INTERIM REPORT

FOR THE SIX MONTHS ENDED JULY 31, 2010

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

TO OUR SHAREHOLDERS

Sales for the six months ended July 31, 2010 increased 3.3% to $534,631,000 as compared with $517,723,000 for the six months ended August 1, 2009. Same store sales increased by 1.6%. Operating earnings before depreciation and amortization (EBITDA [1]) for the period increased 37.9% to $109,056,000 as compared with $79,073,000 last year. The Company's gross margin increased from 63.0% to 68.8% in the first six months of fiscal 2011, primarily due to the strengthening of the Canadian dollar vis-à-vis the US dollar. The average rate for a US dollar in the first six months of fiscal 2011 was $1.03 Canadian as compared to $1.19 Canadian in the first six months of fiscal 2010. Net earnings increased 64.6% to $56,346,000 or $0.83 diluted earnings per share, as compared with $34,227,000 or $0.49 diluted earnings per share last year.

Sales for the second quarter ended July 31, 2010 increased 3.3% to $295,653,000, as compared with $286,071,000 for the second quarter ended August 1, 2009. Same store sales for the comparable 13 weeks increased 1.5%. Operating earnings before depreciation and amortization (EBITDA [1]) for the period increased 33.4% to $71,496,000 as compared with $53,613,000 last year. The Company's gross margin increased from 63.0% to 69.0% in the second quarter ended July 31, 2010, primarily due to the strengthening of the Canadian dollar vis-à-vis the US dollar. The average rate for a US dollar in the second quarter ended July 31, 2010 was $1.04 Canadian as compared to $1.13 Canadian in the second quarter ended August 1, 2009. Net earnings increased 50.9% to $39,875,000 or $0.59 diluted earnings per share as compared to $26,426,000 or $0.38 diluted earnings per share for the same period last year.

Sales for the month of August (four weeks ended August 28, 2010) decreased 2.1% compared to August 2009 with same store sales decreasing 3.2%.

During the second quarter, the Company opened 7 new stores comprised of 2 Reitmans, 1 Smart Set, 1 RW & CO., 1 Thyme Maternity and 2 Cassis; 12 stores were closed. Accordingly, at July 31, 2010, there were 977 stores in operation, consisting of 366 Reitmans, 161 Smart Set, 67 RW & CO., 76 Thyme Maternity, 21 Cassis, 165 Penningtons and 121 Addition Elle, as compared with a total of 971 stores last year. During the last half of the year, we plan to open 13 new stores, close 6 stores and remodel 12 stores.

At the Board of Directors meeting held on August 31, 2010, 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 October 28, 2010 to shareholders of record on October 14, 2010.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman
Chairman and Chief Executive Officer

Montreal, August 31, 2010

HIGHLIGHTS

SALES $534,631,000	+	3.3%
EBITDA[1] $109,056,000	+	37.9%
PRE-TAX EARNINGS $80,394,000	+	61.1%
NET EARNINGS $56,346,000	+	64.6%
EARNINGS PER SHARE[2] $0.83	+	69.4%
CASH AND INVESTMENTS $262,852,000	+	17.8%
STORES 977	+	0.6%

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

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

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

FOR THE PERIODS ENDED JULY 31, 2010

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Reitmans (Canada) Limited ("Reitmans" or the "Company") should be read in conjunction with the unaudited financial statements for the periods ended July 31, 2010 and the audited financial statements of Reitmans for the fiscal year ended January 30, 2010 and the notes thereto which are available at www.sedar.com. This MD&A is dated August 31, 2010.

All financial information contained in this MD&A and Reitmans' financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), except for certain information referred to as Non-GAAP measures discussed below. All amounts in this report are in Canadian dollars, unless otherwise noted. The financial statements and this MD&A were reviewed by Reitmans' Audit Committee and were approved by its Board of Directors on August 31, 2010.

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

FORWARD-LOOKING STATEMENTS

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

NON-GAAP MEASURES

In addition to discussing earnings measures in accordance with GAAP, 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 capital assets. The Company believes this measure provides meaningful information on the Company's performance and operating results. However, readers should know that this Non-GAAP financial measure has no standardized meaning as prescribed by GAAP and may not be comparable to similar measures presented by other companies. Accordingly, it should not be considered in isolation.

The following table reconciles EBITDA to GAAP measures disclosed in the statements of earnings for the six and three months ended July 31, 2010 and August 1, 2009:

	For the six months ended		For the three months ended	
	July 31, 2010	**August 1, 2009**	**July 31, 2010**	**August 1, 2009**
Earnings before income taxes	**$ 80,394,000**	$ 49,888,000	**$ 57,003,000**	$ 38,566,000
Interest on long-term debt	**394,000**	433,000	**195,000**	214,000
Investment income	**(1,644,000)**	(1,407,000)	**(834,000)**	(680,000)
Depreciation and amortization	**29,912,000**	30,159,000	**15,132,000**	15,513,000
EBITDA	**$ 109,056,000**	$ 79,073,000	**$ 71,496,000**	$ 53,613,000

The Company also discloses same store sales, which are defined as sales generated by stores that have been opened for at least one year.

Same store sales is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, same store sales as discussed in this MD&A may not be comparable to similar measures presented by other companies.

CORPORATE OVERVIEW

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

The Company offers e-commerce website shopping in its plus-size banners (Penningtons and Addition Elle). This online channel offers customers convenience, selection and ease of purchase, while enhancing customer loyalty and continuing to build the brands. The Company plans to launch an e-commerce website for its Reitmans banner in the third quarter of fiscal 2011.

OPERATING RESULTS FOR THE SIX MONTHS ENDED JULY 31, 2010 ("YEAR TO DATE") AND COMPARISON TO OPERATING RESULTS FOR SIX MONTHS ENDED AUGUST 1, 2009 ("YEAR TO DATE FISCAL 2010")

Sales for the year to date increased 3.3% to $534,631,000 as compared with $517,723,000 for the year to date fiscal 2010. Same store sales increased by 1.6%. Signs of an economic recovery have begun to emerge in Canada, despite other global economies continuing to struggle. The Bank of Canada in its July 2010 Monetary Policy Report indicated that it expects growth in Canada to be gradual with the economy expected to return to full capacity at the end of calendar 2011. Statistics Canada reported that although the consumer price index rose through May and into June, prices in the clothing and footwear sector declined. This downward pressure in retail clothing prices is considered largely due to increased competition along with pressure from value conscious customers. Despite these factors, the Company has been able to show improvement in sales by continuing to offer value reflecting price and quality. The Company continued to experience improved sales in eastern Canada aided by warm weather and dry conditions, notably Québec and Ontario, with western Canada proving to be more challenging.

For the year to date, EBITDA increased by $29,983,000 or 37.9% to $109,056,000 as compared with $79,073,000 for the year to date fiscal 2010. The Company's gross margin of 68.8% for the year to date increased as compared to 63.0% in the year to date fiscal 2010 primarily due to the impact of the Canadian dollar vis-à-vis the US dollar. As the Company purchases the majority of its merchandise with US dollars, a significant fluctuation of the Canadian dollar vis-à-vis the US dollar impacts earnings. The increase in gross margin was primarily attributable to the impact of the reduced cost of merchandise sold due to the strengthened Canadian dollar, with respect to related purchases, during the fourth quarter of fiscal 2010 and into fiscal 2011. The average rate for a US dollar in the year to date was $1.03 Canadian as compared to $1.19 Canadian in the year to date fiscal 2010. Spot prices for $1.00 US for the year to date ranged between a high of $1.08 and a low of $1.00 Canadian ($1.30 and $1.08 respectively for the year to date fiscal 2010). Significant components of store operating costs that impacted EBITDA included store wage costs which increased by 17 basis points as a percentage of sales, primarily due to increases in minimum wage rates in various jurisdictions. Additionally, the Company has an employee performance incentive plan that is based on operating performance targets and the related expense is recorded in relation to the attainment of such targets. The related expense for the year to date has increased by $1,750,000 as compared with the year to date fiscal 2010.

Depreciation and amortization expense for the year to date was $29,912,000 compared to $30,159,000 for the year to date fiscal 2010. Included in the year to date amount is $795,000 of write-offs as a result of closed and renovated stores, compared to $1,090,000 in the year to date fiscal 2010.

Investment income for the year to date increased 16.8% to $1,644,000 as compared to $1,407,000 in the year to date fiscal 2010. Dividend income for the year to date was $1,286,000 as compared to $1,072,000 for the year to date fiscal 2010. There were no net capital gains or losses in the year to date, while there were $61,000 of net capital losses for the year to date fiscal 2010. Interest income decreased for the year to date to $358,000 as compared to $396,000 for the year to date fiscal 2010.

Interest expense on long-term debt decreased to $394,000 for the year to date from $433,000 in the year to date fiscal 2010. This decrease reflects the continued repayment of the mortgage on the Company's distribution centre.

Income tax expense for the year to date amounted to $24,048,000, for an effective tax rate of 29.9% as compared to $15,661,000 for the year to date fiscal 2010, for an effective tax rate of 31.4%. The reduction in the effective tax rate reflects the impact of changes in substantively enacted tax rates in various tax jurisdictions.

Net earnings for the year to date increased 64.6% to $56,346,000 ($0.83 diluted earnings per share) as compared with $34,227,000 ($0.49 diluted earnings per share) for the year to date fiscal 2010. The increase was primarily attributable to the impact of the reduced cost of merchandise sold due to the strengthened Canadian dollar.

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 year to date, these merchandise purchases, which are payable in US dollars, exceeded $106,000,000 US (August 1, 2009 - $104,000,000 US). The Canadian dollar continued to experience volatility against the US dollar in the year to date. The Company considers a variety of strategies designed to fix 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. For the year to date, the Company satisfied its US dollar requirements through spot rate purchases.

During the year to date, the Company opened 18 stores comprised of 7 Reitmans, 1 Smart Set, 1 RW & CO., 1 Thyme Maternity, 4 Cassis, 3 Penningtons and 1 Addition Elle; 18 stores were closed. Accordingly, at July 31, 2010, there were 977 stores in operation, consisting of 366 Reitmans, 161 Smart Set, 67 RW & CO., 76 Thyme Maternity, 21 Cassis, 165 Penningtons and 121 Addition Elle, as compared with a total of 971 stores as at August 1, 2009.

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 JULY 31, 2010 ("SECOND QUARTER OF FISCAL 2011") AND COMPARISON TO OPERATING RESULTS FOR THREE MONTHS ENDED AUGUST 1, 2009 ("SECOND QUARTER OF FISCAL 2010")

In the second quarter of fiscal 2011, the Company continued to experience modest sales improvement offering some signs of an economic recovery. Sales for the second quarter of fiscal 2011 increased 3.3% to $295,653,000 as compared with $286,071,000 for the second quarter of fiscal 2010. Same store sales increased by 1.5%. Improved sales in the clothing sector were reported by Statistics Canada in the month of May 2010, showing a 2.6% increase from April 2010. Geographically, weather conditions continued to impact customer demand with the Company experiencing most improved sales in eastern Canada, notably Québec and Ontario, while western Canada lagged.

For the second quarter of fiscal 2011, EBITDA increased by $17,883,000 or 33.4% to $71,496,000 as compared with $53,613,000 for the second quarter of fiscal 2010. The Company's gross margin of 69.0% for the second quarter of fiscal 2011 rose significantly compared to 63.0% for the second quarter of fiscal 2010, driven primarily by the strengthened Canadian dollar. As the Company purchases the majority of its merchandise with US dollars, a significant fluctuation of the Canadian dollar vis-à-vis the US dollar impacts earnings. The average rate for a US dollar in the second quarter of fiscal 2011 was $1.04 Canadian as compared to $1.13 Canadian in the second quarter of fiscal 2010. Spot prices for $1.00 US for the second quarter of fiscal 2011 ranged between a high of $1.08 and a low of $1.01 Canadian ($1.18 and $1.08 respectively for the second quarter of fiscal 2010). Significant components of store operating costs that impacted EBITDA included store wage costs which increased by 15 basis points as a percentage of sales, primarily due to increases in minimum wage rates in various jurisdictions.

Depreciation and amortization expense for the second quarter of fiscal 2011 was $15,132,000 compared to $15,513,000 for the second quarter of fiscal 2010. Included in the second quarter of fiscal 2011 amount is $370,000 of write-offs as a result of closed and renovated stores, compared to $936,000 for the second quarter of fiscal 2010.

Investment income for the second quarter of fiscal 2011 increased 22.6% to $834,000 as compared to $680,000 for the second quarter of fiscal 2010. Dividend income for the second quarter of fiscal 2011 was $615,000 as compared to $562,000 for the second quarter of fiscal 2010. There were no net capital gains or losses for the second quarter of fiscal 2011 as compared to $8,000 of net capital gains for the second quarter of fiscal 2010. Interest income increased for the second quarter of fiscal 2011 to $219,000 as compared to $110,000 for the second quarter of fiscal 2010.

Interest expense on long-term debt decreased to $195,000 for the second quarter of fiscal 2011 from $214,000 for the second quarter of fiscal 2010. This decrease reflects the continued repayment of the mortgage on the Company's distribution centre.

Income tax expense for the second quarter of fiscal 2011 amounted to $17,128,000, for an effective tax rate of 30.0% as compared to $12,140,000 for the second quarter of fiscal 2010, for an effective tax rate of 31.5%. The reduction in the effective tax rate reflects the impact of changes in substantively enacted tax rates in various tax jurisdictions.

Net earnings for the second quarter of fiscal 2011 increased 50.9% to $39,875,000 ($0.59 diluted earnings per share) as compared with $26,426,000 ($0.38 diluted earnings per share) for the second quarter of fiscal 2010. The increase was primarily attributable to the impact of the reduced cost of merchandise sold due to the strengthened Canadian dollar.

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 second quarter, these merchandise purchases, which are payable in US dollars, approximated $46,000,000 US (August 1, 2009 - $42,000,000 US). The Canadian dollar continued to experience volatility against the US dollar into the second quarter. The Company considers a variety of strategies designed to fix 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. For the second quarter of fiscal 2011, the Company satisfied its US dollar requirements through spot rate purchases.

During the second quarter of fiscal 2011, the Company opened 7 stores comprised of 2 Reitmans, 1 Smart Set, 1 RW & CO., 1 Thyme Maternity and 2 Cassis; 12 stores were closed. Accordingly, at July 31, 2010, there were 977 stores in operation, consisting of 366 Reitmans, 161 Smart Set, 67 RW & CO., 76 Thyme Maternity, 21 Cassis, 165 Penningtons and 121 Addition Elle, as compared with a total of 971 stores as at August 1, 2009.

SUMMARY OF QUARTERLY RESULTS

The table below sets forth selected financial data for the eight most recently completed quarters. This unaudited quarterly information has been prepared on the same basis as the annual financial statements.

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Sales	Net Earnings	Earnings per Share ("EPS") Basic	Earnings per Share ("EPS") Diluted
July 31, 2010	$ 295,653	$ 39,875	$ 0.59	$ 0.59
May 1, 2010	238,978	16,471	0.24	0.24
January 30, 2010	268,120	14,088	0.21	0.21
October 31, 2009	270,684	18,921	0.28	0.28
August 1, 2009	286,071	26,426	0.38	0.38
May 2, 2009	231,652	7,801	0.11	0.11
January 31, 2009	261,801	8,981	0.13	0.13
November 1, 2008	271,240	23,004	0.33	0.32

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 or any future period.

BALANCE SHEET

COMPARISON OF FINANCIAL POSITION AS AT JULY 31, 2010 WITH THE FINANCIAL POSITION AS AT JANUARY 30, 2010

Cash and cash equivalents amounted to $213,536,000 or 6.6% lower than $228,577,000 as at January 30, 2010. The reduction in cash of $15,041,000 was mainly attributable to capital asset additions of $23,943,000, payment of dividends of $25,414,000 and the purchase of Class A non-voting shares of $30,112,000 offset by increased cash flows from operating activities. Marketable securities held by the Company consist primarily of preferred shares of Canadian public companies. At July 31, 2010, marketable securities (reported at fair value) amounted to $49,316,000 as compared with $48,026,000 as at January 30, 2010. The Company's investment portfolio is subject to stock market volatility. Continued market improvement in the first six months of fiscal 2011 resulted in an increase in the Company's investment portfolio of approximately 2.4%. The Company is highly liquid with its cash and cash equivalents being invested 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.

Accounts receivable were $2,582,000 or $344,000 lower than as at January 30, 2010. The Company's accounts receivable are essentially the credit card sales from the last few days of the fiscal quarter. Merchandise inventories were $68,429,000 or $5,302,000 higher than as at January 30, 2010, which is primarily due to the normal build-up of inventory for the fall selling season, despite a reduction in the cost of merchandise due to the strengthened Canadian dollar. Prepaid expenses were $15,749,000 as compared to $11,873,000 as at January 30, 2010, which increase was principally due to the timing of payment of various prepaid items such as insurance and maintenance contracts.

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

The Company invested $23,943,000 in additions to capital assets in the first six months of fiscal 2011. This included $19,703,000 in new store construction and existing store renovation costs and $4,240,000 mainly related to information technology system enhancements at the Sauvé Street office and Henri-Bourassa Boulevard distribution centre.

Accounts payable and accrued items were $68,814,000, or $8,952,000 lower than as at January 30, 2010. The Company's accounts payable consist largely of trade payables, sales and withholding taxes and liabilities for unredeemed gift cards. Income taxes payable were $1,147,000 as compared to $4,677,000 as at January 30, 2010, lower primarily due to the settlement of year-end tax liabilities.

The Company maintains a defined benefit pension plan ("Plan"). An actuarial valuation was performed as at December 31, 2007 and was extrapolated to January 30, 2010 to determine the estimated liability the Company incurred with respect to the provisions of the Plan. 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 July 31, 2010, the accrued pension liability of the plans is $6,075,000 compared to $5,443,000 as at January 30, 2010. The increase is due to an amount of $942,000 being expensed in the year to date with respect to both plans while pension contributions paid in the year to date were $310,000.

COMPARISON OF FINANCIAL POSITION AS AT JULY 31, 2010 WITH THE FINANCIAL POSITION AS AT AUGUST 1, 2009

Cash and cash equivalents amounted to $213,536,000 or 15.3% higher than $185,468,000 as at August 1, 2009. Marketable securities held by the Company consist primarily of preferred shares of Canadian public companies. At July 31, 2010, marketable securities (reported at fair value) amounted to $49,316,000 as compared with $37,648,000 as at August 1, 2009. The Company's investment portfolio is subject to stock market volatility. The increase in marketable securities was a result of the purchase of securities combined with a significant improvement in the market value of the portfolio over the prior year. The Company is highly liquid with its cash and cash equivalents being invested 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.

Accounts receivable were $2,582,000 or $160,000 lower than as at August 1, 2009. The Company's accounts receivable are essentially the credit card sales from the last few days of the fiscal quarter. Merchandise inventories were $68,429,000 or $8,393,000 lower than as at August 1, 2009, due mainly to the strengthened Canadian dollar, vis-à-vis the US dollar, for purchases remaining in inventory at the end of the quarter. Prepaid expenses were $15,749,000 as compared to $13,459,000 as at August 1, 2009, which increase was principally due to the timing of payment of various prepaid items such as insurance and maintenance contracts.

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

Capital assets were $214,283,000 as compared to $234,113,000 as at August 1, 2009. The reduction in the net book value of capital assets reflects reduced capital expenditures in the second half of fiscal 2010 due to the difficult economic environment. The Company's additions to capital assets for the year to date amounted to $23,943,000. Year to date additions included $19,703,000 in new store construction and existing store renovation costs and $4,240,000 mainly related to information technology system enhancements at the Sauvé Street office and Henri-Bourassa Boulevard distribution centre.

Accounts payable and accrued items were $68,814,000, or $6,043,000 higher than as at August 1, 2009. The Company's accounts payable consist largely of trade payables, sales and withholding taxes and liabilities for unredeemed gift cards. Income taxes payable were $1,147,000 as compared to income taxes recoverable of $7,647,000 as at August 1, 2009, primarily due to tax instalments paid in excess of the estimated tax liability in the prior year.

OPERATING RISK MANAGEMENT

ECONOMIC ENVIRONMENT

Signs of an economic recovery have begun to emerge in Canada, despite other global economies continuing to struggle. Statistics Canada reported in its July 2010 Labour Force Survey that since the start of the upward trend in employment in July 2009, employment has risen by 2.3%. 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. Additionally, despite the impact of reduced access to credit for many businesses, the Company is in a strong financial position with significant liquidity available and ample financial credit resources to draw upon as deemed necessary.

COMPETITIVE ENVIRONMENT

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

SEASONALITY

The Company is principally engaged in the sale of women's apparel through 977 leased retail outlets operating under seven banners located across Canada. The Company's business is seasonal and is also subject to a number of factors, which directly impact retail sales of apparel over which it has no control, namely fluctuations in weather patterns, swings in consumer confidence and buying habits, and the potential of rapid changes in fashion preferences.

DISTRIBUTION AND SUPPLY CHAIN

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

INFORMATION TECHNOLOGY

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

GOVERNMENT REGULATION

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

MERCHANDISE SOURCING

Virtually all of the Company's merchandise is private label. In the first six months of fiscal 2011, no supplier represented more than 10% of the Company's purchases (in dollars and/or units) and there are a variety of alternative sources (both domestic and offshore) for virtually all of the Company's merchandise. The Company has good relationships with its suppliers and has no reason to believe that it is exposed to any material risk that would operate to prevent the Company from acquiring, distributing and/or selling merchandise on an ongoing basis.

FINANCIAL RISK MANAGEMENT

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk were provided in the Company's 2010 Annual Report and there have been no significant changes in the Company's risk exposures in the six months ended July 31, 2010 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 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 first six months of fiscal 2011, the Company satisfied its US dollar requirements through spot rate purchases.

As at July 31, 2010, August 1, 2009 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 consisted as at July 31, 2010 principally of cash and cash equivalents of $32,838,000 and accounts payable of $3,748,000 to determine how a change in the US dollar exchange rate would impact net earnings. On July 31, 2010, a 10% rise or fall in the Canadian dollar against the US dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a $2,094,000 decrease or increase, respectively, in the Company's net earnings for the three and six months ended July 31, 2010.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Shareholders' equity at July 31, 2010 amounted to $514,382,000 or $7.78 per share as compared to $512,000,000 or $7.49 per share last year (January 30, 2010 - $510,166,000 or $7.55 per share). In fiscal 2010, the impact of the recession on the Canadian equity markets resulted in a significant drop in the Toronto Stock Exchange composite index, however, the Company by virtue of its holdings of cash and cash equivalents, sustained minimal loss in value in its liquid assets. Due to market improvement, the market value of the Company's investment portfolio has recovered significantly. 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 $262,852,000 as compared with $223,116,000 last year (January 30, 2010 - $276,603,000). Cash is conservatively invested 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. The Company closely monitors its risk with respect to short-term cash investments. The Company has borrowing and working capital credit facilities (unsecured) available of $125,000,000. As at July 31, 2010, $61,889,000 (August 1, 2009 - $55,742,000; January 30, 2010 - $53,624,000) of the operating line of credit was committed for documentary and standby letters of credit. These credit facilities are used principally for US dollar letters of credit to satisfy offshore third-party vendors, which require such backing before confirming purchase orders issued by the Company. The Company rarely uses such credit facilities for other purposes.

The Company has granted standby letters of credit, issued by highly-rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As at July 31, 2010, the maximum potential liability under these guarantees was $5,063,000. The standby letters of credit mature at various dates during fiscal 2011. The Company has recorded no liability with respect to these guarantees, as the Company does not expect to make any payments for these items.

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

The Company continued repayment on its long-term debt, relating to the mortgage on the distribution centre, paying down $321,000 in the second quarter of fiscal 2011. The Company paid dividends amounting to $13,227,000 in the second quarter of fiscal 2011 compared to $12,307,000 in the second quarter of fiscal 2010.

In the second quarter of fiscal 2011, the Company purchased 1,583,300 Class A non-voting shares under a normal course issuer bid for $30,112,000 using its cash resources.

In the year to date, the Company invested $23,943,000 on new and renovated stores, and information technology system enhancements at the Sauvé Street office and Henri-Bourassa Boulevard distribution centre. In the fiscal year ending January 29, 2011, the Company plans to invest approximately $30,000,000 in capital expenditures related to new stores and renovations and information technology enhancements. 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 are expected to be funded by the Company's existing financial resources and funds derived from its operations.

FINANCIAL COMMITMENTS

The following table sets forth the Company's financial commitments, excluding accounts payable and accrued items, as at July 31, 2010, the details of which are described in the previous commentary.

Contractual Obligations	**Total**	**Within 1 year**	**2 to 4 years**	**5 years and over**
Store and office operating leases [1]	$ 471,360,000	$ 101,202,000	$ 218,792,000	$ 151,366,000
Other operating leases [2]	16,570,000	4,006,000	9,599,000	2,965,000
Long-term debt	12,092,000	1,341,000	4,569,000	6,182,000
Interest on long-term debt	3,042,000	725,000	1,630,000	687,000
Total contractual obligations	**$ 503,064,000**	**$ 107,274,000**	**$ 234,590,000**	**$ 161,200,000**

[1] Represents the minimum lease payments under long-term leases for store locations and office space as at July 31, 2010.
[2] Includes lease payments for computer equipment, automobiles and office equipment.

OUTSTANDING SHARE DATA

At August 31, 2010, 13,440,000 Common shares of the Company and 52,692,906 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 3,205,500 options outstanding at an average exercise price of $14.35. Each stock option entitles the holder to purchase one Class A non-voting share of the Company at an exercise price established based on the market price of the shares at the date the option was granted.

In November 2009, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid. Under the bid, the Company may purchase up to 2,728,972 Class A non-voting shares of the Company, representing 5% of the issued and outstanding Class A non-voting shares as at November 23, 2009. The average daily trading volume for the six-month period preceding November 1, 2009 was 84,048 shares. In accordance with the Toronto Stock Exchange rules, a maximum daily repurchase of 25% of this average may be made, representing 21,012 shares. The bid commenced on November 28, 2009 and may continue to November 27, 2010. The shares will be purchased on behalf of the Company by a registered broker through the facilities of the Toronto Stock Exchange. The price paid for the shares will be the market price at the time of acquisition, and the number of shares purchased and the timing of any such purchases will be determined by the Company's management. All shares purchased by the Company will be cancelled.

The Company has purchased 2,083,300 Class A non-voting shares for a total cash consideration of $38,462,000 since commencement of the normal course issuer bid on November 28, 2009. In the year to date, the Company purchased for cancellation 1,583,300 Class A non-voting shares, having a book value of $731,000, for a total cash consideration of $30,112,000. The excess of the purchase price over book value of the shares in the amount of $29,381,000 was charged to retained earnings.

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 fix the cost of its continuing US dollar long-term commitments, including spot rate purchases and foreign exchange option contracts. For the year to date, the Company satisfied its US dollar requirements through spot rate purchases.

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

The Company does not use derivative financial instruments for speculative purposes. Foreign exchange option contracts are considered, with maturities not exceeding three months. As at July 31, 2010, August 1, 2009 and January 30, 2010, the Company had no outstanding foreign exchange option contracts.

Included in the determination of the Company's net earnings for the three months and six months ended July 31, 2010 are foreign exchange gains and losses of $1,064,000 and $128,000 respectively (losses of $1,141,000 and $1,366,000 for the three and six months ended August 1, 2009 respectively).

RELATED PARTY TRANSACTIONS

The Company leases two retail locations which are owned by a related party. The leases for such premises were entered into on commercial terms similar to those for leases entered into with third parties for similar premises. In the year to date, the rent expense under these leases was, in the aggregate, approximately $95,000 (August 1, 2009 - $95,000).

The Company incurred $451,000 in the year to date (August 1, 2009 - $232,000) 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 chartered banks. The Company closely monitors its risk with respect to short-term cash investments. Marketable securities consist primarily of preferred shares of Canadian public companies. The Company's investment portfolio is subject to stock market volatility. Due to recent market improvement, the market value of the Company's investment portfolio has recovered significantly. The Company is highly liquid with its cash and cash equivalents being invested 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.

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

CRITICAL ACCOUNTING ESTIMATES

INVENTORY VALUATION

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

STOCK-BASED COMPENSATION

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

PENSION

The Company maintains a contributory, defined benefit pension plan and sponsors a SERP. The costs of the defined benefit pension plan and SERP are determined periodically by independent actuaries. Pension expense is included in the results of operations. Assumptions used in developing the 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. Effective the beginning of the fiscal year ended January 30, 2010, due to the performance in the equity markets in North America, the Company reduced the expected long-term rate of return on plan assets from 7.5% to 7.0%. The use of different assumptions could result in a pension expense that differs from that which the Company has recorded. The defined benefit pension plan is fully funded and solvent, based on the actuarial valuation as at December 31, 2007, which was extrapolated to January 30, 2010, and the SERP is an unfunded pay as you go plan.

GOODWILL

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

GIFT CARDS

Gift cards sold are recorded as a liability and revenue is recognized when the gift card is redeemed. The Company, for each reporting period, reviews the gift card liability and assesses its adequacy. In its review, the Company estimates expected usages and evaluates specific trends and patterns, which can result in an adjustment to the liability for unredeemed gift cards.

ADOPTION OF NEW ACCOUNTING STANDARDS

GOODWILL AND INTANGIBLE ASSETS

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets, and amends Section 1000, Financial Statement Concepts. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and other intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This new standard is applicable to fiscal years beginning on or after October 1, 2008. The impact of adopting this standard was to reclassify the net book value of software of $9,964,000 as at January 30, 2010 from property and equipment to intangible assets on the balance sheet. For comparative purposes, as at August 1, 2009, $7,428,000 representing the net book value of software was reclassified from property and equipment to intangible assets.

FINANCIAL INSTRUMENTS – DISCLOSURES

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

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

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

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

The amended section relates to disclosure only and did not impact the financial results of the Company. As at July 31, 2010, August 1, 2009 and January 30, 2010, the Company held no significant assets or liabilities required to be measured at fair value, except for cash and cash equivalents, and marketable securities, which were measured using Level 1 inputs in the fair value hierarchy.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS, for interim and annual reporting purposes, beginning on or after January 1, 2011, which for the Company will be the fiscal year ending January 28, 2012. The Company will be required to begin reporting under IFRS for the quarter ending April 30, 2011 and will be required to prepare an opening balance sheet and provide information that conforms to IFRS for comparative periods presented.

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

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

PHASE 1: Initial Assessment	
Actions	• High-level review of the major differences between current Canadian GAAP and IFRS. • Initial evaluation of the different IFRS 1 exemptions available at date of transition. • High-level assessment of potential consequences on financial reporting, business processes, internal controls and information systems. • Training sessions on IFRS for the various members of the IFRS project team.
Timetable	Third quarter of fiscal 2009
Progress	Completed
PHASE 2: Detailed Assessment and Design	
Actions	• Each area of accounting differences between Canadian GAAP and IFRS identified in the initial phase is assessed and an IFRS project team member dedicated to review these differences. • This review includes the changes required to existing accounting policies, information systems, and business processes, together with an analysis of policy alternatives allowed under IFRS and impacts on drafting of financial statements under IFRS. • The analysis on these differences are discussed by the Company's IFRS project team and decisions made, including the Company's selection of IFRS 1 exemptions at the date of transition, are included in IFRS memos and approved by the external auditors. • Developing draft IFRS financial statements and notes. • Presentation of major differences and impact to the Audit Committee on a quarterly basis.
Timetable	Second quarter of fiscal 2011
Progress	• IFRS differences were analyzed and most were concluded on for accounting policy choices, changes to processes and selection of one-time transition choices. • The Company is currently working on preliminary IFRS financial statements in accordance with IAS 1 Presentation of Financial Statements. • Periodic project status updates and information sessions are presented to Senior management and to the Audit Committee.
PHASE 3: Implementation	
Actions	• Embedding changes to systems, business processes and internal controls, as required. • Parallel accounting under Canadian GAAP and IFRS. • Preparation of detailed reconciliations of Canadian GAAP to IFRS financial statements. • Training programs for the Company's finance and other staff, as necessary. • Audit Committee approval of IFRS financial statements.
Timetable	Third and fourth quarters of fiscal 2011
Progress	In progress

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

FIRST-TIME ADOPTION (IFRS 1)

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

Exemption	Application of exemption
Business combinations	The Company intends to use this exemption and not restate the accounting of past business combinations.
Fair value as deemed cost	The Company does not intend to use this exemption but intends to keep property and equipment at original cost.

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

ACCOUNTING POLICIES

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

Key accounting area	Differences with potential impact for the Company
Presentation of Financial Statements (IAS 1)	• Classification of the Statement of operations by function or nature. • Additional disclosures required in the notes to the financial statements. • The Company will address these presentation differences as it prepares its draft IFRS financial statements throughout fiscal 2011.
Property, Plant and Equipment (IAS 16)	• Componentization of buildings for separate amortization over different useful lives. • The Company is currently evaluating the significant parts of the buildings to be depreciated separately.
Impairment of Assets (IAS 36)	• Grouping of assets in cash generating units (CGU's) on the basis of independent cash inflows for impairment testing purposes, using a discounted cash flow method (DCF) in a single-step approach. • The Company has determined its cash generating units to be used for the purpose of impairment testing. Models are being developed, which will be used for the impairment testing at the date of transition to IFRS.
Customer loyalty programmes (IFRIC 13)	• Recognition of loyalty awards as a separate component of revenue and deferral of this revenue until the obligation towards the customer is fulfilled. • The Company is currently quantifying the impact of applying the revenue approach for the accounting of loyalty programmes.
Employee benefits	• Immediate recognition of liabilities and expenses for vested past service costs under a defined benefit plan, to opening retained earnings at transition and to income subsequent to transition. • Recognition of actuarial gains and losses as they occur in other comprehensive income, with no impact on income.

A number of other areas of IFRS will impact the Company to a lesser extent.

IMPACT ON INFORMATION SYSTEMS AND TECHNOLOGY

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

IMPACT ON INTERNAL CONTROLS AND DISCLOSURE CONTROLS AND PROCEDURES

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

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

IMPACT ON FINANCIAL REPORTING EXPERTISE

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

GENERAL

At this time, the comprehensive impact of the changeover on the Company's future financial position and results of operations is not yet determinable. Management has implemented a system for the parallel recording of financial information in accordance with IFRS at the transition date and for each of the fiscal 2011 financial periods to be presented as comparative figures in the fiscal 2012 IFRS financial statements.

The Company continues to monitor and assess the impact of evolving differences between Canadian GAAP and IFRS, since the International Accounting Standards Board ("IASB") is expected to continue issuing new accounting standards during the transition period.

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

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 30, 2010 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 30, 2010 and concluded that these controls were effective.

There have been no changes in the Company's internal controls over financial reporting during the six months ended July 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

Signs of an economic recovery are emerging as key economic indicators show improvements. Employment levels in Canada have shown gradual improvement, retail trade sales reports are more favorable while the inflation level has remained stable with projections that it will remain low. The strength of the Canadian dollar favours importers, however it creates a drag on the economic activity of other sectors in Canada. The Bank of Canada, in its July 2010 Monetary Policy Report, has projected that the economy will grow by 3.5% in 2010 before slowing to 2.9% in 2011. The Bank expects the economy to return to full capacity at the end of calendar 2011. However, the Company believes that consumer demand will remain weak in fiscal 2011 with modest improvement as consumers remain cautious. 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. On an annual basis, the Company directly imports approximately 80% of its merchandise, largely from China.

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

BALANCE SHEETS

(UNAUDITED)
(IN THOUSANDS)

	July 31, 2010	August 1, 2009	Audited January 30, 2010
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (note 9)	**$ 213,536**	$ 185,468	$ 228,577
Marketable securities (note 9)	**49,316**	37,648	48,026
Accounts receivable	**2,582**	2,742	2,926
Income taxes recoverable	**-**	7,647	-
Merchandise inventories	**68,429**	76,822	63,127
Prepaid expenses	**15,749**	13,459	11,873
Future income taxes	**2,441**	2,604	2,395
Total Current Assets	**352,053**	326,390	356,924
CAPITAL ASSETS			
Property and equipment	**204,344**	226,685	210,612
Intangibles	**9,939**	7,428	9,964
Total Capital Assets	**214,283**	234,113	220,576
GOODWILL	**42,426**	42,426	42,426
FUTURE INCOME TAXES	**13,027**	10,314	11,466
	$ 621,789	$ 613,243	$ 631,392
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued items	**$ 68,814**	$ 62,771	$ 77,766
Income taxes payable	**1,147**	-	4,677
Current portion of long-term debt (note 7)	**1,341**	1,259	1,300
Total Current Liabilities	**71,302**	64,030	83,743
DEFERRED LEASE CREDITS	**19,279**	20,603	20,609
LONG-TERM DEBT (note 7)	**10,751**	12,092	11,431
ACCRUED PENSION LIABILITY	**6,075**	4,518	5,443
SHAREHOLDERS' EQUITY			
Share capital (note 5)	**26,930**	24,430	25,888
Contributed surplus	**5,818**	4,275	5,164
Retained earnings	**482,173**	487,110	480,622
Accumulated other comprehensive loss	**(539)**	(3,815)	(1,508)
	481,634	483,295	479,114
Total Shareholders' Equity	**514,382**	512,000	510,166
	$ 621,789	$ 613,243	$ 631,392

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

STATEMENTS OF EARNINGS

(UNAUDITED)
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	For the six months ended		For the three months ended	
	July 31, 2010	August 1, 2009	July 31, 2010	August 1, 2009
Sales	**$ 534,631**	$ 517,723	**$ 295,653**	$ 286,071
Cost of goods sold and selling, general and administrative expenses (note 4)	**425,575**	438,650	**224,157**	232,458
	109,056	79,073	**71,496**	53,613
Depreciation and amortization	**29,912**	30,159	**15,132**	15,513
Operating earnings before the undernoted	**79,144**	48,914	**56,364**	38,100
Investment income (note 9)	**1,644**	1,407	**834**	680
Interest on long-term debt	**394**	433	**195**	214
Earnings before income taxes	**80,394**	49,888	**57,003**	38,566
Income taxes:				
Current	**25,798**	16,714	**18,103**	11,868
Future	**(1,750)**	(1,053)	**(975)**	272
	24,048	15,661	**17,128**	12,140
Net earnings	**$ 56,346**	$ 34,227	**$ 39,875**	$ 26,426
Earnings per share (note 8):				
Basic	**$ 0.84**	$ 0.49	**$ 0.59**	$ 0.38
Diluted	**0.83**	0.49	**0.59**	0.38

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

STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)
(IN THOUSANDS)

	For the six months ended		For the three months ended	
	July 31, 2010	August 1, 2009	July 31, 2010	August 1, 2009
Net earnings	**$ 56,346**	$ 34,227	**$ 39,875**	$ 26,426
Other comprehensive income:				
Net unrealized gain on available-for-sale financial assets arising during the period (net of tax of $144 for the six months and $55 for the three months ended July 31, 2010; $125 for the six months and $49 for the three months ended August 1, 2009)	**969**	4,322	**371**	3,875
Reclassification of losses (gains) on available-for-sale financial assets to net earnings (net of tax of $8 for the six months and $(1) for the three months ended August 1, 2009)	**-**	53	**-**	(7)
	969	4,375	**371**	3,868
Comprehensive income	**$ 57,315**	$ 38,602	**$ 40,246**	$ 30,294

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

STATEMENTS OF CASH FLOWS

(UNAUDITED)
(IN THOUSANDS)

	For the six months ended		For the three months ended	
	July 31, 2010	August 1, 2009	July 31, 2010	August 1, 2009
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES				
Net earnings	**$ 56,346**	$ 34,227	**$ 39,875**	$ 26,426
Adjustments for:				
Depreciation and amortization	**29,912**	30,159	**15,132**	15,513
Future income taxes	**(1,750)**	(1,053)	**(975)**	272
Stock-based compensation	**1,003**	299	**549**	202
Amortization of deferred lease credits	**(2,495)**	(2,537)	**(1,226)**	(1,259)
Deferred lease credits	**1,164**	1,015	**259**	283
Pension contribution	**(310)**	(300)	**(155)**	(172)
Pension expense	**942**	900	**471**	450
Loss (gain) on sale of marketable securities	**-**	61	**-**	(8)
Foreign exchange loss (gain)	**160**	857	**(330)**	839
Changes in non-cash working capital items relating to operations	**(20,992)**	(24,236)	**4,967**	27,006
	63,980	39,392	**58,567**	69,552
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES				
Purchases of marketable securities	**(177)**	(1,773)	**(107)**	(1,773)
Proceeds on sale of marketable securities	**-**	1,390	**-**	265
Additions to capital assets	**(23,943)**	(16,698)	**(10,852)**	(6,914)
	(24,120)	(17,081)	**(10,959)**	(8,422)
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES				
Dividends paid	**(25,414)**	(24,857)	**(13,227)**	(12,307)
Purchase of Class A non-voting shares for cancellation	**(30,112)**	(25,435)	**(30,112)**	(13,261)
Repayment of long-term debt	**(639)**	(600)	**(321)**	(302)
Proceeds from issue of share capital	**1,424**	852	**110**	652
	(54,741)	(50,040)	**(43,550)**	(25,218)
FOREIGN EXCHANGE (LOSS) GAIN ON CASH HELD IN FOREIGN CURRENCY	**(160)**	(857)	**330**	(839)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(15,041)**	(28,586)	**4,388**	35,073
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**228,577**	214,054	**209,148**	150,395
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**$ 213,536**	$ 185,468	**$ 213,536**	$ 185,468

Supplemental disclosure of cash flow information (note 9)

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)
(IN THOUSANDS)

	For the six months ended		For the three months ended	
	July 31, 2010	**August 1, 2009**	**July 31, 2010**	**August 1, 2009**
SHARE CAPITAL				
Balance, beginning of the period	**$ 25,888**	$ 23,830	**$ 27,524**	$ 23,807
Cash consideration on exercise of stock options	**1,424**	852	**110**	652
Ascribed value credited to share capital from exercise of stock options	**349**	562	**27**	353
Cancellation of shares pursuant to stock repurchase program (note 5)	**(731)**	(814)	**(731)**	(382)
Balance, end of the period	**26,930**	24,430	**26,930**	24,430
CONTRIBUTED SURPLUS				
Balance, beginning of the period	**5,164**	4,538	**5,296**	4,426
Stock option compensation costs	**1,003**	299	**549**	202
Ascribed value credited to share capital from exercise of stock options	**(349)**	(562)	**(27)**	(353)
Balance, end of the period	**5,818**	4,275	**5,818**	4,275
RETAINED EARNINGS				
Balance, beginning of the period	**480,622**	502,361	**484,906**	485,870
Net earnings	**56,346**	34,227	**39,875**	26,426
Dividends	**(25,414)**	(24,857)	**(13,227)**	(12,307)
Premium on repurchase of Class A non-voting (note 5)	**(29,381)**	(24,621)	**(29,381)**	(12,879)
Balance, end of the period	**482,173**	487,110	**482,173**	487,110
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)				
Balance, beginning of the period	**(1,508)**	(8,190)	**(910)**	(7,683)
Net unrealized gain on available-for-sale financial assets arising during the period (net of tax of $144 for the six months and $55 for the three months ended July 31, 2010; $125 for the six months and $49 for the three months ended August 1, 2009)	**969**	4,322	**371**	3,875
Reclassification of losses (gains) on available-for-sale financial assets to net earnings (net of tax of $8 for the six months and $(1) for the three months ended August 1, 2009)	**-**	53	**-**	(7)
Balance, end of the period [1]	**(539)**	(3,815)	**(539)**	(3,815)
Total Shareholders' Equity	**$ 514,382**	$ 512,000	**$ 514,382**	$ 512,000

[1] Marketable securities are classified as available-for-sale financial investments and constitute the sole item in accumulated other comprehensive income (loss).

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(UNAUDITED)
(ALL AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

1. BASIS OF PRESENTATION

These unaudited interim financial statements (the "financial statements") have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and include all normal and recurring entries that are necessary for a fair presentation of the statements. Accordingly, they do not include all of the information and footnotes required by Canadian generally accepted accounting principles for annual financial statements. These financial statements should be read in conjunction with the most recently prepared annual financial statements for the 52 week period ended January 30, 2010. The Company applied the same accounting policies in the preparation of the financial statements as disclosed in note 4 of its annual financial statements in the Company's fiscal 2010 Annual Report except as described below in note 2 – Adoption of New Accounting Standards.

The Company's business is seasonal and due to the geographical spread of the Company's stores and range of products it offers, the Company has experienced quarterly fluctuations in operating results. The business seasonality results in performance for the 26 weeks ended July 31, 2010, which is not necessarily indicative of performance for the balance of the year.

All amounts in the attached footnotes are unaudited unless specifically identified.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

a) Goodwill and Intangible Assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets, and amends Section 1000, Financial Statement Concepts. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and other intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This new standard is applicable to fiscal years beginning on or after October 1, 2008. The impact of adopting this standard was to reclassify the net book value of software of $9,964 as at January 30, 2010 from property and equipment to intangible assets on the balance sheet. For comparative purposes, as at August 1, 2009 $7,428 representing the net book value of software was reclassified from property and equipment to intangible assets.

b) Financial Instruments – Disclosures

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

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

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

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

The amended section relates to disclosure only and did not impact the financial results of the Company. As at July 31, 2010, August 1, 2009 and January 30, 2010, the Company held no significant assets or liabilities required to be measured at fair value, except for cash and cash equivalents and marketable securities, which were measured using Level 1 inputs in the fair value hierarchy.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The Canadian Accounting Standards Board has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises. These new standards are applicable to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Company will implement this standard in its first quarter of fiscal year ending January 28, 2012 and is currently evaluating the impact of the transition to IFRS and will continue to invest in training and resources throughout the transition to facilitate a timely conversion. A detailed description of the Company's IFRS project structure and status is included as part of the "Transition to International Financial Reporting Standards" section in the Company's July 31, 2010 Management's Discussion and Analysis.

4. INVENTORY

The cost of inventory recognized as an expense and included in cost of goods sold and selling, general and administrative expenses for the six months ended July 31, 2010 was $166,743 (August 1, 2009 - $190,250). During the quarter, the Company recorded $2,911 (August 1, 2009 - $3,111) 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.

5. SHARE CAPITAL

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

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

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

	For the six months ended		For the three months ended		Audited
	July 31, 2010	August 1, 2009	July 31, 2010	August 1, 2009	January 30, 2010
Balance at beginning of the period	**54,160**	56,864	**54,267**	55,813	56,864
Shares issued pursuant to exercise of stock options	**116**	108	**9**	61	277
Shares purchased under issuer bid	**(1,583)**	(2,038)	**(1,583)**	(940)	(2,981)
Balance at end of the period	**52,693**	54,934	**52,693**	54,934	54,160

The Company has authorized an unlimited number of Common shares. At July 31, 2010, there were 13,440 common shares issued (August 1, 2009 - 13,440; January 30, 2010 - 13,440) with a value of $482 (August 1, 2009 - $482; January 30, 2010 - $482).

c) The Company received, in November 2009, approval from the Toronto Stock Exchange to proceed with a normal course issuer bid. Under the bid, the Company may purchase up to 2,729 Class A non-voting shares of the Company, representing 5% of the issued and outstanding Class A non-voting shares as at November 23, 2009. The bid commenced on November 28, 2009 and may continue to November 27, 2010. For the six months ended July 31, 2010, 1,583 Class A non-voting shares having a book value of $731 have been purchased for a total cash consideration of $30,112. The excess of the purchase price over book value of the shares in the amount of $29,381 was charged to retained earnings.

6. STOCK-BASED COMPENSATION

The Company has a share option plan as described in note 11 c) to the financial statements contained in the 2010 Annual Report.

Changes in outstanding stock options were as follows:

	For the six months ended				For the three months ended			
	July 31, 2010		August 1, 2009		July 31, 2010		August 1, 2009	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, at beginning of period	**3,207**	**$ 14.14**	1,594	$ 12.84	**3,200**	**$ 14.32**	1,529	$ 13.11
Granted	**115**	**18.03**	1,920	14.50	**15**	**18.26**	1,920	14.50
Exercised	**(116)**	**12.23**	(108)	7.89	**(9)**	**12.23**	(61)	10.69
Forfeited	**-**	**-**	(30)	12.23	**-**	**-**	(12)	12.23
Outstanding, at end of period	**3,206**	**$ 14.35**	3,376	$ 13.95	**3,206**	**$ 14.35**	3,376	$ 13.95
Options exercisable, at end of period	**1,054**	**$ 13.23**	1,019	$ 12.62	**1,054**	**$ 13.23**	1,019	$ 12.62

Compensation cost related to stock option awards granted during the six months ended July 31, 2010 under the fair value based approach was calculated using the following assumptions:

	100 Options Granted April 7, 2010	15 Options Granted June 2, 2010
Expected option life	6.5 years	4.9 years
Risk-free interest rate	3.59%	2.44%
Expected stock price volatility	47.18%	37.40%
Average dividend yield	4.00%	4.38%
Weighted average fair value of options granted	$6.22	$4.25

7. LONG-TERM DEBT

	July 31, 2010	August 1, 2009	Audited January 30, 2010
Mortgage bearing interest at 6.40%, payable in monthly instalments of principal and interest of $172, due November 2017 and secured by the Company's distribution centre	**$ 12,092**	$ 13,351	$ 12,731
Less current portion	**1,341**	1,259	1,300
	$ 10,751	$ 12,092	$ 11,431

8. EARNINGS PER SHARE

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

	For the six months ended		For the three months ended	
	July 31, 2010	**August 1, 2009**	**July 31, 2010**	**August 1, 2009**
Weighted average number of shares per basic earnings per share calculations	**67,348**	69,492	**67,065**	68,860
Effect of dilutive options outstanding	**408**	89	**538**	145
Weighted average number of shares per diluted earnings per share calculations	**67,756**	69,581	**67,603**	69,005

As at July 31, 2010, a total of 283 stock options were excluded from the calculation of diluted earnings per share as these were deemed to be anti-dilutive, because the exercise prices were greater than the average market price of the shares during the quarter.

9. OTHER INFORMATION

a) Included in the determination of the Company's net earnings for the three months and six months ended July 31, 2010 are foreign exchange gains and losses of $1,064 and $128 respectively (losses of $1,141 and $1,366 for the three months and six months ended August 1, 2009 respectively).

b) Supplementary cash flow information:

	July 31, 2010	**August 1, 2009**	**Audited January 30, 2010**
Balance with banks	**$ 5,492**	$ 1,350	$ 4,677
Short-term deposits, bearing interest at 0.6% (August 1, 2009 - 0.3%; January 30, 2010 - 0.3%)	**208,044**	184,118	223,900
Cash and cash equivalents	**$ 213,536**	$ 185,468	$ 228,577
Marketable securities:			
Fair value	**$ 49,316**	$ 37,648	$ 48,026
Cost	**49,300**	41,982	49,123
Non-cash transactions:			
Capital asset additions included in accounts payable and accrued items	**$ 1,085**	$ 972	$ 1,408
Ascribed value credited to share capital from exercise of stock options	**349**	562	655

	For the six months ended		For the three months ended		Audited
	July 31, 2010	**August 1, 2009**	**July 31, 2010**	**August 1, 2009**	**January 30, 2010**
Cash paid during the period for:					
Income taxes	**$ 29,341**	$ 20,926	**$ 8,429**	$ 10,019	$ 31,164
Interest	**394**	433	**195**	214	850
Investment income:					
Available-for-sale financial assets:					
Dividends	**$ 1,286**	$ 1,072	**$ 615**	$ 562	$ 2,109
Realized (loss) gain on disposal	**-**	(61)	**-**	8	(794)
Held-for-trading financial assets:					
Interest income	**358**	396	**219**	110	677
	$ 1,644	$ 1,407	**$ 834**	$ 680	$ 1,992

10. FINANCIAL INSTRUMENTS

a) Fair Value Disclosure

Fair value estimates are made at a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

The Company has determined that the carrying value of its short-term financial assets and liabilities approximates fair value at the period-end dates due to the short-term maturity of these instruments. The fair values of the marketable securities are based on published market prices at period-end, which are considered Level 1 inputs in the fair value hierarchy.

The fair value of long-term debt is $12,373 (August 1, 2009 - $12,258; January 30, 2010 - $13,045) compared to its carrying value of $12,092 (August 1, 2009 - $13,351; January 30, 2010 - $12,731).

The fair value of the Company's long-term debt bearing interest at a fixed rate was calculated using the present value of future payments of principal and interest discounted at the current market rates of interest available to the Company for the same or similar debt instruments with the same remaining maturities.

b) Risk Management

Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk were provided in the January 30, 2010 financial statements contained in the 2010 Annual Report and there have been no significant changes in the Company's risk exposures in the first six months of fiscal 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 and spot purchases to manage its foreign exchange exposure on cash flows related to these purchases. These option contracts generally do not exceed three months. A foreign exchange option contract represents an option to buy a foreign currency from a counterparty to meet its obligations. Credit risks exist in the event of failure by a counterparty to fulfill its obligations. The Company reduces this risk by dealing only with highly-rated counterparties, normally major Canadian financial institutions. For the first six months of fiscal 2011, the Company satisfied its US dollar requirements through spot rate purchases.

As at July 31, 2010, August 1, 2009 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 as at July 31, 2010 consist principally of cash and cash equivalents of $32,838 and accounts payable of $3,748 to determine how a change in the US dollar exchange rate would impact net earnings. On July 31, 2010, a 10% rise or fall in the Canadian dollar against the US dollar, assuming that all other variables, in particular interest rates, had remained the same, would have resulted in a $2,094 decrease or increase, respectively, in the Company's net earnings for the three and six months ended July 31, 2010.

977 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	-	10	2	40
NEW BRUNSWICK	16	6	3	1	1	4	5	36
QUÉBEC	84	38	16	19	8	25	34	224
ONTARIO	116	62	25	29	8	58	41	339
MANITOBA	14	5	2	2	-	6	3	32
SASKATCHEWAN	11	3	-	2	-	8	3	27
ALBERTA	45	18	8	12	3	24	16	126
BRITISH COLUMBIA	42	17	11	9	1	25	15	120
NORTHWEST TERRITORIES	1	-	-	-	-	-	-	1
YUKON	1	-	-	-	-	-	-	1
	366	161	67	76	21	165	121	977

Inspired by role models not supermodels, **REITMANS** offers affordable, stylish fashions designed to fit everybody and every body. Operating **366 STORES**, Reitmans, Canada's largest women's apparel specialty chain and leading fashion brand, has developed strong customer loyalty through superior service, insightful marketing and quality merchandise. Reitmans, designed for real life.

With **161 STORES**, **SMART SET** is Canada's fashion destination for style savvy women aged 25 to 35. Averaging 3,400 sq. ft., Smart Set's energetic and fun "fashion workshop" environment provides our customer with the tools she needs to create her own lifestyle wardrobe. Smart Set offers great value in a wide assortment of styles from workwear essentials and accessories, to activewear and city casual clothing.

Operating **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 **76 STORES** averaging 2,400 sq. ft. in major malls and power centres.

The newest of the Reitmans (Canada) Limited retail banners, **CASSIS** has **21 STORES** averaging 3,600 sq. ft., which are located in major regional malls. Cassis features urban casual and career clothing that reflects the personality of our customer: charismatic and youthful. We offer styles, cuts and fabrics that flatter the figure of the forty-something woman, while showcasing the energy and attitude of her 35-year-old mindset.

With **165 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 **121 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.

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TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.
Halifax, 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

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