

TO OUR SHAREHOLDERS

Sales for the six months ended July 29, 2000 increased 6% to \$237,251,000 as compared with \$224,376,000 last year. Net earnings for the period amounted to \$9,152,000 or \$1.06 per share as compared with \$46,068,000 or \$5.27 per share, which included a non-recurring gain on the sale of NetStar of \$45,666,000 (\$36,310,000 after tax or \$4.15 per share) and a loss from discontinued operations of the Antels and Cactus divisions of \$3,161,000 or \$0.36 per share. Operating earnings for the period amounted to \$8,053,000 as compared with \$17,547,000 last year. Earnings from continuing operations amounted to \$9,152,000 or \$1.06 per share as compared with \$12,919,000 or \$1.48 per share.

Sales for the second quarter increased 5% to \$139,059,000 as compared with \$132,758,000 last year. Net earnings for the period amounted to \$7,629,000 or \$0.88 per share as compared with \$10,764,000 or \$1.23 per share. The sales growth of 5% achieved in the quarter was predominantly a result of more stores in operation compared to last year. Unseasonable weather adversely impacted sales of spring/summer merchandise, with comparable store sales declining 3% resulting in gross and operating margins below plan. In the first six weeks of the third quarter, sales have increased 12% and comparable store sales have increased 4%.

During the second quarter, the Company opened 1 Reitmans, 5 Penningtons and 1 RW & CO. stores. Eleven stores were closed. Accordingly, at July 29, 2000, there were 597 stores in operation, consisting of 327 Reitmans, 144 Smart Set/Dalmys, 103 Penningtons and 23 RW & CO. An additional 18 stores are scheduled to open this year and 8 stores will be closed.

At the Board of Directors meeting held on September 13, 2000, a quarterly cash dividend of 20 cents per share on all outstanding Class A non-voting and Common Shares of the capital stock of the Company was declared payable October 27, 2000, to shareholders of record as of the close of business October 13, 2000.



JEREMY H. REITMAN
President

Montreal, September 13, 2000

interim report

For the six months
ended July 29, 2000

STATEMENT OF EARNINGS (UNAUDITED)

(in thousands except per share amounts)	For the six months ended		For the three months ended	
	July 29 2000	July 31 1999	July 29 2000	July 31 1999
Sales	\$ 237,251	\$ 224,376	\$ 139,059	\$ 132,758
Cost of goods sold and selling, general and administrative expenses	221,804	201,441	126,771	115,548
	15,447	22,935	12,288	17,210
Depreciation and amortization	7,394	5,388	3,844	3,129
Operating earnings	8,053	17,547	8,444	14,081
Investment income	4,899	2,569	2,585	2,662
Gain on sale of NetStar	-	45,666	-	-
Interest on long-term debt	-	603	-	229
Earnings from continuing operations before income taxes	12,952	65,179	11,029	16,514
Income taxes	3,800	15,950	3,400	5,750
Earnings from continuing operations	9,152	49,229	7,629	10,764
Loss from discontinued operations	-	(3,161)	-	-
Net earnings	\$ 9,152	\$ 46,068	\$ 7,629	\$ 10,764
Earnings per share from continuing operations:				
Basic	\$ 1.06	\$ 5.63	\$ 0.88	\$ 1.23
Fully diluted	\$ 1.03	\$ 5.42	\$ 0.85	\$ 1.19
Net earnings per share:				
Basic	\$ 1.06	\$ 5.27	\$ 0.88	\$ 1.23
Fully diluted	\$ 1.03	\$ 5.08	\$ 0.85	\$ 1.19

Effective January 30, 2000, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants, relating to income taxes and employee future benefits. The initial adoption of these recommendations resulted in no impact on the consolidated financial statements of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(in thousands)	For the six months ended	
	July 29 2000	July 31 1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings from continuing operations	\$ 9,152	\$ 49,229
Adjustments for:		
Depreciation and amortization	7,394	5,388
Deferred income taxes	1,700	3,843
Investment income	(4,899)	(48,236)
Changes in non-cash working capital	(34,991)	3,555
Cash (used for) from continuing operations	(21,644)	13,779
Discontinued operations	-	(786)
	(21,644)	12,993
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(11,289)	(31,564)
Proceeds on sale of marketable securities	11,230	18,471
Investment income, excluding gain on sale of marketable securities of \$925 (1999 - \$43,919)	3,974	4,317
Net additions to capital assets	(16,756)	(13,530)
Net proceeds on sale of NetStar	-	90,396
Investment in NetStar	-	(169)
	(12,841)	67,921
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	30	684
Repayment of long-term debt	-	(20,000)
Purchase of Class A non-voting shares for cancellation	(880)	-
Dividends paid	(3,462)	(2,802)
	(4,312)	(22,118)
NET (DECREASE) INCREASE IN CASH POSITION DURING THE PERIOD	(38,797)	58,796
CASH POSITION AT BEGINNING OF THE PERIOD	53,226	19,416
CASH POSITION AT END OF THE PERIOD	\$ 14,429	\$ 78,212

Cash position consists of cash balances with banks and investments in short-term deposits.