INTERIM REPORT

FOR THE THREE MONTHS ENDED APRIL 30, 2011

Reitmans
(CANADA) LIMITED

Reitmans is Canada's leading specialty retailer. We are customer driven, value oriented and committed to excellence. By promoting innovation, growth, development and teamwork, we strive to serve our customers the best quality/value proposition in the marketplace.

To Our Shareholders

Sales for the first quarter ended April 30, 2011 decreased 7.0% to $219,296,000 as compared with $235,745,000 for the first quarter ended May 1, 2010. Same store sales decreased 8.7%. The first quarter ended April 30, 2011 yielded disappointing sales results primarily due to poor weather which resulted in a difficult retail environment marked by increased promotional activity. Other factors that contributed to the sales decline included the impact of higher gasoline prices reducing consumer disposable income for apparel purchases and a late Easter holiday that traditionally initiates increased sales of spring and summer merchandise. The Company's gross margin decreased from 67.8% to 65.8% for the quarter ended April 30, 2011. An improvement in the gross margin attributable to the strength of the Canadian dollar in the quarter ended April 30, 2011 was offset by a reduction due to increased promotional activity. Earnings before interest, taxes, depreciation and amortization and investment income ("EBITDA") decreased 47.7% to $19,503,000 as compared with $37,278,000 last year. Net earnings decreased 96.0% to $624,000 or $0.01 diluted earnings per share as compared with $15,770,000 or $0.23 diluted earnings per share last year.

During the quarter, the Company opened 8 new stores, comprised of 2 Reitmans, 2 Smart Set, 1 Thyme Maternity, 1 Cassis and 2 Addition Elle. Eleven stores were closed comprised of 3 Reitmans, 3 Smart Set, 3 Thyme Maternity, 1 Penningtons and 1 Addition Elle. Accordingly, at April 30, 2011, there were 965 stores in operation, consisting of 363 Reitmans, 157 Smart Set, 67 RW&CO., 73 Thyme Maternity, 23 Cassis, 160 Penningtons and 122 Addition Elle, as compared with a total of 982 stores as at May 1, 2010.

Sales for the month of May (the four weeks ended May 28, 2011) decreased 8% with same store sales decreasing 8% due to the continuing unseasonable weather conditions.

At the Board of Directors meeting held on May 31, 2011, a quarterly cash dividend (constituting eligible dividends) of $0.20 per share on all outstanding Class A non-voting and Common shares of the Company was declared, payable July 28, 2011 to shareholders of record on July 14, 2011.

Effective for the first quarter ended April 30, 2011, Reitmans began reporting its financial results in accordance with International Financial Reporting Standards ("IFRS"), including comparative information. Previously reported financial results prepared in accordance with Canadian generally accepted accounting principles have been presented to conform to the new standards adopted.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman
Chairman and Chief Executive Officer

Montreal, May 31, 2011

Highlights

Sales	**$219,296,000**	**- 7.0%**
EBITDA[1]	**$19,503,000**	**- 47.7%**
Pre-tax earnings	**$869,000**	**- 96.1%**
Net earnings	**$624,000**	**- 96.0%**
Earnings per share[2]	**$0.01**	**- 95.7%**
Cash and investments	**$247,850,000**	**- 3.9%**
Stores	**965**	**- 1.7%**

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

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

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

For the period ended April 30, 2011

MD&A

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Reitmans (Canada) Limited ("Reitmans" or the "Company") should be read in conjunction with the unaudited interim condensed financial statements of Reitmans for the fiscal period ended April 30, 2011 and the audited financial statements for the fiscal year ended January 29, 2011 and the notes thereto which are available at www.sedar.com. This MD&A is dated May 31, 2011.

Effective for the fiscal period ended April 30, 2011, Reitmans began reporting its financial results in accordance with International Financial Reporting Standards ("IFRS"), including comparative information. As a result of the adoption of IFRS a number of areas of financial reporting are impacted by the changeover to IFRS which are highlighted in this MD&A under the heading "Transition to International Financial Reporting Standards" and in note 19 of the unaudited interim condensed financial statements.

All financial information contained in this MD&A and Reitmans' unaudited interim condensed financial statements have been prepared in accordance with IFRS. They were prepared in accordance with IAS 34 *Interim Financial Reporting*, IFRS 1 *First-time adoption of IFRS* and with the accounting policies the Company will adopt in its first annual IFRS January 28, 2012 financial statements. Those accounting policies are based on the IFRS and interpretations made by the International Financial Reporting Interpretations Committee ("IFRIC") that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented, including the presentation of the opening balance sheet as at January 31, 2010, except for certain mandatory exemptions and optional exemptions taken pursuant to IFRS 1. All amounts in this report are in Canadian dollars, unless otherwise noted. The unaudited interim condensed financial statements and this MD&A were reviewed by Reitmans' Audit Committee and were approved by its Board of Directors on May 31, 2011.

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. Consequently, actual future results may differ materially from the anticipated results expressed in forward-looking statements. The reader should not place undue reliance on the forward-looking statements included herein. These statements speak only as of the date made and the Company is under no obligation and disavows any intention to update or revise such statements as a result of any event, circumstances or otherwise, except to the extent required under applicable securities law.

NON-GAAP FINANCIAL MEASURES

In addition to discussing earnings in accordance with IFRS, this MD&A provides earnings before interest, taxes, depreciation and amortization and investment income ("EBITDA") as a supplementary earnings measure. Depreciation and amortization includes the write-off of property and equipment. The Company also discloses same store sales, which are defined as sales generated by stores that have been open for at least one year. The Company believes these measures provide meaningful information on the Company's performance and operating results. However, readers should know that these financial measures have no standardized meaning as prescribed by IFRS and may not be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation.

The following table reconciles EBITDA to earnings before income taxes disclosed in the unaudited interim condensed statements of earnings for the three months ended April 30, 2011 and May 1, 2010:

	For the three months ended April 30, 2011	May 1, 2010
Earnings before income taxes	**$ 869,000**	$ 22,244,000
Finance income	**1,164,000**	810,000
Finance costs	**5,313,000**	1,391,000
Depreciation and amortization	**14,485,000**	14,453,000
EBITDA	**$ 19,503,000**	$ 37,278,000

CORPORATE OVERVIEW

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

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

RETAIL BANNERS

	Number of stores at January 29, 2011	Openings	Closings	Number of stores at April 30, 2011	Number of stores at May 1, 2010
Reitmans	364	2	3	363	369
Smart Set	158	2	3	157	163
RW & CO.	67	0	0	67	66
Cassis	22	1	0	23	19
Thyme Maternity	75	1	3	73	76
Penningtons	161	0	1	160	165
Addition Elle	121	2	1	122	124
Total	**968**	**8**	**11**	**965**	**982**

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

OPERATING RESULTS FOR THE THREE MONTHS ENDED APRIL 30, 2011 ("FIRST QUARTER OF FISCAL 2012") AND COMPARISON TO OPERATING RESULTS FOR THE THREE MONTHS ENDED MAY 1, 2010 ("FIRST QUARTER OF FISCAL 2011")

Sales for the first quarter of fiscal 2012 decreased 7.0% to $219,296,000 as compared with $235,745,000 for the first quarter of fiscal 2011. Same store sales decreased by 8.7%. The first quarter of fiscal 2012 yielded disappointing sales results primarily due to poor weather which resulted in a difficult retail environment marked by increased promotional activity. Other factors that contributed to the sales decline included the impact of higher gasoline prices reducing consumer disposable income for apparel purchases and a late Easter holiday that traditionally represents increased sales of spring and summer merchandise. While the consumer confidence index recovered from the low of two years earlier, consumer spending is still off previous high levels as evidenced by a 5.6 point decrease in the consumer confidence index noted for March 2011 by the Conference Board of Canada.

In the first quarter of fiscal 2012, EBITDA decreased by $17,775,000 or 47.7% to $19,503,000 as compared with $37,278,000 for the first quarter of fiscal 2011. The Company's gross margin for the first quarter of fiscal 2012 decreased to 65.8% from 67.8% for the first quarter of fiscal 2011. An improvement in the gross margin attributable to the strength of the Canadian dollar in the first quarter of fiscal 2012 was offset by a reduction due to increased promotional activity. The average rate for a US dollar for the first quarter of fiscal 2012 was $0.97 Canadian as compared to $1.03 for the first quarter of fiscal 2011. Spot prices for $1.00 US during the first quarter of fiscal 2012 ranged between a high of $1.00 and a low of $0.95 Canadian ($1.07 and $1.00 respectively during the first quarter of fiscal 2011). For the first quarter of fiscal 2012 as compared to the first quarter of fiscal 2011, the fluctuation of the US dollar positively impacted gross margin by approximately $4,000,000.

Depreciation and amortization expense for the first quarter of fiscal 2012 was $14,485,000 compared to $14,453,000 for the first quarter of fiscal 2011. Included in the first quarter of fiscal 2012 was $714,000 of write-offs as a result of closed and renovated stores, compared to $425,000 for the first quarter of fiscal 2011.

Finance income for the first quarter of fiscal 2012 was $1,164,000 as compared to $810,000 for the first quarter of fiscal 2011. Dividend income for the first quarter of fiscal 2012 was $880,000 as compared to $671,000 for the first quarter of fiscal 2011. Interest income increased for the first quarter of fiscal 2012 to $284,000 as compared to $139,000 for the first quarter of fiscal 2011 due to improved rates of interest earned on short-term investments.

Finance costs for the first quarter of fiscal 2012 were $5,313,000 as compared to $1,391,000 for the first quarter of fiscal 2011. Included in the first quarter of fiscal 2012 was a foreign exchange loss of $5,134,000 as compared to $1,192,000 for the first quarter of fiscal 2011, largely attributable to the impact of the fluctuation of the US dollar vis-à-vis the Canadian dollar with respect to US currency held by the Company. Interest expense on long-term debt decreased to $179,000 for the first quarter of fiscal 2012 from $199,000 for the first quarter of fiscal 2011. This decrease reflects the continued repayment of the mortgage on the Company's distribution centre.

Income taxes for the first quarter of fiscal 2012 amounted to $245,000, for an effective tax rate of 28.2%. For the first quarter of fiscal 2011, income taxes were $6,474,000, for an effective tax rate of 29.1%.

Net earnings for the first quarter of fiscal 2012 decreased 96.0% to $624,000 ($0.01 diluted earnings per share) as compared with $15,770,000 ($0.23 diluted earnings per share) for the first quarter of fiscal 2011.

The Company in its normal course of business makes long lead time commitments for a significant portion of its merchandise purchases, in some cases as long as eight months. In the first quarter, these merchandise purchases, payable in US dollars, approximated $68,000,000 US. The Company considers a variety of strategies designed to manage the cost of its continuing US dollar commitments, including spot rate purchases and foreign exchange option contracts with maturities not exceeding three months. Due to the strength of the Canadian dollar, the Company has purchased US dollars at varying spot rates so as to satisfy its US dollar requirements through to the end of October, 2011. The Company did not enter into any foreign exchange option contracts during the first quarter of fiscal 2012.

SUMMARY OF QUARTERLY RESULTS

The table below sets forth selected financial data for the eight most recently completed quarters. This unaudited quarterly information has been prepared under IFRS except as noted.

			Earnings per Share	
	Sales	**Net Earnings**	**Basic**	**Diluted**
April 30, 2011	$ 219,296,000	$ 624,000	$ 0.01	$ 0.01
January 29, 2011	268,714,000	13,817,000	0.21	0.21
October 30, 2010	262,515,000	20,692,000	0.31	0.31
July 31, 2010	292,026,000	38,706,000	0.58	0.57
May 1, 2010	235,745,000	15,770,000	0.23	0.23
January 30, 2010 [1]	268,120,000	14,088,000	0.21	0.21
October 31, 2009 [1]	270,684,000	18,921,000	0.28	0.28
August 1, 2009 [1]	286,071,000	26,426,000	0.38	0.38

[1] The selected information that is presented is reported under previous Canadian GAAP and does not reflect the impact of the adoption of IFRS.

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

BALANCE SHEET

COMPARISON OF FINANCIAL POSITION AS AT APRIL 30, 2011 WITH THE FINANCIAL POSITION AS AT JANUARY 29, 2011

Cash and cash equivalents amounted to $176,871,000 or 23.1% lower than $230,034,000 as at January 29, 2011. The reduction in cash and cash equivalents of $53,163,000 was mainly attributable to reduced cash generated from operations due to lower sales in the first quarter of fiscal 2012. Marketable securities held by the Company consist primarily of preferred shares of Canadian public companies. At April 30, 2011, marketable securities (reported at fair value) amounted to $70,979,000 as compared with $70,413,000 as at January 29, 2011. The Company's investment portfolio is subject to stock market volatility. The Company is highly liquid with its cash and cash equivalents and invests on a short-term basis in bank bearer deposit notes and bank term deposits with major Canadian chartered banks and commercial paper rated not less than R1.

Trade and other receivables were $4,214,000 or $1,348,000 higher than as at January 29, 2011, primarily due to credit card receivables which were approximately $1,000,000 higher than at January 29, 2011. The Company's trade and other receivables are essentially the credit card sales from the last few days of the fiscal quarter. Income taxes recoverable were $10,846,000 as compared to income taxes payable of $5,998,000 as at January 29, 2011 due to significantly lower taxable income in the first quarter of fiscal 2012. Inventories were $99,066,000 or $25,865,000 higher than as at January 29, 2011, reflecting the planned build-up of inventories for the spring and summer selling seasons. However, poor weather in the first quarter of fiscal 2012 resulted in reduced consumer traffic, lower sales and higher inventories than planned. Prepaid expenses were $12,715,000 or $224,000 higher than as at January 29, 2011.

The Company invested $13,162,000 in additions to property and equipment, and intangibles in the first quarter of fiscal 2012. This included $9,464,000 in new store construction and existing store renovation costs and $3,698,000 mainly related to information technology system hardware and software enhancements. The Company has embarked on a significant upgrade to its merchandising and supply chain operations, important to the Company's growth strategy. The technology initiatives, along with warehouse management systems improvements, will support changes and growth across all areas of the Company with improved integration, while enabling the Company to reduce the overall cost of system maintenance and upgrades. The total project, which is being phased in through to completion in fiscal 2013, is estimated to cost approximately $13,000,000.

Total trade and other payables were $78,333,000, or $4,060,000 higher than as at January 29, 2011 due mainly to trade payables relative to the build-up of inventory in the quarter. The Company's trade and other payables consist largely of trade payables, personnel liabilities, payables relating to premises and sales tax liabilities.

Deferred revenue consists of unredeemed gift cards and loyalty points and awards granted under customer loyalty programs. Revenue is recognized when the gift cards, loyalty points and awards are redeemed.

The Company maintains a contributory defined benefit pension plan ("Plan"). An actuarial valuation for funding purposes was performed as at December 31, 2007 and a triennial actuarial valuation for funding purposes is scheduled to take place with a valuation date of December 31, 2010. The Company also sponsors a Supplemental Executive Retirement Plan ("SERP") for certain senior executives. The SERP is unfunded and when the obligation arises to make any payment called for under the SERP (e.g. when an eligible plan member retires and begins receiving payments under the SERP), the payments reduce the accrual amount as the payments are actually made. As at April 30, 2011, the pension liability of the plans was $13,876,000 compared to $13,626,000 as at January 29, 2011. The increase is due to an amount of $379,000 being expensed in the first quarter of fiscal 2012 with respect to both plans while pension contributions paid in the first quarter of fiscal 2012 were $129,000.

The funded status of the Plan fluctuates with market conditions and impacts funding requirements. Based on the latest actuarial valuation conducted as at December 31, 2007, the Plan was in a funding deficit, which the Company funded in the fiscal year ended January 31, 2009. Total Company contributions to the Plan are expected to be approximately $587,000 in fiscal 2012 based on the Plan's current position. The Company will continue to make contributions to the Plan that as a minimum meet pension legislative requirements. Adverse changes to the assumptions used, such as the discount rate and expected long-term rate of return on plan assets could affect the funded status of the Plan and, as such, could have a significant impact on the cash funding requirements of the Plan.

To develop its expected long-term rate of return assumption used in the calculation of net periodic benefit costs applicable to the fair value of assets, the Company considers both its past experience and future estimates of long-term investment returns, the expected composition of the Plan's assets as well as the expected long-term market returns in the future.

COMPARISON OF FINANCIAL POSITION AS AT APRIL 30, 2011 WITH THE FINANCIAL POSITION AS AT MAY 1, 2010

Cash and cash equivalents amounted to $176,871,000 or 15.4% lower than $209,148,000 as at May 1, 2010. The reduction in cash and cash equivalents of $32,277,000 was mainly attributable to the purchase of securities in the fourth quarter of fiscal 2011, the purchase of shares under a normal course issuer bid combined with reduced cash generated from operations in the first quarter of fiscal 2012. Marketable securities held by the Company consist primarily of preferred shares of Canadian public companies. At April 30, 2011, marketable securities (reported at fair value) amounted to $70,979,000 as compared with $48,783,000 as at May 1, 2010, the increase largely attributable to the purchase of securities in the fourth quarter of fiscal 2011 with a market value of $20,342,000 at April 30, 2011. The Company's investment portfolio is subject to stock market volatility. The Company is highly liquid with its cash and cash equivalents and invests on a short-term basis in bank bearer deposit notes and bank term deposits with major Canadian chartered banks and commercial paper rated not less than R1.

Trade and other receivables were $4,214,000 or $449,000 higher than as at May 1, 2010. The Company's trade and other receivables are essentially the credit card sales from the last few days of the fiscal quarter. Income taxes recoverable were $10,846,000 as compared to $8,540,000 as at May 1, 2010 due to lower taxable income. Inventories this year were $99,066,000 or $17,208,000 higher than as at May 1, 2010, reflecting the planned build-up of inventories for the spring and summer selling seasons. However, poor weather in the first quarter of fiscal 2012 resulted in reduced consumer traffic, lower sales and higher inventories than planned. Prepaid expenses were $12,715,000 or $1,084,000 higher than as at May 1, 2010.

The Company invested $13,162,000 in additions to property and equipment and intangibles in the first quarter of fiscal 2012 compared to $13,091,000 invested in the first quarter of fiscal 2011. This included $9,464,000 (May 1, 2010 - $11,104,000) in new store construction and existing store renovation costs and $3,698,000 (May 1, 2010 - $1,987,000) mainly related to information technology system hardware and software enhancements.

Total trade and other payables were $78,333,000, or $2,959,000 higher than as at May 1, 2010, due mainly to the timing of payments related to the harmonized sales taxes enacted in British Columbia and Ontario. The Company's trade and other payables consist largely of trade payables, personnel liabilities, payables relating to premises and sales tax liabilities.

OPERATING RISK MANAGEMENT

Economic Environment

The Bank of Canada in its April 2011 Monetary Policy Report has predicted the growth of consumer spending to evolve broadly in line with that of personal disposable income, while projecting that the economy will grow by 2.9% in calendar 2011 and 2.6% in 2012. The Company believes that consumer demand will remain weak as consumers feel the effects of the recent rise in gas and food prices. 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 financial credit resources to draw upon as deemed necessary.

Competitive Environment

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

Seasonality

The Company is principally engaged in the sale of women's apparel through 965 leased retail outlets operating under seven banners located across Canada. The Company's business is seasonal and is also subject to a number of factors, which directly impact retail sales of apparel over which it has no control, namely fluctuations in weather patterns, swings in consumer confidence and buying habits and the potential of rapid changes in fashion preferences.

Distribution and Supply Chain

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

Information Technology

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

Government Regulation

The Company is structured in a manner that management considers to be most effective to conduct its business 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.

Merchandise Sourcing

Virtually all of the Company's merchandise is private label. On an annual basis, the Company directly imports approximately 85% of its merchandise, largely from China. In the first quarter of fiscal 2012, no supplier represented more than 9% of the Company's purchases (in dollars and/or units) and there are a variety of alternative sources (both domestic and offshore) for virtually all of the Company's merchandise. The Company has good relationships with its suppliers and has no reason to believe that it is exposed to any material risk that would operate to prevent the Company from acquiring, distributing and/or selling merchandise on an ongoing basis.

Record high prices for cotton, an important component in clothing fabrication, along with a significant shortage of supply is anticipated to place strains on certain product margins. A recent slowdown in demand has resulted in bringing cotton prices sharply lower over the past few months, however cotton prices remain higher than the prices over the past ten years. The Company continues to closely monitor this development in an effort to maintain its value pricing proposition.

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.

FINANCIAL RISK MANAGEMENT

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk were provided in the Company's 2011 Annual Report and there have been no significant changes in the Company's risk exposures during the three months ended April 30, 2011 with the exception of foreign currency risk as described below.

Foreign Currency Risk

The Company purchases a significant amount of its merchandise with US dollars and as such significant volatility in the US dollar vis-à-vis the Canadian dollar can have an adverse impact on the Company's gross margin. The Company considers a combination of foreign exchange option contracts, not to exceed three months, and spot rate purchases to manage its foreign exchange exposure on cash flows related to these purchases. A foreign exchange option contract represents an option to buy a foreign currency from a counterparty. Credit risks exist in the event of failure by a counterparty to fulfill its obligations. The Company reduces this risk by dealing only with highly-rated counterparties, normally major Canadian financial institutions. Due to the strength of the Canadian dollar, the Company has purchased US dollars at varying spot rates so as to satisfy its US dollar requirements through to the end of October, 2011.

As at April 30, 2011, May 1, 2010 and January 29, 2011, there were no outstanding foreign exchange option contracts.

The Company has performed a sensitivity analysis on its US dollar denominated financial instruments, which consisted as at April 30, 2011 principally of cash and cash equivalents of $102,924,000 and accounts payable of $4,504,000 to determine how a change in the US dollar exchange rate would impact net earnings. On April 30, 2011, a 10% rise or fall in the Canadian dollar against the US dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a $6,520,000 decrease or increase, respectively, in the Company's net earnings for the three months ended April 30, 2011.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity as at April 30, 2011 amounted to $502,374,000 or $7.56 per share (May 1, 2010 - $504,201,000 or $7.45 per share; January 29, 2011 - $512,800,000 or $7.73 per share). The Company continues to be in a strong financial position. The Company's principal sources of liquidity are its cash, cash equivalents and investments in marketable securities (reported at fair value) of $247,850,000 (May 1, 2010 - $257,931,000; January 29, 2011 - $300,447,000). Cash is conservatively invested on a short-term basis in bank bearer deposit notes and bank term deposits with major Canadian financial institutions and commercial paper rated not less than R1. 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 $125,000,000 or its US dollar equivalent. As at April 30, 2011, $58,149,000 (May 1, 2010 - $44,310,000; January 29, 2011 - $60,888,000) of the operating lines of credit were committed for documentary and standby letters of credit. These credit facilities are used principally for US dollar letters of credit to satisfy offshore third-party vendors, which require such backing before confirming purchase orders issued by the Company. The Company rarely uses such credit facilities for other purposes.

The Company has granted standby letters of credit, issued by highly-rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As at April 30, 2011, the maximum potential liability under these guarantees was $5,060,000 (May 1, 2010 - $5,138,000; January 29, 2011 - $5,060,000). The standby letters of credit mature at various dates during fiscal 2012. 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 $337,000 in the first quarter of fiscal 2012. The Company paid $0.20 dividends per share totalling $13,288,000 in the first quarter of fiscal 2012 compared to $0.18 dividends per share totalling $12,187,000 in the first quarter of fiscal 2011.

In the first quarter of fiscal 2012, the Company invested $13,162,000 on new and renovated stores and information technology system enhancements. The Company has embarked on a significant upgrade to its merchandising and supply chain operations, important to the Company's growth strategy. The technology initiatives, along with warehouse management systems improvements, will support changes and growth across all areas of the Company, with improved integration while enabling the Company to reduce the overall cost of system maintenance and upgrades. The total project, which is being phased in through to completion in fiscal 2013, is estimated to cost approximately $13,000,000. In the fiscal year ending January 28, 2012, the Company expects to invest approximately $40,000,000 in capital expenditures related to new stores and renovations. These expenditures, together with the payment of cash dividends, the repayments related to the Company's bank credit facility and long-term debt obligations and purchases of Class A non-voting shares, under a normal course issuer bid approved in November 2010, 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 April 30, 2011, 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]	$ 470,794,000	$ 100,568,000	$ 226,985,000	$ 143,241,000
Purchase obligations[2]	102,160,000	101,600,000	560,000	–
Other operating leases[3]	15,890,000	4,437,000	9,727,000	1,726,000
Long-term debt	11,094,000	1,406,000	4,790,000	4,898,000
Interest on long-term debt	2,490,000	660,000	1,409,000	421,000
Total contractual obligations	**$ 602,428,000**	**$ 208,671,000**	**$ 243,471,000**	**$ 150,286,000**

[1] Represents the minimum lease payments under long-term leases for store locations and office space as at April 30, 2011.
[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.

OUTSTANDING SHARE DATA

At May 31, 2011, 13,440,000 Common shares and 52,986,306 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 2,867,100 stock options outstanding at an average exercise price of $14.67. Each stock option entitles the holder to purchase one Class A non-voting share of the Company at an exercise price established based on the market price of the shares at the date the option was granted.

In November 2010, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid. Under the bid, the Company may purchase up to 2,638,115 Class A non-voting shares of the Company, representing 5% of the issued and outstanding Class A non-voting shares as at November 17, 2010. The average daily trading volume for the six month period preceding November 1, 2010 was 71,905 shares. In accordance with Toronto Stock Exchange rules, a maximum daily repurchase of 25% of this average may be made, representing 17,976 shares. The bid commenced on November 28, 2010 and may continue to November 27, 2011. The shares will be purchased on behalf of the Company by a registered broker through the facilities of the Toronto Stock Exchange. The price paid for the shares will be the market price at the time of acquisition, and the number of shares purchased and the timing of any such purchases will be determined by the Company's management. All shares purchased by the Company will be cancelled. In the first quarter of fiscal 2012, no shares were purchased by the Company.

OFF-BALANCE SHEET ARRANGEMENTS

Derivative Financial Instruments

The Company in its normal course of business must make long lead time commitments for a significant portion of its merchandise purchases, in some cases as long as eight months. Most of these purchases must be paid for in US dollars. The Company considers a variety of strategies designed to manage the cost of its continuing US dollar long-term commitments, including spot rate purchases and foreign exchange option contracts with maturities not exceeding three months. Due to the strength of the Canadian dollar, the Company has purchased US dollars at varying spot rates so as to satisfy its US dollar requirements through to the end of October, 2011.

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

The Company does not use derivative financial instruments for speculative purposes. Foreign exchange option contracts are considered with maturities usually not exceeding three months. As at April 30, 2011, May 1, 2010 and January 29, 2011 the Company had no outstanding foreign exchange option contracts.

Included in the determination of the Company's net earnings for the three months ended April 30, 2011 was a foreign exchange loss of $5,134,000 (May 1, 2010 - loss of $1,192,000).

RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

Only members of the Board of Directors are deemed to be key management personnel. It is the Board which has the responsibility for planning, directing and controlling the activities of the Company. The Directors participate in the share option plan, as described in note 10 to the unaudited interim condensed financial statements for the period ended April 30, 2011. The following is compensation expense for key management personnel:

	For the three months ended	
	April 30, 2011	**May 1, 2010**
Salaries and short-term benefits	**$ 476,000**	$ 479,000
Post-employment benefits	**(9,000)**	45,000
Share-based compensation costs	**49,000**	51,000
	$ 516,000	$ 575,000

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 a company controlled by the major shareholders of the Company. The leases for such premises were entered into on commercial terms similar to those for leases entered into with third parties for similar premises. For the three months ended April 30, 2011, the rent expense under these leases was, in the aggregate, approximately $51,000 (May 1, 2010 - $45,000).

The Company incurred $166,000 in the three months ended April 30, 2011 (May 1, 2010 - $142,000) with professional service firms connected to outside directors of the Company for fees in conjunction with general legal advice and other consultation. The Company believes that such remuneration was based on normal terms for business transactions between unrelated parties.

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

FINANCIAL INSTRUMENTS

The Company's significant financial instruments consist of cash and cash equivalents along with marketable securities. The Company uses its cash resources to fund ongoing store construction and renovations along with working capital needs. Financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Company reduces its credit risks by investing available cash in bank bearer deposit notes and bank term deposits with major Canadian 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 Company is highly liquid with its cash and cash equivalents and invests on a short-term basis in bank bearer deposit notes and bank term deposits with major Canadian financial institutions and commercial paper rated not less than R1.

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

CRITICAL ACCOUNTING ESTIMATES

Inventory Valuation

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

Share-Based Compensation

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

Pension

The Company maintains a contributory, defined benefit plan and sponsors a SERP. The costs of the defined benefit plan and SERP are determined periodically by independent actuaries. Pension expense is included in the results of operations. Assumptions used in developing the net pension expense and projected benefit obligation include a discount rate, rate of increase in salary levels and expected long-term rate of return on plan assets. Based upon the most recently filed actuarial valuation report as at December 31, 2007, the defined benefit plan is fully funded and solvent. The SERP is an unfunded pay as you go plan.

Goodwill

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

Gift Cards / 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.

Sales Returns

The Company provides for the possibility that merchandise already sold may be returned by customers. To this end, the Company has made certain assumptions based on the quantity of merchandise returned in the past.

Deferred Income Tax Assets

Management is required to make subjective assessments to determine the amount of deferred income tax assets to be recognized. Deferred income tax assets are recorded to the extent that it is probable that there will be adequate taxable income in the future against which they can be utilized.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board requires that publicly accountable enterprises adopt IFRS, for interim and annual reporting purposes, beginning on or after January 1, 2011, which for the Company is the fiscal year ending January 28, 2012. The Company began reporting under IFRS for the quarter ended April 30, 2011 and has presented in its unaudited interim condensed financial statements information that conforms to IFRS for comparative periods.

IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date of its first annual financial statements, which for the Company will be January 28, 2012. However, it also provides for certain optional exemptions and prescribes certain mandatory exceptions for first-time IFRS adopters.

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the Company's conversion from Canadian GAAP to IFRS.

IFRS 1 EXEMPTIONS

Business Combinations

IFRS 1 provides the option to apply IFRS 3 *Business Combinations*, retrospectively or prospectively from January 31, 2010 ("Transition Date"). The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. Under the business combinations exemption, the carrying amounts of the assets acquired and liabilities assumed under Canadian GAAP at the date of the acquisition became their deemed carrying amounts under IFRS at that date.

Notwithstanding this exemption, the Company was required at the Transition Date to evaluate whether the assets acquired and liabilities assumed meet the recognition criteria in the relevant IFRS, and whether there are any assets acquired or liabilities assumed that were not recognized under Canadian GAAP for which recognition would be required under IFRS. The requirements of IFRS were then applied to the assets acquired and liabilities assumed from the date of acquisition to the Transition Date. The application of this exemption did not result in an IFRS transition adjustment to the opening balance sheet at January 31, 2010. In addition, under the business combinations exemption, the Company tested goodwill for impairment at the Transition Date and determined that there was no impairment of the carrying value of goodwill as of that date.

Employee Benefits

IFRS 1 provides the option to apply IAS 19 *Employee Benefits* 120A(p) retrospectively or prospectively from the Transition Date. The retrospective basis would require the disclosure of selected information of the defined benefit plans for the current annual period and previous four annual periods. The Company elected to disclose the amounts required by paragraph 120A(p) of IAS 19 as the amounts are determined for each accounting period prospectively from the Transition Date to IFRS.

IFRS 1 MANDATORY EXCEPTIONS

In the conversion from Canadian GAAP to IFRS, the applicable IFRS 1 exception with respect to estimates was applied. Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

MATERIAL ADJUSTMENTS TO THE STATEMENTS OF CASH FLOWS

IFRS requires cash flows from interest and dividends received and paid, and income taxes paid, to be disclosed directly in the statement of cash flows. Under Canadian GAAP, the Company disclosed interest and income taxes paid in the notes to the financial statements. This has resulted in a change to the presentation of the statements of cash flows for all periods presented in the unaudited interim condensed financial statements. There are no other material differences between the Company's statements of cash flows presented under IFRS and the statements of cash flows presented under Canadian GAAP.

IFRS ADJUSTMENTS

A summary of IFRS adjustments to the unaudited interim condensed financial statements are highlighted below. Reconciliations prepared in accordance with IFRS 1, "First-Time Adoption of International Financial Reporting Standards" are provided in note 19 to the unaudited interim condensed financial statements.

Advertising Expenses

Under IFRS, in accordance with IAS 38 *Intangible Assets*, advertising costs must be recognized as an expense at the time the expense is incurred. Canadian GAAP allowed for advertising costs to be deferred (as prepaid items) and expensed at the time the advertising occurs. The impact arising from the change was a decrease to retained earnings of $606,000 at the Transition Date and an increase in earnings before income taxes of $96,000 for the fiscal year ended January 29, 2011.

Impairment of Property and Equipment

For purposes of assessing impairment of property and equipment in accordance with IAS 36 *Impairment of Assets*, the Company has identified cash-generating units ("CGU") based on the smallest group of assets that are capable of generating largely independent cash inflows. In addition, the recoverable amount for impairment analysis is based on the higher of its value in use, which is based on discounted cash flows, and fair value less costs to sell. Under Canadian GAAP, property and equipment was allocated to asset groups defined as the lowest of assets and liabilities for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

As a result of the impairment test performed as of the Transition Date, retained earnings decreased by $2,817,000. For the fiscal year ended January 29, 2011, due to the impairment charge recorded at the Transition Date, depreciation expense was reduced by $1,385,000, which was offset by a net additional impairment charge of $945,000 resulting in an increase in net earnings before income taxes of $440,000.

Components of Property and Equipment

Under IFRS, in accordance with IAS 16 *Property, Plant and Equipment*, each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately over its respective estimated useful life. Canadian GAAP provided no guidance on the cost of a component and was less specific about the level at which component accounting was required. As a result, the Company's buildings were broken down into components, with useful lives varying from 10 to 50 years. The impact arising from the change was an increase to retained earnings of $1,150,000 at the Transition Date and an increase in earnings before income taxes of $262,000 for the fiscal year ended January 29, 2011.

Customer Loyalty Programs

Under IFRS, in accordance with IFRIC 13 *Customer Loyalty Programs*, the fair value of loyalty points and awards granted under customer loyalty programs are recognized as a separately identifiable component of the initial sales transaction and deferred until the Company has fulfilled its obligation. The Company's practice under Canadian GAAP was not to defer any revenue associated with customer loyalty programs. The impact arising from the change was a decrease to retained earnings of $4,884,000 at the Transition Date and a decrease in earnings before income taxes of $1,288,000 for the fiscal year ended January 29, 2011.

Past Service Costs of a Defined Benefit Plan

Under IFRS, in accordance with IAS 19 *Employee Benefits*, liabilities and expenses for vested past service costs under a defined benefit plan are recognized immediately in the statement of earnings. Under Canadian GAAP, the Company recognized past service costs under the Company's defined benefit plan and SERP over the expected average remaining service period. The impact arising from the change was a decrease to retained earnings of $3,941,000 at the Transition Date and an increase in earnings before income taxes of $590,000 for the fiscal year ended January 29, 2011.

Measurement Date of a Defined Benefit Plan

Under IFRS, in accordance with IAS 19 *Employee Benefits*, defined benefit obligations and plan assets are measured at the reporting date. Under Canadian GAAP, the Company measured defined benefit obligations and plan assets as of December 31st. The impact arising from the change was a decrease to retained earnings of $816,000 at the Transition Date and an increase in earnings before income taxes of $1,318,000 for the fiscal year ended January 29, 2011.

Recognition of Actuarial Gains/Losses

On transition to IFRS, as permitted under IAS 19 *Employee Benefits*, the Company has chosen as its accounting policy for its defined benefit plan and SERP to recognize actuarial gains or losses directly into other comprehensive income rather than through net earnings. This change was applied prospectively from the Transition Date. The impact arising from the change was an increase in earnings before income taxes of $1,049,000 for the fiscal year ended January 29, 2011.

Financial Instruments

Under IFRS, in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, impairment testing for available-for-sale financial assets (marketable securities), which are measured at fair value, is determined by objective evidence indicating "prolonged or significant" declines in market value. Canadian GAAP referred to "other than temporary" declines. The impact arising from the change was a decrease to retained earnings of $6,309,000 at the Transition Date and an increase in earnings before income taxes of $198,000 for the fiscal year ended January 29, 2011.

Re-Measurement of Tax Assets and Liabilities

Under IFRS, if a deferred income tax asset or liability is re-measured subsequent to initial recognition, the impact of re-measurement is recorded in earnings, unless it relates to an item originally recognized in equity, in which case the change would also be recorded in equity. The practice of tracking the re-measurement of taxes back to the item which originally triggered the recognition is commonly referred to as "backwards tracing". Canadian GAAP prohibits backwards tracing except in relation to business combinations and financial reorganizations. The impact arising from the change was a decrease to retained earnings of $554,000 at the Transition Date.

IFRS RECLASSIFICATIONS

Deferred Income Taxes

Under IFRS, as per IAS 1 *Presentation of Financial Statements*, deferred income tax assets and liabilities cannot be classified as current. Under Canadian GAAP, when assets and liabilities were segregated between current and non-current, the future income tax assets and liabilities were segregated. The effect was to reclassify $2,395,000 of deferred income tax assets from current to non-current at January 31, 2010 ($2,001,000 at January 29, 2011).

Deferred Revenue

Under IFRS, the Company has chosen to present unredeemed gift cards as deferred revenue on the balance sheet. Under Canadian GAAP, unredeemed gift cards were presented as accounts payable and accrued items.

Trade and Other Payables

Under IFRS, in accordance with IAS 1 *Presentation of Financial Statements*, certain non-trade payables have been re-classified from current to non-current liabilities on the balance sheet.

Statement of Earnings

Under IFRS, in accordance with IAS 1 *Presentation of Financial Statements*, an analysis of expenses is required, either by nature or by function, on the face of the statement of earnings. The Company has elected to present the analysis of expenses by function. Depreciation and amortization expenses are allocated within each function to which it relates. Under Canadian GAAP, there was no requirement for expenses to be classified according to their nature or function.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company has designed disclosure controls and procedures to provide reasonable assurance that material information related to the Company is included in the annual and quarterly filings. In addition, the Company evaluated the effectiveness of the disclosure controls and procedures as of January 29, 2011 and concluded that these controls were effective.

The Company, under the supervision of the Chief Executive Officer and Chief Financial Officer, has designed internal controls over financial reporting, as defined by *National Instrument 52-109*, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company evaluated the effectiveness of the internal controls over financial reporting as of January 29, 2011 and concluded that these controls were effective.

The Company's internal controls were not materially affected by the transition to IFRS. There have been no changes in the Company's internal controls over financial reporting during the three months ended April 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

The Canadian economy continues to perform well in relation to other countries, however certain sectors such as retail can be and have been impacted by prolonged poor weather conditions. Despite the first quarter of fiscal 2012 results of the Company having been severely impacted by poor weather across Canada, the Company's long-term outlook remains positive. The Bank of Canada, in its April 2011 *Monetary Policy Report*, has predicted the growth of consumer spending to evolve broadly in line with that of personal disposable income, while projecting that the economy will grow by 2.9% in calendar 2011 and 2.6% in 2012. The Company believes that consumer demand will remain weak as consumers feel the effects of the recent rise in gas and food prices. The strength of the Canadian dollar favours importers, however it creates a drag on the economic activity of other sectors in Canada. The apparel marketplace has been faced with rising cotton prices and other input costs. The price of cotton, an important component in clothing fabrication, had risen to record high prices and along with a significant shortage of supply was anticipated to place strains on certain product margins. A slowdown in demand has resulted in bringing cotton prices sharply lower over the past few months, however cotton prices remain higher than the prices over the past ten years. The Company continues to closely monitor this development in an effort to maintain its value pricing proposition. We are being guided by these expectations in conducting all facets of our business. On the positive side, we believe that we remain poised to strengthen the Company's market position in all of our market niches by offering a broad assortment of quality merchandise at affordable prices. The Company has virtually no debt and has liquid cash reserves which provide us with the ability to act when opportunities present themselves in whatever format including merchandising, store acquisition/construction, system replacements/upgrading or expansion by acquisition.

The Company's Hong Kong office continues to serve the Company well, with over 110 full-time employees dedicated to seeking out the highest quality, affordable and fashionable apparel for all of our banners.

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

Condensed Statements of Earnings

(Unaudited)
(in thousands of Canadian dollars except per share amounts)

	For the three months ended April 30, 2011	May 1, 2010
Sales	**$ 219,296**	$ 235,745
Cost of goods sold (note 5)	**74,941**	75,972
Gross profit	**144,355**	159,773
Selling and distribution expenses	**129,225**	126,482
Administrative expenses	**10,112**	10,466
Results from operating activities	**5,018**	22,825
Finance income (note 16)	**1,164**	810
Finance costs (note 16)	**5,313**	1,391
Earnings before income taxes[1]	**869**	22,244
Income taxes	**245**	6,474
Net earnings	**$ 624**	$ 15,770
Earnings per share (note 11):		
Basic	**$ 0.01**	$ 0.23
Diluted	**0.01**	0.23

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

[1] A reconciliation of earnings before income taxes to earnings before interest, taxes, depreciation and amortization and investment income ("EBITDA") is as follows:

	April 30, 2011	May 1, 2010
Earnings before income taxes	**$ 869**	$ 22,244
Finance income	**1,164**	810
Finance costs	**5,313**	1,391
Depreciation and amortization	**14,485**	14,453
EBITDA	**$ 19,503**	$ 37,278

Condensed Statements of Comprehensive Income

(Unaudited)
(in thousands of Canadian dollars)

	For the three months ended April 30, 2011	May 1, 2010
Net earnings	**$ 624**	$ 15,770
Other comprehensive income:		
Net unrealized gain on available-for-sale financial assets arising during the period (net of tax of $60; $89 for the three months ended May 1, 2010)	**401**	598
Total comprehensive income	**$ 1,025**	$ 16,368

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

Condensed Balance Sheets

(Unaudited)
(in thousands of Canadian dollars)

	April 30, 2011	May 1, 2010	January 29, 2011	January 31, 2010
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (note 15)	**$ 176,871**	$ 209,148	$ 230,034	$ 228,577
Marketable securities	**70,979**	48,783	70,413	48,026
Trade and other receivables	**4,214**	3,765	2,866	2,926
Income taxes recoverable	**10,846**	8,540	–	–
Inventories	**99,066**	81,858	73,201	63,127
Prepaid expenses	**12,715**	11,631	12,491	11,010
Total Current Assets	**374,691**	363,725	389,005	353,666
NON-CURRENT ASSETS				
Property and equipment	**189,487**	207,594	193,064	208,362
Intangibles	**14,012**	8,455	13,841	9,964
Goodwill	**42,426**	42,426	42,426	42,426
Deferred income taxes	**19,438**	19,445	21,021	18,313
Total Non-Current Assets	**265,363**	277,920	270,352	279,065
TOTAL ASSETS	**$ 640,054**	$ 641,645	$ 659,357	$ 632,731
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade and other payables (note 6)	**$ 67,940**	$ 66,068	$ 64,093	$ 54,684
Deferred revenue (note 7)	**13,870**	14,789	19,834	18,122
Income taxes payable	**–**	–	5,998	4,677
Current portion of long-term debt (note 8)	**1,406**	1,320	1,384	1,300
Total Current Liabilities	**83,216**	82,177	91,309	78,783
NON-CURRENT LIABILITIES				
Other payables (note 6)	**10,393**	9,306	10,180	9,105
Deferred revenue (note 7)	**2,395**	2,575	2,384	2,686
Deferred lease credits	**18,112**	20,245	19,011	20,609
Long-term debt (note 8)	**9,688**	11,093	10,047	11,431
Pension liability	**13,876**	12,048	13,626	11,865
Total Non-Current Liabilities	**54,464**	55,267	55,248	55,696
SHAREHOLDERS' EQUITY				
Share capital (note 9)	**31,426**	27,524	29,614	25,888
Contributed surplus	**6,291**	5,296	6,266	5,164
Retained earnings	**456,890**	465,428	469,554	461,845
Accumulated other comprehensive income (note 9)	**7,767**	5,953	7,366	5,355
Total Shareholders' Equity	**502,374**	504,201	512,800	498,252
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 640,054**	$ 641,645	$ 659,357	$ 632,731

Commitments (note 12)

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

Condensed Statements of Changes in Shareholders' Equity

(Unaudited)
(in thousands of Canadian dollars)

	For the three months ended April 30, 2011	May 1, 2010
SHARE CAPITAL		
Balance, beginning of the period	**$ 29,614**	$ 25,888
Cash consideration on exercise of share options (note 9)	**1,443**	1,314
Ascribed value credited to share capital from exercise of share options (note 9)	**369**	322
Balance, end of the period	**31,426**	27,524
CONTRIBUTED SURPLUS		
Balance, beginning of the period	**6,266**	5,164
Share-based compensation costs (note 10)	**394**	454
Ascribed value credited to share capital from exercise of share options (note 9)	**(369)**	(322)
Balance, end of the period	**6,291**	5,296
RETAINED EARNINGS		
Balance, beginning of the period	**469,554**	461,845
Net earnings	**624**	15,770
Dividends (note 9)	**(13,288)**	(12,187)
Balance, end of the period	**456,890**	465,428
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of the period	**7,366**	5,355
Net unrealized gain on available-for-sale financial assets arising during the period (net of tax of $60; $89 for the three months ended May 1, 2010)	**401**	598
Balance, end of the period	**7,767**	5,953
Total Shareholders' Equity	**$ 502,374**	$ 504,201

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

Condensed Statements of Cash Flows

(Unaudited)
(in thousands of Canadian dollars)

	For the three months ended April 30, 2011	For the three months ended May 1, 2010
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net earnings	**$ 624**	$ 15,770
Adjustments for:		
Depreciation and amortization	**14,485**	14,453
Share-based compensation costs	**394**	454
Amortization of deferred lease credits	**(1,214)**	(1,269)
Deferred lease credits	**315**	905
Pension contribution	**(129)**	(155)
Pension expense	**379**	338
Foreign exchange loss	**2,931**	490
Interest and dividend income, net	**(985)**	(611)
Interest paid	**(179)**	(199)
Interest received	**322**	86
Dividends received	**862**	797
Income taxes	**245**	6,474
	18,050	37,533
Changes in:		
Trade and other receivables	**(1,368)**	(912)
Inventories	**(25,865)**	(18,731)
Prepaid expenses	**(224)**	(621)
Trade and other payables	**6,143**	13,263
Deferred revenue	**(5,953)**	(4,207)
Cash (used in) generated from operating activities	**(9,217)**	26,325
Income taxes paid	**(15,566)**	(20,912)
Net cash flows (used in) from operating activities	**(24,783)**	5,413
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of marketable securities	**(105)**	(70)
Additions to property and equipment and intangibles	**(13,162)**	(13,091)
Cash flows used in investing activities	**(13,267)**	(13,161)
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES		
Dividends paid	**(13,288)**	(12,187)
Repayment of long-term debt	**(337)**	(318)
Proceeds from exercise of share options	**1,443**	1,314
Cash flows used in financing activities	**(12,182)**	(11,191)
FOREIGN EXCHANGE LOSS ON CASH HELD IN FOREIGN CURRENCY	**(2,931)**	(490)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(53,163)**	(19,429)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**230,034**	228,577
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**$ 176,871**	$ 209,148

Supplementary cash flow information (note 17)

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

Notes

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 3300 Highway #7 West, Suite 702, Vaughan, Ontario L4K 4M3. The principal business activity of the Company is the sale of women's wear at retail. The retail business is seasonal and the results of operations for any interim period are not necessarily indicative of the results of operation for the full fiscal year or any future period.

2. BASIS OF PRESENTATION

a) Statement of Compliance

As these unaudited interim condensed financial statements represent the Company's initial presentation of its earnings, balance sheets and cash flows under International Financial Reporting Standards ("IFRS"), they were prepared in accordance with IAS 34 *Interim Financial Reporting*, IFRS 1 *First-time adoption of IFRS* and with the accounting policies the Company expects to adopt in its first annual IFRS January 28, 2012 financial statements. Those accounting policies are based on the IFRS and International Financial Reporting Interpretations Committee ("IFRIC") as issued by the International Accounting Standards Board ("IASB") that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented, including the presentation of the opening balance sheet as at January 31, 2010, except for certain mandatory exemptions and optional exemptions taken pursuant to IFRS 1 as described in note 19. These unaudited interim condensed financial statements do not include all of the information required for full annual financial statements. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with IFRS were omitted or condensed where such information is not considered material to the understanding of the Company's interim financial statements.

The Company's financial statements were previously prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). An explanation of how the transition from Canadian GAAP to IFRS has affected the reported earnings, balance sheets and cash flows of the Company is provided in note 19.

These unaudited interim condensed financial statements were authorized for issue by the Board of Directors on May 31, 2011 and they should be read in conjunction with the Company's annual financial statements for the 52 week fiscal year ended January 29, 2011.

b) Basis of Measurement

These unaudited interim condensed financial statements have been prepared on the historical cost basis except for:

- available-for-sale financial assets, measured at fair value through other comprehensive income; and
- the defined benefit liability recognized as the present value of the defined benefit obligation less the total of the fair value of the plan assets and the unrecognized past service cost.

c) Functional and Presentation Currency

These unaudited interim condensed 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 thousands, except per share amounts.

d) Estimates, Judgements and Assumptions

The preparation of the unaudited interim condensed financial statements in accordance with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. 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.

In preparing these unaudited interim condensed financial statements, the nature of significant judgements made by management applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

Significant areas requiring the use of management estimates and assumptions include the key assumptions used in determining the useful life and recoverability of property and equipment and intangible assets, share-based compensation costs, assets and obligations related to employee pension benefits, deferred income tax assets, inventory valuation, sales returns and deferred revenues.

The following is a summary of areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements:

Deferred Income Tax Assets
Management is required to make subjective assessments to determine the amount of deferred income tax assets to be recognized. Deferred income tax assets are recorded to the extent that it is probable that there will be adequate taxable income in the future against which they can be utilized.

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

Sales Returns
The Company provides for the possibility that merchandise already sold may be returned by customers. To this end, the Company has made certain assumptions based on the quantity of merchandise returned in the past.

Share-Based Compensation
In computing the compensation cost related to share option awards under the fair value approach, various assumptions are used to determine the expected option life, risk-free interest rate, expected stock price volatility and average dividend yield. The use of different assumptions could result in a stock compensation expense that differs from that which the Company has recorded.

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.

Slow-Moving Inventory
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 at a discount below cost.

Asset Impairment
The Company must assess the possibility that the carrying amounts of tangible and intangible assets may not be recoverable. Management is required to make a significant subjective assessment, linking the possible loss of value of assets to future economic performance, to determine the amount of asset impairment that should be recognized.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these unaudited interim condensed financial statements and in preparing the opening IFRS balance sheet at January 31, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

a) 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.

b) Cash and Cash Equivalents

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

c) Financial Instruments

All financial instruments are classified into one of the following five categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair value with the exception of loans and receivables, held-to-maturity investments and other financial liabilities, which are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method, less impairment. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Financial instruments classified as financial assets at fair value through profit or loss are measured at fair value and all gains and losses are included in net earnings in the period in which they arise. Available-for-sale financial instruments are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to net earnings.

Financial assets and liabilities measured at fair value use a fair value hierarchy to prioritize the inputs used in measuring fair value. Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company has classified its cash and cash equivalents and its trade and other receivables as loans and receivables and its marketable securities as available-for-sale. Trade and other payables and long-term debt have been classified as other financial liabilities and are measured at amortized cost.

The Company accounts for transactions costs related to financial instruments, other than those classified as fair value through profit or loss and for derivative instruments, in the initial measurement of the instrument.

Financial assets and liabilities are offset and the net amount is presented in the balance sheet 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.

Derivative instruments are recorded as either assets or liabilities measured 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, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

The Company considers the use of foreign exchange option contracts, with maturities not exceeding three months, to manage its US dollar exposure. Derivative financial instruments are not used for trading or speculative purposes.

d) 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 at 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.

e) 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 carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

f) Intangible Assets

Intangible assets that are acquired by the Company and have finite useful lives are initially measured at cost. Following initial recognition, intangible assets 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.

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

Software	3 to 5 years

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

g) 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.

h) Inventories

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

i) 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 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 its related CGU that can be expected from the continued use of the asset or its related CGU and from its disposal at the end of its useful life. The fair value less costs to sell is the amount for which an asset or its related CGU can be sold in a transaction under normal market conditions between knowledgeable and willing contracting parties, less costs to sell.

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 that 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 equity 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.

j) Employee Benefits

i) Pension Benefit Plans

The Company maintains a contributory defined benefit plan that provides for pensions to employees based on length of service and average earnings in the best five consecutive years of employment. The Company also sponsors a Supplemental Executive Retirement Plan ("SERP"), 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.

Pension expense/income is included in the determination of net earnings according to the following policies:

- The present value of the defined benefit obligation is actuarially determined using the projected unit credit method.
- For the purpose of calculating expected return on plan assets, the valuation of those assets is based on quoted market values at the year-end date.
- Unrecognized past service costs related to benefits are amortized on a straight-line basis over the average period until vesting.

The Company recognizes all actuarial gains and losses from the defined benefit plan and SERP in other comprehensive income and expenses related to defined contribution plans in net earnings.

The Company has elected to recognize actuarial gains or losses in other comprehensive income in the periods in which they occur. Because the Company does not update its actuarial valuation at the end of the interim reporting period, there are no actuarial gains or losses to recognize during an interim period.

The difference between the cumulative amounts expensed and the funding contributions is recognized on the balance sheet as a pension asset or a pension liability, as the case may be.

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 bonus 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 recognised as an employee expense, with a corresponding increase 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.

k) 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.

l) 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 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.

m) 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 currency gains and losses are reported on a net basis.

n) 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 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 set off 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 balance sheet under non-current assets or liabilities, irrespective of the expected date of realization or settlement.

o) 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.

p) 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.

q) 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 28, 2012 and have not been applied in preparing these unaudited interim condensed financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 9 *Financial Instruments*, which becomes mandatory for the years commencing on or after January 1, 2013 with earlier application permitted. IFRS 9 is a new standard which will ultimately replace IAS 39 *Financial Instruments: Recognition and Measurement*. The extent of the impact on the financial statements of the Company has not yet been determined.

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. 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 Level 1 input in the fair value hierarchy. The fair value of cash and cash equivalents is measured using Level 2 inputs 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.

c) Deferred Revenue

The amount of revenue deferred with respect to the Company's customer loyalty reward programs is estimated by reference to the fair value of the merchandise for which the loyalty rewards could be redeemed. The fair value takes into account the expected redemption rate and the timing of such expected redemptions.

5. INVENTORIES

During the three months ended April 30, 2011, the Company recorded $1,849 (May 1, 2010 - $1,510) of write-downs of inventory as a result of net realizable value being lower than cost and no inventory write-downs recognized in previous periods were reversed. The write-downs are included in cost of goods sold in the condensed statements of earnings.

6. TRADE AND OTHER PAYABLES

	April 30, 2011	May 1, 2010	January 29, 2011	January 31, 2010
Trade payables	**$ 23,760**	$ 22,790	$ 16,457	$ 15,148
Non-trade payables due to related parties	**56**	70	66	90
Other non-trade payables	**12,965**	12,160	12,663	5,306
Personnel liabilities	**28,000**	27,688	31,457	30,615
Payables relating to premises	**13,552**	12,666	13,630	12,630
	78,333	75,374	74,273	63,789
Less non-current portion	**10,393**	9,306	10,180	9,105
	$ 67,940	$ 66,068	$ 64,093	$ 54,684

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 beyond the next twelve months.

7. DEFERRED REVENUE

Deferred revenue consists of the following:

	April 30, 2011	May 1, 2010	January 29, 2011	January 31, 2010
Credit awards earned by customers or granted to them under loyalty programs	**$ 9,268**	$ 10,974	$ 10,984	$ 10,142
Unredeemed gift cards	**6,997**	6,390	11,234	10,666
	16,265	17,364	22,218	20,808
Less amounts expected to be redeemed in the next twelve months	**13,870**	14,789	19,834	18,122
	$ 2,395	$ 2,575	$ 2,384	$ 2,686

8. LONG-TERM DEBT

	April 30, 2011	May 1, 2010	January 29, 2011	January 31, 2010
Mortgage payable	**$ 11,094**	$ 12,413	$ 11,431	$ 12,731
Less current portion	**1,406**	1,320	1,384	1,300
	$ 9,688	$ 11,093	$ 10,047	$ 11,431

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 $19,038 (May 1, 2010 - $20,804; January 29, 2011 - $19,282; January 31, 2010 - $20,304).

As at April 30, 2011, principal repayments on long-term debt are as follows:

Within 1 year	$ 1,406
Within 2 years	1,497
Within 3 years	1,595
Within 4 years	1,698
Within 5 years	1,809
Subsequent years	3,089
	$ 11,094

As at April 30, 2011, the fair value of long-term debt was $11,859 (May 1, 2010 - $12,711; January 29, 2011 - $12,247; January 31, 2010 - $13,045) compared to its carrying value of $11,094 (May 1, 2010 - $12,413; January 29, 2011 - $11,431; January 31, 2010 - $12,731).

9. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

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

	COMMON SHARES For the three months ended				**CLASS A NON-VOTING SHARES For the three months ended**			
	April 30, 2011		**May 1, 2010**		**April 30, 2011**		**May 1, 2010**	
	Number of shares	**Carrying amount**	**Number of shares**	**Carrying amount**	**Number of shares**	**Carrying amount**	**Number of shares**	**Carrying amount**
Balance at beginning of the period	**13,440**	**$ 482**	13,440	$ 482	**52,869**	**$ 29,132**	54,160	$ 25,406
Shares issued pursuant to exercise of share options	**–**	**–**	–	–	**118**	**1,812**	107	1,636
Balance at end of the period	**13,440**	**$ 482**	13,440	$ 482	**52,987**	**$ 30,944**	54,267	$ 27,042

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 three months ended April 30, 2011, a total of 118 (May 1, 2010 - 107) Class A non-voting shares were issued as a result of the exercise of vested options arising from the Company's share option program. The amounts credited to share capital from the exercise of share options include a cash consideration of $1,443 (May 1, 2010 - $1,314), as well as an ascribed value from contributed surplus of $369 (May 1, 2010 - $322).

Purchase of Shares for Cancellation

In November 2010, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid. Under the bid, the Company may purchase up to 2,638 Class A non-voting shares of the Company, representing 5% of the issued and outstanding Class A non-voting shares as at November 17, 2010. The bid commenced on November 28, 2010 and may continue to November 27, 2011. No shares were purchased during the three months ended April 30, 2011.

Accumulated Other Comprehensive Income ("AOCI")
AOCI is comprised of the following:

	April 30, 2011	May 1, 2010	January 29, 2011	January 31, 2010
Net unrealized gains on available-for-sale financial assets, net of taxes	**$ 8,544**	$ 5,953	$ 8,143	$ 5,355
Defined benefit plan actuarial losses, net of taxes	**(777)**	–	(777)	–
	$ 7,767	$ 5,953	$ 7,366	$ 5,355

Dividends
The following dividends were declared and paid by the Company:

	For the three months ended April 30, 2011	For the three months ended May 1, 2010
$0.20 per Common share and Class A non-voting share (May 1, 2010 - $0.18)	**$ 13,288**	$ 12,187

10. 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 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) Disclosure of Share Option Program

Changes in outstanding share options were as follows:

	For the three months ended			
	April 30, 2011		May 1, 2010	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, at beginning of period	**3,095**	**$ 14.58**	3,207	$ 14.14
Granted	**–**	**–**	100	18.00
Exercised	**(118)**	**12.23**	(107)	12.23
Forfeited	**(110)**	**14.93**	–	–
Outstanding, at end of period	**2,867**	**$ 14.67**	3,200	$ 14.32
Options exercisable, at end of period	**826**	**$ 14.00**	1,064	$ 13.22

Of the options outstanding at April 30, 2011, a total of 480 are held by key management personnel (May 1, 2010 - 504).

c) Employee Expense

For the three months ended April 30, 2011, the Company recognized compensation costs of $394 relating to share-based awards ($454 for the three months ended May 1, 2010), with a corresponding credit to contributed surplus.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on net earnings for the three months ended April 30, 2011 of $624 ($15,770 for the three months ended May 1, 2010).

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

	For the three months ended	
	April 30, 2011	**May 1, 2010**
Weighted average number of shares per basic earnings per share calculations	**66,349**	67,631
Effect of dilutive share options outstanding	**353**	277
Weighted average number of shares per diluted earnings per share calculations	**66,702**	67,908

As at April 30, 2011, a total of 388 (May 1, 2010 - 2,243) share options were excluded from the calculation of diluted earnings per share as these options were deemed to be anti-dilutive, because the exercise prices were greater than the average market price of the shares during the period.

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.

12. COMMITMENTS

As at April 30, 2011, 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	Purchases Obligations	Other Operating Leases	Total
Within 1 year	$ 100,568	$ 101,600	$ 4,437	$ 206,605
Within 2 years	87,166	338	4,168	91,672
Within 3 years	75,553	111	3,191	78,855
Within 4 years	64,266	111	2,368	66,745
Within 5 years	52,361	–	1,726	54,087
Subsequent years	90,880	–	–	90,880
Total	**$ 470,794**	**$ 102,160**	**$ 15,890**	**$ 588,844**

The Company leases a number of 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 do not exceed 10 years, with options to renew that do not exceed 5 years, if at all. The majority of the leases are "net" leases, which 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 three months ended April 30, 2011, an amount of $45,322 was recognized as an expense in net earnings with respect to operating leases (May 1, 2010 - $45,231), of which $44,815 (May 1, 2010 - $44,726) represent minimum lease payments and $507 (May 1, 2010 - $505) represent contingent rents.

13. RELATED PARTIES

Transactions with Key Management Personnel

Only members of the Board of Directors are deemed to be key management personnel. It is the Board who has the responsibility for planning, directing and controlling the activities of the Company. The Directors participate in the share option plan, as described in note 10. The following is compensation expense for key management personnel:

	For the three months ended April 30, 2011	May 1, 2010
Salaries and short-term benefits	**$ 476**	$ 479
Post-employment benefits	**(9)**	45
Share-based compensation costs	**49**	51
	$ 516	$ 575

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. The leases for such premises were entered into on commercial terms similar to those for leases entered into with third parties for similar premises. For the three months ended April 30, 2011, the rent expense under these leases was, in the aggregate, approximately $51 (May 1, 2010 - $45).

The Company incurred $166 in the three months ended April 30, 2011 (May 1, 2010 - $142) with professional service firms connected to outside directors of the Company for fees in conjunction with general legal advice and other consultation. The Company believes that such remuneration was based on normal terms for business transactions between unrelated parties.

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

14. PERSONNEL EXPENSES

	For the three months ended April 30, 2011	May 1, 2010
Wages, salaries and employee benefits	**$ 58,084**	$ 57,924
Expenses related to defined benefit plans	**379**	324
Share-based compensation costs	**394**	454
	$ 58,857	$ 58,702

15. CASH AND CASH EQUIVALENTS

	April 30, 2011	May 1, 2010	January 29, 2011	January 31, 2010
Cash on hand and with banks	**$ 9,969**	$ 13,472	$ 4,634	$ 4,677
Short-term deposits, bearing interest at 0.5% (May 1, 2010 - 0.3%; January 29, 2011 - 0.7%; January 31, 2010 - 0.3%)	**166,902**	195,676	225,400	223,900
	$ 176,871	$ 209,148	$ 230,034	$ 228,577

16. FINANCE INCOME AND FINANCE COSTS

Recognized in Net Earnings

	For the three months ended April 30, 2011	For the three months ended May 1, 2010
Dividend income from available-for-sale financial assets	**$ 880**	$ 671
Interest income from loans and receivables	**284**	139
Finance income	**1,164**	810
Interest expense – mortgage	**179**	199
Foreign exchange loss	**5,134**	1,192
Finance costs	**5,313**	1,391
Net finance costs recognized in net earnings	**$ (4,149)**	$ (581)

Recognized in Other Comprehensive Income

	For the three months ended April 30, 2011	For the three months ended May 1, 2010
Net unrealized gain on available-for-sale financial assets arising during the period (net of tax of $60; $89 for the three months ended May 1, 2010)	**$ 401**	$ 598
Finance income recognized in other comprehensive income (net of tax)	**$ 401**	$ 598

17. SUPPLEMENTARY CASH FLOW INFORMATION

	April 30, 2011	May 1, 2010	January 29, 2011	January 31, 2010
Non-cash transactions:				
Additions of property and equipment and intangibles included in trade and other payables	**$ 736**	$ 493	$ 2,819	$ 1,408
Ascribed value credited to share capital from exercise of share options	**369**	322	888	655

18. FINANCIAL RISK MANAGEMENT

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk were provided in the January 29, 2011 financial statements presented under Canadian GAAP and there have been no significant changes in the Company's risk exposures during the three months ended April 30, 2011, with the exception of foreign currency as described below.

Foreign Currency Risk

The Company purchases a significant amount of its merchandise with US dollars and as such significant volatility in the US dollar vis-à-vis the Canadian dollar can have an adverse impact on the Company's gross margin. The Company considers a combination of foreign exchange option contracts, not to exceed three months, and spot rate purchases to manage its foreign exchange exposure on cash flows related to these purchases. A foreign exchange option contract represents an option to buy a foreign currency from a counterparty. Credit risks exist in the event of failure by a counterparty to fulfill its obligations. The Company reduces this risk by dealing only with highly-rated counterparties, normally major Canadian financial institutions. For the three months ended April 30, 2011, the Company satisfied its US dollar requirements through spot rate purchases.

As at April 30, 2011, May 1, 2010, January 29, 2011 and January 30, 2010, there were no outstanding foreign exchange option contracts.

The Company has performed a sensitivity analysis on its US dollar denominated financial instruments, which consist principally of cash and cash equivalents of $102,924 and trade payables of $4,504 to determine how a change in the US dollar exchange rate would impact net earnings. On April 30, 2011, a 10% rise or fall in the Canadian dollar against the US dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a $6,520 decrease or increase, respectively, in the Company's net earnings for the three months ended April 30, 2011.

19. EXPLANATION OF TRANSITION TO IFRS

As stated in note 2, these are the Company's first unaudited interim condensed financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the unaudited interim condensed financial statements for the three months ended April 30, 2011, the comparative information presented in these unaudited interim condensed financial statements for both the three months ended May 1, 2010 and the year ended January 29, 2011 and in the preparation of an opening IFRS balance sheet as at January 31, 2010 (the Company's Transition Date).

IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date of its first annual financial statements, which for the Company will be January 28, 2012. However, it also provides for certain optional exemptions and prescribes certain mandatory exceptions for first-time IFRS adopters.

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the Company's conversion from Canadian GAAP to IFRS.

a) IFRS Exemption Options

i) Business Combinations

IFRS 1 provides the option to apply IFRS 3 *Business Combinations*, retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. Under the business combinations exemption, the carrying amounts of the assets acquired and liabilities assumed under Canadian GAAP at the date of the acquisition became their deemed carrying amounts under IFRS at that date.

Notwithstanding this exemption, the Company was required at the Transition Date, to evaluate whether the assets acquired and liabilities assumed meet the recognition criteria in the relevant IFRS, and whether there are any assets acquired or liabilities assumed that were not recognized under Canadian GAAP for which recognition would be required under IFRS. The requirements of IFRS were then applied to the assets acquired and liabilities assumed from the date of acquisition to the Transition Date. The application of this exemption did not result in an IFRS transition adjustment to the opening balance sheet at January 31, 2010. In addition, under the business combinations exemption, the Company tested goodwill for impairment at the Transition Date and determined that there was no impairment of the carrying value of goodwill as of that date.

ii) Employee Benefits

IFRS 1 provides the option to apply IAS 19 *Employee Benefits* 120A(p), retrospectively or prospectively from the Transition Date. The retrospective basis would require the disclosure of selected information of the defined benefit plans for the current annual period and previous four annual periods. The Company elected to disclose the amounts required by paragraph 120A(p) of IAS 19 as the amounts are determined for each accounting period prospectively from the Transition Date to IFRS.

b) IFRS Mandatory Exceptions

Set forth below are the applicable IFRS 1 exceptions applied in the conversion from Canadian GAAP to IFRS.

i) Estimates

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's balance sheets, statements of earnings and cash flows is set out in the following tables and the notes that accompany the tables.

Notes to the Interim Condensed Financial Statements

Reconciliation of Balance Sheet as at January 31, 2010 (Transition Date)

(in thousands of Canadian dollars)

Note	Canadian GAAP Accounts	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS	IFRS Accounts
	ASSETS					**ASSETS**
	CURRENT ASSETS					CURRENT ASSETS
	Cash and cash equivalents	$ 228,577	$ –	$ –	$ 228,577	Cash and cash equivalents
	Marketable securities	48,026	–	–	48,026	Marketable securities
	Accounts receivable	2,926	–	–	2,926	Trade and other receivables
	Inventories	63,127	–	–	63,127	Inventories
a)	Prepaid expenses	11,873	(863)	–	11,010	Prepaid expenses
	Future income taxes	2,395	–	(2,395)	–	
	Total Current Assets	356,924	(863)	(2,395)	353,666	Total Current Assets
	CAPITAL ASSETS					NON-CURRENT ASSETS
b), c)	Property and equipment	210,612	(2,250)	–	208,362	Property and equipment
	Intangibles	9,964	–	–	9,964	Intangibles
	Total Capital Assets	220,576	(2,250)	–		
	GOODWILL	42,426	–	–	42,426	Goodwill
k)	FUTURE INCOME TAXES	11,466	4,452	2,395	18,313	Deferred income taxes
					279,065	Total Non-Current Assets
		$ 631,392	$ 1,339	$ –	$ 632,731	Total Assets
	LIABILITIES AND SHAREHOLDERS' EQUITY					**LIABILITIES AND SHAREHOLDERS' EQUITY**
	CURRENT LIABILITIES					CURRENT LIABILITIES
d)	Accounts payable and accrued items	$ 77,766	$ (3,311)	$ (19,771)	$ 54,684	Trade and other payables
d)		–	7,456	10,666	18,122	Deferred revenue
	Income taxes payable	4,677	–	–	4,677	Income taxes payable
	Current portion of long-term debt	1,300	–	–	1,300	Current portion of long-term debt
	Total Current Liabilities	83,743	4,145	(9,105)	78,783	Total Current Liabilities
						NON-CURRENT LIABILITIES
		–	–	9,105	9,105	Other payables
d)		–	2,686	–	2,686	Deferred revenue
	DEFERRED LEASE CREDITS	20,609	–	–	20,609	Deferred lease credits
	LONG-TERM DEBT	11,431	–	–	11,431	Long-term debt
e), f)	ACCRUED PENSION LIABILITY	5,443	6,422	–	11,865	Pension liability
			9,108	9,105	55,696	Total Non-Current Liabilities
	SHAREHOLDERS' EQUITY					SHAREHOLDERS' EQUITY
	Share capital	25,888	–	–	25,888	Share capital
	Contributed surplus	5,164	–	–	5,164	Contributed surplus
l)	Retained earnings	480,622	(18,777)	–	461,845	Retained earnings
m)	Accumulated other comprehensive income (loss)	(1,508)	6,863	–	5,355	Accumulated other comprehensive income
	Total Shareholders' Equity	510,166	(11,914)	–	498,252	Total Shareholders' Equity
		$ 631,392	$ 1,339	$ –	$ 632,731	Total Liabilities and Shareholders' Equity

Reconciliation of Balance Sheet as at May 1, 2010

(in thousands of Canadian dollars)

Note	Canadian GAAP Accounts	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS	IFRS Accounts
	ASSETS					**ASSETS**
	CURRENT ASSETS					CURRENT ASSETS
	Cash and cash equivalents	$ 209,148	$ –	$ –	$ 209,148	Cash and cash equivalents
	Marketable securities	48,783	–	–	48,783	Marketable securities
	Accounts receivable	3,765	–	–	3,765	Trade and other receivables
	Income taxes recoverable	8,540	–	–	8,540	Income taxes recoverable
	Inventories	81,858	–	–	81,858	Inventories
a)	Prepaid expenses	12,808	(1,177)	–	11,631	Prepaid expenses
	Future income taxes	2,552	–	(2,552)	–	
	Total Current Assets	367,454	(1,177)	(2,552)	363,725	Total Current Assets
	CAPITAL ASSETS					NON-CURRENT ASSETS
b), c)	Property and equipment	209,517	(1,923)	–	207,594	Property and equipment
	Intangibles	8,455	–	–	8,455	Intangibles
	Total Capital Assets	217,972	(1,923)	–		
	GOODWILL	42,426	–	–	42,426	Goodwill
k)	FUTURE INCOME TAXES	11,995	4,898	2,552	19,445	Deferred income taxes
					277,920	Total Non-Current Assets
		$ 639,847	$ 1,798	$ –	$ 641,645	Total Assets
	LIABILITIES AND SHAREHOLDERS' EQUITY					**LIABILITIES AND SHAREHOLDERS' EQUITY**
	CURRENT LIABILITIES					CURRENT LIABILITIES
d)	Accounts payable and accrued items	$ 84,614	$ (2,850)	$ (15,696)	$ 66,068	Trade and other payables
d)		–	8,399	6,390	14,789	Deferred revenue
	Current portion of long-term debt	1,320	–	–	1,320	Current portion of long-term debt
	Total Current Liabilities	85,934	5,549	(9,306)	82,177	Total Current Liabilities
						NON-CURRENT LIABILITIES
		–	–	9,306	9,306	Other payables
d)		–	2,575	–	2,575	Deferred revenue
	DEFERRED LEASE CREDITS	20,245	–	–	20,245	Deferred lease credits
	LONG-TERM DEBT	11,093	–	–	11,093	Long-term debt
e), f)	ACCRUED PENSION LIABILITY	5,759	6,289	–	12,048	Pension liability
			8,864	9,306	55,267	Total Non-Current Liabilities
	SHAREHOLDERS' EQUITY					SHAREHOLDERS' EQUITY
	Share capital	27,524	–	–	27,524	Share capital
	Contributed surplus	5,296	–	–	5,296	Contributed surplus
l)	Retained earnings	484,906	(19,478)	–	465,428	Retained earnings
m)	Accumulated other comprehensive income (loss)	(910)	6,863	–	5,953	Accumulated other comprehensive income
	Total Shareholders' Equity	516,816	(12,615)	–	504,201	Total Shareholders' Equity
		$ 639,847	$ 1,798	$ –	$ 641,645	Total Liabilities and Shareholders' Equity

Reconciliation of Balance Sheet as at January 29, 2011

(in thousands of Canadian dollars)

Note	Canadian GAAP Accounts	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS	IFRS Accounts
	ASSETS					**ASSETS**
	CURRENT ASSETS					CURRENT ASSETS
	Cash and cash equivalents	$ 230,034	$ –	$ –	$ 230,034	Cash and cash equivalents
	Marketable securities	70,413	–	–	70,413	Marketable securities
	Accounts receivable	2,866	–	–	2,866	Trade and other receivables
	Inventories	73,201	–	–	73,201	Inventories
a)	Prepaid expenses	13,258	(767)	–	12,491	Prepaid expenses
	Future income taxes	2,001	–	(2,001)	–	
	Total Current Assets	391,773	(767)	(2,001)	389,005	Total Current Assets
	CAPITAL ASSETS					NON-CURRENT ASSETS
b), c)	Property and equipment	194,612	(1,548)	–	193,064	Property and equipment
	Intangibles	13,841	–	–	13,841	Intangibles
	Total Capital Assets	208,453	(1,548)	–		
	GOODWILL	42,426	–	–	42,426	Goodwill
k)	FUTURE INCOME TAXES	14,972	4,048	2,001	21,021	Deferred income taxes
					270,352	Total Non-Current Assets
		$ 657,624	$ 1,733	$ –	$ 659,357	Total Assets
	LIABILITIES AND SHAREHOLDERS' EQUITY					**LIABILITIES AND SHAREHOLDERS' EQUITY**
	CURRENT LIABILITIES					CURRENT LIABILITIES
d)	Accounts payable and accrued items	$ 88,372	$ (2,865)	$ (21,414)	$ 64,093	Trade and other payables
d)		–	8,600	11,234	19,834	Deferred revenue
	Income taxes payable	5,998	–	–	5,998	Income taxes payable
	Current portion of long-term debt	1,384	–	–	1,384	Current portion of long-term debt
	Total Current Liabilities	95,754	5,735	(10,180)	91,309	Total Current Liabilities
						NON-CURRENT LIABILITIES
		–	–	10,180	10,180	Other payables
d)		–	2,384	–	2,384	Deferred revenue
	DEFERRED LEASE CREDITS	19,011	–	–	19,011	Deferred lease credits
	LONG-TERM DEBT	10,047	–	–	10,047	Long-term debt
e), f)	ACCRUED PENSION LIABILITY	9,112	4,514	–	13,626	Pension liability
			6,898	10,180	55,248	Total Non-Current Liabilities
	SHAREHOLDERS' EQUITY					SHAREHOLDERS' EQUITY
	Share capital	29,614	–	–	29,614	Share capital
	Contributed surplus	6,266	–	–	6,266	Contributed surplus
l)	Retained earnings	486,367	(16,813)	–	469,554	Retained earnings
m)	Accumulated other comprehensive income	1,453	5,913	–	7,366	Accumulated other comprehensive income
	Total Shareholders' Equity	523,700	(10,900)	–	512,800	Total Shareholders' Equity
		$ 657,624	$ 1,733	$ –	$ 659,357	Total Liabilities and Shareholders' Equity

Reconciliation of Statement of Earnings for the three months ended May 1, 2010

(in thousands of Canadian dollars except per share amounts)

Note	Canadian GAAP Accounts	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS	IFRS Accounts
d)	Sales	$ 238,978	$ (3,233)	$ –	$ 235,745	Sales
	Cost of goods sold and selling, general and administrative expenses	201,418	–	(125,446)	75,972	Cost of goods sold
		37,560	(3,233)	125,446	159,773	Gross profit
a), b), c), d)		–	(1,927)	128,409	126,482	Selling and distribution expenses
c), e), f), g)		–	(159)	10,625	10,466	Administrative expenses
	Depreciation and amortization	14,780	–	(14,780)	–	
	Operating earnings before the undernoted	22,780	(1,147)	1,192	22,825	Results from operating activities
	Investment income	810	–	–	810	Finance income
	Interest on long-term debt	199	–	1,192	1,391	Finance costs
	Earnings before income taxes	23,391	(1,147)	–	22,244	Earnings before income taxes
	Income taxes:					
	Current	7,695				
	Future	(775)				
j)		6,920	(446)	–	6,474	Income taxes
	Net earnings	$ 16,471	$ (701)	$ –	$ 15,770	Net earnings
	Earnings per share:					Earnings per share:
	Basic	$ 0.24			$ 0.23	Basic
	Diluted	0.24			0.23	Diluted

Reconciliation of Statement of Comprehensive Income for the three months ended May 1, 2010

(in thousands of Canadian dollars)

Note	Canadian GAAP Accounts	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS	IFRS Accounts
	Net earnings	$ 16,471	$ (701)	$ –	$ 15,770	Net earnings
	Other comprehensive income:					Other comprehensive income:
	Net unrealized gain on available-for-sale financial assets arising during the period (net of tax of $89)	598	–	–	598	Net unrealized gain on available-for-sale financial assets arising during the period (net of tax of $89)
	Comprehensive income	$ 17,069	$ (701)	$ –	$ 16,368	Total comprehensive income

Reconciliation of Statement of Earnings for the year ended January 29, 2011

(in thousands of Canadian dollars except per share amounts)

Note	Canadian GAAP Accounts	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS	IFRS Accounts
d)	Sales	$ 1,070,277	$ (11,277)	$ –	$ 1,059,000	Sales
	Cost of goods sold and selling, general and administrative expenses	887,673	–	(536,372)	351,301	Cost of goods sold
		182,604	(11,277)	536,372	707,699	Gross profit
a), b), c), d)		–	(10,683)	539,359	528,676	Selling and distribution expenses
c), e), f), g)		–	(3,061)	57,942	54,881	Administrative expenses
	Depreciation and amortization	60,456	–	(60,456)	–	
	Operating earnings before the undernoted	122,148	2,467	(473)	124,142	Results from operating activities
h)	Investment income	3,756	198	473	4,427	Finance income
	Interest on long-term debt	767	–	–	767	Finance costs
	Earnings before income taxes	125,137	2,665	–	127,802	Earnings before income taxes
	Income taxes:					
	Current	41,669				
	Future	(3,553)				
j)		38,116	701	–	38,817	Income taxes
	Net earnings	$ 87,021	$ 1,964	$ –	$ 88,985	Net earnings
	Earnings per share:					Earnings per share:
	Basic	$ 1.30			$ 1.33	Basic
	Diluted	1.29			1.32	Diluted

Reconciliation of Statement of Comprehensive Income for the year ended January 29, 2011

(in thousands of Canadian dollars)

Note	Canadian GAAP Accounts	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS	IFRS Accounts
	Net earnings	$ 87,021	$ 1,964	$ –	$ 88,985	Net earnings
	Other comprehensive income:					Other comprehensive income:
h)	Net unrealized gain on available-for-sale financial assets arising during the period (net of tax of $427)	2,866	67	–	2,933	Net unrealized gain on available-for-sale financial assets arising during the period (net of tax of $438)
h)	Reclassification of losses on available-for-sale financial assets to net earnings (net of tax of $14)	95	(240)	–	(145)	Reclassification of losses on available-for-sale financial assets to net earnings (net of tax of $22)
g)		–	(777)	–	(777)	Defined benefit plan actuarial gains (losses) (net of tax of $272)
		2,961	(950)	–	2,011	
	Comprehensive income	$ 89,982	$ 1,014	$ –	$ 90,996	Total comprehensive income

Material Adjustments to the Statements of Cash Flows

IFRS require cash flows from interest and dividends received and paid, and income taxes paid, to be disclosed directly in the statement of cash flows. Under Canadian GAAP, the Company disclosed interest and income taxes paid in the notes to the financial statements. This has resulted in a change to the presentation of the statements of cash flows for all periods presented in these unaudited interim condensed financial statements. There are no other material differences between the Company's statements of cash flows presented under IFRS and the statements of cash flows presented under Canadian GAAP.

Notes to the Reconciliations

The preceding are reconciliations of the financial statements previously presented under Canadian GAAP to the amended financial statements prepared under IFRS. Items identified as "IFRS adjustments" are required as the accounting treatment under Canadian GAAP differs from the treatment under IFRS. Items identified as "IFRS reclassifications" are solely presentation reclassifications required to present the previous Canadian GAAP financial statements line items on a consistent basis with that of the IFRS presentation. Details on the nature of both types of changes are described below.

Index to the Notes to the Reconciliations

a) Advertising Expenses
b) Impairment of Property and Equipment
c) Components of Property and Equipment
d) Customer Loyalty Programs
e) Past Service Costs of a Defined Benefit Plan
f) Measurement Date of a Defined Benefit Plan
g) Recognition of Actuarial Gains/Losses
h) Financial Instruments
i) Re-Measurement of Tax Assets and Liabilities
j) Income Tax Expense
k) Deferred Income Taxes
l) Retained Earnings
m) Accumulated Other Comprehensive Income

IFRS Adjustments

a) Advertising Expenses

Under IFRS, in accordance with IAS 38 *Intangible Assets*, advertising costs must be recognized as an expense at the time the expense is incurred. Canadian GAAP allowed for advertising costs to be deferred (as prepaid items) and expensed at the time the advertising occurs.

The impact arising from the change is summarized as follows:

	For the three months ended May 1, 2010	For the year ended January 29, 2011
STATEMENT OF EARNINGS		
Increase (decrease) in selling and distribution expenses	$ 314	$ (96)
Increase (decrease) in earnings before income taxes	**$ (314)**	**$ 96**

	January 31, 2010	May 1, 2010	January 29, 2011
BALANCE SHEET			
Decrease in prepaid expenses	$ (863)	$ (1,177)	$ (767)
Increase in deferred income tax assets	257	350	214
Decrease in retained earnings	**$ (606)**	**$ (827)**	**$ (553)**

b) Impairment of Property and Equipment

For purposes of assessing impairment of property and equipment in accordance with IAS 36 *Impairment of Assets*, the Company has identified cash-generating units ("CGU") based on the smallest group of assets that are capable of generating largely independent cash inflows. In addition, the recoverable amount for impairment analysis is based on the higher of its value in use, which is based on discounted cash flows, and fair value less costs to sell. Under Canadian GAAP, property and equipment was allocated to asset groups defined as the lowest of assets and liabilities for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

As a result of the impairment test performed as of the Transition Date, the Company recognized an impairment loss of $3,803 (before tax) for certain stores in which the recoverable amount did not exceed the carrying amount of the assets. The recoverable amount was based on the value in use of the assets belonging to the CGU and takes into account expected future cash flows deriving from the use of these assets. The cash flows were discounted at a pre-tax rate of 10 percent. The effect was to decrease Property and Equipment by $3,803 at January 31, 2010.

For the three months ended May 1, 2010, due to the impairment charge recorded at the Transition Date, depreciation expense was reduced by $262. No additional impairment charge was recorded during the three months ended May 1, 2010, nor was any part of the impairment charge reversed.

For the year ended January 29, 2011, due to the impairment charge recorded at the Transition Date, depreciation expense was reduced by $1,385. An additional impairment charge of $1,724 was recorded during the year ended January 29, 2011, while $779 of the opening impairment charge was reversed.

The impact arising from the change is summarized as follows:

	For the three months ended May 1, 2010	For the year ended January 29, 2011
STATEMENT OF EARNINGS		
Decrease in selling and distribution expenses	$ (262)	$ (440)
Increase in earnings before income taxes	**$ 262**	**$ 440**

	January 31, 2010	May 1, 2010	January 29, 2011
BALANCE SHEET			
Decrease in property and equipment	$ (3,803)	$ (3,541)	$ (3,363)
Increase in deferred income tax assets	986	918	872
Decrease in retained earnings	**$ (2,817)**	**$ (2,623)**	**$ (2,491)**

c) **Components of Property and Equipment**

Under IFRS, in accordance with IAS 16 *Property, Plant and Equipment*, each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately, over its respective estimated useful life. Canadian GAAP provided no guidance on the cost of a component and was less specific about the level at which component accounting was required. As a result, the Company's buildings were broken down into components, with useful lives varying from 10 to 50 years.

The impact arising from the change is summarized as follows:

	For the three months ended May 1, 2010	For the year ended January 29, 2011
STATEMENT OF EARNINGS		
Decrease in selling and distribution expenses	$ (39)	$ (158)
Decrease in administrative expenses	(26)	(104)
Increase in earnings before income taxes	**$ 65**	**$ 262**

	January 31, 2010	May 1, 2010	January 29, 2011
BALANCE SHEET			
Increase in property and equipment	$ 1,553	$ 1,618	$ 1,815
Decrease in deferred income tax assets	(403)	(419)	(471)
Increase in retained earnings	**$ 1,150**	**$ 1,199**	**$ 1,344**

d) Customer Loyalty Programs

Under IFRS, in accordance with IFRIC 13 *Customer Loyalty Programs*, the fair value of loyalty points and awards granted under customer loyalty programs are recognized as a separately identifiable component of the initial sales transaction, and deferred until the Company has fulfilled its obligation. The Company's practice under Canadian GAAP was not to defer any revenue associated with customer loyalty programs.

The impact arising from the change is summarized as follows:

	For the three months ended May 1, 2010	For the year ended January 29, 2011
STATEMENT OF EARNINGS		
Decrease in sales	$ (3,233)	$ (11,277)
Decrease in selling and distribution expenses	(1,940)	(9,989)
Decrease in earnings before income taxes	**$ (1,293)**	**$ (1,288)**

	January 31, 2010	May 1, 2010	January 29, 2011
BALANCE SHEET			
Increase in deferred revenue	$ 10,142	$ 10,974	$ 10,984
Decrease in trade and other payables	(3,311)	(2,850)	(2,865)
Increase in deferred income tax assets	1,947	2,419	2,263
Decrease in retained earnings	**$ (4,884)**	**$ (5,705)**	**$ (5,856)**

e) Past Service Costs of a Defined Benefit Plan

Under IFRS, in accordance with IAS 19 *Employee Benefits*, liabilities and expenses for vested past service costs under a defined benefit plan are recognized immediately in the statement of earnings. Under Canadian GAAP, the Company recognized past service costs under the Company's defined benefit plan and SERP over the expected average remaining service period.

The impact arising from the change is summarized as follows:

	For the three months ended May 1, 2010	For the year ended January 29, 2011
STATEMENT OF EARNINGS		
Decrease in administrative expenses	$ (147)	$ (590)
Increase in earnings before income taxes	**$ 147**	**$ 590**

	January 31, 2010	May 1, 2010	January 29, 2011
BALANCE SHEET			
Increase in pension liability	$ 5,320	$ 5,173	$ 4,730
Increase in deferred income tax assets	1,379	1,341	1,226
Decrease in retained earnings	**$ (3,941)**	**$ (3,832)**	**$ (3,504)**

f) Measurement Date of a Defined Benefit Plan

Under IFRS, in accordance with IAS 19 *Employee Benefits*, defined benefit obligations and plan assets are measured at the reporting date. Under Canadian GAAP, the Company measured defined benefit obligations and plan assets as of December 31st.

The impact arising from the change is summarized as follows:

	For the three months ended May 1, 2010	For the year ended January 29, 2011
STATEMENT OF EARNINGS		
Increase (decrease) in administrative expenses	$ 14	$ (1,318)
Increase (decrease) in earnings before income taxes	**$ (14)**	**$ 1,318**

	January 31, 2010	May 1, 2010	January 29, 2011
BALANCE SHEET			
Increase (decrease) in pension liability	$ 1,102	$ 1,116	$ (216)
Increase (decrease) in deferred income tax assets	286	289	(56)
Increase (decrease) in retained earnings	**$ (816)**	**$ (827)**	**$ 160**

g) Recognition of Actuarial Gains/Losses

On transition to IFRS, as permitted under IAS 19 *Employee Benefits*, the Company has chosen as its accounting policy for its defined benefit plan and SERP to recognize actuarial gains or losses directly into other comprehensive income rather than through net earnings. This change was applied prospectively from the Transition Date.

The impact arising from the change is summarized as follows:

	For the three months ended May 1, 2010	For the year ended January 29, 2011
STATEMENT OF EARNINGS		
Decrease in administrative expenses	$ –	$ (1,049)
Increase in earnings before income taxes	**$ –**	**$ 1,049**

	January 31, 2010	May 1, 2010	January 29, 2011
BALANCE SHEET			
Decrease in accumulated other comprehensive income	$ –	$ –	$ (1,049)
Increase in accumulated other comprehensive income – tax effect	–	–	(272)
Increase in retained earnings and decrease in accumulated other comprehensive income	**$ –**	**$ –**	**$ 777**

h) Financial Instruments

Under IFRS, in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, impairment testing for available-for-sale financial assets (marketable securities), which are measured at fair value, is determined by objective evidence indicating "prolonged or significant" declines in market value. Canadian GAAP referred to "other than temporary" declines.

Due to the change in determination of impairment from "other than temporary" to "prolonged or significant" and based on the impairment test performed as of the Transition Date, the Company recognized an impairment loss of $7,249 (before tax) for certain available-for-sale equity securities considered to have a significant or prolonged decline in their fair values.

The impact arising from the change is summarized as follows:

	For the three months ended May 1, 2010	For the year ended January 29, 2011
STATEMENT OF EARNINGS		
Increase in finance income	$ –	$ 198
Increase in earnings before income taxes	**$ –**	**$ 198**

	January 31, 2010	May 1, 2010	January 29, 2011
BALANCE SHEET			
Increase in accumulated other comprehensive income	$ 7,249	$ 7,249	$ 7,051
Decrease in accumulated other comprehensive income – tax effect	(940)	(940)	(915)
Decrease in retained earnings	**$ (6,309)**	**$ (6,309)**	**$ (6,136)**

i) Re-Measurement of Tax Assets and Liabilities

Under IFRS, if a deferred income tax asset or liability is re-measured subsequent to initial recognition, the impact of re-measurement is recorded in earnings, unless it relates to an item originally recognized in equity, in which case the change would also be recorded in equity. The practice of tracking the re-measurement of taxes back to the item which originally triggered the recognition is commonly referred to as "backwards tracing". Canadian GAAP prohibits backwards tracing except in relation to business combinations and financial reorganizations.

The impact arising from the change is summarized as follows:

	January 31, 2010	May 1, 2010	January 29, 2011
BALANCE SHEET			
Increase in accumulated other comprehensive income	$ 554	$ 554	$ 554
Decrease in retained earnings	**$ (554)**	**$ (554)**	**$ (554)**

j) Income Tax Expense

The above changes increased (decreased) the income tax expense as follows:

	Note	For the three months ended May 1, 2010	For the year ended January 29, 2011
Advertising expenses	a)	$ (93)	$ 43
Impairment of property and equipment	b)	68	114
Components of property and equipment	c)	16	68
Customer loyalty programs	d)	(472)	(316)
Past service costs of a defined benefit plan	e)	38	153
Measurement date of a defined benefit plan	f)	(3)	342
Recognition of actuarial gains/losses	g)	–	272
Financial instruments	h)	–	25
Increase (decrease) in income tax expense		**$ (446)**	**$ 701**

k) Deferred Income Taxes

The above changes increased (decreased) deferred income tax assets as follows:

	Note	January 31, 2010	May 1, 2010	January 29, 2011
Advertising expenses	a)	$ 257	$ 350	$ 214
Impairment of property and equipment	b)	986	918	872
Components of property and equipment	c)	(403)	(419)	(471)
Customer loyalty programs	d)	1,947	2,419	2,263
Past service costs of a defined benefit plan	e)	1,379	1,341	1,226
Measurement date of a defined benefit plan	f)	286	289	(56)
Increase in deferred income tax assets		**$ 4,452**	**$ 4,898**	**$ 4,048**

l) Retained Earnings

The above changes increased (decreased) retained earnings as follows:

	Note	January 31, 2010	May 1, 2010	January 29, 2011
Advertising expenses	a)	$ (606)	$ (827)	$ (553)
Impairment of property and equipment	b)	(2,817)	(2,623)	(2,491)
Components of property and equipment	c)	1,150	1,199	1,344
Customer loyalty programs	d)	(4,884)	(5,705)	(5,856)
Past service costs of a defined benefit plan	e)	(3,941)	(3,832)	(3,504)
Measurement date of a defined benefit plan	f)	(816)	(827)	160
Recognition of actuarial gains/losses	g)	–	–	777
Financial instruments	h)	(6,309)	(6,309)	(6,136)
Re-measurement of tax assets and liabilities	i)	(554)	(554)	(554)
Decrease in retained earnings		**$ (18,777)**	**$ (19,478)**	**$ (16,813)**

m) Accumulated Other Comprehensive Income

The above changes increased (decreased) accumulated other comprehensive income as follows:

	Note	January 31, 2010	May 1, 2010	January 29, 2011
Recognition of actuarial gains/losses	g)	$ –	$ –	$ (777)
Financial instruments	h)	7,249	7,249	7,051
Financial instruments – tax effect	h)	(940)	(940)	(915)
Re-measurement of tax assets and liabilities	i)	554	554	554
Increase in accumulated other comprehensive income		**$ 6,863**	**$ 6,863**	**$ 5,913**

IFRS RECLASSIFICATIONS

Deferred Income Taxes

Under IFRS, as per IAS 1 *Presentation of Financial Statements*, deferred income tax assets and liabilities cannot be classified as current. Under Canadian GAAP, when assets and liabilities were segregated between current and non-current, the future income tax assets and liabilities were segregated. The effect was to reclassify $2,395 of deferred income tax assets from current to non-current at January 31, 2010 ($2,552 at May 1, 2010; $2,001 at January 29, 2011).

Deferred Revenue

Under IFRS, the Company has chosen to present unredeemed gift cards as deferred revenue on the balance sheet. Under Canadian GAAP, unredeemed gift cards were presented as accounts payable and accrued items.

Trade and Other Payables

Under IFRS, in accordance with IAS 1 *Presentation of Financial Statements*, certain non-trade payables have been re-classified from current to non-current liabilities on the balance sheet.

Statement of Earnings

Under IFRS, in accordance with IAS 1 *Presentation of Financial Statements*, an analysis of expenses is required, either by nature or by function, on the face of the statement of earnings. The Company has elected to present the analysis of expenses by function. Depreciation and amortization expenses are allocated within each function to which it relates. Under Canadian GAAP, there was no requirement for expenses to be classified according to their nature or function.

965

Stores Across Canada

	Reitmans	Smart Set	RW & CO.	Thyme	Cassis	Penningtons	Addition Elle	Total
Newfoundland	14	3	1	-	-	4	2	**24**
Prince Edward Island	3	3	-	-	-	1	-	**7**
Nova Scotia	19	6	1	2	-	9	2	**39**
New Brunswick	16	6	3	1	1	4	5	**36**
Québec	84	38	16	19	8	25	33	**223**
Ontario	116	59	25	26	9	57	42	**334**
Manitoba	14	5	2	2	-	6	4	**33**
Saskatchewan	13	3	-	2	-	8	4	**30**
Alberta	43	18	8	12	4	22	16	**123**
British Columbia	39	16	11	9	1	24	14	**114**
Northwest Territories	1	-	-	-	-	-	-	**1**
Yukon	1	-	-	-	-	-	-	**1**
	363	**157**	**67**	**73**	**23**	**160**	**122**	**965**

Our Banners

Inspired by role models not supermodels, **REITMANS** offers affordable, stylish fashions designed to fit everybody and every body. Operating **363 STORES** averaging 4,600 sq. ft., Reitmans, Canada's largest women's apparel specialty chain and leading fashion brand, has developed strong customer loyalty through superior service, insightful marketing and quality merchandise. Reitmans, designed for real life. Reitmans fashions can also be purchased online at reitmans.com.

With **157 STORES**, **SMART SET** is Canada's fashion destination for young stylish women aged 25 to 35. Averaging 3,400 sq. ft., Smart Set's energetic environment provides our customer with the fashions she needs to create her own lifestyle wardrobe. Smart Set offers great value in a wide assortment of styles from workwear essentials and accessories, to activewear and city casual clothing.

Operating **67 STORES**, which average 4,500 sq. ft. in major malls, **RW & CO.** caters to junior (18 to 30) ladies and men, featuring fashionable, original and quality urban and casual wear at moderate prices. A unique and comfortable store environment, genuine customer care and exceptional marketing support distinguish the RW & CO. lifestyle brand.

THYME, Canada's leading maternity fashion brand, offers all pregnant women current maternity styles with expert and friendly staff. Thyme caters to all pregnant women who want to stay fun-loving and stylish throughout their pregnancy. Thyme operates **73 STORES** averaging 2,400 sq. ft. in major malls and power centres.

The newest of the Reitmans (Canada) Limited retail banners, **CASSIS** has **23 STORES** averaging 3,400 sq. ft., which are located in major regional malls. Cassis features urban casual and career clothing that reflects the personality of our customer: charismatic and youthful. Cassis offers styles, cuts and fabrics that flatter the figure of the forty-something woman, while showcasing the energy and attitude of her 35-year-old mindset.

With **160 STORES** across the country, **PENNINGTONS** offers its plus-size customers a great selection of career, casual, intimate apparel and accessories that fit her lifestyle. Featuring an assortment of classic, as well as contemporary styling, Penningtons has affordable fashions that fit, with sizes ranging from 14 to 32 and 1X to 6X. Also, available in all Penningtons locations is our MXM line catering to the younger, trendy plus-size customer. Stores average 6,000 sq. ft. and are situated in power centres and strip malls. Penningtons fashions can also be purchased online at penningtons.com.

Operating in **122 STORES** across Canada, **ADDITION ELLE** invites its customers to "Make a Statement" with their exciting array of body-confident contemporary and classic fashions that are both stylish and affordable. In addition to unique collections of work to weekend styles, Addition Elle carries a selection of intimate apparel, sleepwear, active wear, outerwear and accessories, as well as offering a more junior line for young, trendy customers called MXM. Averaging 6,100 sq. ft., Addition Elle stores are located in power centres and malls across Canada. Addition Elle fashions can also be purchased online at additionelle.com.

Corporate Information

Reitmans (Canada) Limited

Administration Office
250 Sauvé Street West
Montreal, QC H3L 1Z2

Telephone:	**(514) 384-1140**
Fax:	**(514) 385-2669**
E-mail:	**info@reitmans.com**
Corporate Website:	**reitmans.ca**

Registered Office
3300 Highway #7 West, Suite 702
Vaughan, Ontario L4K 4M3

Telephone:	**(905) 761-2830**
Fax:	**(905) 761-8922**

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**

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

Reitmans
Smart Set
RW & CO.
Thyme
Cassis
Penningtons
Addition Elle

Design and production:
Communications Marilyn Gelfand Inc.