


ANNUAL REPORT **2015**


Reitmans
(CANADA) LIMITED

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.

REITMANS IS CANADA'S LEADING SPECIALTY RETAILER

TO OUR **SHAREHOLDERS**

Fiscal 2015 was a challenging year.

Sales for fiscal 2015 were $939,376,000 as compared with $960,397,000 for fiscal 2014, a decrease of 2.2%, impacted by a net reduction of 55 stores as the Company closes underperforming locations. Same store sales[1] increased 1.2% with mall and power centre stores decreasing 0.2% and e-commerce sales increasing 63.5%. Mall and power centre stores were impacted by e-commerce alternatives, a highly competitive environment and consumers with near record high debt levels. Sales through the various banners' e-commerce channels continued to show strong growth, although representing a small proportion of total Company sales.

The Company's gross margin for fiscal 2015 was 60.4% compared with 61.9% for fiscal 2014. The Company's gross margin includes gains on foreign exchange contracts previously reported in finance income (gain of $10,921,000 for fiscal 2015 and $12,455,000 for fiscal 2014).

Net earnings for fiscal 2015 were $13,415,000 ($0.21 diluted earnings per share) as compared with net earnings of $10,788,000 ($0.17 diluted earnings per share) for fiscal 2014. The increase in net earnings was primarily attributable to the closure of non-performing stores and previously reported initiatives to reduce costs across the organization. For fiscal 2015, adjusted EBITDA[1] was $64,805,000 as compared with $70,453,000 in fiscal 2014, a decrease of $5,648,000 or 8.0% largely attributable to lower sales and margins.

On November 25, 2014 the Company announced its plan to close all Smart Set stores. In fiscal 2015, 35 Smart Set stores were closed. The Company will convert 74 stores to other banners by October 31, 2015 while 20 stores will be closed upon expiry of their leases.

During the year, the Company opened 12 new stores and closed 67. Accordingly, at January 31, 2015, there were 823 stores in operation, consisting of 341 Reitmans, 139 Penningtons, 105 Addition Elle, 76 RW & CO., 68 Thyme Maternity and 94 Smart Set, as compared with a total of 878 stores as at February 1, 2014. In addition, there were 21 Thyme Maternity shop-in-shop boutiques in select Babies"R"Us locations in Canada. We expect to open 6 new stores, close 51 stores, remodel 45 stores and convert 74 Smart Set stores at a capital cost of approximately $20,000,000.

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 89 years and most confident of our future. We believe that we have the very best specialty retailing assets in Canada. Our operations are led and staffed by highly motivated, extremely competent professionals. We extend sincere thanks and appreciation to all our associates, suppliers, customers and shareholders. These are the people who have made possible our many years of success and on whom we rely for the growth of the Company.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman
Chairman and Chief Executive Officer

Montreal, April 1, 2015

[1] Please refer to the note on non-GAAP financial measures included in the Management's Discussion & Analysis.

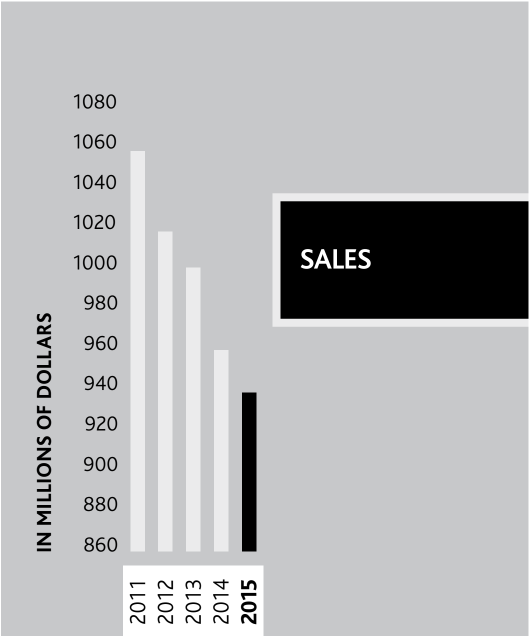
5-YEAR HIGHLIGHTS

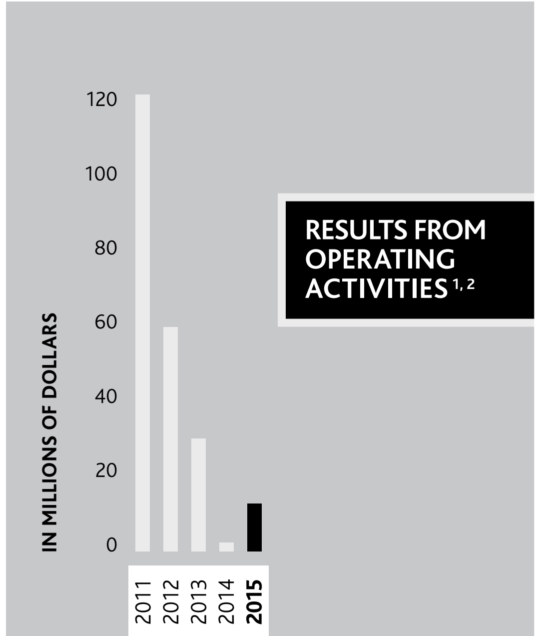
FOR THE YEARS ENDED:
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

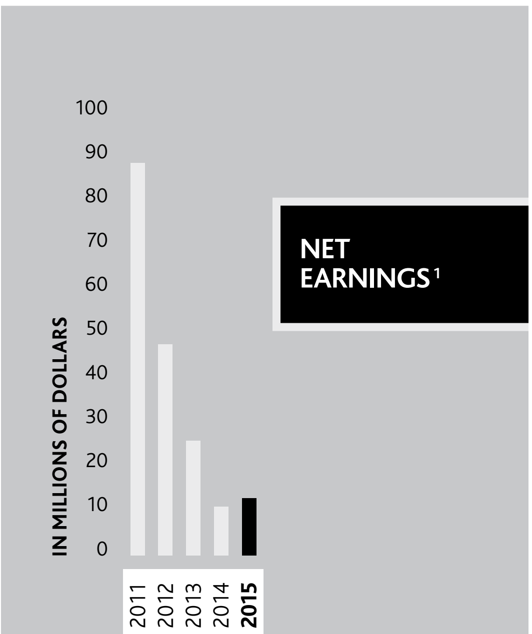
	2015	2014	2013 [1]	2012	2011
SALES					
1st Quarter	**$ 206,478**	$ 216,861	$ 217,094	$ 219,296	$ 235,745
2nd Quarter	**258,326**	253,445	279,513	286,075	292,026
3rd Quarter	**238,295**	249,414	236,247	254,072	262,515
4th Quarter	**236,277**	240,677	267,659	259,954	268,714
TOTAL	**$ 939,376**	$ 960,397	$ 1,000,513	$ 1,019,397	$ 1,059,000
RESULTS FROM OPERATING ACTIVITIES [2]					
1st Quarter	**$ (16,629)**	$ (5,117)	$ (736)	$ 5,018	$ 22,825
2nd Quarter	**10,904**	13,463	35,211	40,968	53,612
3rd Quarter	**14,078**	6,133	(1,135)	10,609	27,819
4th Quarter	**4,143**	(11,373)	(2,538)	4,493	19,886
TOTAL	**$ 12,496**	$ 3,106	$ 30,802	$ 61,088	$ 124,142
NET EARNINGS (LOSS)					
1st Quarter	**$ (13,415)**	$ (2,586)	$ (119)	$ 624	$ 15,770
2nd Quarter	**9,557**	10,182	27,649	31,680	38,706
3rd Quarter	**12,866**	5,763	(29)	10,561	20,692
4th Quarter	**4,407**	(2,571)	(1,145)	4,674	13,817
TOTAL	**$ 13,415**	$ 10,788	$ 26,356	$ 47,539	$ 88,985
BASIC EARNINGS (LOSS) PER SHARE					
1st Quarter	**$ (0.21)**	$ (0.04)	$ 0.00	$ 0.01	$ 0.23
2nd Quarter	**0.15**	0.16	0.42	0.48	0.58
3rd Quarter	**0.20**	0.09	0.00	0.16	0.31
4th Quarter	**0.07**	(0.04)	(0.02)	0.07	0.21
TOTAL	**$ 0.21**	$ 0.17	$ 0.40	$ 0.72	$ 1.33
NET EARNINGS	**$ 13,415**	$ 10,788	$ 26,356	$ 47,539	$ 88,985
BASIC EARNINGS PER SHARE	**$ 0.21**	$ 0.17	$ 0.40	$ 0.72	$ 1.33
SHAREHOLDERS' EQUITY	**$ 421,123**	$ 423,431	$ 454,893	$ 492,852	$ 512,800
PER SHARE	**$ 6.52**	$ 6.56	$ 7.04	$ 7.51	$ 7.73
NUMBER OF STORES	**823**	878	911	942	968
DIVIDENDS PAID	**$ 12,917**	$ 41,981	$ 52,068	$ 52,654	$ 51,895
SHARE PRICE AT YEAR-END					
CLASS A NON-VOTING	**$ 8.10**	$ 5.56	$ 12.39	$ 14.64	$ 17.81
COMMON	**$ 7.11**	$ 5.61	$ 11.85	$ 14.98	$ 18.18

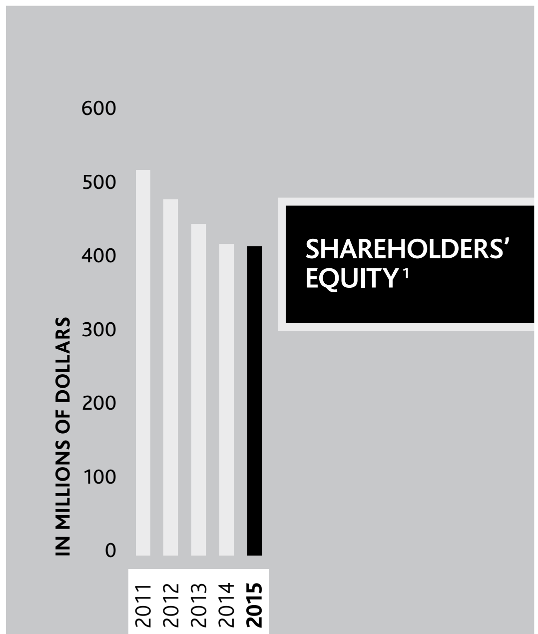
[1] Adjusted to reflect the impact from the implementation of the amendments to IAS 19, *Employee Benefits*.

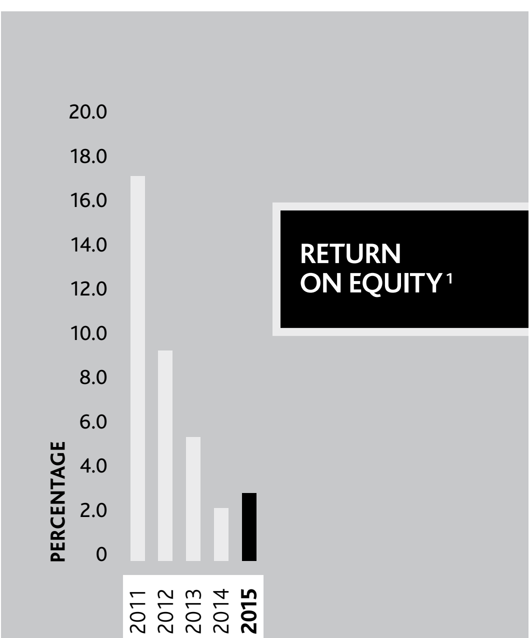
[2] Adjusted to reflect the reclassification of realized and unrealized gains and losses on foreign exchange contracts not eligible for hedge accounting to conform with presentation in the current year. Gains and losses on these foreign exchange contracts were previously reported in finance income and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

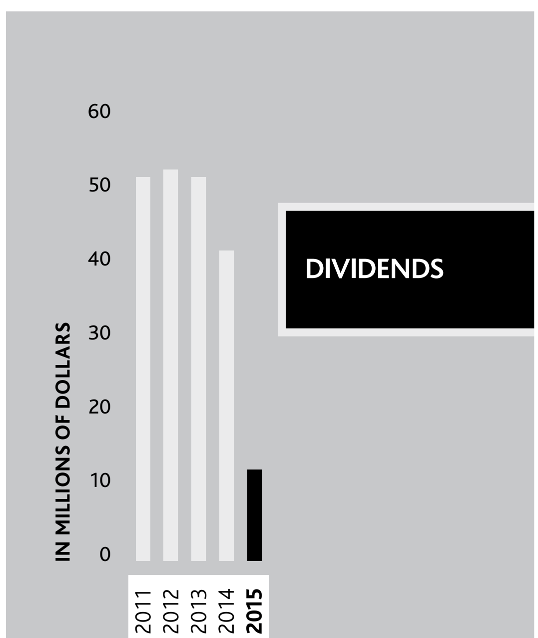












[1] The year ended 2013 has been adjusted to reflect the impact from the implementation of the amendments to IAS 19, *Employee Benefits*.

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

STORES ACROSS CANADA

	REITMANS	PENNINGTONS	ADDITION ELLE	RW & CO.	THYME	SMART SET	TOTAL STORES
NEWFOUNDLAND	14	3	2	1	–	–	20
PRINCE EDWARD ISLAND	3	1	–	–	–	2	6
NOVA SCOTIA	19	6	2	1	1	1	30
NEW BRUNSWICK	13	4	3	3	1	3	27
QUÉBEC	82	25	30	16	21	36	210
ONTARIO	110	51	39	29	25	33	287
MANITOBA	12	5	3	3	2	3	28
SASKATCHEWAN	11	6	3	2	2	2	26
ALBERTA	40	20	17	11	10	8	106
BRITISH COLUMBIA	35	18	6	10	6	6	81
NORTHWEST TERRITORIES	1	–	–	–	–	–	1
YUKON	1	–	–	–	–	–	1
	341	139	105	76	68	94	**823**

REITMANS offers a unique combination of superior fit, fashion, quality and value. With **341 STORES** across Canada averaging 4,600 sq. ft., Reitmans is the preferred destination for women looking to update their wardrobe with the latest styles and colours for an affordable price. While Reitmans enjoys a strong reputation for service and benefits from a broad and loyal customer base, it will continue to strive to create an engaging customer experience by being there for her whenever she chooses to shop. Reitmans' fashions can also be purchased online at reitmans.com.

Canadian leader of plus-size apparel, **PENNINGTONS** offers unparalleled value to our customers by providing fit expertise, quality and a unique inspiring shopping experience. Penningtons is the "Art of Affordable Fashion!" The plus-size fashion destination for sizes 14–32, Penningtons operates **139 STORES** across Canada averaging 6,000 sq. ft. and is available online at penningtons.com.

ADDITION ELLE is Canada's leading fashion destination for plus-size women. Addition Elle's vision of "Fashion Democracy" delivers the latest trends to updated fashion essentials in an inspiring shopping environment, offering casual daywear, dresses, contemporary career, sexy intimates, accessories, footwear, high performance activewear and a large assortment of premium denim labels. Addition Elle operates **105 STORES** averaging 6,000 sq. ft. in major malls and power centres nationwide and an e-commerce site at additionelle.com.

RW & CO. is an aspirational lifestyle brand which caters to men and women with an urban mindset. Whether for work or for weekend, RW & CO. offers fashion that blends the latest trends with style, quality and a unique attention to detail. RW & CO. operates **76 STORES** averaging 4,500 sq. ft. in premium locations in major shopping malls across Canada, as well as an e-commerce site at rw-co.com.

THYME MATERNITY, Canada's leading fashion brand for modern moms-to-be, offers current styles for every aspect of life, from casual to work, including a complete line of nursing fashion and accessories. Thyme brings future moms valuable advice, fashion tips and product knowledge to help them on their incredible journey during and after pregnancy. Thyme operates **68 STORES** averaging 2,300 sq. ft. in major malls and power centres nationwide, as well as 21 Thyme shop-in-shops in select Babies"R"Us locations in Canada. Thyme Maternity fashions can also be purchased online at thymematernity.com.

With **94 STORES**, averaging 3,400 sq. ft., **SMART SET** is a style destination offering wear-to-work separates, denim, essentials and accessories. Smart Set offers the latest styles in women's fashions to mix, match and innovate. Smart Set fashions can also be purchased online at smartset.ca.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE FISCAL YEAR ENDED JANUARY 31, 2015

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Reitmans (Canada) Limited and its subsidiaries ("Reitmans" or the "Company") should be read in conjunction with the audited consolidated financial statements of Reitmans as at and for the fiscal year ended January 31, 2015 ("fiscal 2015") and February 1, 2014 ("fiscal 2014") and the notes thereto which are available at www.sedar.com. This MD&A is dated April 1, 2015.

All financial information contained in this MD&A and Reitmans' audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), as issued by the International Accounting Standards Board ("IASB"). All monetary amounts in this report are in thousands of Canadian dollars, except per share amounts. The audited consolidated financial statements and this MD&A were reviewed by Reitmans' Audit Committee and were approved by its Board of Directors on April 1, 2015.

Additional information about Reitmans 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, including those described in the "Operating Risk Management" and "Financial Risk Management" sections of this MD&A. Consequently, actual future results may differ materially from the anticipated results expressed in forward-looking statements, which reflect the Company's expectations only as of the date of this MD&A. Forward-looking statements are based upon the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and currently expected future developments, as well as other factors it believes are appropriate in the circumstances. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the Company's anticipated future results and events, future liquidity, planned capital expenditures, amount of pension plan contributions, status and impact of systems implementation, the ability of the Company to successfully implement its strategic initiatives and cost reduction and productivity improvement initiatives as well as the impact of such initiatives. The reader should not place undue reliance on any forward-looking statements included herein. These statements speak only as of the date made and the Company is under no obligation and disavows any intention to update or revise such statements as a result of any event, circumstances or otherwise, except to the extent required under applicable securities law.

NON-GAAP FINANCIAL MEASURES

In addition to discussing earnings in accordance with IFRS, this MD&A provides adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") as a non-GAAP financial measure. Adjusted EBITDA is defined as net earnings before income tax expense, other income, dividend income, interest income, realized gains or losses on disposal of available-for-sale financial assets, interest expense, depreciation, amortization and net impairment losses. The following table reconciles the most comparable GAAP measure, net earnings, to adjusted EBITDA. Management believes that adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund working capital needs and fund capital expenditures and uses the metric for this purpose. The exclusion of dividend and interest income eliminates the impact of revenue derived from non-operational activities. The exclusion of depreciation, amortization and impairment charges eliminates the non-cash impact. The intent of adjusted EBITDA is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate adjusted EBITDA differently. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

The Company uses a key performance indicator ("KPI"), same store sales, to assess store performance (including each banner's e-commerce store) and sales growth. Same store sales are defined as sales generated by stores that have been continuously open during both of the periods being compared and include e-commerce sales. The same store sales metric compares the same calendar days for each period. Although this KPI is expressed as a ratio, it is a non-GAAP financial measure that does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. Management uses same store sales in evaluating the performance of stores and considers it useful in helping to determine what portion of new sales has come from sales growth and what portion can be attributed to the opening of new stores. Same store sales is a measure widely used amongst retailers and is considered useful information for both investors and analysts. Same store sales should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

The following table reconciles net earnings (loss) to adjusted EBITDA for the three months and fiscal year ended January 31, 2015 and February 1, 2014:

	FOR THE THREE MONTHS ENDED		FOR THE FISCAL YEAR ENDED	
	JANUARY 31, 2015	FEBRUARY 1, 2014	JANUARY 31, 2015	FEBRUARY 1, 2014
Net earnings (loss)	**$ 4,407**	$ (2,571)	**$ 13,415**	$ 10,788
Depreciation, amortization and net impairment losses	**12,265**	17,312	**54,038**	63,724
Other income [1]	**–**	(6,054)	**–**	(6,054)
Dividend income	**(409)**	(873)	**(2,298)**	(3,481)
Interest income	**(377)**	(184)	**(994)**	(621)
Realized (gains) losses on disposal of available-for-sale financial assets	**(4,045)**	248	**(4,820)**	248
Impairment losses on available-for-sale financial assets	**384**	2,007	**958**	2,699
Interest expense	**88**	114	**394**	496
Income tax expense (recovery)	**1,829**	(1,863)	**4,112**	2,654
Adjusted EBITDA	**$ 14,142**	$ 8,136	**$ 64,805**	$ 70,453
Adjusted EBITDA as % of sales	**5.99%**	3.38%	**6.90%**	7.34%

[1] Other income comprises a gain on sale of intellectual property rights and proceeds from the settlement of a trademark dispute.

CORPORATE OVERVIEW

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

Reitmans

The Reitmans banner, operating 341 stores averaging 4,600 sq. ft., is Canada's largest women's apparel specialty chain and leading fashion brand. Reitmans has developed strong customer loyalty through superior service, insightful marketing and quality merchandise.

Penningtons

Penningtons is a leader in the Canadian plus-size market, offering trend-right styles and affordable quality for plus-size fashion sizes 14–32. Penningtons operates 139 stores in power centres across Canada averaging 6,000 sq. ft.

ADDITION ELLE

Addition Elle is a fashion destination for plus-size women with a focus on fashion, quality and fit delivering the latest "must-have" trends to updated fashion essentials in an inspiring shopping environment. Addition Elle operates 105 stores averaging 6,000 sq. ft. in major malls and power centres nationwide.

RW&CO.

RW & CO. operates 76 stores averaging 4,500 sq. ft. in premium locations in major shopping malls, catering to a customer with an urban mindset by offering fashions for men and women.

Thyme

Thyme Maternity is a leading fashion brand for moms-to-be, offering current styles for every aspect of life, from casual to work, plus a complete line of nursing fashions and accessories. Thyme operates 68 stores averaging 2,300 sq. ft. in major malls and power centres across Canada. In addition, the Company operates 21 Thyme Maternity shop-in-shop boutiques in select Babies"R"Us locations in Canada. In June 2014 the Company closed its remaining Thyme Maternity shop-in-shop boutiques in the U.S.

SMARTSET

With 94 stores, averaging 3,400 sq. ft., Smart Set is a style destination offering the latest styles in women's fashions to mix, match and innovate from wear-to-work separates, denim, essentials and accessories.

On November 25, 2014 the Company announced its plan to close all Smart Set stores. Management determined that its optimum strategy to improve operating results was to refocus its sales and merchandising efforts either through conversion of Smart Set stores to other Company banners or through store closures. The majority of the stores that will be converted will occur by October 31, 2015 while the remaining stores are anticipated to close by the year ending January 28, 2017.

The Smart Set banner sales for fiscal 2015 were $88,856 as compared to $95,764 for fiscal 2014, while losses from operating activities for fiscal 2015 were $10,030 as compared to $29,499 for fiscal 2014 (including an allocation of general overhead costs). The Smart Set banner non-cash asset write-offs amounted to $3,085 for fiscal 2015. The Company does not anticipate inventory write-downs or material employee severance costs.

E-COMMERCE

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

RETAIL BANNERS

	NUMBER OF STORES AT FEBRUARY 1, 2014	Q1 OPENINGS	Q1 CLOSINGS	Q2 OPENINGS	Q2 CLOSINGS	Q3 OPENINGS	Q3 CLOSINGS	Q4 OPENINGS	Q4 CLOSINGS	NUMBER OF STORES AT JANUARY 31, 2015
Reitmans	349	1	(5)	–	(2)	2	(2)	–	(2)	341
Penningtons	152	1	(7)	–	(3)	–	(2)	–	(2)	139
Addition Elle	101	1	–	1	(1)	3	–	–	–	105
RW & CO.	77	–	–	–	(1)	3	–	–	(3)	76
Thyme Maternity[1]	70	–	(2)	–	–	–	–	–	–	68
Smart Set	129	–	(5)	–	(11)	–	(6)	–	(13)	94
Total	**878**	**3**	**(19)**	**1**	**(18)**	**8**	**(10)**	**–**	**(20)**	**823**

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

Thyme Maternity shop-in-shop locations:

Babies"R"Us – Canada	23	–	–	–	(2)	–	–	–	–	21
Babies"R"Us – U.S.	169	–	(102)	–	(67)	–	–	–	–	–
Babies"R"Us – Total	**192**	**–**	**(102)**	**–**	**(69)**	**–**	**–**	**–**	**–**	**21**

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.

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THREE-YEAR REVIEW OF SELECTED FINANCIAL INFORMATION

	FOR THE FISCAL YEARS ENDED JANUARY 31, 2015 (52 WEEKS)	FEBRUARY 1, 2014 (52 WEEKS)	FEBRUARY 2, 2013[1] (53 WEEKS)
Total of stores at end of fiscal year[2]	**823**	878	911
Sales	**$ 939,376**	$ 960,397	$ 1,000,513
Earnings before income taxes	**17,527**	13,442	34,778
Net earnings	**13,415**	10,788	26,356
Earnings per share ("EPS")			
Basic	**0.21**	0.17	0.40
Diluted	**0.21**	0.17	0.40
Total assets	**584,391**	589,939	594,968
Total non-current liabilities	**48,600**	51,039	52,792
Dividends per share	**$ 0.20**	$ 0.65	$ 0.80

[1] Certain figures have been adjusted to reflect the impact from the implementation of the amendments to IAS 19 – *Employee Benefits* and adjusted to reflect a reclassification of certain items to conform with presentation in the current year.

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

Sales over the last three years were impacted by a challenging retail environment. Weak economic conditions, the influx of foreign entrants into Canada and increased e-commerce competition have resulted in a highly competitive landscape as retailers aggressively compete in a limited consumer marketplace. Additionally, as the Company looked to close underperforming stores, it has decreased its store count, with a net reduction of 88 stores over two years.

Fiscal 2013 sales included an additional week, due to the Company's retail calendar, resulting in an increase of approximately $13,600 in sales. Despite this increase, sales in fiscal 2013 were significantly impacted by a disruption in the flow of inventory to stores as a result of difficulties experienced with the deployment of a new warehouse management system.

Sales for fiscal 2014 were weak, with particularly poor performance in the Smart Set banner, despite its efforts to regain acceptance by consumers through repositioning and rebranding.

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

The Company's gross profit, and ultimately net earnings, have been significantly impacted by fluctuations in the Canadian dollar in relation to the U.S. dollar. In the last three years, the Canadian dollar has seen a significant weakening vis-à-vis the U.S. dollar. This has resulted in increased merchandise costs as virtually all merchandise payments are settled in U.S. dollars.

In fiscal 2013, the Canadian dollar traded close to par with the U.S. dollar. As consumer demand weakened due to economic conditions higher promotional activity resulted. Fiscal 2013 margins were also impacted by a disruption in the flow of inventory to stores as noted above.

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

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

Despite a challenging retail environment over the past three years, the Company's balance sheet has remained strong. The Company has continued to maintain a strong position in cash, cash equivalents and marketable securities. Inventories, although trending somewhat higher on a per store basis, continue to be closely managed. The Company invested considerably in capital expenditures for fiscal 2013 in both store renovations and systems technology at the head office. In fiscal 2014, the Company significantly reduced its capital expenditures to $34,524 and to $28,960 in fiscal 2015. This level of expenditure is below earlier estimates due to cancellations and postponements of planned renovations and store openings.

STRATEGIC INITIATIVES

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

Ongoing and new Company initiatives include:

INITIATIVES	STATUS
The Company recently announced a plan to close the stores operating under the Smart Set banner. It is in the early stages of executing its planned conversion and closure of the remaining Smart Set stores.	Over the next twelve to eighteen months the Company plans to convert approximately 74 of its remaining Smart Set stores to other banners while closing 20 stores. This strategy is expected to improve operating results by allowing the Company to refocus its sales and merchandising efforts on the remaining banners.
In March 2015, the Company launched a Penningtons product offering through Amazon.com in the U.S.	This entrance into e-commerce in the U.S. provides the Company with an introduction of its plus-size offering in the U.S. market while leveraging its current buying and distribution systems.
The Company is committed to continued investment in e-commerce, including improvements in customer relationship management and technology.	The Company continues to invest in e-commerce, including the deployment of mobile technology in fiscal 2015. An initiative is underway to optimize the use of the Company's customer relationship database through technological improvements such as advanced email technology enabling targeted marketing. The Company is pleased with the continued growth in e-commerce sales.
Continuation of a companywide supply chain optimization and retail enterprise initiative, internally branded as "SCORE", focused on deploying best-in-class retail applications supported by a new and improved technology platform. SCORE will enable new processes that will permit flexibility and adaptability across the merchandising and supply chain operations.	The Company completed a key component to the financial workstream in the SCORE project. Significant remaining phases of the SCORE project are on track for a fiscal 2016 completion with the project end now anticipated for mid-fiscal 2017.
A comprehensive review of the Company's global sourcing strategy and execution continues with a goal of reducing lead time for bringing products to market.	This initiative is progressing well with significant milestone achievements. A corporate global sourcing unit has been developed with a goal of improving current sourcing practices, reducing costs and evaluating other sourcing opportunities. Vendor consolidation has been achieved and further improvements in the supply chain are ongoing.
A corporate initiative aimed at reducing costs across the Company has been introduced which includes a review of head office activities and processes targeted at improving efficiencies.	Process improvements were implemented and resulted in savings with further improvement in efficiencies anticipated as the Company continues to move forward with this project. Initiatives also included a reduction in the number of employees.

OPERATING RESULTS FOR THE THREE MONTHS ENDED JANUARY 31, 2015 ("FOURTH QUARTER OF FISCAL 2015") AND COMPARISON TO OPERATING RESULTS FOR THE THREE MONTHS ENDED FEBRUARY 1, 2014 ("FOURTH QUARTER OF FISCAL 2014")

Sales for the fourth quarter of fiscal 2015 were $236,277 as compared with $240,677 for the fourth quarter of fiscal 2014, a decrease of 1.8%. Same store sales increased 2.1% with mall and power centre stores decreasing 0.6% and e-commerce sales increasing 84.9%. The following factors impacted sales in the fourth quarter of fiscal 2015:

- a net reduction of 55 stores as the Company closes underperforming locations;
- mall and power centre stores were impacted by e-commerce alternatives, a highly competitive environment and consumers with near record high debt levels;
- e-commerce sales continued to show strong growth, although representing a small proportion of total Company sales;
- the initiative to close the Smart Set banner negatively impacted sales.

Gross profit for the fourth quarter of fiscal 2015 increased 1.9% to $144,104 as compared with $141,388 for the fourth quarter of fiscal 2014, an increase of $2,716. The Company's gross margin for the fourth quarter of fiscal 2015 increased to 61.0% from 58.7% for the fourth quarter of fiscal 2014. Improvement in the gross margin is largely attributable to:

- improved margins in the plus-size banners and e-commerce;
- improved inventory and markdown management, reducing the negative effect of foreign exchange (average rate for the U.S. dollar ranging between $1.12 and $1.27 Canadian during the fourth quarter of fiscal 2015 as compared to $1.04 and $1.12 Canadian in the fourth quarter of fiscal 2014);
- a gain of $10,041 for the fourth quarter of fiscal 2015 ($9,505 for the fourth quarter of fiscal 2014), representing realized and unrealized gains on foreign exchange contracts not eligible for hedge accounting. Gains and losses on these foreign exchange contracts were previously reported in finance income and finance costs.

Selling and distribution expenses for the fourth quarter of fiscal 2015 decreased 9.1% or $12,762 to $127,545 as compared with $140,307 for the fourth quarter of fiscal 2014. Factors contributing to this change included:

- a net decrease in stores, mainly due to the Smart Set closures;
- savings related to ongoing corporate cost reduction initiatives;
- lower net impairment losses and write-offs of property, equipment and intangibles relating to underperforming stores and store closures ($966 for the fourth quarter of fiscal 2015 compared to $4,724 for the fourth quarter of fiscal 2014). This decrease is primarily due to reduced impairment charges related to Thyme Maternity shop-in-shop boutiques in the U.S. and the Smart Set banner;
- a reduction in depreciation and amortization attributable to lower capital expenditures.

Administrative expenses for the fourth quarter of fiscal 2015 were $12,416 comparable with $12,454 for the fourth quarter of fiscal 2014. Depreciation, amortization and net impairment losses included in administrative expenses for the fourth quarter of fiscal 2015 were $409, compared to $611 for the fourth quarter of fiscal 2014.

Finance income for the fourth quarter of fiscal 2015 was $4,831 as compared to $3,254 for the fourth quarter of fiscal 2014, an increase of $1,577. Gains and losses on foreign exchange contracts not eligible for hedge accounting previously reported in finance income and finance costs are now presented as part of cost of goods sold. Finance costs for the fourth quarter of fiscal 2015 were $2,738 as compared to $2,369 for the fourth quarter of fiscal 2014, an increase of $369. Net finance income recognized in net earnings was $2,093 for the fourth quarter of fiscal 2015 as compared to $885 for the fourth quarter of fiscal 2014, an increase of $1,208 or 136.5%. This change is largely attributable to the following:

- a significant repositioning in the fourth quarter of fiscal 2015 of the marketable securities portfolio which contributed to realized gains on disposals on available-for-sale financial assets of $4,045 for the fourth quarter of fiscal 2015 ($248 loss for the fourth quarter of fiscal 2014);
- a lower impairment loss on available-for-sale financial assets ($384 in the fourth quarter of fiscal 2015 as compared to $2,007 in the fourth quarter of fiscal 2014), due to the above noted change repositioning of the marketable securities portfolio;
- a foreign exchange loss of $2,266 for the fourth quarter of fiscal 2015 (gain of $2,197 for the fourth quarter of 2014), largely attributable to foreign exchange impact on U.S. denominated monetary assets and liabilities.

For the fourth quarter of fiscal 2015, earnings before income taxes were $6,236 as compared to a loss before income taxes of $4,434 for the fourth quarter of fiscal 2014, an increase of $10,670. Adjusted EBITDA for the fourth quarter of fiscal 2015 was $14,142 as compared with $8,136 for the fourth quarter of fiscal 2014, an increase of $6,006 or 73.8%. These increases were primarily attributable to improved gross margins in the fourth quarter of fiscal 2015 as explained above combined with reduced operating costs both at the store level and head office. Previously reported initiatives aimed at reducing costs across the organization have yielded savings. A reduction in the number of employees in both head office and field operations, in conjunction with a reduction in the number of store locations, have resulted in wages and benefit savings. Additional savings have been achieved through improved cost management in non-wage areas.

Income tax expense for the fourth quarter of fiscal 2015 amounted to $1,829 for an effective tax rate of 29.3%. In the fourth quarter of fiscal 2014, income tax recovery amounted to $1,863 for an effective tax recovery rate of 42.0%. The Company's effective tax rates reflect the impact of changes in substantively enacted tax rates in various tax jurisdictions in Canada.

Net earnings for the fourth quarter of fiscal 2015 were $4,407 ($0.07 diluted earnings per share) as compared with a net loss of $2,571 ($0.04 diluted loss per share) for the fourth quarter of fiscal 2014.

In the fourth quarter of fiscal 2015, the Company entered into certain qualifying foreign exchange contracts that it designated as cash flow hedging instruments under International Accounting Standard 39 ("IAS 39"). This resulted in a $6,026 mark-to-market foreign exchange gain being recorded as a component of other comprehensive income.

OPERATING RESULTS FOR FISCAL 2015 AND COMPARISON TO OPERATING RESULTS FOR FISCAL 2014

Sales for fiscal 2015 were $939,376 as compared with $960,397 for fiscal 2014, a decrease of 2.2%. Same store sales increased 1.2% with mall and power centre stores decreasing 0.2% and e-commerce sales increasing 63.5%.

The following factors impacted sales in fiscal 2015:

- a net reduction of 55 stores as the Company closes underperforming locations;
- mall and power centre stores were impacted by e-commerce alternatives, a highly competitive environment and consumers with near record high debt levels;
- e-commerce sales continued to show strong growth, although representing a small proportion of total Company sales;
- the initiative to close the Smart Set banner negatively impacted sales.

Gross profit for fiscal 2015 was $567,343 as compared with $594,939 for fiscal 2014, a decrease of $27,596 or 4.6%. The Company's gross margin for fiscal 2015 was 60.4% compared with 61.9% for fiscal 2014. The change in the gross margin is largely attributable to:

- highly promotional activity in the first quarter of fiscal 2015 that negatively impacted the gross margin;
- the decline in the Canadian dollar vis-à-vis the U.S. dollar which has negatively impacted margins (average rate for a U.S. dollar ranging between $1.06 and $1.27 during fiscal 2015 as compared to $1.00 and $1.12 in fiscal 2014), which was offset by improved inventory and markdown management;
- a gain of $10,921 for fiscal 2015 ($12,455 for fiscal 2014), representing realized and unrealized gains on foreign exchange contracts not eligible for hedge accounting. Gains and losses on these foreign exchange contracts were previously reported in finance income and finance costs.

Selling and distribution expenses for fiscal 2015 were $507,244 as compared with $544,448 for fiscal 2014, a decrease of $37,204 or 6.8%. Factors contributing to this change included:

- a net decrease in stores as well as savings related to ongoing corporate cost reduction initiatives;
- fiscal 2015 included an expense of $8,141 compared to $9,826 in fiscal 2014 for net impairment losses relating to underperforming stores and the write-off of property, equipment and intangibles upon store closures. This decrease is primarily due to reduced impairment charges related to Thyme Maternity shop-in-shop boutiques in the U.S. and the Smart Set banner;
- a reduction in depreciation and amortization attributable to lower capital expenditures.

Administrative expenses for fiscal 2015 were $47,603 comparable with $47,385 for fiscal 2014, an increase of 0.5%. Savings through reduced personnel costs were offset by increased termination costs. Depreciation and amortization expense included in administrative expenses for the fiscal 2015 were $2,057, compared to $2,594 for fiscal 2014.

Finance income for fiscal 2015 was $8,112 as compared to $7,725 for fiscal 2014, an increase of $387. Gains and losses on foreign exchange contracts not eligible for hedge accounting previously reported in finance income and finance costs are now presented as part of cost of goods sold. Finance costs for fiscal 2015 were $3,081 as compared to $3,443 for fiscal 2014, a decrease of $362. Net finance income recognized in net earnings was $5,031 for fiscal 2015 as compared to $4,282 for fiscal 2014, an increase of $749 or 17.5%. This change is largely attributable to the following:

- a significant repositioning in the fourth quarter of fiscal 2015 of the marketable securities portfolio which contributed to realized gains on disposals on available-for-sale financial assets of $4,820 in fiscal 2015 ($248 loss for fiscal 2014);
- a lower impairment loss on available-for-sale financial assets of $958 recognized for fiscal 2015 ($2,699 for fiscal 2014) due to the above noted repositioning of the marketable securities portfolio;
- reduced dividend income amounting to $2,298 for fiscal 2015 ($3,481 for fiscal 2014) due to lower marketable securities caused by mandatory redemptions and the sale of preferred shares earlier in fiscal 2015;
- a foreign exchange loss of $1,729 for fiscal 2015 (gain of $3,623 for fiscal 2014), largely attributable to foreign exchange impact on U.S. denominated monetary assets and liabilities.

In fiscal 2015, earnings before income taxes were $17,527 as compared to $13,442 in fiscal 2014, an increase of $4,085. The increase was primarily attributable to the closure of non-performing stores and previously reported initiatives aimed at reducing costs across the organization. A reduction in the number of employees in both head office and field operations, in conjunction with a reduction in the number of store locations have resulted in wages and benefit savings. Additional savings have been achieved through improved cost management in non-wage areas. The impact of a significant decline in the Canadian dollar vis-à-vis the U.S. dollar resulting in increased cost of goods sold was offset by improved inventory and markdown management. Adjusted EBITDA in fiscal 2015 was $64,805 as compared with $70,453 in fiscal 2014, a decrease of $5,648 or 8.0%, largely attributable to lower sales and margins.

Income tax expense for fiscal 2015 amounted to $4,112 for an effective tax rate of 23.5% as compared to $2,654 in fiscal 2014 for an effective tax rate of 19.7%. The increase in the effective tax rate is primarily attributed to change in tax exempt investment dividend income relative to the Company's active business income compared to the previous year. The Company's effective tax rates reflect the impact of changes in substantively enacted tax rates in various tax jurisdictions in Canada.

The Company recorded net earnings for fiscal 2015 of $13,415 ($0.21 diluted earnings per share) as compared with net earnings of $10,788 ($0.17 diluted earnings per share) for fiscal 2014.

In the fourth quarter of fiscal 2015, the Company entered into certain qualifying foreign exchange contracts that it designated as cash flow hedging instruments under IAS 39. This has resulted in a $6,026 mark-to-market foreign exchange gain being recorded as a component of other comprehensive income.

The Company imports a majority of its merchandise purchases from foreign vendors, with lead times in some cases extending twelve months. The Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar commitments, including spot rate purchases and foreign exchange option contracts with maturities not exceeding twelve months. In fiscal 2015, the Company satisfied its U.S. dollar requirements through a combination of spot purchases and foreign exchange forward and option contracts. The Company entered into transactions with its banks whereby it purchased forward and call options and sold put options, all on the U.S. dollar. Purchased call options and sold put options expiring on the same date have the same strike price.

In fiscal 2015, these merchandise purchases, payable in U.S. dollars, approximated $228,000 U.S. The Company's U.S. dollar holdings, along with contracts to purchase U.S. dollars are sufficient to satisfy over 60% of projected U.S. dollar denominated merchandise purchases for the fiscal year ending January 30, 2016 with any additional requirements being met through spot U.S. dollar purchases.

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

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

Details of the foreign currency option contracts outstanding as at February 1, 2014 are as follows:

	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange contracts classified at FVTPL[1]:					
Call options purchased	$ 1.070	$ 212,000	$ 11,775	$ –	$ 11,775
Put options sold	$ 1.070	$ 364,000	–	(3,065)	(3,065)
			$ 11,775	$ (3,065)	$ 8,710

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

SUMMARY OF QUARTERLY RESULTS

The table below sets forth selected consolidated financial data for the eight most recently completed quarters. This unaudited quarterly information has been prepared in accordance with IFRS. All references to "2015" are to the Company's fiscal year ending January 31, 2015, to "2014" are to the Company's fiscal year ended February 1, 2014.

	FOURTH QUARTER		THIRD QUARTER		SECOND QUARTER		FIRST QUARTER	
	2015	2014	2015	2014	2015	2014	2015	2014
Sales	$ 236,277	$ 240,677	$ 238,295	$ 249,414	$ 258,326	$ 253,445	$ 206,478	$ 216,861
Net earnings (losses)	4,407	(2,571)	12,866	5,763	9,557	10,182	(13,415)	(2,586)
Earnings (losses) per share								
Basic	$ 0.07	$ (0.04)	$ 0.20	$ 0.09	$ 0.15	$ 0.16	$ (0.21)	$ (0.04)
Diluted	0.07	(0.04)	0.20	0.09	0.15	0.16	(0.21)	(0.04)

Fluctuations in the above-noted quarterly financial information reflect the underlying operations of the Company as well as the impact of pre-closing merchandise discounting at the Thyme Maternity shop-in-shop boutiques in the U.S. in the fourth quarter of fiscal 2014. Financial results are also affected by seasonality and the timing of holidays. Due to seasonality the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year.

BALANCE SHEET

Selected line items from the Company's balance sheets as at January 31, 2015 and February 1, 2014 are presented below:

	2015	2014	$ CHANGE	% CHANGE
ASSETS				
Cash and cash equivalents	**$ 139,913**	$ 122,355	$ 17,558	14.4
Marketable securities	**57,364**	55,062	2,302	4.2
Trade and other receivables	**4,599**	6,422	(1,823)	(28.4)
Derivative financial asset	**20,635**	11,775	8,860	75.2
Income taxes recoverable	**1,977**	5,656	(3,679)	(65.0)
Inventories	**106,440**	109,601	(3,161)	(2.9)
Prepaid expenses	**12,148**	12,512	(364)	(2.9)
Property and equipment & intangible assets	**172,426**	195,552	(23,126)	(11.8)
Goodwill	**42,426**	42,426	–	–
Deferred income taxes	**26,463**	28,578	(2,115)	(7.4)
TOTAL ASSETS	**$ 584,391**	$ 589,939	$ (5,548)	(0.9)
LIABILITIES				
Trade and other payables	**$ 101,622**	$ 102,576	$ (954)	(0.9)
Derivative financial liability	**96**	3,065	(2,969)	(96.9)
Deferred revenue	**21,073**	19,998	1,075	5.4
Deferred lease credits	**13,178**	15,607	(2,429)	(15.6)
Long-term debt	**5,331**	7,003	(1,672)	(23.9)
Pension liability	**21,968**	18,259	3,709	20.3
TOTAL LIABILITIES	**$ 163,268**	$ 166,508	$ (3,240)	(1.9)

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

- cash and cash equivalents increased despite reduced cash flows from operating activities as reduced capital expenditures and dividends paid contributed to positive cash flows;
- the increase in marketable securities was due to purchases of securities done in conjunction with a significant repositioning of the marketable securities portfolio in the fourth quarter of fiscal 2015. The marketable securities are comprised of preferred shares of Canadian public companies;
- a decrease in trade and other receivables was primarily due to the collection of receivables related to intellectual property rights, a trademark settlement and wholesale trade receivables. Trade and other receivables are primarily credit card sales from the last few days of the fiscal quarter;
- the Company has recorded a net derivative financial asset, related to foreign exchange contracts. This increase in the net derivative financial asset is attributable to the impact of positive mark-to-market adjustments on foreign exchange contracts;
- income taxes recoverable are attributable to instalments made in excess of estimated tax liabilities;
- inventories were lower due to a reduction in the number of stores in Canada along with the exit of Babies"R"Us in the U.S. This is despite the impact of a weaker Canadian dollar vis-à-vis the U.S. dollar resulting in increased merchandise costs which were mitigated by a significant reduction in the number of units on hand. Additionally, the Company is continuing to carefully manage its inventory levels to improve markdown levels for the ensuing fiscal year;
- a reduction in property, equipment and intangible assets reflects a significantly reduced level of capital expenditures over the past two years.

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

- deferred revenue increased largely due to the timing of loyalty reward program incentives. Deferred revenue consists of unredeemed gift cards, loyalty points and awards granted under customer loyalty programs. Revenue is recognized when the gift cards, loyalty points and awards are redeemed;
- tenant allowances are recorded as deferred lease credits and amortized as a reduction of rent expense over the term of the related leases. A reduced level of tenant allowances is reflective of fewer new store openings;
- a decrease in long-term debt is attributable to the continued repayment of the mortgage debt principal. The Company's long-term debt consists of a mortgage, which is secured by the Company's distribution centre;
- the increase in pension liability is due to $1,975 of pension expense, actuarial losses of $2,609 partially offset by pension contributions paid of $875. The pension liability is primarily related to the unfunded Supplemental Executive Retirement Plan ("SERP").

OPERATING RISK MANAGEMENT

ECONOMIC ENVIRONMENT

Economic factors that impact consumer spending patterns could deteriorate or remain unpredictable due to global, national or regional economic volatility. These factors could negatively affect the Company's revenue and margins. Inflationary trends are unpredictable and changes in the rate of inflation or deflation will affect consumer prices, which in turn could negatively affect the financial performance of the Company. The Company closely monitors economic conditions in order to react to consumer spending habits and constraints in developing both its short-term and long-term operating decisions. The Company is in a strong financial position with significant liquidity available and ample credit resources to draw upon as deemed necessary.

COMPETITIVE ENVIRONMENT

The retail apparel business in Canada is highly competitive with competitors including department stores, specialty apparel chains and independent retailers. If the Company is ineffective in responding to consumer trends or in executing its strategic plans its financial performance could be negatively affected. There is no effective barrier to entry into the Canadian apparel retailing marketplace by any potential competitor, foreign or domestic, as witnessed by the arrival over the past few years of a number of foreign-based competitors and additional foreign retailers continuing to expand into the Canadian marketplace. Additionally, Canadian women have a significant number of e-commerce shopping alternatives available to them on a global basis. The Company believes that it is well positioned to compete with any competitor. The Company operates multiple banners with product offerings that are diversified as each banner is directed to and focused on a different niche in the Canadian women's apparel market. Our stores, located throughout Canada, offer affordable fashions to consumers. The Company also offers an e-commerce alternative for shoppers through each of the banners' websites. The e-commerce retail landscape is highly competitive with both domestic and foreign competition. The Company has invested significantly in its e-commerce websites and social media to drive consumers to the websites and believes that it is positioned well to compete in this environment.

SEASONALITY

The Company's business is seasonal and is also subject to a number of factors which directly impact retail sales of apparel over which it has no control, namely fluctuations in weather patterns, swings in consumer confidence and buying habits and the potential of rapid changes in fashion preferences.

DISTRIBUTION AND SUPPLY CHAIN

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

INFORMATION TECHNOLOGY

The Company depends on information systems to manage its operations, including a full range of retail, financial, merchandising and inventory control, planning, forecasting, reporting and distribution systems. The Company embarked on a major systems development project in 2010. The new functionality offered by this project which spans warehousing and distribution, merchandising, operations and finance is projected for completion in fiscal 2017. Any significant disruptions in the performance of distribution or any other systems could have a material adverse impact on the Company's operations and financial results.

GOVERNMENT LAWS AND REGULATION

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

Changes to any of the laws, rules, regulations or policies (collectively, "laws") applicable to the Company's business, including income, capital, property and other taxes, and laws affecting the importation, distribution, packaging and labelling of products, could have an adverse impact on the financial or operational performance of the Company. In the course of complying with such changes, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business. Failure by the Company to comply with applicable laws and orders in a timely manner could subject the Company to civil or regulatory actions or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could negatively affect the reputation, operations and financial performance of the Company.

The Company is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. These reassessments could have a material impact on the Company in future periods.

MERCHANDISE SOURCING

Virtually all of the Company's merchandise is private label. On an annual basis, the Company directly imports approximately 80% of its merchandise, largely from China. In fiscal 2015, no supplier represented more than 12% of the Company's purchases (in dollars and/or units) and there are a variety of alternative sources (both domestic and international) for virtually all of the Company's merchandise. The Company has good relationships with its suppliers and has no reason to believe that it is exposed to any material risk that would prevent the Company from acquiring, distributing and/or selling merchandise on an ongoing basis.

The Company endeavours to be environmentally responsible and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound sustainability management, including environmental stewardship. The Company has adopted sourcing and other business practices to address the environmental concerns of its customers. The Company has established guidelines that require compliance with all applicable environmental laws and regulations. Although the Company requires its suppliers to adhere to these guidelines, there is no guarantee that these suppliers will not take actions that hurt the Company's reputation, as they are independent third parties that the Company does not control. However, if there is a lack of apparent compliance, it may lead the Company to search for alternative suppliers. This may have an adverse effect on the Company's financial results, by increasing costs and potentially causing delays in delivery.

PRIVACY AND INFORMATION SECURITY

The Company is subject to various laws regarding the protection of personal information of its customers, cardholders and employees and has adopted a Privacy Policy setting out guidelines for the handling of personal information. The Company's IT systems contain personal information of customers, cardholders and employees. Any failures or vulnerabilities in these systems or non-compliance with laws or regulations, including those in relation to personal information belonging to the Company's customers and employees, could negatively affect the reputation, operations and financial performance of the Company.

FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Disclosures relating to the Company's exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk are provided below.

CREDIT RISK

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, marketable securities, trade and other receivables and foreign currency option contracts. The Company limits its exposure to credit risk with respect to cash and cash equivalents and foreign currency forwards and option contracts by dealing with Canadian financial institutions. Marketable securities consist of preferred shares of highly-rated Canadian public companies. The Company's trade and other receivables consist primarily of credit card receivables from the last few days of the fiscal year, which are settled within the first days of the next fiscal year.

As at January 31, 2015, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	$ 139,913
Marketable securities	57,364
Trade and other receivables	4,599
Derivative financial asset	20,635
	$ 222,511

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of trade and other payables is within twelve months. As at January 31, 2015, the Company had a high degree of liquidity with $197,277 in cash and cash equivalents and marketable securities. In addition, the Company has unsecured credit facilities of $100,000 subject to annual renewals. The Company has financed its store expansion through internally-generated funds and its unsecured credit facilities are used to finance seasonal working capital requirements for U.S. dollar merchandise purchases. The Company's long-term debt consists of a mortgage bearing interest at 6.40%, due November 2017, which is secured by the Company's distribution centre.

FOREIGN CURRENCY RISK

The Company purchases a significant amount of its merchandise with U.S. dollars and as such significant volatility in the U.S. dollar vis-à-vis the Canadian dollar can have an adverse impact on the Company's gross margin. The Company has a variety of alternatives that it considers to manage its foreign currency exposure on cash flows related to these purchases. These include, but are not limited to, various styles of foreign currency option or forward contracts, not to exceed twelve months, and spot rate purchases. A foreign currency option contract represents an option or obligation to buy a foreign currency from a counterparty. A forward foreign exchange contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. Effective in the fourth quarter of fiscal 2015, the Company entered into certain qualifying foreign exchange contracts that it designated as cash flow hedging instruments under International Accounting Standard 39 ("IAS 39"). This has resulted in mark-to-market foreign exchange adjustments, for qualifying hedged instruments, being recorded as a component of other comprehensive income. For the year ended January 31, 2015, the Company satisfied its U.S. dollar requirements primarily through spot rate purchases and foreign exchange option contracts.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash and cash equivalents of $14,398 and trade payables of $24,694 to determine how a change in the U.S. dollar exchange rate would impact net earnings. On January 31, 2015, a 1% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a $100 decrease or increase, respectively, in the Company's net earnings for the year ended January 31, 2015.

The Company has performed a sensitivity analysis on its derivative financial instruments, a series of call and put options on U.S. dollars and forward contracts, to determine how a change in the U.S. dollar exchange rate would impact net earnings and other comprehensive income. On January 31, 2015, a 1% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in a $514 decrease or a $508 increase, respectively, in the Company's net earnings and would have resulted in a $862 decrease or increase in the Company's other comprehensive income for the year ended January 31, 2015.

INTEREST RATE RISK

Interest rate risk exists in relation to the Company's cash and cash equivalents. Market fluctuations in interest rates impacts the Company's earnings with respect to interest earned on cash and cash equivalents that are invested mainly in short term deposits with major Canadian financial institutions. The Company has unsecured borrowing and working capital credit facilities available up to an amount of $100,000 or its U.S. dollar equivalent that it utilizes for documentary and standby letters of credit, and the Company funds the drawings on these facilities as the payments are due.

The Company has performed a sensitivity analysis on interest rate risk at January 31, 2015 to determine how a change in interest rates would impact net earnings. For the year ended January 31, 2015, the Company earned interest income of $994 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 net earnings by $98 or decreased net earnings by $50, respectively. 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 31, 2015, to determine how a change in the market price of the Company's marketable securities would impact 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 31, 2015, would result in a $2,532 increase or decrease, respectively, in other comprehensive income for the year ended January 31, 2015. The Company's equity securities are subject to market risk and, as a result, the impact on other comprehensive income may ultimately be greater than that indicated above.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity as at January 31, 2015 amounted to $421,123 or $6.52 per share (February 1, 2014 – $423,431 or $6.56 per share). The Company continues to be in a strong financial position. The Company's principal sources of liquidity are its cash and cash equivalents and investments in marketable securities of $197,277 as at January 31, 2015 (February 1, 2014 – $177,417). Cash is held in interest bearing accounts and in short-term deposits with major Canadian financial institutions. The Company closely monitors its risk with respect to short-term cash investments. The Company has unsecured borrowing and working capital credit facilities available up to an amount of $100,000 or its U.S. dollar equivalent. As at January 31, 2015, $29,984 (February 1, 2014 – $30,270) of the operating lines of credit were committed for documentary and standby letters of credit. These credit facilities are used principally for U.S. dollar letters of credit to satisfy international third-party vendors which require such backing before confirming purchase orders issued by the Company and to support U.S. dollar foreign exchange forward contract purchases. The Company rarely uses such credit facilities for other purposes.

The Company has granted irrevocable standby letters of credit, issued by highly-rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As at January 31, 2015, the maximum potential liability under these guarantees was $5,007 (February 1, 2014 – $5,019). The standby letters of credit mature at various dates during fiscal 2016. 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 internal security and loss prevention programs aimed at mitigating the financial impact of theft.

The Company continued repayment on its long-term debt, relating to the mortgage on the distribution centre, paying down $1,672 in fiscal 2015. The Company paid $0.20 dividends per share in fiscal 2015 totalling $12,917 compared to $0.65 dividends per share totalling $41,981 in fiscal 2014. With regard to dividend policy, the Board of Directors considers the Company's earnings per share, cash flow from operations, the level of planned capital expenditures and its cash and marketable securities. The targeted payout ratio is approximately 50% to 80% of sustainable earnings per share, 50% to 75% of cash flow from operations with consideration as to the ability to augment the dividend from the liquidity on the Company's balance sheet, if these targets are missed in a given year. The Board of Directors reviews these guidelines regularly.

The Company embarked on a major systems development project ("SCORE") in 2010, which is in the final phases of completion. The new functionality offered by this project which spans warehousing and distribution, merchandising, operations and finance is projected for completion in fiscal 2017. Due to delays in the project, the total project costs have been increasing and most recent projected costs to completion are estimated at $40,000 of which approximately $28,700 has been incurred to date. The escalation in the SCORE project costs are a result of problems encountered during the warehouse management system deployment in fiscal 2013, which have been remedied, along with a longer deployment schedule than was originally planned.

In fiscal 2015, the Company invested $28,960, on a cash basis, primarily on new and renovated stores. In fiscal 2016, the Company expects to invest approximately $40,000 in capital expenditures, including in its SCORE project. These expenditures, together with the payment of dividends, the repayments related to the Company's bank credit facility and long-term debt obligations, are expected to be funded by the Company's existing financial resources and funds derived from its operations.

FINANCIAL COMMITMENTS

The following table sets forth the Company's financial commitments, excluding trade and other payables, as at January 31, 2015, 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]	$ 376,372	$ 94,516	$ 189,399	$ 92,457
Purchase obligations [2]	112,879	112,396	483	–
Other operating leases [3]	13,412	3,943	7,887	1,582
Long-term debt	5,331	1,780	3,551	–
Interest on long-term debt	504	286	218	–
Total contractual obligations	**$ 508,498**	**$ 212,921**	**$ 201,538**	**$ 94,039**

[1] Represents the minimum lease payments under long-term leases for store locations and office space.
[2] Includes amounts pertaining to agreements to purchase goods or services that are enforceable and legally binding on the Company.
[3] Includes lease payments for computer equipment, automobiles and office equipment.

As at January 31, 2015, the Company had additional long-term liabilities which included pension liability and deferred income tax liabilities. These long-term liabilities have not been included in the table above as the timing and amount of these future payments are uncertain.

OUTSTANDING SHARE DATA

At April 1, 2015, 13,440,000 Common shares and 51,145,506 Class A non-voting shares of the Company were issued and outstanding. Each Common share entitles the holder thereof to one vote at meetings of shareholders of the Company. The Company has 2,908,600 share options outstanding at an average exercise price of $10.59. Each share option entitles the holder to purchase one Class A non-voting share of the Company at an exercise price established based on the market price of the shares at the date the option was granted.

In fiscal 2015, the Company did not purchase any shares under a normal course issuer bid approved in December 2013. The normal course issuer bid expired on December 17, 2014. In December 2014, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid. Under the bid, the Company may purchase up to 3,511,815 Class A non-voting shares of the Company, representing 10% of the public float of the issued and outstanding Class A non-voting shares as at December 5, 2014. The bid commenced on December 18, 2014 and may continue to December 17, 2015. No Class A non-voting shares were purchased to date under this new program.

OFF-BALANCE SHEET ARRANGEMENTS

DERIVATIVE FINANCIAL INSTRUMENTS

The Company in its normal course of business must make long lead time commitments for a significant portion of its merchandise purchases, in some cases as long as twelve months. Most of these purchases must be paid for in U.S. dollars. The Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar long-term commitments, including spot rate purchases and foreign currency option contracts and forward contracts with maturities not exceeding twelve months. The Company entered into transactions with its bank whereby it purchased call options and sold put options, both on the U.S. dollar and entered into forward contracts. These foreign exchange contracts extend over a period not exceeding twelve months. Purchased call options and sold put options expiring on the same date have the same strike price.

Details of the foreign currency option contracts outstanding as at January 31, 2015 and as at February 1, 2014 are included in the "Operating Results for Fiscal 2015 and Comparison to Operating Results for Fiscal 2014" section of this MD&A.

A foreign currency option contract represents an option (call option) or obligation (put option) to buy a foreign currency from a counterparty at a predetermined date and amount. A forward foreign exchange contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. Credit risks exist in the event of failure by a counterparty to fulfill its obligations. The Company reduces this risk by dealing only with highly-rated counterparties, normally Canadian chartered banks. The Company does not use derivative financial instruments for speculative purposes.

RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the entity – directly or indirectly. The definition of key management personnel includes directors (both executive and non-executive). The Board of Directors, which includes the Chief Executive Officer and President, has the responsibility for planning, directing and controlling the activities of the Company and is considered key management personnel. The Directors participate in the share option plan, as described in note 17 to the audited consolidated financial statements for fiscal 2015.

Compensation expense for key management personnel is as follows:

	FOR THE FISCAL YEARS ENDED	
	JANUARY 31, 2015	**FEBRUARY 1, 2014**
Salaries, Directors' fees and short-term benefits	**$ 2,134**	$ 1,993
Share-based compensation costs	**176**	338
	$ 2,310	$ 2,331

Further information about the remuneration of individual Directors is provided in the annual Management Proxy Circular.

OTHER RELATED-PARTY TRANSACTIONS

The Company leases two retail locations which are owned by companies controlled by the major shareholders of the Company. For fiscal 2015, the rent expense under these leases was, in the aggregate, $223 (fiscal 2014 – $204).

The Company incurred $384 in fiscal 2015 (fiscal 2014 – $560) with professional service firms connected to outside directors of the Company for fees in conjunction with general legal advice and other consultation.

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

FINANCIAL INSTRUMENTS

The Company is highly liquid with significant cash and cash equivalents along with marketable securities. The Company uses its cash resources to fund ongoing store construction and renovations along with working capital needs. Financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities, trade and other receivables and foreign currency contracts. The Company reduces this risk by dealing only with highly-rated counterparties, normally major Canadian financial institutions. The Company closely monitors its risk with respect to short-term cash investments. Marketable securities consist primarily of preferred shares of Canadian public companies. The Company's investment portfolio is subject to stock market volatility.

The volatility of the U.S. dollar vis-à-vis the Canadian dollar impacts earnings and while the Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar commitments, such as spot rate purchases and foreign exchange contracts, this volatility can result in exposure to risk.

KEY SOURCES OF ESTIMATION UNCERTAINTY

PENSION PLANS

The cost of defined benefit pension plans is determined by means of actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and the future increases in pensions. Because of the long-term nature of the plans, such estimates are subject to a high degree of uncertainty.

GIFT CARDS / LOYALTY POINTS AND AWARDS

Gift cards sold are recorded as deferred revenue and revenue is recognized when the gift cards are redeemed. An estimate is made of gift cards not expected to be redeemed based on the terms of the gift cards and historical redemption patterns. Loyalty points and awards granted under customer loyalty programs are recognized as a separate component of revenue and are deferred at the date of initial sale. Revenue is recognized when the loyalty points and awards are redeemed and the Company has fulfilled its obligation. The amount of revenue deferred is measured based on the fair value of loyalty points and awards granted, taking into consideration the estimated redemption percentage.

INVENTORY

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess inventory are made. The Company has set up provisions for merchandise in inventory that may have to be sold below cost. For this purpose, the Company has developed assumptions regarding the quantity of merchandise sold below cost.

ASSET IMPAIRMENT

The Company must assess the possibility that the carrying amounts of tangible and intangible assets (including goodwill) may not be recoverable. Impairment testing is performed whenever there is an indication of impairment, except for goodwill and intangible assets with indefinite useful lives for which impairment testing is performed at least once per year. Significant management estimates are required to determine the recoverable amount of the cash-generating unit ("CGU") including estimates of fair value, selling costs or the discounted future cash flows related to the CGU. Differences in estimates could affect whether tangible and intangible assets (including goodwill) are in fact impaired and the dollar amount of that impairment.

NEW ACCOUNTING POLICIES ADOPTED IN FISCAL 2015

IFRIC 21 – LEVIES

In May 2013, the IASB issued IFRIC *Interpretation 21 – Levies*, which is an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company implemented this standard retrospectively in the first quarter of the year ended January 31, 2015. There were no measurement impacts on the Company's consolidated financial statements as a result of the adoption of IFRIC 21.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2015 and have not been applied in preparing the consolidated financial statements. New standards and amendments to standards and interpretations that are currently under review include:

IFRS 9 – FINANCIAL INSTRUMENTS

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

The Company plans to early adopt IFRS 9 for its fiscal year beginning on February 1, 2015. The adoption of IFRS 9 is not expected to result in any measurement adjustments to financial assets and financial liabilities, and is not expected to result in any changes in the eligibility for hedge accounting and the accounting for the derivative financial instruments designated as effective hedging instruments at the transition date. The Company is also reviewing its significant accounting policies for financial instruments, derivative financial instruments and hedging relationships to align them with IFRS 9.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers (IFRS 15)*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted.

The Company is currently assessing the impact of the new standard on its consolidated financial statements.

DISCLOSURE INITIATIVE: AMENDMENTS TO IAS 1

On December 18, 2014 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

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

On December 12, 2013 the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

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

During fiscal 2015, the Company implemented a key component to the financial workstream in the SCORE project to provide enhanced financial and other information that will support its strategic plans and business operations. The implementation of this change has affected the Company's disclosure controls and internal controls over financial reporting. The evaluation of the changes to the design of the disclosure controls and internal controls over financial reporting concluded that there is reasonable assurance that material and required disclosure information is appropriately identified and reported and that financial reporting is reliable and in accordance with IFRS. The operation of the revised or new controls related to changes implemented including internal controls over financial reporting were fully tested and evaluated prior to the Company's fiscal 2015 year-end.

There were no other changes in the Company's disclosure controls and procedures and internal controls over financial reporting that occurred during fiscal 2015 that have materially affected or are reasonably likely to materially affect the Company's disclosures of required information and internal control over financial reporting.

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted as of January 31, 2015. Based on this evaluation, the CEO and the CFO have concluded that, as of January 31, 2015, the disclosure controls and procedures, as defined by *National Instrument 52-109*, were appropriately designed and were operating effectively.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

An evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting was conducted as of January 31, 2015. Based on that evaluation, the CEO and the CFO concluded that the internal control over financial reporting, as defined by *National Instrument 52-109*, was appropriately designed and was operating effectively.

The evaluations were conducted in accordance with the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013, a recognized control model, and the requirements of *National Instrument 52-109*, Certification of Disclosure in Issuers' Annual and Interim Filings.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other than the implementation of the financial workstream of the SCORE project described earlier, there have been no changes in the Company's internal controls over financial reporting during fiscal 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

The retail environment continues to be highly competitive with increased competition due to the entrance of new retailers in the Canadian marketplace. Additionally, consumers have many options available to respond to their shopping needs including traditional stores or e-commerce fulfillment. The continued decline in the Canadian dollar vis-à-vis the U.S. dollar contributes to reduced cross border shopping, however it also increases the cost of inputs for Canadian retailers. The Company considers these factors along with changes in consumer shopping behaviours and economic conditions when evaluating the Company's product sourcing and pricing strategies.

The Company has made significant changes in branding among its banners with consumers showing positive acceptance as the changes take effect. The decision to close the Smart Set banner demonstrates the Company's commitment to improving profitability and focusing its efforts on segments where it is dominant in the marketplace. The Company has invested considerably in its information technology and handling systems while reducing capital expenditures, significantly at store level. In addition, cost reduction and process improvement initiatives have started to yield results. In conjunction, the Company will leverage its technology with improved systems and processes as part of the SCORE project while continuing further process improvement initiatives.

The Company's Hong Kong office is dedicated to seeking out the highest quality, affordable and fashionable apparel for all of our banners. A comprehensive review of the Company's global sourcing strategy and execution has been undertaken with a goal of reducing lead time for bringing products to market.

The Company has a strong balance sheet, with excellent liquidity and borrowing capacity providing 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 believes in the strength of its employees and is committed to continue to invest in training for all levels.

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements and all the information in the annual report are the responsibility of management and have been approved by the Board of Directors of Reitmans (Canada) Limited.

These consolidated financial statements have been prepared by management in conformity with International Financial Reporting Standards and include amounts that are based on best estimates and judgments. The financial information used elsewhere in the annual report is consistent with that in the consolidated financial statements.

Management of the Company has developed and maintains a system of internal accounting controls. Management believes that this system of internal accounting controls provides reasonable assurances that financial records are reliable and form a proper basis for the preparation of the consolidated financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the consolidated financial statements in this annual report principally through its Audit Committee, consisting of all outside directors. The Audit Committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors. The auditors appointed by the shareholders have full access to the Audit Committee, with and without management being present.

These consolidated financial statements have been examined by the auditors appointed by the shareholders, KPMG LLP, and their report is presented hereafter.

(signed)	(signed)
Jeremy H. Reitman	Eric Williams, CPA, CA
Chairman and Chief Executive Officer	Vice-President, Finance and Chief Financial Officer

April 1, 2015

To the Shareholders of Reitmans (Canada) Limited

We have audited the accompanying consolidated financial statements of Reitmans (Canada) Limited, which comprise the consolidated balance sheets as at January 31, 2015 and February 1, 2014, the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Reitmans (Canada) Limited as at January 31, 2015 and February 1, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed)

Montreal, Canada
April 1, 2015

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

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 ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

CONSOLIDATED
STATEMENTS OF EARNINGS

FOR THE YEARS ENDED JANUARY 31, 2015 AND FEBRUARY 1, 2014
(IN THOUSANDS OF CANADIAN DOLLARS EXCEPT PER SHARE AMOUNTS)

	2015	2014
Sales	**$ 939,376**	$ 960,397
Cost of goods sold (note 7)	**372,033**	365,458
Gross profit	**567,343**	594,939
Selling and distribution expenses	**507,244**	544,448
Administrative expenses	**47,603**	47,385
Results from operating activities	**12,496**	3,106
Other income (note 19)	**–**	6,054
Finance income (note 19)	**8,112**	7,725
Finance costs (note 19)	**3,081**	3,443
Earnings before income taxes	**17,527**	13,442
Income tax expense (note 11)	**4,112**	2,654
Net earnings	**$ 13,415**	$ 10,788
Earnings per share (note 20):		
Basic	**$ 0.21**	$ 0.17
Diluted	**0.21**	0.17

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

CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

FOR THE YEARS ENDED JANUARY 31, 2015 AND FEBRUARY 1, 2014
(IN THOUSANDS OF CANADIAN DOLLARS)

	2015	2014
Net earnings	**$ 13,415**	$ 10,788
Other comprehensive loss		
Items that are or may be reclassified subsequently to net earnings:		
Reclassification of realized (gain) loss on available-for-sale financial assets to net earnings (net of tax of $639; 2014 – $31) (note 19)	**(4,181)**	217
Net change in fair value of available-for-sale financial assets (net of tax of $557; 2014 – $592)	**(3,637)**	(3,896)
Reclassification of impairment loss on available-for-sale financial assets to net earnings (net of tax of $127; 2014 – $358) (note 19)	**831**	2,341
Net change in fair value of cash flow hedges (net of tax of $2,177; 2014 – nil)	**6,026**	–
Foreign currency translation differences (note 16)	**(754)**	29
	(1,715)	(1,309)
Items that will not be reclassified to net earnings:		
Actuarial (loss) gain on defined benefit plans (net of tax of $692; 2014 – $124) (note 15)	**(1,917)**	373
Total other comprehensive loss	**(3,632)**	(936)
Total comprehensive income	**$ 9,783**	$ 9,852

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

CONSOLIDATED
BALANCE SHEETS

AS AT JANUARY 31, 2015 AND FEBRUARY 1, 2014
(IN THOUSANDS OF CANADIAN DOLLARS)

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 5)	**$ 139,913**	$ 122,355
Marketable securities (note 6)	**57,364**	55,062
Trade and other receivables	**4,599**	6,422
Derivative financial asset (note 6)	**20,635**	11,775
Income taxes recoverable	**1,977**	5,656
Inventories (note 7)	**106,440**	109,601
Prepaid expenses	**12,148**	12,512
Total Current Assets	**343,076**	323,383
NON-CURRENT ASSETS		
Property and equipment (note 8)	**152,349**	178,341
Intangible assets (note 9)	**20,077**	17,211
Goodwill (note 10)	**42,426**	42,426
Deferred income taxes (note 11)	**26,463**	28,578
Total Non-Current Assets	**241,315**	266,556
TOTAL ASSETS	**$ 584,391**	$ 589,939
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade and other payables (note 12)	**$ 91,719**	$ 90,734
Derivative financial liability (note 6)	**96**	3,065
Deferred revenue (note 13)	**21,073**	19,998
Current portion of long-term debt (note 14)	**1,780**	1,672
Total Current Liabilities	**114,668**	115,469
NON-CURRENT LIABILITIES		
Other payables (note 12)	**9,903**	11,842
Deferred lease credits	**13,178**	15,607
Long-term debt (note 14)	**3,551**	5,331
Pension liability (note 15)	**21,968**	18,259
Total Non-Current Liabilities	**48,600**	51,039
SHAREHOLDERS' EQUITY		
Share capital (note 16)	**39,227**	39,227
Contributed surplus	**8,014**	7,188
Retained earnings	**368,241**	369,660
Accumulated other comprehensive income (note 16)	**5,641**	7,356
Total Shareholders' Equity	**421,123**	423,431
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 584,391**	$ 589,939

Commitments (note 18)

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

On behalf of the Board,

(signed)

Jeremy H. Reitman, Director

(signed)

John J. Swidler, Director

CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED JANUARY 31, 2015 AND FEBRUARY 1, 2014
(IN THOUSANDS OF CANADIAN DOLLARS)

	NOTE	SHARE CAPITAL	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL SHAREHOLDERS' EQUITY
Balance as at February 2, 2014		**$ 39,227**	**$ 7,188**	**$ 369,660**	**$ 7,356**	**$ 423,431**
Total comprehensive income for the year						
Net earnings		**–**	**–**	**13,415**	**–**	**13,415**
Total other comprehensive loss		**–**	**–**	**(1,917)**	**(1,715)**	**(3,632)**
Total comprehensive income for the year		**–**	**–**	**11,498**	**(1,715)**	**9,783**
Contributions by and distributions to owners of the Company						
Share-based compensation costs	17	**–**	**826**	**–**	**–**	**826**
Dividends	16	**–**	**–**	**(12,917)**	**–**	**(12,917)**
Total contributions by and distributions to owners of the Company		**–**	**826**	**(12,917)**	**–**	**(12,091)**
Balance as at January 31, 2015		**$ 39,227**	**$ 8,014**	**$ 368,241**	**$ 5,641**	**$ 421,123**
Balance as at February 3, 2013		$ 39,227	$ 6,521	$ 400,480	$ 8,665	$ 454,893
Total comprehensive income for the year						
Net earnings		–	–	10,788	–	10,788
Total other comprehensive income (loss)		–	–	373	(1,309)	(936)
Total comprehensive income for the year		–	–	11,161	(1,309)	9,852
Contributions by and distributions to owners of the Company						
Share-based compensation costs	17	–	667	–	–	667
Dividends	16	–	–	(41,981)	–	(41,981)
Total contributions by and distributions to owners of the Company		–	667	(41,981)	–	(41,314)
Balance as at February 1, 2014		$ 39,227	$ 7,188	$ 369,660	$ 7,356	$ 423,431

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

CONSOLIDATED
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JANUARY 31, 2015 AND FEBRUARY 1, 2014
(IN THOUSANDS OF CANADIAN DOLLARS)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	**$ 13,415**	$ 10,788
Adjustments for:		
Depreciation, amortization and net impairment losses	**54,038**	63,724
Share-based compensation costs	**826**	667
Amortization of deferred lease credits	**(3,935)**	(4,517)
Deferred lease credits	**1,506**	3,319
Pension contribution	**(875)**	(960)
Pension expense	**1,975**	2,157
Other income	**–**	(6,054)
Realized (gain) loss on sale of marketable securities	**(4,820)**	248
Impairment loss on available-for-sale financial assets	**958**	2,699
Net change in fair value of derivatives	**(3,625)**	(8,428)
Foreign exchange gain on cash and cash equivalents	**(2,120)**	(1,604)
Interest and dividend income, net	**(2,898)**	(3,358)
Interest paid	**(394)**	(496)
Interest received	**904**	594
Dividends received	**2,473**	3,355
Income tax expense	**4,112**	2,654
	61,540	64,788
Changes in:		
Trade and other receivables	**713**	(533)
Inventories	**3,161**	(15,945)
Prepaid expenses	**364**	13,432
Trade and other payables	**(3,007)**	20,929
Deferred revenue	**1,075**	3,701
Cash from operating activities	**63,846**	86,372
Income taxes received	**6,009**	650
Income taxes paid	**(4,743)**	(2,306)
Net cash flows from operating activities	**65,112**	84,716
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of marketable securities	**(39,904)**	(420)
Proceeds on sale of marketable securities	**33,408**	12,500
Proceeds on sale of trademarks	**1,025**	4,329
Additions to property and equipment and intangible assets	**(28,960)**	(34,524)
Proceeds on disposal of property and equipment and intangibles	**101**	–
Cash flows used in investing activities	**(34,330)**	(18,115)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	**(12,917)**	(41,981)
Repayment of long-term debt	**(1,672)**	(1,570)
Cash flows used in financing activities	**(14,589)**	(43,551)
FOREIGN EXCHANGE GAIN ON CASH HELD IN FOREIGN CURRENCY	**1,365**	1,679
NET INCREASE IN CASH AND CASH EQUIVALENTS	**17,558**	24,729
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	**122,355**	97,626
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**$ 139,913**	$ 122,355

Supplementary cash flow information (note 26)

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

1 REPORTING ENTITY

Reitmans (Canada) Limited (the "Company") is a company domiciled in Canada and is incorporated under the Canada Business Corporations Act. The address of the Company's registered office is 155 Wellington Street West, 40^{th} Floor, Toronto, Ontario M5V 3J7. The principal business activity of the Company is the sale of women's wear at retail.

2 BASIS OF PRESENTATION

A) FISCAL YEAR

The Company's fiscal year ends on the Saturday closest to the end of January. All references to 2015 and 2014 represent the fiscal years ended January 31, 2015 and February 1, 2014, respectively.

B) STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Certain comparative figures have been reclassified to conform to the current year's presentation.

These consolidated financial statements were authorized for issue by the Board of Directors on April 1, 2015.

C) BASIS OF MEASUREMENT

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

- available-for-sale financial assets are measured at fair value through other comprehensive income;
- the pension liability is recognized as the present value of the defined benefit obligation less the total of the fair value of the plan assets; and
- derivative financial instruments are measured at fair value.

D) FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts.

E) ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. These estimates and assumptions are based on historical experience, other relevant factors and expectations of the future and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Following are the most important accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

KEY SOURCES OF ESTIMATION UNCERTAINTY

I) PENSION PLANS

The cost of defined benefit pension plans is determined by means of actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and the future increases in pensions. Because of the long-term nature of the plans, such estimates are subject to a high degree of uncertainty.

II) GIFT CARDS / LOYALTY POINTS AND AWARDS

Gift cards sold are recorded as deferred revenue and revenue is recognized when the gift cards are redeemed. An estimate is made of gift cards not expected to be redeemed based on the terms of the gift cards and historical redemption patterns. Loyalty points and awards granted under customer loyalty programs are recognized as a separate component of revenue and are deferred at the date of initial sale. Revenue is recognized when the loyalty points and awards are redeemed and the Company has fulfilled its obligation. The amount of revenue deferred is measured based on the fair value of loyalty points and awards granted, taking into consideration the estimated redemption percentage.

III) INVENTORY

Inventories are valued at the lower of cost and net realizable value. Estimates are required in relation to forecasted sales and inventory balances. In situations where excess inventory balances are identified, estimates of net realizable values for the excess inventory are made. The Company has set up provisions for merchandise in inventory that may have to be sold below cost. For this purpose, the Company has developed assumptions regarding the quantity of merchandise sold below cost.

IV) ASSET IMPAIRMENT

The Company must assess the possibility that the carrying amounts of tangible and intangible assets (including goodwill) may not be recoverable. Impairment testing is performed whenever there is an indication of impairment, except for goodwill and intangible assets with indefinite useful lives for which impairment testing is performed at least once per year. Significant management estimates are required to determine the recoverable amount of the cash-generating unit ("CGU") including estimates of fair value, selling costs or the discounted future cash flows related to the CGU. Differences in estimates could affect whether tangible and intangible assets (including goodwill) are in fact impaired and the dollar amount of that impairment.

JUDGMENTS MADE IN RELATION TO ACCOUNTING POLICIES APPLIED

I) FINANCIAL INSTRUMENTS

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

A) ADOPTION OF NEW ACCOUNTING POLICIES

IFRIC 21 – LEVIES

In May 2013, the IASB issued IFRIC *Interpretation 21 – Levies*, which is an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company implemented this standard retrospectively in the first quarter of the year ended January 31, 2015. There were no measurement impacts on the Company's consolidated financial statements as a result of the adoption of IFRIC 21.

B) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company reassesses control on an ongoing basis. Subsidiaries are consolidated from the date on which the Company obtains control until the date that such control ceases. The financial statements of subsidiaries are prepared with the same reporting period of the Company. The accounting policies of subsidiaries are aligned with the policies of the Company. All significant inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, have been eliminated in preparing the consolidated financial statements.

C) FOREIGN CURRENCY TRANSLATION

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

D) FOREIGN OPERATIONS

The assets and liabilities of foreign operations are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

E) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, bank balances and short-term deposits with original maturities of three months or less.

F) FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

Financial assets are classified into the following categories, and depend on the purpose for which the financial assets were acquired.

I) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset is classified at fair value through profit or loss ("FVTPL") if it is classified as held for trading or is designated as such upon initial recognition. Derivatives are also categorized as held for trading unless they are designated as hedges. Upon initial recognition transaction costs are recognized in net earnings as incurred. Financial assets at FVTPL are measured at fair value, and all gains and losses are recognized in net earnings in the period in which they arise. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise, they are classified as non-current. Derivative instruments are recorded at their fair value except under the own use exemption. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in net earnings unless specific hedge criteria are met.

II) HELD-TO-MATURITY FINANCIAL ASSETS

A financial asset is classified as held-to maturity if the Company has the intent and ability to hold debt securities to maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. The Company currently has no financial assets classified as held-to-maturity.

III) LOANS AND RECEIVABLES

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company currently classifies its cash and cash equivalents, trade and other receivables as loans and receivables.

IV) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented within equity in accumulated other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company currently classifies its marketable securities as available-for-sale financial asset.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

FINANCIAL LIABILITIES

I) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

II) OTHER FINANCIAL LIABILITIES

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING RELATIONSHIPS

The Company enters into derivative financial instruments to hedge its foreign exchange risk exposures. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of the effectiveness of each hedge are within a range of 80–125 percent. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings.

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

CASH FLOW HEDGES

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

OTHER DERIVATIVES

When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in net earnings. The changes in the fair value of foreign exchange contracts not eligible for hedge accounting are included in cost of goods sold. Derivative financial instruments are not used for trading or speculative purposes.

G) PROPERTY AND EQUIPMENT

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation is recognized in net earnings on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Land is not depreciated. Leasehold improvements are depreciated over the lesser of the estimated useful life of the asset and the lease term. Assets not in service include expenditures incurred to-date for equipment not yet available for use. Depreciation of assets not in service begins when they are ready for their intended use. Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	10 to 50 years
Fixtures and equipment	3 to 20 years
Leasehold improvements	6.7 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted prospectively, if appropriate.

Gains and losses on disposal of items of property and equipment are recognized in net earnings.

H) GOODWILL

Goodwill is measured at the acquisition date as the fair value of the consideration transferred less the net identifiable assets of the acquired company or business activities. Goodwill is not amortized and is carried at cost less accumulated impairment losses.

I) INTANGIBLE ASSETS

Intangible assets are comprised of software and acquired trademarks and their useful lives are assessed to be either finite or indefinite.

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated over the cost of the asset less its residual value. Amortization is recognized in net earnings on a straight-line basis over the estimated useful lives of the intangible assets. Amortization of intangible assets not in service begins when they are ready for their intended use. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The estimated useful lives for the current and comparative periods are as follows:

Software	3 to 5 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted prospectively, if appropriate.

Intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment annually or more frequently if events or changes in circumstances indicate the asset may be impaired. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Trademarks are considered to have indefinite useful lives.

J) LEASED ASSETS

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is re-assessed if the terms of the lease are changed.

Leases in which a significant portion of the risks and rewards of ownership are not assumed by the Company are classified as operating leases. The Company carries on its operations in premises under leases of varying terms, which are accounted for as operating leases. Payments under an operating lease are recognized in net earnings on a straight-line basis over the term of the lease. When a lease contains a predetermined fixed escalation of the minimum rent, the Company recognizes the related rent expense on a straight-line basis and, consequently, records the difference between the recognized rental expense and the amounts payable under the lease as deferred rent, which is included in trade and other payables on the balance sheet. Contingent (sales-based) rentals are recognized in net earnings in the period in which they are incurred.

Tenant allowances are recorded as deferred lease credits and amortized as a reduction of rent expense over the term of the related leases.

K) INVENTORIES

Merchandise inventories are measured at the lower of cost, determined on an average basis, and net realizable value. Costs include the cost of purchase, transportation costs that are directly incurred to bring inventories to their present location and condition, and certain distribution centre costs related to inventories. The Company estimates net realizable value as the amount that inventories are expected to be sold, in the ordinary course of business, less the estimated costs necessary to make the sale, taking into consideration fluctuations of retail prices due to seasonality.

L) IMPAIRMENT

I) NON-FINANCIAL ASSETS

All non-financial assets are reviewed at each reporting date for indications that the carrying amount may not be recoverable. When there is evidence of impairment, an impairment test is carried out. Goodwill is tested for impairment at least annually at the year-end reporting date, and whenever there is an indication that the asset may be impaired. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (defined as "cash-generating unit" or "CGU"). Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets in the CGU.

An impairment loss is recognized in net earnings if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. The recoverable amount is the higher of the value-in-use and the fair value less costs to sell. The value-in-use is the present value of estimated future cash flows, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The fair value less costs to sell is the amount for which an asset or CGU can be sold in a transaction under normal market conditions between knowledgeable and willing contracting parties, less costs to sell.

For the purpose of impairment testing of property and equipment, each store is managed at the corporate level, with internal reporting organized to measure performance of each retail store. Management has determined that its cash generating units are identifiable at the individual retail store level since the assets devoted to and cash inflows generated by each store are separately identifiable and independent of each other.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the combination. This allocation reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGUs to which the corporate asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

II) FINANCIAL ASSETS

For an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment. Impairment losses on available-for-sale financial assets are recognized by reclassifying losses accumulated in accumulated other comprehensive income to net earnings. The cumulative loss that is reclassified from accumulated other comprehensive income is the difference between the acquisition cost and the current fair value, less any impairment losses recognized previously in net earnings.

Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

M) EMPLOYEE BENEFITS

I) PENSION BENEFIT PLANS

The Company maintains a contributory defined benefit plan ("Plan") that provides benefits to Reitmans (Canada) Limited (the "Employer") executive employees based on length of service and average earnings in the best five consecutive years of employment. Contributions are made by the Plan members and Employer. A Pension Committee, as appointed under the provisions of the Plan, is responsible for the administration of the Plan. All the investments of the Plan are deposited with RBC Investors Services Trust, which acts as the custodian of the assets entrusted to it. The investment manager of the Plan's investments is SEI Investments Canada Company. The Company also sponsors a Supplemental Executive Retirement Plan ("SERP") for certain senior executives, which is neither registered nor pre-funded. The costs of these retirement benefit plans are determined periodically by independent actuaries.

Benefits are also given to employees through defined contribution plans administered by the Federal and Québec governments. Company contributions to these plans are recognized in the periods when the services are rendered.

The Company's net liability in respect of defined benefits is calculated separately for each plan by estimating the amount of future benefits that Plan members have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Defined benefit obligations are actuarially calculated annually by a qualified actuary as at the reporting date. The actuarial valuations are determined based on management's best estimate of the discount rate, the rate of compensation increase, retirement rates, termination rates and mortality rates. The discount rate used to value the net defined benefit obligation for accounting purposes is based on the yield on a portfolio of Corporate AA bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit plan obligations.

The fair value of plan assets is deducted from the defined benefit obligation to arrive at the net liability. Plan assets are measured at fair value as at the reporting date. Past service costs arising from plan amendments are recognized in net earnings in the period that they arise.

Remeasurements of the net defined benefit liability, which comprise actuarial gains or losses, the return on plan assets, excluding interest, and the effect of the asset ceiling, if any, are recognized in other comprehensive income in the period in which they arise and subsequently reclassified from accumulated other comprehensive income to retained earnings.

Pension expense consists of the following:

- the cost of pension benefits provided in exchange for Plan members' services rendered in the period;
- net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the net defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments;
- past service costs; and
- gains or losses on settlements or curtailments.

Expenses related to defined contribution plans are recognized in net earnings in the periods in which they occur.

II) SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations, which include wages, salaries, compensated absences and bonuses, are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

III) SHARE-BASED COMPENSATION

Some employees receive part of their compensation in the form of share-based payments which are recognized as an employee expense, with a corresponding increase to contributed surplus in equity, over the period that the employees unconditionally become entitled to the awards. The Company accounts for share-based compensation using the fair value based method. Compensation expense is measured at the fair value at the date of grant and the fair value of each award is recognized over its respective vesting period, which is normally five years. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met.

N) PROVISIONS

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the unwinding of the discount is recognized as finance cost.

O) REVENUE

Revenue is recognized from the sale of merchandise when a customer purchases and takes delivery of the merchandise. Reported sales are net of returns and estimated possible returns and exclude sales taxes.

Gift cards sold are recorded as deferred revenue and revenue is recognized when the gift cards are redeemed. An estimate is made of gift cards not expected to be redeemed based on the terms of the gift cards and historical redemption patterns.

Loyalty points and awards granted under customer loyalty programs are recorded as deferred revenue at the date of initial sale. Revenue is recognized when the loyalty points and awards are redeemed and the Company has fulfilled its obligation. The amount of revenue deferred is measured based on the fair value of loyalty points and awards granted, taking into consideration the estimated redemption percentage.

P) FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest and dividend income, realized gains on sale of marketable securities, as well as foreign exchange gains. Finance costs comprise interest expense, realized losses on sale of marketable securities, as well as foreign exchange losses. Interest income is recognized on an accrual basis and interest expense is recorded using the effective interest method. Dividend income is recognized when the right to receive payment is established. Foreign exchange gains and losses are reported on a net basis. Changes in the fair value of derivatives not eligible for hedge accounting previously presented as part of finance income or finance costs have been reclassified to cost of goods sold.

Q) INCOME TAX

Income tax expense comprises current and deferred taxes. Current income taxes and deferred income taxes are recognized in net earnings except for items recognized directly in equity or in other comprehensive income.

The Company's income tax expense is based on tax rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities. Current income tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years. The Company's estimates of current income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as for changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the income tax expense and in measuring current income tax assets and liabilities.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is included in net earnings in the period that includes the enactment date, except to the extent that it relates to an item recognized either in other comprehensive income or directly in equity in the current or in a previous period.

The Company only offsets income tax assets and liabilities if it has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are recognized on the consolidated balance sheet under non-current assets or liabilities, irrespective of the expected date of realization or settlement.

R) EARNINGS PER SHARE

The Company presents basic and diluted earnings per share ("EPS") data for its shares.

Basic EPS is calculated by dividing the net earnings of the Company by the weighted average number of Class A non-voting and Common shares outstanding during the period.

Diluted EPS is determined by adjusting the weighted average number of shares outstanding to include additional shares issued from the assumed exercise of share options, if dilutive. The number of additional shares is calculated by assuming that the proceeds from such exercises, as well as the amount of unrecognized share-based compensation, are used to purchase Class A non-voting shares at the average market share price during the reporting period.

S) SHARE CAPITAL

Class A non-voting shares and Common shares are classified as equity. Incremental costs directly attributable to the issue of these shares and share options are recognized as a deduction from equity, net of any tax effects.

When share capital recognized as equity is purchased for cancellation, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. The excess of the purchase price over the carrying amount of the shares is charged to retained earnings.

T) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2015 and have not been applied in preparing these consolidated financial statements. New standards and amendments to standards and interpretations that are currently under review include:

IFRS 9 – FINANCIAL INSTRUMENTS

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

The Company plans to early adopt IFRS 9 for its fiscal year beginning on February 1, 2015. The adoption of IFRS 9 is not expected to result in any measurement adjustments to financial assets and financial liabilities, and is not expected to result in any changes in the eligibility for hedge accounting and the accounting for the derivative financial instruments designated as effective hedging instruments at the transition date. The Company is also reviewing its significant accounting policies for financial instruments, derivative financial instruments and hedging relationships to align them with IFRS 9.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers (IFRS 15*). The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted.

The Company is currently assessing the impact of the new standard on its consolidated financial statements.

DISCLOSURE INITIATIVE: AMENDMENTS TO IAS 1

On December 18, 2014 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

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

On December 12, 2013 the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

4 FAIR VALUE MEASUREMENT

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

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

Fair value estimates are made at a specific point in time, using available information about the asset or liability. These estimates are subjective in nature and often cannot be determined with precision. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

A) FINANCIAL ASSETS

The Company has determined that the carrying amount of its short-term financial assets approximates fair value at the reporting date due to the short-term maturity of these instruments. The fair value of the Company's available-for-sale financial assets is determined by reference to their quoted closing prices in active markets at the reporting date, which is considered a Level 1 input in the fair value hierarchy.

B) NON-DERIVATIVE FINANCIAL LIABILITIES

The fair value of the Company's long-term debt bearing interest at a fixed rate, which is determined for disclosure purposes, is calculated using the present value of future payments of principal and interest discounted at the current market rates of interest available to the Company for the same or similar debt instruments with the same remaining maturity, which is considered Level 2 input in the fair value hierarchy.

C) DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of foreign currency option contracts is determined through a standard option valuation technique used by the counterparty based on Level 2 inputs.

5 CASH AND CASH EQUIVALENTS

	JANUARY 31, 2015	FEBRUARY 1, 2014
Cash on hand and with banks	**$ 106,917**	$ 19,224
Short-term deposits, bearing interest at 0.8% (February 1, 2014 – 0.9%)	**32,996**	103,131
	$ 139,913	$ 122,355

6 FINANCIAL INSTRUMENTS

ACCOUNTING CLASSIFICATION AND FAIR VALUES

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value. The Company has determined that the fair value of its current financial assets and liabilities (other than those included below) approximates their respective carrying amounts as at the reporting dates because of the short-term nature of those financial instruments.

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

	FEBRUARY 1, 2014						
	CARRYING AMOUNT				FAIR VALUE		
	FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	TOTAL
Financial assets measured at fair value							
Derivative financial asset	$ 11,775	$ –	$ –	$ 11,775	$ –	$ 11,775	$ 11,775
Marketable securities	$ –	$ 55,062	$ –	$ 55,062	$ 55,062	$ –	$ 55,062
Financial liabilities measured at fair value							
Derivative financial liability	$ (3,065)	$ –	$ –	$ (3,065)	$ –	$ (3,065)	$ (3,065)
Financial liabilities not measured at fair value							
Long-term debt	$ –	$ –	$ (7,003)	$ (7,003)	$ –	$ (7,462)	$ (7,462)

There were no transfers between levels of the fair value hierarchy for the years ended January 31, 2015 and February 1, 2014.

DERIVATIVE FINANCIAL INSTRUMENTS

During the year, the Company entered into transactions with its bank whereby it entered into forward contracts, purchased call options and sold put options, all on the U.S. dollar. These foreign exchange contracts extend over a period not exceeding twelve months. Purchased call options and sold put options expiring on the same date have the same strike price.

Details of the foreign exchange contracts outstanding for the years ended January 31, 2015 and February 1, 2014 are as follows:

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

	FEBRUARY 1, 2014				
	AVERAGE STRIKE PRICE	NOTIONAL AMOUNT IN U.S. DOLLARS	DERIVATIVE FINANCIAL ASSET	DERIVATIVE FINANCIAL LIABILITY	NET
Foreign exchange contracts classified at FVTPL[1]:					
Call options purchased	$ 1.070	$ 212,000	$ 11,775	$ –	$ 11,775
Put options sold	$ 1.070	$ 364,000	–	(3,065)	(3,065)
			$ 11,775	$ (3,065)	$ 8,710

[1] Held as economic hedges.

7 INVENTORIES

During the year ended January 31, 2015, inventories recognized as cost of goods sold amounted to $363,350 (February 1, 2014 – $354,547). In addition, $8,683 (February 1, 2014 – $10,911) of inventory write-downs as a result of net realizable value being lower than cost were recognized in cost of goods sold, and no inventory write-downs recognized in previous periods were reversed.

Included in cost of goods sold is an amount of $10,921 for the year ended January 31, 2015 (February 1, 2014 – $12,455) representing realized and unrealized gains on foreign exchange contracts not eligible for hedge accounting.

8 PROPERTY AND EQUIPMENT

	LAND	BUILDINGS	FIXTURES AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
Cost					
Balance at February 3, 2013	$ 5,860	$ 53,149	$ 166,756	$ 189,730	$ 415,495
Additions	–	267	16,659	14,512	31,438
Disposals	–	(4,818)	(35,819)	(39,702)	(80,339)
Effect in movement in exchange rate	–	–	166	–	166
Balance at February 1, 2014	$ 5,860	$ 48,598	$ 147,762	$ 164,540	$ 366,760
Balance at February 2, 2014	**$ 5,860**	**$ 48,598**	**$ 147,762**	**$ 164,540**	**$ 366,760**
Additions	**–**	**58**	**13,029**	**10,933**	**24,020**
Disposals	**–**	**(3,023)**	**(29,718)**	**(35,285)**	**(68,026)**
Balance at January 31, 2015	**$ 5,860**	**$ 45,633**	**$ 131,073**	**$ 140,188**	**$ 322,754**
Accumulated depreciation and impairment losses					
Balance at February 3, 2013	$ –	$ 22,467	$ 85,936	$ 101,961	$ 210,364
Depreciation	–	2,459	24,026	24,691	51,176
Impairment loss	–	–	1,378	6,583	7,961
Reversal of impairment loss	–	–	–	(775)	(775)
Disposals	–	(4,818)	(35,819)	(39,702)	(80,339)
Effect in movement in exchange rate	–	–	32	–	32
Balance at February 1, 2014	$ –	$ 20,108	$ 75,553	$ 92,758	$ 188,419
Balance at February 2, 2014	**$ –**	**$ 20,108**	**$ 75,553**	**$ 92,758**	**$ 188,419**
Depreciation	**–**	**2,011**	**20,871**	**19,528**	**42,410**
Impairment loss	**–**	**–**	**1,849**	**6,427**	**8,276**
Reversal of impairment loss	**–**	**–**	**(574)**	**(201)**	**(775)**
Disposals	**–**	**(3,023)**	**(29,689)**	**(35,213)**	**(67,925)**
Balance at January 31, 2015	**$ –**	**$ 19,096**	**$ 68,010**	**$ 83,299**	**$ 170,405**
Net carrying amounts					
At February 1, 2014	$ 5,860	$ 28,490	$ 72,209	$ 71,782	$ 178,341
At January 31, 2015	**$ 5,860**	**$ 26,537**	**$ 63,063**	**$ 56,889**	**$ 152,349**

During the year, the Company tested for impairment certain items of property and equipment for which there were indications that their carrying amounts may not be recoverable and recognized an impairment loss of $8,276 (February 1, 2014 – $7,961). The impairment related to the property and equipment is due to the reduction in profitability at individual retail store locations (cash-generating units). A reversal of impairment occurs when previously impaired individual retail store locations see increased profitability. When determining the value in use of a retail location, the Company develops a discounted cash flow model for each CGU. The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant asset within the CGU. Sales forecasts for cash flows are based on actual operating results, industry's expected growth rates and management's experiences. The recoverable amounts of the CGUs tested for impairment were based on their value-in-use which was determined using a pre-tax discount rate of 11% (February 1, 2014 – 13%). During the year, $775 of impairment losses were reversed following an improvement in the profitability of certain CGUs (February 1, 2014 – $775).

Depreciation expense and net impairment losses for the year have been recorded in selling and distribution expenses for an amount of $48,515 (February 1, 2014 – $56,697) and in administrative expenses for an amount of $1,396 (February 1, 2014 – $1,665) in the consolidated statements of earnings.

Property and equipment includes an amount of $2,055 (February 1, 2014 – $1,802) that is not being depreciated. Depreciation will begin when the assets are available for use.

9 INTANGIBLE ASSETS

	SOFTWARE	TRADEMARKS	TOTAL
Cost			
Balance at February 3, 2013	$ 28,916	$ 499	$ 29,415
Additions	3,351	–	3,351
Disposals	(7,425)	–	(7,425)
Effect in movement in exchange rates	1	–	1
Balance at February 1, 2014	$ 24,843	$ 499	$ 25,342
Balance at February 2, 2014	**$ 24,843**	**$ 499**	**$ 25,342**
Additions	**6,993**	**–**	**6,993**
Disposals	**(3,575)**	**–**	**(3,575)**
Balance at January 31, 2015	**$ 28,261**	**$ 499**	**$ 28,760**
Accumulated amortization and impairment losses			
Balance at February 3, 2013	$ 10,191	$ –	$ 10,191
Amortization	4,738	–	4,738
Impairment loss	125	499	624
Disposals	(7,425)	–	(7,425)
Effect in movement in exchange rates	3	–	3
Balance at February 1, 2014	$ 7,632	$ 499	$ 8,131
Balance at February 2, 2014	**$ 7,632**	**$ 499**	**$ 8,131**
Amortization	**3,999**	**–**	**3,999**
Impairment loss	**128**	**–**	**128**
Disposals	**(3,575)**	**–**	**(3,575)**
Balance at January 31, 2015	**$ 8,184**	**$ 499**	**$ 8,683**
Net carrying amounts			
At February 1, 2014	$ 17,211	$ –	$ 17,211
At January 31, 2015	**$ 20,077**	**$ –**	**$ 20,077**

During the year, the Company tested for impairment certain items of intangible assets for which there were indications that their carrying amounts may not be recoverable and recognized an impairment loss of $128 (February 1, 2014 – $624). For the year ended January 31, 2015, the impairment related to the intangible assets is attributable to the discontinuation of a banner whereas for the year ended February 1, 2014, the impairment related to the intangible assets is primarily due to the discontinuation of the Thyme Maternity U.S. shop-in-shop operations.

The amortization of intangibles has been recorded in selling and distribution expenses for an amount of $3,466 (February 1, 2014 – $4,433) and in administrative expenses for an amount of $661 (February 1, 2014 – $929) in the consolidated statements of earnings.

Software includes an amount of $7,247 (February 1, 2014 – $8,892) that is not being amortized. Amortization will begin when the software is put into service.

10 GOODWILL

Goodwill acquired through business combinations was allocated to the groups of CGUs, being the Addition Elle and Thyme Maternity banners, based on the expected future benefits to be derived. The carrying amount of goodwill as at January 31, 2015 and February 1, 2014 was attributed as follows: $38,183 to Addition Elle and $4,243 to Thyme Maternity.

In assessing whether goodwill is impaired, the carrying amount of the groups of CGUs (including goodwill) is compared to their recoverable amount. The recoverable amounts of the groups of CGUs are based on the higher of the value in use and fair value less costs to sell. The Company performed the annual impairment review for goodwill as at January 31, 2015 and February 1, 2014. The estimated recoverable amounts of the Addition Elle and Thyme Maternity banner CGUs as at January 31, 2015 were based on the fair value less costs of disposal (February 1, 2014 – based on value in use) and exceeded the carrying amounts of the groups of CGUs. As a result, there was no impairment identified. There is no reasonable possible change in assumptions that would cause the carrying amount to exceed the estimated recoverable amount.

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

As at February 1, 2014, the value-in-use of the Addition Elle and Thyme Maternity banner CGUs was determined by discounting the future cash flows generated from the continuing use of the respective CGU. Management's key assumptions for cash flow projections were based on the most recent annualized operating results and budget projections for the coming year, assuming a series of cash flows in perpetuity with a growth rate of nil. Projected cash flows were discounted using a pre-tax rate of 12.5% for both the Addition Elle and Thyme Maternity banner CGUs. The discount rate represents a weighted average cost of capital (WACC) for comparable companies operating in similar industries, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of the CGU. The pre-tax rate used for discounting cash flows was based on a risk-free rate, equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, after-tax cost of debt based on corporate bond yields and the capital structure of the Company. These assumptions are considered to be Level 3 in the fair value hierarchy.

11 INCOME TAX

INCOME TAX EXPENSE

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

	FOR THE YEARS ENDED JANUARY 31, 2015	FEBRUARY 1, 2014
Current tax expense		
Current period	**$ 2,439**	$ 4,708
Adjustment in respect of prior years	**(26)**	1
Current tax expense	**$ 2,413**	$ 4,709
Deferred tax expense		
Deferred tax expense (recovery) prior to adjustment	**1,699**	(1,955)
Changes in tax rates	**–**	(100)
Deferred tax expense (recovery)	**1,699**	(2,055)
Total income tax expense	**$ 4,112**	$ 2,654

INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME

	FOR THE YEARS ENDED JANUARY 31, 2015			FEBRUARY 1, 2014		
	BEFORE TAX	TAX RECOVERY (EXPENSE)	NET OF TAX	BEFORE TAX	TAX RECOVERY (EXPENSE)	NET OF TAX
Cash flow hedges	**$ 8,203**	**$ (2,177)**	**$ 6,026**	$ –	$ –	$ –
Available-for-sale financial assets	**(8,056)**	**1,069**	**(6,987)**	(1,541)	203	(1,338)
Defined benefit plan actuarial (losses) gains	**(2,609)**	**692**	**(1,917)**	497	(124)	373
	$ (2,462)	**$ (416)**	**$ (2,878)**	$ (1,044)	$ 79	$ (965)

RECONCILIATION OF EFFECTIVE TAX RATE

	FOR THE YEARS ENDED JANUARY 31, 2015		FOR THE YEARS ENDED FEBRUARY 1, 2014	
Earnings before income taxes	**$ 17,527**		$ 13,442	
Income tax using the Company's statutory tax rate	**4,651**	**26.54%**	3,631	27.01%
Changes in tax rates	**–**	**0.00%**	(100)	(0.74%)
Non-deductible expenses and other adjustments	**115**	**0.66%**	24	0.18%
Tax exempt income	**(653)**	**(3.73%)**	(902)	(6.71%)
Adjustment in respect of prior years	**(1)**	**(0.01%)**	1	0.00%
	$ 4,112	**23.46%**	$ 2,654	19.74%

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
	JANUARY 31, 2015	FEBRUARY 1, 2014	JANUARY 31, 2015	FEBRUARY 1, 2014	JANUARY 31, 2015	FEBRUARY 1, 2014
Property, equipment and intangible assets	**$ 21,395**	$ 21,253	**$ –**	$ –	**$ 21,395**	$ 21,253
Marketable securities	**530**	207	**–**	–	**530**	207
Inventories	**–**	–	**1,205**	1,429	**(1,205)**	(1,429)
Trade and other payables	**3,525**	4,012	**–**	–	**3,525**	4,012
Derivative financial asset	**–**	–	**5,449**	2,311	**(5,449)**	(2,311)
Pension liability	**5,829**	4,845	**–**	–	**5,829**	4,845
Tax benefit of losses carried forward	**1,844**	2,037	**–**	–	**1,844**	2,037
Other	**–**	–	**6**	36	**(6)**	(36)
	$ 33,123	$ 32,354	**$ 6,660**	$ 3,776	**$ 26,463**	$ 28,578

CHANGES IN DEFERRED TAX BALANCES DURING THE YEAR

	BALANCE FEBRUARY 2, 2013	RECOGNIZED IN NET EARNINGS	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	BALANCE FEBRUARY 1, 2014	RECOGNIZED IN NET EARNINGS	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	BALANCE JANUARY 31, 2015
Property, equipment and intangible assets	$ 19,326	$ 1,927	$ –	$ 21,253	$ 142	$ –	**$ 21,395**
Marketable securities	(354)	358	203	207	(746)	1,069	**530**
Inventories	(1,490)	61	–	(1,429)	224	–	**(1,205)**
Trade and other payables	3,636	376	–	4,012	(487)	–	**3,525**
Derivative financial asset	–	(2,311)	–	(2,311)	(961)	(2,177)	**(5,449)**
Pension liability	4,639	330	(124)	4,845	292	692	**5,829**
Tax benefit of losses carried forward	693	1,344	–	2,037	(193)	–	**1,844**
Other	(6)	(30)	–	(36)	30	–	**(6)**
	$ 26,444	$ 2,055	$ 79	$ 28,578	$ (1,699)	$ (416)	**$ 26,463**

12 TRADE AND OTHER PAYABLES

	JANUARY 31, 2015	FEBRUARY 1, 2014
Trade payables	**$ 49,577**	$ 49,593
Non-trade payables due to related parties	**40**	55
Other non-trade payables	**9,502**	10,878
Personnel liabilities	**27,201**	25,566
Payables relating to premises	**14,576**	15,777
Provision for sales returns	**726**	707
	101,622	102,576
Less non-current portion	**9,903**	11,842
	$ 91,719	$ 90,734

The non-current portion of trade and other payables, which is included in payables relating to premises, represents the portion of deferred rent to be amortized and other payables beyond the next twelve months.

13 DEFERRED REVENUE

	JANUARY 31, 2015	FEBRUARY 1, 2014
Loyalty points and awards granted under loyalty programs	**$ 8,735**	$ 7,198
Unredeemed gift cards	**12,338**	12,800
	$ 21,073	$ 19,998

14 LONG-TERM DEBT

	JANUARY 31, 2015	FEBRUARY 1, 2014
Mortgage payable	**$ 5,331**	$ 7,003
Less current portion	**1,780**	1,672
	$ 3,551	$ 5,331

The mortgage, bearing interest at 6.40%, is payable in monthly instalments of principal and interest of $172. It is due November 2017 and is secured by the Company's distribution centre having a carrying value of $15,378 (February 1, 2014 – $16,354).

As at January 31, 2015, principal repayments on long-term debt are as follows:

Within 1 year	$ 1,780
Within 2 years	1,896
Within 3 years	1,655
	$ 5,331

15 PENSION LIABILITY

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

FUNDED STATUS

	FAIR VALUE OF PLAN ASSETS	DEFINED BENEFIT OBLIGATION	PENSION ASSET (LIABILITY)
As at January 31, 2015			
Plan	**$ 21,340**	**$ 21,594**	**$ (254)**
SERP	**–**	**21,714**	**(21,714)**
Total	**$ 21,340**	**$ 43,308**	**$ (21,968)**
As at February 1, 2014			
Plan	$ 18,544	$ 18,238	$ 306
SERP	–	18,565	(18,565)
Total	$ 18,544	$ 36,803	$ (18,259)

	FOR THE YEARS ENDED					
	JANUARY 31, 2015			FEBRUARY 1, 2014		
	PLAN	SERP	TOTAL	PLAN	SERP	TOTAL
Movement in the present value of the defined benefit obligation						
Defined benefit obligation, beginning of year	**$ 18,238**	**$ 18,565**	**$ 36,803**	$ 17,192	$ 16,799	$ 33,991
Current service cost	**857**	**193**	**1,050**	905	103	1,008
Interest cost	**817**	**801**	**1,618**	713	674	1,387
Employee contributions	**103**	**–**	**103**	146	–	146
Actuarial (gain) / loss – experience	**(744)**	**5**	**(739)**	(403)	140	(263)
Actuarial loss – demographic assumptions	**94**	**64**	**158**	1,299	1,376	2,675
Actuarial loss / (gain) – financial assumptions	**2,635**	**2,330**	**4,965**	(776)	(720)	(1,496)
Benefits paid	**(406)**	**(244)**	**(650)**	(838)	(130)	(968)
Past service costs	**–**	**–**	**–**	–	323	323
Defined benefit obligation, end of year	**$ 21,594**	**$ 21,714**	**$ 43,308**	$ 18,238	$ 18,565	$ 36,803
Movement in the fair value of plan assets						
Fair value of plan assets, beginning of year	**$ 18,544**	**$ –**	**$ 18,544**	$ 16,432	$ –	$ 16,432
Return on plan assets	**1,775**	**–**	**1,775**	1,413	–	1,413
Interest income on plan assets	**802**	**–**	**802**	658	–	658
Employer contributions	**631**	**244**	**875**	830	130	960
Employee contributions	**103**	**–**	**103**	146	–	146
Benefits paid	**(406)**	**(244)**	**(650)**	(838)	(130)	(968)
Plan administration costs	**(109)**	**–**	**(109)**	(97)	–	(97)
Fair value of plan assets, end of year	**$ 21,340**	**$ –**	**$ 21,340**	$ 18,544	$ –	$ 18,544

For the year ended January 31, 2015, the net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants 60% (February 1, 2014 – 69%)
- Retired plan members 28% (February 1, 2014 – 24%)
- Deferred plan participants 12% (February 1, 2014 – 7%)

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

	FOR THE YEARS ENDED					
	JANUARY 31, 2015			FEBRUARY 1, 2014		
Equity securities						
Canadian – pooled funds	$	**6,717**	**32%**	$	6,174	33%
Foreign – pooled funds		**5,981**	**28%**		5,185	28%
Total equity securities		**12,698**	**60%**		11,359	61%
Debt securities – fixed income pooled funds		**8,238**	**38%**		6,833	37%
Cash and cash equivalents		**404**	**2%**		352	2%
Total	$	**21,340**	**100%**	$	18,544	100%

The Company's pension expense was as follows:

	FOR THE YEARS ENDED											
	JANUARY 31, 2015						FEBRUARY 1, 2014					
		PLAN		SERP		TOTAL		PLAN		SERP		TOTAL
Pension costs recognized in net earnings												
Current service cost	$	**857**	$	**193**	$	**1,050**	$	905	$	103	$	1,008
Net interest cost on net pension liability		**15**		**801**		**816**		55		674		729
Plan administration costs		**109**		**–**		**109**		97		–		97
Past service cost		**–**		**–**		**–**		–		323		323
Pension expense	$	**981**	$	**994**	$	**1,975**	$	1,057	$	1,100	$	2,157

Pension expense is recognized in administrative expenses in the consolidated statements of earnings.

The following table presents the change in the actuarial gains and losses recognized in other comprehensive income:

	FOR THE YEARS ENDED											
	JANUARY 31, 2015						FEBRUARY 1, 2014					
		PLAN		SERP		TOTAL		PLAN		SERP		TOTAL
Cumulative loss in retained earnings at the beginning of the year	$	**1,436**	$	**4,151**	$	**5,587**	$	2,729	$	3,355	$	6,084
Loss (gain) recognized during the year		**210**		**2,399**		**2,609**		(1,293)		796		(497)
Cumulative loss in retained earnings at the end of the year	$	**1,646**	$	**6,550**	$	**8,196**	$	1,436	$	4,151	$	5,587
Loss (gain) recognized during the year net of tax					$	**1,917**					$	(373)

ACTUARIAL ASSUMPTIONS

Principal actuarial assumptions used were as follows:

	FOR THE YEARS ENDED	
	JANUARY 31, 2015	FEBRUARY 1, 2014
Accrued benefit obligation:		
Discount rate	**3.40%**	4.30%
Salary increase	**5.00%**	5.00%
Mortality	**2014 Private Sector Canadian Pensioner's Mortality Table (projected generationally using Scale B) adjusted for pension size**	CPM-RPP 2014 Public (projected generationally using Scale A1-2014)
Employee benefit expense:		
Discount rate	**4.30%**	4.00%
Salary increase	**5.00%**	5.00%

SENSITIVITY OF KEY ACTUARIAL ASSUMPTIONS

The following table outlines the key assumptions for the years ended January 31, 2015 and February 1, 2014 and the sensitivity of a 1% change in each of these assumptions on the defined benefit plan obligations and the net defined benefit plan costs.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	FOR THE YEARS ENDED					
	JANUARY 31, 2015			FEBRUARY 1, 2014		
	PLAN	SERP	TOTAL	PLAN	SERP	TOTAL
(Decrease) increase in defined benefit obligation						
Discount rate						
Impact of increase of 1%	**$ (2,906)**	**$ (2,571)**	**$ (5,477)**	$ (2,354)	$ (2,209)	$ (4,563)
Impact of decrease of 1%	**$ 3,358**	**$ 2,916**	**$ 6,274**	$ 2,703	$ 2,508	$ 5,211
Salary increase						
Impact of increase of 1%	**$ 1,081**	**$ 172**	**$ 1,253**	$ 907	$ 211	$ 1,118
Impact of decrease of 1%	**$ (1,030)**	**$ (171)**	**$ (1,201)**	$ (864)	$ (209)	$ (1,073)
Lifetime expectancy						
Impact of increase of 1 year in expected lifetime of plan members	**$ 569**	**$ 570**	**$ 1,139**	$ 502	$ 470	$ 972

Overall return in the capital markets and the level of interest rates affect the funded status of the Company's pension plans. Adverse changes with respect to pension plan returns and the level of interest rates from the date of the last actuarial valuation may have an adverse effect on the funded status of the retirement benefit plans and on the Company's results of operations.

The Company expects $750 in employer contributions to be paid to the Plan and $300 to the SERP in the year ended January 30, 2016. The weighted average durations of the Plan and SERP are each approximately 14.0 years at January 31, 2015 (February 1, 2014 – 13.0 years).

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes at year-end. The most recent actuarial valuation for funding purposes was as of December 31, 2013 and the next required valuation will be as of December 31, 2014.

16 SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

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

	FOR THE YEARS ENDED			
	JANUARY 31, 2015		FEBRUARY 1, 2014	
	NUMBER OF SHARES (IN 000'S)	CARRYING AMOUNT	NUMBER OF SHARES (IN 000'S)	CARRYING AMOUNT
Common shares				
Balance at beginning and end of the year	**13,440**	**$ 482**	13,440	$ 482
Class A non-voting shares				
Balance at beginning and end of the year	**51,146**	**38,745**	51,146	38,745
Total share capital	**64,586**	**$ 39,227**	64,586	$ 39,227

AUTHORIZED SHARE CAPITAL

The Company has authorized for issuance an unlimited number of Common shares and Class A non-voting shares. Both Common shares and Class A non-voting shares have no par value. All issued shares are fully paid.

The Common shares and Class A non-voting shares of the Company rank equally and pari passu with respect to the right to receive dividends and upon any distribution of the assets of the Company. However, in the case of share dividends, the holders of Class A non-voting shares shall have the right to receive Class A non-voting shares and the holders of Common shares shall have the right to receive Common shares.

ISSUANCE OF CLASS A NON-VOTING SHARES

During the year ended January 31, 2015, there were no Class A non-voting shares issued as a result of the exercise of vested options arising from the Company's share option program (February 1, 2014 – nil).

PURCHASE OF SHARES FOR CANCELLATION

For the year ended January 31, 2015, the Company did not purchase any shares under a normal course issuer bid approved in December 2013 (February 1, 2014 – nil).

In December 2014, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid. Under the bid, the Company may purchase up to 3,511,815 Class A non-voting shares of the Company, representing 10% of the public float of the issued and outstanding Class A non-voting shares as at December 5, 2014. The bid commenced on December 18, 2014 and may continue to December 17, 2015. No Class A non-voting shares were purchased under this new program.

ACCUMULATED OTHER COMPREHENSIVE INCOME ("AOCI")

AOCI is comprised of the following:

	AVAILABLE-FOR-SALE FINANCIAL ASSETS	FOREIGN CURRENCY TRANSLATION DIFFERENCES	CASH FLOW HEDGES	TOTAL AOCI
Balance at February 3, 2013	$ 8,665	$ –	$ –	$ 8,665
Total OCI included in AOCI	(1,338)	29	–	(1,309)
Balance at February 1, 2014	$ 7,327	$ 29	$ –	$ 7,356
Balance at February 2, 2014	**$ 7,327**	**$ 29**	**$ –**	**$ 7,356**
Total OCI included in AOCI	**(6,987)**	**(754)**	**6,026**	**(1,715)**
Balance at January 31, 2015	**$ 340**	**$ (725)**	**$ 6,026**	**$ 5,641**

DIVIDENDS

The following dividends were declared and paid by the Company:

	FOR THE YEARS ENDED JANUARY 31, 2015	FOR THE YEARS ENDED FEBRUARY 1, 2014
Common shares and Class A non-voting shares	**$ 12,917**	$ 41,981
Dividends per share	**$ 0.20**	$ 0.65

17 SHARE-BASED PAYMENTS

A) DESCRIPTION OF THE SHARE-BASED PAYMENT ARRANGEMENTS

The Company has a share option plan that provides that up to 10% of the Class A non-voting shares outstanding, from time to time, may be issued pursuant to the exercise of options granted under the plan to key management and employees. The granting of options and the related vesting period, which is normally up to 5 years, are at the discretion of the Board of Directors and the options have a maximum term of 10 years. The exercise price payable for each Class A non-voting share covered by a share option is determined by the Board of Directors at the date of grant, but may not be less than the closing price of the Company's shares on the trading day immediately preceding the effective date of the grant.

B) MEASUREMENT OF THE SHARE-BASED PAYMENT ARRANGEMENTS

The fair values of the employee share options are measured based on the Black-Scholes valuation model. Measurement inputs include share price on measurement date, exercise price of the share option, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the share option (based on historic experience and general option holder behaviour), expected dividends, and risk-free interest rate (based on government bonds).

C) DISCLOSURE OF EQUITY-SETTLED SHARE OPTION PLAN

Changes in outstanding share options were as follows:

	FOR THE YEARS ENDED JANUARY 31, 2015		FEBRUARY 1, 2014	
	OPTIONS (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, at beginning of year	**2,090**	**$ 14.43**	2,420	$ 14.53
Granted	**1,557**	**6.00**	–	–
Forfeited	**(596)**	**11.23**	(240)	14.69
Expired	**–**	**–**	(90)	16.59
Outstanding, at end of year	**3,051**	**$ 10.75**	2,090	$ 14.43
Options exercisable, at end of year	**1,657**	**$ 13.12**	1,255	$ 14.53

For the year ended January 31, 2015 and February 1, 2014, no share options were exercised.

For the year ended January 31, 2015, the Company granted 1,557,000 share options (2014 – nil), the cost of which will be expensed over their vesting period based on their estimated fair values on the date of the grant, determined using the Black-Scholes option pricing model. Compensation cost related to share option awards granted during the year ended January 31, 2015 under the fair value based approach was calculated using the following assumptions:

	1,557,000 OPTIONS GRANTED JUNE 16, 2014
Expected option life	6.3 years
Risk-free interest rate	1.79%
Expected stock price volatility	32.38%
Average dividend yield	3.33%
Weighted average fair value of options granted	$ 1.38
Share price at grant date	$ 6.00

The following table summarizes information about share options outstanding at January 31, 2015:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
Range of Exercise Prices	NUMBER OUTSTANDING (IN 000'S)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE (IN 000'S)	WEIGHTED AVERAGE EXERCISE PRICE
$6.00	1,341	9.25 years	$ 6.00	268	$ 6.00
$11.68 – $12.62	140	7.01	11.95	80	12.15
$14.50 – $18.26	1,570	3.69	14.70	1,309	14.64
	3,051	**6.29 years**	**$ 10.75**	**1,657**	**$ 13.12**

D) EMPLOYEE EXPENSE

For the year ended January 31, 2015, the Company recognized compensation costs of $826 relating to share-based payment arrangements ($667 for the year ended February 1, 2014), with a corresponding credit to contributed surplus.

18 COMMITMENTS

As at January 31, 2015, financial commitments for minimum lease payments under operating leases for retail stores, offices, automobiles and equipment, as well as amounts pertaining to agreements to purchase goods or services that are enforceable and legally binding on the Company, exclusive of additional amounts based on sales, taxes and other costs are payable as follows:

	STORE AND OFFICE OPERATING LEASES	PURCHASE OBLIGATIONS	OTHER OPERATING LEASES	TOTAL
Within 1 year	$ 94,516	$ 112,396	$ 3,943	$ 210,855
Within 2 years	78,689	203	2,980	81,872
Within 3 years	62,481	203	2,500	65,184
Within 4 years	48,229	77	2,407	50,713
Within 5 years	33,829	–	1,582	35,411
Subsequent years	58,628	–	–	58,628
Total	**$ 376,372**	**$ 112,879**	**$ 13,412**	**$ 502,663**

The Company leases retail stores and offices under operating leases. The leases have varying terms, escalation clauses and renewal rights. Generally, the leases run for a period that does not exceed 10 years, with options to renew that do not exceed 5 years, if at all. The majority of the leases require additional payments for the cost of insurance, taxes, maintenance and utilities. Certain rental agreements include contingent rent, which is generally based on revenue exceeding a minimum amount.

For the year ended January 31, 2015, $171,894 was recognized as an expense in net earnings with respect to operating leases ($177,904 for the year ended February 1, 2014), of which $169,554 ($175,542 for the year ended February 1, 2014) represents minimum lease payments and additional rent charges and $2,340 ($2,362 for the year ended February 1, 2014) represents contingent rents.

19 OTHER INCOME, FINANCE INCOME AND FINANCE COSTS

RECOGNIZED IN NET EARNINGS

	FOR THE YEARS ENDED	
	JANUARY 31, 2015	FEBRUARY 1, 2014
Dividend income from available-for-sale financial assets	**$ 2,298**	$ 3,481
Interest income from loans and receivables	**994**	621
Foreign exchange gain	**–**	3,623
Realized gain on disposal of available-for-sale financial assets	**4,820**	–
Finance income	**8,112**	7,725
Interest expense – mortgage	**394**	496
Impairment loss on available-for-sale financial assets	**958**	2,699
Foreign exchange loss	**1,729**	–
Realized loss on disposal of available-for-sale financial assets	**–**	248
Finance costs	**3,081**	3,443
Net finance income recognized in net earnings	**$ 5,031**	$ 4,282

There was no other income recorded for the year ended January 31, 2015. For the year ended February 1, 2014, other income comprises a gain on sale of intellectual property rights of $5,745 and $309 of proceeds from the settlement of a trademark dispute.

20 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on net earnings for the year ended January 31, 2015 of $13,415 ($10,788 for the year ended February 1, 2014).

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

	FOR THE YEARS ENDED	
	JANUARY 31, 2015	FEBRUARY 1, 2014
Weighted average number of shares per basic earnings per share calculations	**64,586**	64,586
Weighted average number of shares per diluted earnings per share calculations	**64,586**	64,586

As at January 31, 2015, a total of 3,051,000 (February 1, 2014 – 2,090,000) share options were excluded from the calculation of diluted earnings per share as these options were deemed to be anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

21 RELATED PARTIES

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the entity – directly or indirectly. The definition of key management personnel includes directors (both executive and non-executive). The Board of Directors, which includes the Chief Executive Officer and President, has the responsibility for planning, directing and controlling the activities of the Company and is considered key management personnel. The Directors participate in the share option plan, as described in note 17.

Compensation expense for key management personnel is as follows:

	FOR THE YEARS ENDED JANUARY 31, 2015	FOR THE YEARS ENDED FEBRUARY 1, 2014
Salaries, Directors' fees and short-term benefits	**$ 2,134**	$ 1,993
Share-based compensation costs	**176**	338
	$ 2,310	$ 2,331

OTHER RELATED-PARTY TRANSACTIONS
The Company leases two retail locations which are owned by companies controlled by the major shareholders of the Company. For the year ended January 31, 2015, the rent expense under these leases was, in the aggregate, $223 (February 1, 2014 – $204).

The Company incurred $384 in the year ended January 31, 2015 (February 1, 2014 – $560) with professional service firms connected to outside directors of the Company for fees in conjunction with general legal advice and other consultation.

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

22 PERSONNEL EXPENSES

	FOR THE YEARS ENDED JANUARY 31, 2015	FOR THE YEARS ENDED FEBRUARY 1, 2014
Wages, salaries and employee benefits	**$ 243,213**	$ 248,952
Expenses related to defined benefit plans	**1,975**	2,157
Share-based compensation costs	**826**	667
	$ 246,014	$ 251,776

23 CREDIT FACILITY

At January 31, 2015, the Company had unsecured operating lines of credit available with Canadian chartered banks to a maximum of $100,000 or its U.S. dollar equivalent. As at January 31, 2015, $29,984 (February 1, 2014 – $30,270) of the operating lines of credit were committed for documentary and standby letters of credit.

24 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 31, 2015, the maximum potential liability under these guarantees was $5,007 (February 1, 2014 – $5,019). The standby letters of credit mature at various dates during the year ending January 30, 2016. The contingent portion of the guarantee is recorded when the Company considers it probable that a payment relating to the guarantee has to be made to the other party of the contract or guarantee. The Company has recorded no liability with respect to these guarantees as the Company does not expect to make any payments for these items.

25 OPERATING SEGMENTS

In order to identify the Company's reportable segments, the Company uses the process outlined in IFRS 8, which includes the identification of the Chief Operating Decision Maker ("CODM"), being the Chief Executive Officer, the identification of operating segments and the aggregation of operating segments. The Company's operating segments, before aggregation, have been identified as the Company's six banners: Reitmans, Penningtons, Addition Elle, RW & CO., Thyme Maternity, and Smart Set. Each operating segment is reviewed by the CODM in reviewing their profitability so that the information can be used to ensure adequate resources are allocated to that part of the Company's operations. The Company has aggregated its operating segments into one reportable segment, because the operating segments have similar economic characteristics and derive revenue mainly from the sale of ladies' specialty apparel to customers.

26 SUPPLEMENTARY CASH FLOW INFORMATION

	JANUARY 31, 2015	FEBRUARY 1, 2014
Non-cash transactions:		
Additions to property and equipment and intangible assets included in trade and other payables	**$ 3,645**	$ 1,592

27 FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Disclosures relating to the Company's exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk are provided below.

CREDIT RISK

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, marketable securities, trade and other receivables and foreign currency option contracts. The Company limits its exposure to credit risk with respect to cash and cash equivalents and foreign currency forwards and option contracts by dealing with Canadian financial institutions. Marketable securities consist of preferred shares of highly-rated Canadian public companies. The Company's trade and other receivables consist primarily of credit card receivables from the last few days of the fiscal year, which are settled within the first days of the next fiscal year.

As at January 31, 2015, the Company's maximum exposure to credit risk for these financial instruments was as follows:

Cash and cash equivalents	$	139,913
Marketable securities		57,364
Trade and other receivables		4,599
Derivative financial asset		20,635
	$	**222,511**

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. The contractual maturity of the majority of trade and other payables is within twelve months. As at January 31, 2015, the Company had a high degree of liquidity with $197,277 in cash and cash equivalents, and marketable securities. In addition, the Company has unsecured credit facilities of $100,000 subject to annual renewals. The Company has financed its store expansion through internally-generated funds and its unsecured credit facilities are used to finance seasonal working capital requirements for U.S. dollar merchandise purchases. The Company's long-term debt consists of a mortgage bearing interest at 6.40%, due November 2017, which is secured by the Company's distribution centre.

FOREIGN CURRENCY RISK

The Company purchases a significant amount of its merchandise with U.S. dollars and as such significant volatility in the U.S. dollar vis-à-vis the Canadian dollar can have an adverse impact on the Company's gross margin. The Company has a variety of alternatives that it considers to manage its foreign currency exposure on cash flows related to these purchases. This includes, but is not limited to, various styles of foreign currency option or forward contracts, not to exceed twelve months, and spot rate purchases. A foreign currency option contract represents an option or obligation to buy a foreign currency from a counterparty. A forward foreign exchange contract is a contractual agreement to buy or sell a specified currency at a specific price and date in the future. Effective in the fourth quarter of fiscal 2015, the Company entered into certain qualifying foreign exchange contracts that it designated as cash flow hedging instruments under International Accounting Standard 39 ("IAS 39"). This has resulted in mark-to-market foreign exchange adjustments, for qualifying hedged instruments, being recorded as a component of other comprehensive income. For the year ended January 31, 2015, the Company satisfied its U.S. dollar requirements primarily through spot rate purchases and foreign exchange option contracts.

The Company has performed a sensitivity analysis on its U.S. dollar denominated financial instruments, which consist principally of cash and cash equivalents of $14,398 and trade payables of $24,694 to determine how a change in the U.S. dollar exchange rate would impact net earnings. On January 31, 2015, a 1% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a $100 decrease or increase, respectively, in the Company's net earnings for the year ended January 31, 2015.

The Company has performed a sensitivity analysis on its derivative financial instruments, a series of call and put options on U.S. dollars and forward contracts, to determine how a change in the U.S. dollar exchange rate would impact net earnings and other comprehensive income. On January 31, 2015, a 1% rise or fall in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in a $514 decrease or a $508 increase, respectively, in the Company's net earnings and would have resulted in a $862 decrease or increase in the Company's other comprehensive income for the year ended January 31, 2015.

INTEREST RATE RISK

Interest rate risk exists in relation to the Company's cash and cash equivalents. Market fluctuations in interest rates impacts the Company's earnings with respect to interest earned on cash and cash equivalents that are invested mainly in short term deposits with major Canadian financial institutions. The Company has unsecured borrowing and working capital credit facilities available up to an amount of $100,000 or its U.S. dollar equivalent that it utilizes for documentary and standby letters of credit, and the Company funds the drawings on these facilities as the payments are due.

The Company has performed a sensitivity analysis on interest rate risk at January 31, 2015 to determine how a change in interest rates would impact net earnings. For the year ended January 31, 2015, the Company earned interest income of $994 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 net earnings by $98 or decreased net earnings by $50, respectively. 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 31, 2015, to determine how a change in the market price of the Company's marketable securities would impact 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 31, 2015, would result in a $2,532 increase or decrease, respectively, in other comprehensive income for the year ended January 31, 2015. The Company's equity securities are subject to market risk and, as a result, the impact on other comprehensive income may ultimately be greater than that indicated above.

28 CAPITAL MANAGEMENT

The Company's objectives in managing capital are:

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

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

DIRECTORS

DAVID J. KASSIE
SAMUEL MINZBERG
DANIEL RABINOWICZ
JEREMY H. REITMAN
STEPHEN F. REITMAN
HOWARD STOTLAND
JOHN J. SWIDLER
ROBERT S. VINEBERG

OFFICERS

CORPORATE

JEREMY H. REITMAN
Chairman and
Chief Executive Officer

STEPHEN F. REITMAN
President

WALTER LAMOTHE
President, Retail and
Chief Operating Officer

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

ALAIN MURAD
Vice-President –
Legal and Secretary

DIANE ARCHIBALD
Vice-President – Store Design
and Development

NATHALIE BÉLANGER
Vice-President – eCommerce

LETA BRIDGEMAN
Vice-President – Global Sourcing

DOMENIC CARBONE
Vice-President –
Distribution and Logistics

DENIS GAGNON
Vice-President – Retail Systems

ISABELLE OLIVA
Vice-President – Human Resources

ALLEN F. RUBIN
Vice-President – Operations

SAUL SCHIPPER
Vice-President – Real Estate

DANIELLE VALLIÈRES
Vice-President – Global Sourcing

RICHARD WAIT, CPA, CGA
Vice-President – Comptroller

BANNERS

NADIA CERANTOLA
President – Reitmans

JACQUELINE TARDIF
Senior Vice-President –
Reitmans and Smart Set

SYLVAIN FOREST
Vice-President –
Reitmans and Smart Set

JEANNIE VONDJIDIS-MILLER
Vice-President – Reitmans

CARL JANZEN
President – Penningtons

MARIA BLIGOURAS
Vice-President – Penningtons

CATHY COCKERTON
Vice-President – Penningtons

GINETTE HARNOIS
Vice-President – Penningtons

RHONDA SANDLER
Vice-President – Penningtons

JANICE LECLERC
President – Addition Elle

RICHARD DUMONT
Vice-President – Addition Elle

ROSLYN GRINER
Vice-President – Addition Elle

GISELLA PLASTINA
Vice-President – Addition Elle

STEFANIE RAVENDA
Vice-President – Addition Elle

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President – RW & CO.

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ALAIN LESSARD
Vice-President – RW & CO.

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TRANSFER AGENT AND REGISTRAR
Computershare Investor Services Inc.
Montreal, Toronto, Calgary, Vancouver

STOCK SYMBOLS
THE TORONTO STOCK EXCHANGE

Common	RET
Class A non-voting	RET.A

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REITMANS
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