2009 - $184,000).

The Company incurred $474,000 in fiscal 2010 (2009 - $395,000) with a firm connected to outside directors of the Company for fees in conjunction with general legal advice. The Company believes that such remuneration was based on normal terms for business transactions between unrelated parties.

These transactions are recorded at the amount of consideration paid, as established and agreed to by the related parties.

FINANCIAL INSTRUMENTS

The Company's significant financial instruments consist of cash and cash equivalents along with marketable securities. The Company uses its cash resources to fund ongoing store construction and renovations along with working capital needs. Financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Company reduces its credit risks by investing available cash in bank bearer deposit notes and bank term deposits with major Canadian chartered banks. The Company closely monitors its risk with respect to short-term cash investments. Marketable securities consist primarily of preferred shares of Canadian public companies. The impact of the recession resulted in declines in the stock market and consequently to reductions in the market value of the Company's marketable securities. Recent improvement in market conditions has resulted in excess of a 20% increase in the market value of the marketable securities over the prior year. The Company is highly liquid with over 80% of its cash, cash equivalents and marketable securities being invested in bank bearer deposit notes and bank term deposits of short duration with major Canadian chartered banks.

The volatility of the Canadian dollar impacts earnings and while the Company considers a variety of strategies, such as foreign exchange option contracts, designed to fix the cost of its continuing US dollar commitments, this unpredictability can result in exposure to risk.

CRITICAL ACCOUNTING ESTIMATES

INVENTORY VALUATION

The Company uses the retail inventory method in arriving at cost. Merchandise inventories are valued at the lower of cost and net realizable value. Excess or slow moving items are identified and a provision is taken using management's best estimate. In addition, a provision for shrinkage and sales returns are also recorded using historical rates experienced. Given that inventory and cost of sales are significant components of the financial statements, any changes in assumptions and estimates could have a material impact on the Company's financial position and results of operations.

STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation and other stock-based payments using the fair value method. Stock options granted result in an expense over their vesting period based on their estimated fair values on the date of grant, determined using the Black-Scholes option pricing model. In computing the compensation cost related to stock option awards granted during the year under the fair value approach, various assumptions are used to determine the expected option life, risk-free interest rate, expected stock price volatility and average dividend yield. The use of different assumptions could result in a stock compensation expense that differs from that which the Company has recorded.

PENSION

The Company maintains a contributory, defined benefit plan and sponsors a SERP. The costs of the defined benefit plan and SERP are determined periodically by independent actuaries. Pension expense is included annually in operations. Assumptions used in developing the net pension expense and projected benefit obligation include a discount rate, rate of increase in salary levels and expected long-term rate of return on plan assets. The Company's expected long-term rate of return on plan assets reflects management's view of long-term investment returns and the effect of a 1% variation in such rate of return would result in a change to the net periodic benefit cost of approximately $90,000. Management's assumption of the expected long-term rate of return is subject to risks and uncertainties that could cause the actual rate of return to differ materially from management's assumption. There can thus be no assurance that the plan assets will be able to earn the expected long-term rate of return on plan assets. The impact of actual return on plan assets versus the expected return on plan assets is reflected annually in the pension plan expense.

The Company's discount rate assumption, which is set annually at the end of each year, is used to determine the projected benefit obligation at the end of the year and the net periodic benefit cost for the following year. The discount rate is used to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments with a rating of AA or better, would provide the necessary cash flows to pay for pension benefits as they become due. The discount rate is determined by management with the aid of a third-party actuary. A discount rate, based upon data as of December 31, 2009, of 5.8% for the year ended January 30, 2010 (6.3% at January 31, 2009), was considered appropriate by the Company to match the average duration of estimated future benefit payments. The current estimate for the expected average remaining service life of the employee group covered by the plan is approximately 12 years.

For the year ended January 30, 2010, a one percentage point decrease in the year-end discount rate would have resulted in an increase of approximately $2,800,000 in the fiscal 2010 net periodic benefit cost, whereas a one percentage point increase would have resulted in a decrease of approximately $2,500,000.

The defined benefit plan is fully funded and solvent and the SERP is an unfunded pay as you go plan.

GOODWILL

Goodwill is not amortized but rather is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. If the Company determines in the future that impairment has occurred, the Company would be required to write off the impaired portion of goodwill.

GIFT CARDS

Gift cards sold are recorded as a liability and revenue is recognized when the gift card is redeemed. The Company no longer issues credit vouchers as these have been replaced by gift cards. The Company, for each reporting period, reviews the gift card liability and assesses its adequacy. In its review, the Company estimates expected usages and evaluates specific trends and patterns, which can result in an adjustment to the liability for unredeemed gift cards.

ADOPTION OF NEW ACCOUNTING STANDARDS

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets, and amends Section 1000, Financial Statement Concepts. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and other intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This new standard is applicable to fiscal years beginning on or after October 1, 2008. The impact of adopting this standard was to reclassify the net book value of software of $9,964,000 as at January 30, 2010 (2009 - $12,577,000) from capital assets to intangible assets on the balance sheet. The adoption of this new standard had no impact on the Company's financial results.

EIC 173 – CREDIT RISK AND THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In January 2009, the CICA issued Emerging Issue Committee Abstract 173 ("EIC 173"), Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. EIC 173 requires that a company take into account its own credit risk and the credit risk of its counterparty in determining the fair value of financial assets and financial liabilities. This abstract must be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of these new recommendations had no impact on the Company's financial results.

FINANCIAL INSTRUMENTS – DISCLOSURES

In June 2009, the CICA amended Handbook Section 3862, Financial Instruments – Disclosures, to enhance disclosures about fair value measurements and liquidity risk of financial instruments. The amendment is to be applied to annual financial statements with fiscal years ending after September 30, 2009. The purpose of this amendment is to provide further convergence with International Financial Reporting Standards ("IFRS"). Financial instruments recognized at fair value on the balance sheet must be classified in fair value hierarchy levels as follows:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices);

Level 3 – valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities).

The amended section relates to disclosure only and did not impact the financial results of the Company. As at January 30, 2010, the Company held no significant assets or liabilities required to be measured at fair value, except for cash and cash equivalents, and marketable securities, which were measured using Level 1 inputs in the fair value hierarchy.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS, for interim and annual reporting purposes, beginning on or after January 1, 2011. The Company will be required to begin reporting under IFRS for the quarter ending April 30, 2011 and will be required to prepare an opening balance sheet and provide information that conforms to IFRS for comparative periods presented.

The Company began planning the transition from current Canadian GAAP to IFRS in 2008 by establishing a project plan and a project team. The project team is led by senior finance executives that provide overall project governance, management and support. Members also include representatives from various areas of the organization as necessary and external advisors that have been engaged to assist in the IFRS conversion project. The project team reports quarterly to the Audit Committee of the Company.

The project plan consists of three phases – the initial assessment, detailed assessment and design, and implementation for which details are outlined below:

PHASE 1: Initial Assessment	
Actions	• High-level review of the major differences between current Canadian GAAP and IFRS. • Initial evaluation of the different IFRS 1 exemptions available at date of transition. • High-level assessment of potential consequences on financial reporting, business processes, internal controls and information systems. • Training sessions on IFRS for the various members of the IFRS project team.
Timetable	Third quarter of fiscal 2009
Progress	Completed

PHASE 2: Detailed Assessment and Design	
Actions	• Each area of accounting differences between Canadian GAAP and IFRS identified in the initial phase is assessed and an IFRS project team member dedicated to review these differences. • This review includes the changes required to existing accounting policies, information systems, and business processes, together with an analysis of policy alternatives allowed under IFRS and impacts on drafting of financial statements under IFRS. • The analysis on these differences are discussed by the Company's IFRS project team and decisions made, including the Company's selection of IFRS 1 exemptions at the date of transition, are included in IFRS memos and approved by the external auditors. • Developing draft IFRS financial statements and notes. • Presentation of major differences and impact to the Audit Committee on a quarterly basis.
Timetable	Second quarter of fiscal 2011
Progress	• A majority of the differences were analyzed and concluded on for accounting policy choices, changes to processes and selection of one-time transition choices. • The review of the remaining variances will be completed by the end of July 2010. • The Company is currently working on preliminary IFRS financial statements in accordance with IAS 1, Presentation of Financial Statements. • Periodic project status updates and information sessions are presented to Senior management and to the Audit Committee.
PHASE 3: Implementation	
Actions	• Embedding changes to systems, business processes and internal controls, as required. • Parallel accounting under Canadian GAAP and IFRS. • Preparation of detailed reconciliations of Canadian GAAP to IFRS financial statements. • Training programs for the Company's finance and other staff, as necessary. • Audit Committee approval of IFRS consolidated financial statements.
Timetable	Third and fourth quarters of fiscal 2011
Progress	In process

The Company's progress-to-date has resulted in the following conclusions:

FIRST-TIME ADOPTION (IFRS 1)

IFRS 1 provides the framework for the first-time adoption of IFRS and outlines that, in general, an entity shall apply the principles under IFRS retrospectively and that adjustments arising on conversion to IFRS shall be directly recognized in retained earnings. IFRS 1 provides a number of optional and mandatory exemptions. The Company currently expects to apply the following exemptions:

Exemption	Application of exemption
Business combinations	The Company will not restate the accounting of past business combinations.
Employee benefits	The Company will elect to recognize all cumulative actuarial gains and losses arising from its defined benefit plan in opening retained earnings.

The remaining elective exemptions have limited or no applicability to the Company.

ACCOUNTING POLICIES

Set out below are selected key areas of accounting differences where changes in accounting policies in conversion to IFRS may impact the Company's financial statements. The list should not be interpreted as a comprehensive list of changes; it highlights those areas of accounting differences the Company currently believes are to be most significant upon conversion to IFRS.

Key accounting area	Differences with potential impact for the Company
Presentation of Financial Statements (IAS 1)	• Classification of the Statement of Operations by function or nature. • Additional disclosures required in the notes to the financial statements.
Property, Plant and Equipment (IAS 16)	• Componentization of buildings for separate amortization over different useful lives.
Impairment of Assets (IAS 36)	• Grouping of assets in cash generating units (CGU's) on the basis of independent cash inflows for impairment testing purposes, using a discounted cash flow method (DCF) in a single-step approach.
Customer Loyalty Programmes (IFRIC 13)	• Recognition of loyalty awards as a separate component of revenue and deferral of this revenue until the obligation towards the customer is fulfilled.

A number of other areas of IFRS will impact the Company to a lesser extent. The remaining IFRS standards to be analyzed in the first and second quarter of fiscal 2011 are currently not expected to have a significant impact on the Company's financial statements.

IMPACT ON INFORMATION SYSTEMS AND TECHNOLOGY

At this time, the transition is expected to have minimal impact on information systems used by the organization.

IMPACT ON INTERNAL CONTROLS AND DISCLOSURE CONTROLS AND PROCEDURES

The Company's internal controls will not be materially affected by the transition to IFRS. The IFRS differences may lead to presentation and process changes to report more detailed information in the notes to the financial statements, but it is not currently expected to lead to many differences in the accounting treatments used by the Company.

Disclosure controls and procedures may change due to the transition to IFRS, but the impact is expected to be minimal as well.

IMPACT ON FINANCIAL REPORTING EXPERTISE

Training and education has been provided to all members of the finance team who are directly affected by the transition to IFRS. IFRS training to other financial staff will be done as deemed necessary. A review of the Audit Committee charter to reflect the requirements for IFRS financial expertise will be completed in the fourth quarter of fiscal 2011.

GENERAL

At this time, the comprehensive impact of the changeover on the Company's future financial position and results of operations is not yet determinable. The Company continues to monitor and assess the impact of evolving differences between Canadian GAAP and IFRS, since the International Accounting Standards Board ("IASB") is expected to continue issuing new accounting standards during the transition period.

The Company's IFRS conversion project is progressing according to schedule. As the project advances, the Company could alter its intentions and the milestones communicated at the time of reporting as a result of changes to international standards currently in development, or in light of new information or other external factors that could arise between now and when the changeover is completed.

OUTSTANDING SHARE DATA

At March 29, 2010, 13,440,000 Common shares of the Company and 54,159,706 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. Following approval by the shareholders and the Toronto Stock Exchange in June 2009, the Company amended its stock option plan to provide that up to 10% of the Class A non-voting shares outstanding from time to time may be issued pursuant to the exercise of options granted under the plan. The Company has 3,207,000 options outstanding at an average exercise price of $14.14. Each stock option entitles the holder to purchase one Class A non-voting share of the Company at an exercise price established based on the market price of the shares at the date the option was granted.

In November 2009, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid. Under the bid, the Company may purchase up to 2,728,972 Class A non-voting shares of the Company, representing 5% of the issued and outstanding Class A non-voting shares as at November 23, 2009. The average daily trading volume for the six-month period preceding November 1, 2009 was 84,048 shares. In accordance with

the Toronto Stock Exchange rules, a maximum daily repurchase of 25% of this average may be made, representing 21,012 shares. The bid commenced on November 28, 2009 and may continue to November 27, 2010. The shares will be purchased on behalf of the Company by a registered broker through the facilities of the Toronto Stock Exchange. The price paid for the shares will be the market price at the time of acquisition, and the number of shares purchased and the timing of any such purchases will be determined by the Company's management. All shares purchased by the Company will be cancelled. In fiscal 2010, the Company purchased for cancellation 2,981,200 Class A non-voting shares, having a book value of $1,211,000, for a total cash consideration of $40,835,000. The excess of the purchase price over book value of the shares in the amount of $39,624,000 was charged to retained earnings.

CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted as of January 30, 2010. Based on this evaluation, the CEO and the CFO have concluded that, as of January 30, 2010, the disclosure controls and procedures, as defined by National Instrument 52-109, were appropriately designed and were operating effectively.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

An evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting was conducted as of January 30, 2010. Based on that evaluation, the CEO and the CFO concluded that the internal control over financial reporting, as defined by National Instrument 52-109, was appropriately designed and was operating effectively.

The evaluations were conducted in accordance with the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings.

The Company did not make any changes to the design of internal controls over financial reporting during the year ended January 30, 2010 that would have materially affected or would reasonably be likely to materially affect the Company's internal controls over financial reporting.

OUTLOOK

The global economic recession continued into fiscal 2010, impacting consumer discretionary spending on many consumables, including apparel. The Canadian economy showed more resilience than many others and recent signs of improvement have emerged as consumer spending has shown slight increases along with more stability in the unemployment figures. The Bank of Canada continues to predict growth for the Canadian economy for calendar 2010 and a return to full capacity in the third quarter of calendar 2011.

The Company believes that it is well positioned for the future despite current economic conditions, offering a broad assortment of quality merchandise at affordable prices. The Company operates stores in all provinces and territories of Canada and sources its merchandise domestically and in over fifteen different countries around the globe. At the present time retail sales remain challenging, and it is our expectation that the economic recovery will be slow with retail sales continuing to be impacted. In Canada, we expect that general credit and liquidity will remain constrained and that consumer discretionary spending will be curtailed. We are being guided by these expectations in conducting all facets of our business. On the positive side, we believe that we remain poised to strengthen the Company's market position in all of our market niches. The Company has virtually no debt and has liquid cash reserves which provide us with the ability to act when opportunities present themselves in whatever format including, merchandising, store acquisition/construction, system replacements/upgrading or expansion by acquisition.

The Company's Hong Kong office continues to serve the Company well, with over 110 full-time employees dedicated to seeking out the highest quality, affordable and fashionable apparel for all our banners. On an annual basis, the Company directly imports approximately 80% of its merchandise, largely from China.

We believe that, in general, our merchandise offerings will continue to remain attractive values to the consumer, even in these difficult times. The Company has a strong balance sheet, with excellent liquidity and borrowing capacity. Its systems, including merchandise procurement, inventory control, planning, allocation and distribution, distribution centre management, point-of-sale, financial management and information technology are fully integrated. The Company is committed to continue to invest in training for all levels of its employees.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, consisting of all outside directors. The Audit Committee reviews the Company's annual 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 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 - Finance

March 26, 2010

AUDITORS' REPORT

To the Shareholders of Reitmans (Canada) Limited

We have audited the balance sheets of Reitmans (Canada) Limited as at January 30, 2010 and January 31, 2009 and the statements of earnings, comprehensive income, changes in shareholders' equity 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 financial statements present fairly, in all material respects, the financial position of the Company as at January 30, 2010 and January 31, 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Montreal, Canada
March 26, 2010

*CA Auditor Permit no. 23443

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

BALANCE SHEETS

AS AT JANUARY 30, 2010 AND JANUARY 31, 2009
(IN THOUSANDS)

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 16)	**$ 228,577**	$ 214,054
Marketable securities (note 16)	**48,026**	32,818
Accounts receivable	**2,926**	2,689
Income taxes recoverable	**–**	3,826
Merchandise inventories (note 5)	**63,127**	64,061
Prepaid expenses	**11,873**	11,402
Future income taxes (note 10)	**2,395**	3,598
Total Current Assets	**356,924**	332,448
CAPITAL ASSETS		
Property and equipment (note 6)	**210,612**	237,314
Intangibles (note 7)	**9,964**	12,577
Total Capital Assets	**220,576**	249,891
GOODWILL	**42,426**	42,426
FUTURE INCOME TAXES (note 10)	**11,466**	8,400
	$ 631,392	$ 633,165
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued items	**$ 77,766**	$ 70,632
Income taxes payable	**4,677**	–
Current portion of long-term debt (note 9)	**1,300**	1,220
Total Current Liabilities	**83,743**	71,852
DEFERRED LEASE CREDITS	**20,609**	22,125
LONG-TERM DEBT (note 9)	**11,431**	12,731
ACCRUED PENSION LIABILITY (note 8)	**5,443**	3,918
SHAREHOLDERS' EQUITY		
Share capital (note 11)	**25,888**	23,830
Contributed surplus	**5,164**	4,538
Retained earnings	**480,622**	502,361
Accumulated other comprehensive loss	**(1,508)**	(8,190)
	479,114	494,171
Total Shareholders' Equity	**510,166**	522,539
Commitments (note 13)		
	$ 631,392	$ 633,165

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

On behalf of the Board,

(signed)

Jeremy H. Reitman, Director

(signed)

Stephen J. Kauser, Director

STATEMENTS OF EARNINGS

FOR THE YEARS ENDED JANUARY 30, 2010 AND JANUARY 31, 2009
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	2010	2009
Sales	**$1,056,527**	$1,050,861
Cost of goods sold and selling, general and administrative expenses (note 5)	**898,039**	869,930
	158,488	180,931
Depreciation and amortization	**60,619**	58,184
Operating earnings before the undernoted	**97,869**	122,747
Investment income (note 16)	**1,992**	5,351
Interest on long-term debt	**846**	921
Earnings before income taxes	**99,015**	127,177
Income taxes (note 10):		
Current	**34,705**	46,519
Future	**(2,926)**	(5,148)
	31,779	41,371
Net earnings	**$ 67,236**	$ 85,806
Earnings per share (note 12):		
Basic	**$ 0.98**	$ 1.21
Diluted	**0.98**	1.21

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED JANUARY 30, 2010 AND JANUARY 31, 2009
(IN THOUSANDS)

	2010	2009
Net earnings	**$ 67,236**	$ 85,806
Other comprehensive income (loss):		
Net unrealized gain (loss) on available-for-sale financial assets arising during the year (net of tax of $960; 2009 - $811)	**5,991**	(9,185)
Reclassification of losses on available-for-sale financial assets to net earnings (net of tax of $103; 2009 - $322)	**691**	2,028
	6,682	(7,157)
Comprehensive income	**$ 73,918**	$ 78,649

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JANUARY 30, 2010 AND JANUARY 31, 2009
(IN THOUSANDS)

	2010	2009
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Net earnings	**$ 67,236**	$ 85,806
Adjustments for:		
Depreciation and amortization	**60,619**	58,184
Future income taxes	**(2,926)**	(5,148)
Stock-based compensation	**1,281**	600
Amortization of deferred lease credits	**(5,254)**	(5,200)
Deferred lease credits	**3,738**	5,859
Pension contribution	**(612)**	(1,428)
Pension expense	**2,137**	2,825
Loss on sale of marketable securities	**794**	2,350
Foreign exchange loss (gain)	**1,382**	(1,371)
Changes in non-cash working capital relating to operations	**17,744**	(13,482)
	146,139	128,995
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Purchases of marketable securities	**(12,951)**	(17,403)
Proceeds on sale of marketable securities	**4,694**	4,642
Additions to capital assets	**(33,185)**	(58,152)
	(41,442)	(70,913)
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES		
Dividends paid	**(49,351)**	(50,885)
Purchase of Class A non-voting shares for cancellation	**(40,835)**	(7,915)
Repayment of long-term debt	**(1,220)**	(1,146)
Proceeds from issue of share capital	**2,614**	246
	(88,792)	(59,700)
FOREIGN EXCHANGE (LOSS) GAIN ON CASH HELD IN FOREIGN CURRENCY	**(1,382)**	1,371
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**14,523**	(247)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**214,054**	214,301
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 228,577**	$ 214,054

Supplemental disclosure of cash flow information (note 16)

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED JANUARY 30, 2010 AND JANUARY 31, 2009
(IN THOUSANDS)

	2010	2009
SHARE CAPITAL		
Balance, beginning of year	**$ 23,830**	$ 23,777
Cash consideration on exercise of stock options	**2,614**	246
Ascribed value credited to share capital from exercise of stock options	**655**	63
Cancellation of shares pursuant to stock repurchase program (note 11)	**(1,211)**	(256)
Balance, end of year	**25,888**	23,830
CONTRIBUTED SURPLUS		
Balance, beginning of year	**4,538**	4,001
Stock option compensation costs	**1,281**	600
Ascribed value credited to share capital from exercise of stock options	**(655)**	(63)
Balance, end of year	**5,164**	4,538
RETAINED EARNINGS		
Balance, beginning of year	**502,361**	468,374
Adjustment to opening retained earnings due to adoption of a new accounting standard for inventory (net of tax of $3,121)	**–**	6,725
Net earnings	**67,236**	85,806
Dividends	**(49,351)**	(50,885)
Premium on repurchase of Class A non-voting shares (note 11)	**(39,624)**	(7,659)
Balance, end of year	**480,622**	502,361
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Balance, beginning of year	**(8,190)**	(1,033)
Net unrealized gain (loss) on available-for-sale financial assets arising during the year (net of tax of $960; 2009 - $811)	**5,991**	(9,185)
Reclassification of losses on available-for-sale financial assets to net earnings (net of tax of $103; 2009 - $322)	**691**	2,028
Balance, end of year [1]	**(1,508)**	(8,190)
Total Shareholders' Equity	**$ 510,166**	$ 522,539

[1] Available-for-sale financial investments constitute the sole item affecting accumulated other comprehensive income (loss).

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JANUARY 30, 2010 AND JANUARY 31, 2009
(ALL 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. BASIS OF PRESENTATION

The Company's fiscal year ends on the Saturday closest to the end of January. All references to 2010 and 2009 represent the fiscal years ended January 30, 2010 and January 31, 2009, respectively.

At the beginning of the year, the Company wound up its wholly-owned subsidiaries, effectively eliminating the preparation of consolidated financial statements for 2010. There was no impact on the comparative financial statements as at and for the year ended January 31, 2009.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

a) Goodwill and Intangible Assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible Assets, and amended Section 1000, Financial Statement Concepts. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and other intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This new standard is applicable to fiscal years beginning on or after October 1, 2008. The impact of adopting this standard was to reclassify the net book value of software of $9,964 as at January 30, 2010 (2009 - $12,577) from property and equipment to intangible assets on the balance sheet. The adoption of this new standard had no impact on the Company's financial results.

b) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued Emerging Issue Committee Abstract 173 ("EIC 173"), Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. EIC 173 requires that a company take into account its own credit risk and the credit risk of its counterparty in determining the fair value of financial assets and financial liabilities. This abstract must be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of these new recommendations had no significant impact on the Company's financial results.

c) Financial Instruments – Disclosures

In June 2009, the CICA amended Handbook Section 3862, Financial Instruments – Disclosures, to enhance disclosures about fair value measurements and liquidity risk of financial instruments. The amendment is to be applied to annual financial statements with fiscal years ending after September 30, 2009. The purpose of this amendment is to provide further convergence with IFRS. Financial instruments recognized at fair value on the balance sheet must be classified in fair value hierarchy levels as follows:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices);

Level 3 – valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities).

The amended section relates to disclosure only and did not impact the financial results of the Company. As at January 30, 2010, the Company held no significant assets or liabilities required to be measured at fair value, except for cash and cash equivalents, and marketable securities, which were measured using Level 1 inputs in the fair value hierarchy.

d) Impairment of Financial Assets – Recognition and Measurement

In August 2009, the CICA issued various amendments to Section 3855, Financial Instruments – Recognition and Measurement and Section 3025, Impaired Loans, to change the categories into which certain debt investments are required or permitted to be classified and to require the reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances. These amendments had no significant effect on the Company's current operating results or financial position.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The Canadian Accounting Standards Board has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises. These new standards are applicable to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Company will implement this standard in its first quarter of fiscal year ending January 28, 2012 and is currently evaluating the impact of the transition to IFRS and will continue to invest in training and resources throughout the transition to facilitate a timely conversion.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

Sales are recognized when a customer purchases and takes delivery of the product. Reported sales are net of returns and an estimated allowance for returns and excludes sales taxes. Gift cards sold are recorded as a liability and revenue is recognized when the gift cards are redeemed. An estimate is made of gift cards not expected to be redeemed based on the terms of the gift cards and historical redemption patterns.

b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term deposits with original maturities of three months or less.

c) Marketable Securities

Marketable securities consist primarily of preferred shares of Canadian public companies.

d) Inventories

Merchandise inventories are valued at the lower of cost, determined on an average basis using the retail inventory method and net realizable value. Costs include the cost of purchase, transportation costs that are directly incurred to bring inventories to their present location and condition, and certain distribution centre costs related to inventories. The Company estimates net realizable value as the amount that inventories are expected to be sold taking into consideration fluctuations of retail prices due to seasonality. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to declining selling prices.

e) Capital Assets

Capital assets are recorded at cost and are depreciated on a straight-line basis at the following annual rates applied to their cost, commencing with the year of acquisition:

Buildings and improvements	4% to 15%
Fixtures and equipment	10% to 33 1/3%
Software	20% to 33 1/3%

Leasehold improvements are depreciated at the lesser of the estimated useful life of the asset and the lease term. Tenant allowances are recorded as deferred lease credits and amortized as a reduction of rent expense over the term of the related leases.

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 the write-off of assets associated with store closings and renovations.

Long-lived assets, including intangibles, are reviewed for recoverability whenever events indicate an impairment may exist. An impairment loss is measured as the amount by which the carrying value of an asset or a group of assets exceeds its fair value. If such assets or group of assets are considered impaired, an impairment loss is recognized and the carrying value of the long-lived asset is adjusted.

f) Goodwill

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.

g) Income Taxes

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 or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that includes the enactment date. Future income tax assets are evaluated and if realization is not considered to be more likely than not, a valuation allowance is provided.

The Company's income tax provision is based on tax rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities. The Company's estimates of income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the provision for income taxes and in valuing income tax assets and liabilities.

h) Pension

The Company maintains a contributory defined benefit plan that provides for pensions based on length of service and average earnings in the best five consecutive years. The Company also sponsors a Supplemental Executive Retirement Plan ("SERP"), which is neither registered nor pre-funded. The costs of these retirement plans are 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 quoted market 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 recorded on the balance sheet as an accrued pension asset or an accrued pension liability, as the case may be.

i) Stock-Based Compensation

The Company accounts for stock-based compensation and other stock-based payments using the fair value based method. Compensation cost is measured at the fair value at the date of grant and is expensed over the vesting period, which is normally five years. The Company accounts for forfeitures as they occur.

j) Earnings per Share

Basic earnings per share is determined using the weighted average number of Class A non-voting and Common shares outstanding during the year. The treasury stock method is used for calculating diluted earnings per share. In calculating diluted earnings per share, the weighted average number of shares outstanding is increased to include additional shares issued from the assumed exercise of options, if dilutive. The number of additional shares is calculated by assuming that the proceeds from such exercises, as well as the amount of unrecognized stock-based compensation, are used to purchase Class A non-voting shares at the average market share price during the reporting period.

k) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate. Other balance sheet items denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the respective transaction date. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at average rates of exchange prevailing during the year. The resulting gains or losses on translation are included in the determination of net earnings.

l) Financial Instruments

Cash and cash equivalents are classified as “financial assets held-for-trading” and are measured at fair value. These financial assets are marked-to-market through net earnings and recorded as investment income at each period end.

Accounts receivable are classified as “loans and receivables” and are recorded at cost, which at initial measurement corresponds to fair value. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

Marketable securities are classified as “available-for-sale securities”. These financial assets are marked-to-market through other comprehensive income at each period end.

Accounts payable and accrued items, and long-term debt are classified as “other financial liabilities”. They are initially measured at fair value and subsequent revaluations are recorded at amortized cost using the effective interest rate method.

The Company makes use of foreign exchange option contracts to manage its US dollar exposure. These derivative financial instruments are not used for trading or speculative purposes and are reported on a mark-to-market basis. The related gains and losses are included in the determination of net earnings.

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

m) Use of Estimates

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 year. Financial results as determined by actual events may differ from these estimates.

Significant areas requiring the use of management estimates and assumptions include the key assumptions used in determining the useful life and recoverability of capital assets, stock-based compensation costs, future income tax assets and liabilities, inventory valuation, sales returns provision and gift card liabilities.

5. INVENTORY

The cost of inventory recognized as an expense and included in cost of goods sold and selling, general and administrative expenses for the year ended January 30, 2010 was $378,292 (2009 - $363,523). During the year, the Company recorded $1,873 (2009 - $2,275) of write-downs of inventory as a result of net realizable value being lower than cost and no inventory write-downs recognized in previous periods were reversed.

6. PROPERTY AND EQUIPMENT

	2010			2009		
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Cost	Accumulated Depreciation and Amortization	Net Book Value
Land	**$ 5,935**	**$ –**	**$ 5,935**	$ 5,860	$ –	$ 5,860
Buildings and improvements	**52,336**	**19,499**	**32,837**	52,153	15,517	36,636
Fixtures and equipment	**177,874**	**97,398**	**80,476**	181,524	87,728	93,796
Leasehold improvements	**194,782**	**103,418**	**91,364**	192,281	91,259	101,022
	$ 430,927	**$ 220,315**	**$ 210,612**	$ 431,818	$ 194,504	$ 237,314

During the year, due to various store closings and renovations, the Company wrote off assets with a net book value of $1,670 (2009 - $2,577). The write-offs are included in depreciation and amortization expense.

7. INTANGIBLES

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Software	**$ 17,072**	**$ 7,108**	**$ 9,964**	$ 17,468	$ 4,891	$ 12,577

As at January 30, 2010, the impact of retroactively adopting CICA Handbook Section 3064, Goodwill and Intangible Assets, was a reclassification of $9,964 (2009 - $12,577) of net book value related to software not directly attributable to the operation of property and equipment.

8. PENSION

The Company's contributory defined benefit plan ("Plan") was actuarially valued as at December 31, 2007 and the obligation was projected to January 30, 2010.

Actuarial assumptions, based upon data as of December 31, 2009, used in calculating the Company's accrued benefit plan obligations and the net pension cost were as follows:

	2010	2009
Accrued benefit obligation		
Discount rate	**5.80%**	6.30%
Rate of increase in salary levels	**3.00%**	3.00%
Net pension cost		
Discount rate	**6.30%**	5.17%
Expected long-term rate of return on plan assets	**7.00%**	7.50%
Rate of increase in salary levels	**3.00%**	3.00%

In addition, the Company sponsors a Supplemental Executive Retirement Plan ("SERP") covering certain pension plan members. This special plan is subject to the same actuarial assumptions and methods as the Plan.

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

	2010			2009		
	Plan	SERP	Total	Plan	SERP	Total
Pension obligation						
Pension obligation, beginning of year	**$ 9,676**	**$ 9,635**	**$ 19,311**	$ 11,180	$ 10,114	$ 21,294
Employee contributions	**135**	**–**	**135**	140	–	140
Current service cost	**380**	**223**	**603**	521	284	805
Interest cost	**624**	**618**	**1,242**	594	537	1,131
Benefits paid	**(576)**	**(102)**	**(678)**	(1,920)	(44)	(1,964)
Actuarial losses (gains)	**701**	**401**	**1,102**	(839)	(1,256)	(2,095)
Pension obligation, end of year	**$ 10,940**	**$ 10,775**	**$ 21,715**	$ 9,676	$ 9,635	$ 19,311
Plan assets						
Fair value of plan assets, beginning of year	**$ 8,976**	**$ –**	**$ 8,976**	$ 11,683	$ –	$ 11,683
Employer contributions	**510**	**102**	**612**	1,384	44	1,428
Employee contributions	**135**	**–**	**135**	140	–	140
Actual return on plan assets	**1,484**	**–**	**1,484**	(2,311)	–	(2,311)
Benefits paid	**(576)**	**(102)**	**(678)**	(1,920)	(44)	(1,964)
Fair value of plan assets, end of year	**$ 10,529**	**$ –**	**$ 10,529**	$ 8,976	$ –	$ 8,976
Funded status						
Accrued benefit obligation	**$ 10,940**	**$ 10,775**	**$ 21,715**	$ 9,676	$ 9,635	$ 19,311
Fair value of plan assets	**10,529**	**–**	**10,529**	8,976	–	8,976
Funded status	**(411)**	**(10,775)**	**(11,186)**	(700)	(9,635)	(10,335)
Unamortized past service cost	**–**	**5,743**	**5,743**	–	6,417	6,417
Accrued pension liability	**$ (411)**	**$ (5,032)**	**$ (5,443)**	$ (700)	$ (3,218)	$ (3,918)

The Company's net annual benefit plans costs consist of the following:

	2010			2009		
	Plan	SERP	Total	Plan	SERP	Total
Pension costs						
Current service cost	**$ 380**	**$ 223**	**$ 603**	$ 521	$ 284	$ 805
Interest cost	**624**	**618**	**1,242**	594	537	1,131
Actual return on plan assets	**(1,484)**	**–**	**(1,484)**	2,311	–	2,311
Actuarial losses (gains)	**701**	**401**	**1,102**	(839)	(1,256)	(2,095)
Elements of employee future benefits costs before adjustments to recognize the long-term nature of employee future benefit costs	**221**	**1,242**	**1,463**	2,587	(435)	2,152
Difference between expected return and actual return on plan assets for year	**856**	**–**	**856**	(3,189)	–	(3,189)
Difference between actuarial (gains)/losses recognized for year and actual actuarial (gains)/losses on accrued benefit obligation for year	**(856)**	**–**	**(856)**	3,189	–	3,189
Difference between amortization of past service costs and actual plan amendments for year	**–**	**674**	**674**	–	673	673
Net pension costs recognized	**$ 221**	**$ 1,916**	**$ 2,137**	$ 2,587	$ 238	$ 2,825

The asset allocation of the major asset categories for each of the years was as follows:

	2010	2009
Equity securities	**61%**	60%
Debt securities	**37%**	37%
Cash and cash equivalents	**2%**	3%
	100%	100%

9. LONG-TERM DEBT

	2010	2009
Mortgage bearing interest at 6.40%, payable in monthly instalments of principal and interest of $172, due November 2017 and secured by the Company's distribution centre	**$ 12,731**	$ 13,951
Less current portion	**1,300**	1,220
	$ 11,431	$ 12,731

Principal repayments on long-term debt are as follows:

Fiscal years ending	
2011	$ 1,300
2012	1,384
2013	1,474
2014	1,570
2015	1,672
Subsequent years	5,331
	$ 12,731

10. 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:

	2010	2009
Current assets		
Marketable securities	**$ 142**	$ 1,205
Inventory	**–**	280
Accrued liabilities	**3,313**	2,667
	3,455	4,152
Valuation allowance	**(21)**	(554)
	$ 3,434	$ 3,598
Long-term assets		
Capital assets	**$ 10,043**	$ 7,351
Pension liability	**1,411**	1,068
Other	**50**	55
	$ 11,504	$ 8,474
Current liabilities		
Inventory	**$ (1,039)**	$ –
	$ (1,039)	$ –
Long-term liabilities		
Marketable securities	**$ (38)**	$ (33)
Capital assets	**–**	(41)
	$ (38)	$ (74)

Presented on the balance sheet as follows:

	2010	2009
Short-term assets	**$ 2,395**	$ 3,598
Long-term assets	**11,466**	8,400

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

	2010	2009
Provision for income taxes based on combined statutory rate of 31.72% (2009 - 32.22%)	**$ 31,408**	$ 40,976
Changes in provision resulting from:		
Difference in tax rates of subsidiaries	**–**	(621)
Tax recovery due to net capital loss carryback	**134**	402
Tax exempt investment income	**(589)**	(412)
Permanent and other differences	**565**	496
Adjustment to prior years' taxes	**(145)**	337
Stock-based compensation	**406**	193
Income taxes	**$ 31,779**	$ 41,371
Represented by:		
Current	**$ 34,705**	$ 46,519
Future	**(2,926)**	(5,148)
	$ 31,779	$ 41,371

11. 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 Class A non-voting shares shall have the right to receive Class A non-voting shares and the holders of Common shares shall have the right to receive Common shares.

b) The Company has authorized an unlimited number of Class A non-voting shares.

The following table summarizes Class A non-voting shares issued for each of the years listed:

	Number of Shares	Book Value
Balance February 2, 2008	57,473	$ 23,295
Shares issued pursuant to exercise of stock options	46	309
Shares purchased under issuer bid	(655)	(256)
Balance January 31, 2009	56,864	23,348
Shares issued pursuant to exercise of stock options	277	3,269
Shares purchased under issuer bid	(2,981)	(1,211)
Balance January 30, 2010	**54,160**	**$ 25,406**

The amounts credited to share capital from the exercise of stock options include a cash consideration of $2,614 (2009 - $246), as well as an ascribed value from contributed surplus of $655 (2009 - $63).

The Company has authorized an unlimited number of Common shares. At January 30, 2010, there were 13,440 Common shares issued (2009 - 13,440) with a book value of $482 (2009 - $482).

c) The Company's stock option plan provides that up to 10% of the Class A non-voting shares outstanding, from time to time, may be issued pursuant to the exercise of options granted under the plan. 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 exercise price payable for each Class A non-voting share covered by a stock option is determined by the Board of Directors at the date of grant, but may not be less than the closing price of the Company's shares on the trading day immediately preceding the effective date of the grant.

The Company granted 1,920 stock options during 2010 (2009 - 50), the cost of 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, while 30 (2009 - 27) stock options were cancelled.

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

Expected option life	5.9 years
Risk-free interest rate	3.12%
Expected stock price volatility	35.09%
Average dividend yield	4.97%
Weighted average fair value of options granted	$3.17

Changes in outstanding stock options were as follows:

	2010		2009	
	Options	**Weighted Average Exercise Price**	**Options**	**Weighted Average Exercise Price**
Outstanding, at beginning of year	**1,594**	**$ 12.84**	1,617	$ 12.49
Granted	**1,920**	**14.50**	50	17.14
Exercised	**(277)**	**9.43**	(46)	5.41
Forfeited	**(30)**	**12.23**	(27)	12.23
Outstanding, at end of year	**3,207**	**$ 14.14**	1,594	$ 12.84
Options exercisable, at end of year	**1,171**	**$ 13.13**	1,145	$ 12.17

The following table summarizes information about share options outstanding at January 30, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Exercise Price**
$12.23 – $14.50	2,934	5.27 years	$ 13.71	1,014	$ 12.23
$15.90 – $18.26	100	4.00	16.52	40	16.52
$19.23 – $22.02	173	2.61	19.92	117	19.85
	3,207	**5.09 years**	**$ 14.14**	**1,171**	**$ 13.13**

For the year ended January 30, 2010, the Company recognized compensation cost of $1,281 (2009 - $600) with an offsetting credit to contributed surplus.

d) The Company purchased, under the prior year's normal course issuer bid, 2,481 Class A non-voting shares having a book value of $997 under its stock repurchase program for a total cash consideration of $32,485. The excess of the purchase price over book value of the shares in the amount of $31,488 was charged to retained earnings.

The Company received, in November 2009, approval from the Toronto Stock Exchange to proceed with a normal course issuer bid. Under the bid, the Company may purchase up to 2,729 Class A non-voting shares of the Company, representing 5% of the issued and outstanding Class A non-voting shares as at November 23, 2009. The bid commenced on November 28, 2009 and may continue to November 27, 2010. To date 500 Class A non-voting shares having a book value of $214 have been purchased for a total cash consideration of $8,350. The excess of the purchase price over book value of the shares in the amount of $8,136 was charged to retained earnings.

12. EARNINGS PER SHARE

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

	2010	2009
Weighted average number of shares per basic earnings per share calculations	**68,780**	70,731
Effect of dilutive options outstanding	**183**	273
Weighted average number of shares per diluted earnings per share calculations	**68,963**	71,004

As at January 30, 2010, there were 2,193 (2009 - 1,495) stock options that were excluded from the calculation of diluted earnings per share as these options were deemed to be anti-dilutive.

13. COMMITMENTS

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

Fiscal years ending	
2011	$ 102,211
2012	88,218
2013	73,544
2014	60,605
2015	49,239
Subsequent years	105,000
	$ 478,817

14. CREDIT FACILITY

At January 30, 2010, the Company had unsecured operating lines of credit available with Canadian chartered banks to a maximum of $125,000 or its US dollar equivalent. As at January 30, 2010, $53,624 (2009 - $61,759) of the operating lines of credit was committed for documentary and standby letters of credit.

15. GUARANTEES

The Company has granted irrevocable standby letters of credit, issued by highly-rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As at January 30, 2010, the maximum potential liability under these guarantees was $5,139. The standby letters of credit mature at various dates during fiscal 2011. The Company has recorded no liability with respect to these guarantees, as the Company does not expect to make any payments for these items. Management believes that the fair value of the non-contingent obligations requiring performance under the guarantees in the event that specified triggering events or conditions occur approximates the cost of obtaining the standby letters of credit.

16. OTHER INFORMATION

a) Included in determination of the Company's net earnings is a foreign exchange loss of $231 (2009 - gain of $1,998).

b) Supplementary cash flow information:

	2010	2009
Balance with banks	**$ 4,677**	$ 1,069
Short-term deposits, bearing interest at 0.29% (January 31, 2009 - 1.0%)	**223,900**	212,985
Cash and cash equivalents	**$ 228,577**	$ 214,054
Marketable securities:		
Fair value	**$ 48,026**	$ 32,818
Cost	**49,123**	41,660
Non-cash transactions:		
Capital asset additions included in accounts payable and accrued items	**$ 1,408**	$ 3,289
Ascribed value credited to share capital from exercise of stock options	**655**	63
Cash paid during the year for:		
Income taxes	**$ 31,164**	$ 70,886
Interest	**850**	975
Investment income:		
Available-for-sale financial assets:		
Interest income	**$ –**	$ 42
Dividends	**2,109**	1,719
Realized loss on disposal	**(794)**	(2,350)
Held-for-trading financial assets:		
Interest income	**677**	5,940
	$ 1,992	$ 5,351

17. 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. The annual rent payable under these leases is, in the aggregate, approximately $197 (2009 - $184).

The Company incurred $474 in fiscal 2010 (2009 - $395) with a firm connected to outside directors of the Company for fees in conjunction with general legal advice. The Company believes that such remuneration was based on normal terms for business transactions between unrelated parties.

These transactions are recorded at the amount of consideration paid as established and agreed to by the related parties.

18. FINANCIAL INSTRUMENTS

a) 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, which are considered Level 1 inputs in the fair value hierarchy.

The fair value of long-term debt is $13,045 compared to its carrying value of $12,731.

The fair value of the Company's long-term debt bearing interest at a fixed rate 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.

b) Risk Management

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, marketable securities, accounts receivable and foreign exchange option contracts. The Company limits its exposure to credit risk with respect to cash and cash equivalents by investing available cash in short-term deposits with Canadian financial institutions and commercial paper with a rating not less than R1. Marketable securities consist primarily of preferred shares of highly-rated Canadian public companies. The Company's receivables consist primarily of credit card receivables from the last few days of the fiscal year, which are settled within the first days of the new fiscal year.

As at January 30, 2010, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	$ 228,577
Marketable securities	48,026
Accounts receivable	2,926
	$ 279,529

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of accounts payable is within six months. As at January 30, 2010, the Company had a high degree of liquidity with $276,603 in cash and cash equivalents, and marketable securities. In addition, the Company has unsecured credit facilities of $125,000, subject to annual renewals. The Company has financed its store expansion through internally-generated funds and its unsecured credit facilities are used to finance seasonal working capital requirements for US dollar merchandise purchases. The Company's long-term debt consists of a mortgage bearing interest at 6.40%, due November 2017, which is secured by the Company's distribution centre.

Foreign Currency Risk

The Company purchases a significant amount of its merchandise with US dollars. The Company uses a combination of foreign exchange option contracts and spot purchases to manage its foreign exchange exposure on cash flows related to these purchases. These option contracts generally do not exceed three months. A foreign exchange option contract represents an option to buy a foreign currency from a counterparty to meet its obligations. Credit risks exist in the event of failure by a counterparty to fulfill its obligations. The Company reduces this risk by dealing only with highly-rated counterparties, normally major Canadian financial institutions.

As at January 30, 2010 and January 31, 2009, there were no outstanding foreign exchange option contracts.

The Company has performed a sensitivity analysis on its US dollar denominated financial instruments, which consist principally of cash and cash equivalents of $2,884 and accounts payable of $2,123 to determine how a change in the US dollar exchange rate would impact net earnings. On January 30, 2010, a 10% rise or fall in the Canadian dollar against the US dollar, assuming that all other variables, in particular interest rates, had remained the same, would not have a material impact on the financial statements.

Interest Rate Risk

The Company's exposure to interest rate fluctuations is primarily related to any overdraft denominated in Canadian or US dollars drawn on its bank accounts and interest earned on its cash and cash equivalents. The Company has unsecured borrowing and working capital credit facilities up to an amount of $125,000 available that it utilizes for documentary and standby letters of credit, and the Company funds the drawings on these facilities as the payments are due.

The Company has performed a sensitivity analysis on interest rate risk at January 30, 2010 to determine how a change in interest rates would impact equity and net earnings. During fiscal 2010, the company earned interest income of $677 on its cash and cash equivalents. An increase or decrease of 25 basis points in the average interest rate earned during the year would have increased equity and net earnings by $318 or decreased equity and net earnings by $293. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Equity Price Risk

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

The Company has performed a sensitivity analysis on equity price risk at January 30, 2010, to determine how a change in the market price of the Company's marketable securities would impact equity and other comprehensive income. The Company's equity investments consist principally of preferred shares of Canadian public companies. The Company believes that changes in interest rates influence the market price of these securities. A 5% increase or decrease in the market price of the securities at January 30, 2010, would result in a $2,015 increase or decrease in equity and other comprehensive income. The Company's equity securities are subject to market risk and, as a result, the impact on equity and other comprehensive income may ultimately be greater than that indicated above.

19. CAPITAL DISCLOSURES

The Company's objectives in managing capital are:

- to ensure sufficient liquidity to enable the internal financing of capital projects thereby facilitating its expansion;
- to maintain a strong capital base so as to maintain investor, creditor and market confidence;
- to provide an adequate return to shareholders.

The Company's capital is composed of long-term debt, including the current portion and shareholders' equity. The Company's primary uses of capital are to finance increases in non-cash working capital along with capital expenditures for new store additions, existing store renovation projects and office and distribution centre improvements. The Company currently funds these requirements out of its internally-generated cash flows. The Company's long-term debt constitutes a mortgage on the distribution centre facility. The Company maintains an unsecured operating line of credit that it uses to satisfy commitments for US dollar denominated merchandise purchases. The Company does not have any long-term debt, other than the mortgage related to the distribution centre, and therefore net earnings generated from operations are available for reinvestment in the Company or distribution to the Company's shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable profitable growth. On a quarterly basis, the Board of Directors also reviews the level of dividends paid to the Company's shareholders and monitors the share repurchase program activities. The Company does not have a defined share repurchase plan and buy and sell decisions are made on a specific transaction basis and depend on market prices and regulatory restrictions. The Company is not subject to any externally imposed capital requirements.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

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Max Konigsberg
Samuel Minzberg
Jeremy H. Reitman
Stephen F. Reitman
Howard Stotland
John J. Swidler
Robert S. Vineberg

DIRECTORS AND OFFICERS

OFFICERS

Jeremy H. Reitman
President

Stephen F. Reitman
Executive Vice-President

Pierre Lavallée
Executive Vice-President

Diane Archibald
Vice-President - Store Planning

Domenic Carbone
Vice-President - Distribution and Logistics

Claude Martineau
Vice-President - Information Technology

Isabelle Oliva
Vice-President - Human Resources

Diane Randolph
Vice-President - Chief Information Officer

Allen F. Rubin
Vice-President - Operations

Saul Schipper
Vice-President - Real Estate and Secretary

Richard Wait, CGA
Vice-President - Comptroller

Eric Williams, CA
Vice-President - Finance

Henry Fiederer
President - Reitmans

Stéphanie Bleau
Vice-President - Reitmans

Nadia Cerantola
Vice-President - Reitmans

Donna Flynn
Vice-President - Reitmans

Bruce MacKeracher
Vice-President - Reitmans

Stefanie Ravenda
Vice-President - Reitmans

Jacqueline Tardif
Vice-President - Reitmans

Kimberly Schumpert
President - Smart Set

Cathy Cockerton
Vice-President - Smart Set

Sylvain Forest
Vice-President - Smart Set

Danielle Vallières
Vice-President - Smart Set

Suzana Vovko
President - RW & CO.

Cathryn Adeluca
Vice-President - RW & CO.

Frédéric Boivin
Vice-President - RW & CO.

Fiona Horgan
Vice-President - RW & CO.

Jonathan Plens
President - Thyme Maternity

Marie Frenneaux
Vice-President - Thyme Maternity

Fernanda Sousa
Vice-President - Thyme Maternity

Isabelle Taschereau
President - Cassis

Stéphane Renauld
Vice-President - Cassis

Kerry Mitchell
President - Penningtons / Addition Elle

Trudy Crane
Vice-President - Penningtons / Addition Elle

Doug Edwards
Vice-President - Penningtons / Addition Elle

Jeff Ronald
Vice-President - Penningtons / Addition Elle

Rhonda Sandler
Vice-President - Penningtons

CORPORATE INFORMATION 2010

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THE TORONTO STOCK EXCHANGE

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