Reitmans
(CANADA) LIMITED

Unaudited Condensed Consolidated Interim Financial Statements
August 1, 2015 and August 2, 2014

REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(in thousands of Canadian dollars except per share amounts)

	For the three months ended		For the six months ended	
	August 1, 2015	**August 2, 2014**	**August 1, 2015**	**August 2, 2014**
Sales	**$ 252,998**	$ 258,326	**$ 454,729**	$ 464,804
Cost of goods sold (note 6)	**113,835**	105,833	**195,471**	192,541
Gross profit	**139,163**	152,493	**259,258**	272,263
Selling and distribution expenses	**124,779**	126,881	**243,660**	252,142
Administrative expenses	**11,701**	14,706	**23,079**	25,844
Results from operating activities	**2,683**	10,906	**(7,481)**	(5,723)
Finance income (note 12)	**3,169**	1,137	**4,646**	1,641
Finance costs (note 12)	**5,323**	140	**6,573**	855
Earnings (loss) before income taxes	**529**	11,903	**(9,408)**	(4,937)
Income tax (expense) recovery (note 11)	**(751)**	(2,346)	**1,515**	1,079
Net (loss) earnings	**$ (222)**	$ 9,557	**$ (7,893)**	$ (3,858)
Earnings (loss) per share (note 13):				
Basic	**$ 0.00**	$ 0.15	**$ (0.12)**	$ (0.06)
Diluted	**0.00**	0.15	**(0.12)**	(0.06)

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

REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	August 1, 2015	**August 2, 2014**	**August 1, 2015**	**August 2, 2014**
Net (loss) earnings	**$ (222)**	$ 9,557	**$ (7,893)**	$ (3,858)
Other comprehensive income (loss)				
Items that are or may be reclassified subsequently to net earnings:				
Net change in fair value of available-for-sale financial assets (net of tax of $49 for the three months ended August 2, 2014 and $362 for the six months ended August 2, 2014) (note 9)	**-**	317	**-**	2,367
Net gain on derivatives designated as cash flow hedges (net of tax of $2,829 for the three months ended August 1, 2015 and $1,323 for the six months ended August 1, 2015; 2014 -nil) (note 9)	**7,808**	-	**3,639**	-
Foreign currency translation differences (note 9)	**(301)**	22	**(119)**	(151)
Total other comprehensive income	**7,507**	339	**3,520**	2,216
Total comprehensive income (loss)	**$ 7,285**	$ 9,896	**$ (4,373)**	$ (1,642)

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

REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands of Canadian dollars)

	August 1, 2015	August 2, 2014	January 31, 2015
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (note 4)	**$ 114,422**	$ 113,380	$ 139,913
Marketable securities	**54,930**	52,905	57,364
Trade and other receivables	**4,803**	5,160	4,599
Derivative financial asset (note 5)	**13,166**	3,343	20,635
Income taxes recoverable	**2,226**	2,123	1,977
Inventories (note 6)	**131,488**	112,455	106,440
Prepaid expenses	**8,983**	27,134	12,148
Total Current Assets	**330,018**	316,500	343,076
NON-CURRENT ASSETS			
Property and equipment	**141,957**	164,375	152,349
Intangible assets	**22,535**	18,287	20,077
Goodwill	**42,426**	42,426	42,426
Deferred income taxes	**27,975**	30,729	26,463
Total Non-Current Assets	**234,893**	255,817	241,315
TOTAL ASSETS	**$ 564,911**	$ 572,317	$ 584,391
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables (note 7)	**$ 94,741**	$ 87,550	$ 91,719
Derivative financial liability (note 5)	**1**	4,057	96
Deferred revenue (note 8)	**15,956**	15,359	21,073
Current portion of long-term debt	**1,837**	1,725	1,780
Total Current Liabilities	**112,535**	108,691	114,668
NON-CURRENT LIABILITIES			
Other payables (note 7)	**9,060**	10,855	9,903
Deferred lease credits	**11,914**	13,921	13,178
Long-term debt	**2,618**	4,456	3,551
Pension liability	**22,315**	18,749	21,968
Total Non-Current Liabilities	**45,907**	47,981	48,600
SHAREHOLDERS' EQUITY			
Share capital (note 9)	**38,814**	39,227	39,227
Contributed surplus	**8,464**	7,503	8,014
Retained earnings	**350,370**	359,343	368,241
Accumulated other comprehensive income (note 9)	**8,821**	9,572	5,641
Total Shareholders' Equity	**406,469**	415,645	421,123
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 564,911**	$ 572,317	$ 584,391

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

REITMANS (CANADA) LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(in thousands of Canadian dollars)

	Note	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance as at February 1, 2015		**$ 39,227**	**$ 8,014**	**$ 368,241**	**$ 5,641**	**$ 421,123**
IFRS 9 (2014) adoption adjustment	3a	**-**	**-**	**340**	**(340)**	**-**
Adjusted balance as at February 1, 2015		**39,227**	**8,014**	**368,581**	**5,301**	**421,123**
Total comprehensive loss for the period						
Net loss		**-**	**-**	**(7,893)**	**-**	**(7,893)**
Total other comprehensive income		**-**	**-**	**-**	**3,520**	**3,520**
Total comprehensive loss for the period		**-**	**-**	**(7,893)**	**3,520**	**(4,373)**
Contributions by (distributions to) owners of the Company						
Cash consideration on exercise of share options	9	**2**	**-**	**-**	**-**	**2**
Cancellation of shares pursuant to share repurchase program	9	**(415)**	**-**	**-**	**-**	**(415)**
Share-based compensation costs	10	**-**	**450**	**-**	**-**	**450**
Dividends	9	**-**	**-**	**(6,427)**	**-**	**(6,427)**
Premium on repurchase of Class A non-voting shares		**-**	**-**	**(3,891)**	**-**	**(3,891)**
Total (distributions to) contributions by owners of the Company		**(413)**	**450**	**(10,318)**	**-**	**(10,281)**
Balance as at August 1, 2015		**$ 38,814**	**$ 8,464**	**$ 350,370**	**$ 8,821**	**$ 406,469**
Balance as at February 2, 2014		$ 39,227	$ 7,188	$ 369,660	$ 7,356	$ 423,431
Total comprehensive loss for the period						
Net loss		-	-	(3,858)	-	(3,858)
Total other comprehensive income		-	-	-	2,216	2,216
Total comprehensive loss for the period		-	-	(3,858)	2,216	(1,642)
Contributions by (distributions to) owners of the Company						
Share-based compensation costs	10	-	315	-	-	315
Dividends	9	-	-	(6,459)	-	(6,459)
Total contributions by (distributions to) owners of the Company		-	315	(6,459)	-	(6,144)
Balance as at August 2, 2014		$ 39,227	$ 7,503	$ 359,343	$ 9,572	$ 415,645

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

REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	August 1, 2015	**August 2, 2014**	**August 1, 2015**	**August 2, 2014**
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss) earnings	**$ (222)**	$ 9,557	**$ (7,893)**	$ (3,858)
Adjustments for:				
Depreciation, amortization and net impairment losses	**12,226**	12,364	**24,106**	25,831
Share-based compensation costs	**312**	242	**450**	315
Amortization of deferred lease credits	**(991)**	(926)	**(2,434)**	(1,955)
Deferred lease credits	**785**	73	**1,170**	269
Pension contribution	**(428)**	(207)	**(703)**	(494)
Pension expense	**525**	492	**1,050**	984
Realized loss on sale of marketable securities	**15**	37	**15**	61
Impairment loss on available-for-sale financial assets	**-**	-	**-**	10
Net change in fair value of marketable securities	**5,233**	-	**6,401**	-
Net change in fair value of derivatives	**2,799**	2,395	**12,335**	9,424
Foreign exchange gain on cash and cash equivalents	**(4,521)**	(406)	**(5,467)**	(1,086)
Interest and dividend income, net	**(643)**	(671)	**(1,428)**	(1,369)
Interest paid	**(75)**	(103)	**(157)**	(211)
Interest received	**127**	183	**379**	381
Dividends received	**635**	629	**1,248**	1,439
Income tax expense (recovery)	**751**	2,346	**(1,515)**	(1,079)
	16,528	26,005	**27,557**	28,662
Changes in:				
Trade and other receivables	**1,248**	1,944	**(246)**	1,028
Inventories	**3,489**	8,287	**(25,048)**	(2,854)
Prepaid expenses	**15,413**	(1,372)	**3,165**	(14,622)
Trade and other payables	**24,702**	13,795	**5,233**	(4,333)
Deferred revenue	**(159)**	(168)	**(5,117)**	(4,639)
Cash from operating activities	**61,221**	48,491	**5,544**	3,242
Income taxes received	**-**	5,133	**2**	5,133
Income taxes paid	**(392)**	(838)	**(1,570)**	(3,033)
Net cash flows from operating activities	**60,829**	52,786	**3,976**	5,342
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchases of marketable securities	**(2,924)**	(80)	**(5,660)**	(185)
Proceeds on sale of marketable securities	**1,678**	2,500	**1,678**	5,000
Proceeds on sales of trademarks	**-**	26	**-**	55
Additions to property and equipment and intangible assets	**(9,094)**	(6,444)	**(19,226)**	(12,779)
Cash flows used in investing activities	**(10,340)**	(3,998)	**(23,208)**	(7,909)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Dividends paid	**(3,198)**	(3,230)	**(6,427)**	(6,459)
Purchase of Class A non-voting shares for cancellation	**(4,306)**	-	**(4,306)**	-
Repayment of long-term debt	**(441)**	(415)	**(876)**	(822)
Proceeds from issuance of share capital	**-**	-	**2**	-
Cash flows used in financing activities	**(7,945)**	(3,645)	**(11,607)**	(7,281)
FOREIGN EXCHANGE GAIN ON CASH HELD IN FOREIGN CURRENCY	**4,220**	389	**5,348**	873
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**46,764**	45,532	**(25,491)**	(8,975)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**67,658**	67,848	**139,913**	122,355
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**$ 114,422**	$ 113,380	**$ 114,422**	$ 113,380

Supplementary cash flow information (note 14)
The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

1. REPORTING ENTITY

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

2. BASIS OF PRESENTATION

a) Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") on a basis consistent with those accounting policies followed by the Company in the most recent audited annual consolidated financial statements except where noted below. These unaudited condensed consolidated interim financial statements have been prepared under IFRS in accordance with IAS 34, *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended January 31, 2015. Certain comparative figures have been reclassified to conform to the current year's presentation.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on September 10, 2015.

b) Basis of Measurement

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

- marketable securities and derivative financial instruments are measured at fair value; and
- the pension liability is recognized as the present value of the defined benefit obligation less the fair value of the plan assets.

c) Seasonality of Interim Operations

The retail business is seasonable 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.

d) Functional and Presentation Currency

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

e) Estimates, Judgments and Assumptions

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

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation of uncertainty were the same as those applied and described in the Company's audited annual consolidated financial statements for the year ended January 31, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended January 31, 2015 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements except as noted below:

a) Adoption of New Accounting Policies

Annual Improvements to IFRS (2010 – 2012) and (2011-2013) cycles

On December 12, 2013 the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. Most amendments applied prospectively for annual periods beginning on or after July 1, 2014. Adoption of these amendments did not have a material impact on the condensed consolidated interim financial statements.

IFRS 9 (2014) - Financial Instruments

The Company early adopted all of the requirements of IFRS 9 (2014), *Financial Instruments* ("IFRS 9 (2014)") with a date of initial application of February 1, 2015. This standard establishes principles for the financial reporting classification and measurement of financial assets and financial liabilities. This standard also incorporates a new hedging model which increases the scope of hedged items eligible for hedge accounting and aligns hedge accounting more closely with risk management. This standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. This new standard also increases required disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the consolidated financial statements.

IFRS 9 (2014) uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial instruments - Recognition and Measurement* ("IAS 39"). The approach in IFRS 9 (2014) is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 (2014).

The following summarizes the classification and measurement changes for the Company's non-derivative and derivative financial assets and financial liabilities as a result of the adoption of IFRS 9 (2014).

	IAS 39	IFRS 9 (2014)
Financial assets:		
Cash and cash equivalents	Loans and receivables	Amortized cost
Marketable securities	Available for sale	Fair value through profit or loss
Trade and other receivables	Loans and receivables	Amortized cost
Non-hedge derivative assets	Fair value through profit or loss	Fair value through profit or loss
Financial liabilities:		
Trade and other payables	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Non-hedge derivative liabilities	Fair value through profit or loss	Fair value through profit or loss

In accordance with the transitional provisions of IFRS 9 (2014) the financial assets and financial liabilities held at February 1, 2015 were reclassified retrospectively without prior period restatement based on the new classification requirements and the characteristics of each financial instrument at February 1, 2015.

The accounting for these instruments and the line item in which they are included in the statement of financial position were unaffected by the adoption of IFRS 9 (2014) with the exception of the Company's marketable securities, which were reclassified from available-for-sale to financial assets measured at fair value through profit or loss ("FVTPL"). Fair value gains and losses on marketable securities are recognized in finance income or finance cost in net earnings (note 12). In accordance with transitional provisions, the Company has reflected the retrospective impact of the adoption of IFRS 9 (2014) due to the change in accounting policy for marketable securities as an adjustment to opening components of equity as at February 1, 2015.

	February 1, 2015		
	As presented	Restatements	As restated
Equity			
Retained earnings	$ 368,241	$ 340	$ 368,581
Accumulated other comprehensive income	5,641	(340)	5,301
Impact on equity	$ 373,882	$ -	$ 373,882

The adoption of IFRS 9 (2014) did not result in any changes in the eligibility of existing hedge relationships, the accounting for the derivative financial instruments designated as effective hedging instruments and the line item in which they are included in the statement of financial position.

Update to significant accounting policies

As a result of the initial adoption of IFRS 9 (2014), as described above, the Company has updated its significant accounting policies as follows:

Financial instruments

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

(i) Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Company currently classifies its cash and cash equivalents and trade and other receivables as assets measured at amortized cost.

Impairment of financial assets:

The Company uses the "expected credit loss" model for calculating impairment and recognizes expected credit losses as a loss allowance in the consolidated balance sheet if they relate to a financial asset measured at amortized cost. The Company's trade and other receivables, typically short term receivables with payments received within a 12-month period, do not have a significant financing component. Therefore, the Company recognizes impairment and measures expected credit losses as lifetime expected credit losses. The carrying amount of these assets in the consolidated balance sheet is stated net of any loss allowance.

(ii) Financial assets measured at fair value

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss. The marketable securities are currently measured at fair value with changes in fair value recognized in profit or loss.

However, for investments in equity instruments that are not held for trading, the Company may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss. Dividends earned from such investments are recognized in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment.

(iii)Financial liabilities are classified into the following categories

Financial liabilities measured at amortized cost:

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

Financial liabilities measured at fair value:

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

(iv)Non-hedge derivative financial instruments measured at fair value

Non-hedge derivative financial instruments, including foreign exchange contracts, are recorded as either assets or liabilities measured initially at their fair value. Attributable transaction costs are recognized in profit or loss as incurred. All derivative financial instruments not designated in a hedge relationship are classified as financial instruments at fair value through profit and loss. Any subsequent change in the fair value of non-hedge foreign exchange contracts are accounted for in cost of goods sold for the period in which it arises.

(v) Hedging relationships:

The Company enters into derivative financial instruments to hedge its foreign exchange risk exposures of part of its purchases in U.S dollar. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings. The time value component of options designated as cash flow hedges is excluded from the hedging relationships and recorded in other comprehensive income as a cost of hedging and, presented separately when significant.

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

Cash flow hedges:

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

When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred directly to the initial cost of that asset.

b) New Standards and Interpretations Not Yet Adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the six months ended August 1, 2015 and have not been applied in preparing these unaudited condensed consolidated interim financial statements. New standards and amendments to standards and interpretations that are currently under review include:

IFRS 15- Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

Disclosure Initiative: Amendments to IAS 1

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

4. CASH AND CASH EQUIVALENTS

	August 1, 2015	**August 2, 2014**	**January 31, 2015**
Cash on hand and with banks	**$ 112,422**	$ 56,867	$ 106,917
Short-term deposits, bearing interest at 0.5% (August 2, 2014 - 0.5%; January 31, 2015 - 0.8%)	**2,000**	56,513	32,996
	$ 114,422	$ 113,380	$ 139,913

5. FINANCIAL INSTRUMENTS

Accounting classification and fair values

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

The fair value of the Company's marketable securities is determined by reference to their quoted closing prices in active markets at the reporting date, which is considered a Level 1 input in the fair value hierarchy. The fair value of the Company's long-term debt bearing interest at a fixed rate, which is determined for disclosure purposes, is calculated using the present value of future payments of principal and interest discounted at the current market rates of interest available to the Company for the same or similar debt instruments with the same remaining maturity, which is considered Level 2 input in the fair value hierarchy. The fair value of foreign currency option contracts is determined through a standard option valuation technique used by the counterparty based on Level 2 inputs.

	August 1, 2015						
	Carrying Amount				Fair Value		
	Fair Value through Profit or Loss	Fair Value of Hedging Instruments	Amortized Cost	Total	Level 1	Level 2	Total
Financial assets measured at fair value							
Derivative financial asset	**$ -**	**$ 13,166**	**$ -**	**$ 13,166**	**$ -**	**$ 13,166**	**$ 13,166**
Marketable securities	**$ 54,930**	**$ -**	**$ -**	**$ 54,930**	**$ 54,930**	**$ -**	**$ 54,930**
Financial liabilities measured at fair value							
Derivative financial liability	**$ -**	**$ (1)**	**$ -**	**$ (1)**	**$ -**	**$ (1)**	**$ (1)**
Financial liabilities not measured at fair value							
Long-term debt	**$ -**	**$ -**	**$ (4,455)**	**$ (4,455)**	**$ -**	**$ (4,661)**	**$ (4,661)**

	August 2, 2014						
	Carrying Amount				Fair Value		
	Fair Value through Profit or Loss	Available-for-Sale	Other Financial Liabilities	Total	Level 1	Level 2	Total
Financial assets measured at fair value							
Derivative financial asset	$ 3,343	$ -	$ -	$ 3,343	$ -	$ 3,343	$ 3,343
Marketable securities	$ -	$ 52,905	$ -	$ 52,905	$ 52,905	$ -	$ 52,905
Financial liabilities measured at fair value							
Derivative financial liability	$ (4,057)	$ -	$ -	$ (4,057)	$ -	$ (4,057)	$ (4,057)
Financial liabilities not measured at fair value							
Long-term debt	$ -	$ -	$ (6,181)	$ (6,181)	$ -	$ (6,538)	$ (6,538)

	January 31, 2015							
	Carrying Amount					Fair Value		
	Fair Value through Profit or Loss	Fair Value of Hedging Instruments	Available for Sale	Other Financial Liabilities	Total	Level 1	Level 2	Total
Financial assets measured at fair value								
Derivative financial asset	$12,191	$ 8,444	$ -	$ -	$20,635	$ -	$20,635	$20,635
Marketable securities	$ -	$ -	$57,364	$ -	$57,364	$57,364	$ -	$57,364
Financial liabilities measured at fair value								
Derivative financial liability	$ (2)	$ (94)	$ -	$ -	$ (96)	$ -	$ (96)	$ (96)
Financial liabilities not measured at fair value								
Long-term debt	$ -	$ -	$ -	$ (5,331)	$ (5,331)	$ -	$ (5,621)	$ (5,621)

There were no transfers between levels of the fair value hierarchy for the periods ended August 1, 2015, August 2, 2014 and January 31, 2015.

Derivative financial instruments

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

Details of the foreign exchange contracts outstanding are as follows:

	August 1, 2015				
	Average Strike Price	Notional Amount in U.S. Dollars	Derivative Financial Asset	Derivative Financial Liability	Net
Foreign exchange contracts designated as cash flow hedges:					
Forwards	**$ 1.207**	**$ 108,500**	**$ 10,999**	**$ -**	**$ 10,999**
Call options purchased	**$ 1.188**	**$ 18,000**	**2,167**	**-**	**2,167**
Put options sold	**$ 1.188**	**$ 9,000**	**-**	**(1)**	**(1)**
			$ 13,166	**$ (1)**	**$ 13,165**

	August 2, 2014				
	Average Strike Price	Notional Amount in U.S. Dollars	Derivative Financial Asset	Derivative Financial Liability	Net
Foreign exchange contracts classified at FVTPL[(1)]:					
Call options purchased	$ 1.092	$ 160,000	$ 3,343	$ -	$ 3,343
Put options sold	$ 1.092	$ 290,000	-	(4,057)	(4,057)
			$ 3,343	$ (4,057)	$ (714)

	January 31, 2015				
	Average Strike Price	Notional Amount in U.S. Dollars	Derivative Financial Asset	Derivative Financial Liability	Net
Foreign exchange contracts designated as cash flow hedges:					
Forwards	$ 1.183	$ 69,500	$ 6,292	$ -	$ 6,292
Call options purchased	$ 1.188	$ 23,000	2,152	-	2,152
Put options sold	$ 1.188	$ 11,500	-	(94)	(94)
Foreign exchange contracts classified at FVTPL[(1)]:					
Call options purchased	$ 1.081	$ 64,000	12,191	-	12,191
Put options sold	$ 1.081	$ 128,000	-	(2)	(2)
			$ 20,635	$ (96)	$ 20,539

[1] Held as economic hedges.

6. INVENTORIES

During the three and six months ended August 1, 2015, inventories recognized as cost of goods sold amounted to $109,319 and $189,245, respectively ($103,305 and $188,569 for the three and six months ended August 2, 2014). In addition, for the three and six months ended August 1, 2015, the Company recorded $4,516 and $6,226 ($2,528 and $3,972 for the three and six months ended August 2, 2014) of write-downs of inventories as a result of net realizable value being lower than cost which were recognized in cost of goods sold, and no inventory write-downs recognized in previous periods were reversed.

For the three and six months ended August 1, 2015, gains of $3,019 and $10,211, respectively, are included in cost of goods sold ($1,105 and $5,160 for the three and six months ended August 2, 2014, respectively) representing changes in fair value of derivatives not eligible for hedge accounting. Cost of goods sold for the three and six month ended August 2, 2014 were recast to include changes in fair value of derivatives not eligible for hedge accounting which were previously presented as part of finance income or finance costs.

7. TRADE AND OTHER PAYABLES

	August 1, 2015	August 2, 2014	January 31, 2015
Trade payables	**$ 55,258**	$ 46,051	$ 49,577
Non-trade payables due to related parties	**40**	55	40
Other non-trade payables	**11,688**	9,864	9,502
Personnel liabilities	**23,853**	27,170	27,201
Payables relating to premises	**11,834**	14,402	14,576
Provision for sales returns	**1,128**	863	726
	103,801	98,405	101,622
Less non-current portion	**9,060**	10,855	9,903
	$ 94,741	$ 87,550	$ 91,719

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

8. DEFERRED REVENUE

	August 1, 2015	August 2, 2014	January 31, 2015
Loyalty points and awards granted under loyalty programs	**$ 9,518**	$ 8,776	$ 8,735
Unredeemed gift cards	**6,438**	6,583	12,338
	$ 15,956	$ 15,359	$ 21,073

9. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

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

	For the six months ended			
	August 1, 2015		**August 2, 2014**	
	Number of shares (in 000's)	**Carrying amount**	**Number of shares (in 000's)**	**Carrying amount**
Common shares				
Balance at beginning and end of the period	**13,440**	**$ 482**	13,440	$ 482
Class A non-voting shares				
Balance at beginning of the period	**51,146**	**38,745**	51,146	38,745
Shares issued pursuant to exercise of share options	**-**	**2**	-	-
Shares purchased under issuer bid	**(626)**	**(415)**	-	-
Balance at end of the period	**50,520**	**38,332**	51,146	38,745
Total share capital	**63,960**	**$ 38,814**	64,586	$ 39,227

Authorized Share Capital

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

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

Issuance of Class A Non-Voting Shares

During the six months ended August 1, 2015, a total of 200 Class A non-voting shares were issued as a result of the exercise of vested options arising from the Company's share option program (August 2, 2014 - nil). The amounts credited to share capital from the exercise of share options include a cash consideration of $2, including an ascribed value from contributed surplus (August 2, 2014 - nil).

Purchase of Shares for Cancellation

For the three and six months ended August 1, 2015, the Company purchased, under the normal course issuer bid approved in December 2014, 626,340 (August 2, 2014 – nil) Class A non-voting shares having a carrying value of $415 (August 2, 2014 – nil) for a total cash consideration of $4,306 (August 2, 2014 – nil). The excess of the purchase price over the carrying value of the shares in the amount of $3,891 (August 2, 2014 – nil) was charged to retained earnings. For further information with respect to the normal course issuer bid refer to the Company's audited annual consolidated financial statements for the year ended January 31, 2015.

Accumulated Other Comprehensive Income ("AOCI")

AOCI is comprised of the following:

	Marketable Securities		Cash Flow Hedges		Foreign Currency Translation Differences		Total AOCI	
Balance at February 1, 2015	**$**	**340**	**$**	**6,026**	**$**	**(725)**	**$**	**5,641**
Impact of adopting IFRS 9 (2014) (note 3a)		**(340)**		**-**		**-**		**(340)**
Net change in fair value of cash flow hedges (net of tax of $1,597)		**-**		**4,392**		**-**		**4,392**
Transfer of realized gain on cash flow hedges to inventory (net of tax of $274)		**-**		**(753)**		**-**		**(753)**
Change in foreign currency translation differences		**-**		**-**		**(119)**		**(119)**
Balance at August 1, 2015	**$**	**-**	**$**	**9,665**	**$**	**(844)**	**$**	**8,821**
Balance at February 2, 2014	$	7,327	$	-	$	29	$	7,356
Net change in fair value of available for sale financial assets (net of tax of $352)		2,306		-		-		2,306
Reclassification of realized loss on available for sale financial assets (net of tax of $9)		52		-		-		52
Reclassification of impairment loss on available for sale financial assets to net earnings (net of tax of $1)		9		-		-		9
Change in foreign currency translation differences		-		-		(151)		(151)
Balance at August 2, 2014	$	9,694	$	-	$	(122)	$	9,572

The change in the time value element of option contracts designated as cash flow hedges was not significant for the three and six months ended August 1, 2015.

Dividends

The following dividends were declared and paid by the Company:

	For the three months ended				For the six months ended			
	August 1, 2015		August 2, 2014		August 1, 2015		August 2, 2014	
Common shares and Class A non-voting shares	**$**	**3,198**	$	3,230	**$**	**6,427**	$	6,459
Dividend per share	**$**	**0.05**	$	0.05	**$**	**0.10**	$	0.10

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 up to 5 years, are at the discretion of the Board of Directors and the options have a maximum term of 10 years. The exercise price payable for each Class A non-voting share covered by a share option is determined by the Board of Directors at the date of grant, but may not be less than the closing price of the Company's shares on the trading day immediately preceding the effective date of the grant.

b) Disclosure of Equity-settled Share Option Plan

Changes in outstanding share options were as follows:

	For the three months ended				**For the six months ended**			
	August 1, 2015		**August 2, 2014**		**August 1, 2015**		**August 2, 2014**	
	Options (in 000's)	**Weighted Average Exercise Price**	**Options (in 000's)**	**Weighted Average Exercise Price**	**Options (in 000's)**	**Weighted Average Exercise Price**	**Options (in 000's)**	**Weighted Average Exercise Price**
Outstanding, at beginning of period	**3,108**	**$ 10.35**	1,964	$ 14.42	**3,051**	**$ 10.75**	2,090	$ 14.43
Granted	**830**	**6.75**	1,557	6.00	**1,030**	**6.75**	1,557	6.00
Exercised	**-**	**-**	-	-	**-**	**6.00**	-	-
Forfeited	**(7)**	**6.00**	(122)	14.29	**(150)**	**13.60**	(248)	14.40
Outstanding, at end of period	**3,931**	**$ 9.60**	3,399	$ 10.57	**3,931**	**$ 9.60**	3,399	$ 10.57
Options exercisable, at end of period	**1,645**	**$ 13.15**	1,464	$ 14.50	**1,645**	**$ 13.15**	1,464	$ 14.50

During the six months ended August 1, 2015, a total of 200 (August 2, 2014 – nil) Class A non-voting shares were issued as a result of the exercise of vested options arising from the Company's share option program. There were no share option exercised during the three months ended August 1, 2015 and August 2, 2014.

c) Compensation cost related to the share option awards granted during the three months and six months ended August 1, 2015 and August 2, 2014 under the fair value based approach was calculated using the following assumptions:

	830,000 Options Granted June 9, 2015	**200,000 Options Granted April 23, 2015**	**1,557,000 Options Granted June 16, 2014**
Expected option life	6.2 years	6.3 years	6.3 years
Risk-free interest rate	1.29%	0.99%	1.79%
Expected stock price volatility	29.74%	30.06%	32.38%
Average dividend yield	2.96%	2.95%	3.33%
Weighted average fair value of options granted	$1.42	$1.42	$1.38
Share price at grant date	$6.75	$6.77	$6.00

d) Employee Expense

For the three and six months ended August 1, 2015, the Company recognized compensation costs of $312 and $450, respectively, relating to share-based payment arrangements ($242 and $315 for the three and six months ended August 2, 2014), with a corresponding credit to contributed surplus.

11. INCOME TAX

The Company's effective tax rate for the three and six months ended August 1, 2015 was 141.97% and 16.10% respectively (19.71% and 21.86% for the three and six months ended August 2, 2014). In the interim periods, the income tax provision is based on an estimate of the earnings that will be generated in a full year adjusted for the impact of the fair value adjustment related to marketable securities. The estimated average annual effective income tax rates are re-estimated at each interim reporting date, based on full year projections of earnings. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods.

12. FINANCE INCOME AND FINANCE COSTS

	For the three months ended		For the six months ended	
	August 1, 2015	**August 2, 2014**	**August 1, 2015**	**August 2, 2014**
Dividend income from marketable securities	**$ 577**	$ 630	**$ 1,286**	$ 1,297
Interest income	**141**	181	**299**	344
Foreign exchange gain	**2,451**	326	**3,061**	-
Finance income	**3,169**	1,137	**4,646**	1,641
Interest expense - mortgage	**75**	103	**157**	211
Foreign exchange loss	**-**	-	**-**	573
Net change in fair value of marketable securities	**5,233**	-	**6,401**	-
Impairment loss on available-for-sale financial assets	**-**	-	**-**	10
Realized loss on disposal of marketable securities	**15**	37	**15**	61
Finance costs	**5,323**	140	**6,573**	855
Net finance (costs) income recognized in net earnings	**$ (2,154)**	$ 997	**$ (1,927)**	$ 786

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on net loss for the three and six months ended August 1, 2015 of $222 and $7,893, respectively (net earnings of $9,557 for the three months ended August 2, 2014 and net loss of $3,858 for the six months ended August 2, 2014).

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

	For the three months ended		For the six months ended	
	August 1, 2015	**August 2, 2014**	**August 1, 2015**	**August 2, 2014**
Weighted average number of shares per basic earnings per share calculations	**64,324**	64,586	**64,455**	64,586
Weighted average number of shares per diluted earnings per share calculations	**64,324**	64,586	**64,455**	64,586

For the three and six months ended August 1, 2015, a total of 3,664,000 and 3,398,000, respectively, 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 (3,399,000 for the three and six months ended August 2, 2014).

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.

14. SUPPLEMENTARY CASH FLOW AND OTHER INFORMATION

	August 1, 2015	**August 2, 2014**	**January 31, 2015**
Non-cash transactions:			
Additions to property and equipment and intangible assets included in trade and other payables	**$ 591**	$ 1,754	$ 3,645

Included in depreciation, amortization and impairment losses are write-offs of property and equipment related to store closures and asset impairment charges relating to underperforming stores of $2,107 and $3,577 for the three and six months ended August 1, 2015 respectively ($892 and $2,459 for three and six months ended August 2, 2014). The impairment related to the property and equipment is due to the reduction in profitability at individual store locations (cash-generating units "CGUs"). In addition, during the three and six months ended August 1, 2015, $373 and $838, respectively of asset impairment charges were reversed following an improvement in the profitability of certain CGU's (nil for the three and six months ended August 2, 2014). Net impairment losses have been recorded in selling and distribution expenses.

15. FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposures during the six months ended August 1, 2015 from those described in the Company's audited annual consolidated financial statements for the year ended January 31, 2015.