



INTERIM **REPORT**

FOR THE NINE MONTHS **2004**  
ENDED OCTOBER 30,

Reitmans

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 and value proposition in the marketplace.

# To our Shareholders

Sales for the nine months ended October 30, 2004 increased 8% to \$675,703,000 as compared with \$626,658,000 for the nine months ended November 1, 2003. Comparable store sales increased 3%. Operating earnings for the nine months increased 55% to \$71,713,000 as compared with \$46,178,000 last year. Net earnings after tax increased 60% to \$54,544,000 or \$1.58 per share as compared with \$34,055,000 or \$0.99 per share for the period last year.

Sales for the third quarter ended October 30, 2004 increased 10% to \$236,281,000 as compared with \$215,683,000 for the third quarter ended November 1, 2003. Comparable store sales increased 5%. Operating earnings for the period increased 40% to \$24,118,000 as compared with \$17,252,000 last year. Net earnings after tax increased 39% to \$17,638,000 or \$0.51 per share as compared with \$12,654,000 or \$0.37 per share for the period last year.

During the third quarter, the Addition Elle and Addition Elle Outlet operations were consolidated under the Addition Elle banner, thereby providing the Addition Elle customer moderately priced plus-size merchandise in both mall and off-mall environments.

During the third quarter, the Company opened 20 new stores and closed 6 stores. In the year to date, the Company opened 47 stores comprised of 19 Reitmans, 9 Smart Set, 15 Penningtons, 1 Addition Elle, 2 RW & CO. and 1 Thyme Maternity; 26 stores were closed. Accordingly, at October 30, 2004, there were 866 stores in operation, consisting of 351 Reitmans, 167 Smart Set, 140 Penningtons, 30 RW & CO., 113 Addition Elle and 65 Thyme Maternity. An additional 10 stores are scheduled to open in the fourth quarter and 8 stores will be closed.

Sales in November increased 6% while comparable store sales increased 2%.

At the Board of Directors meeting held on December 1, 2004, a quarterly cash dividend of \$0.14 per share on all outstanding Class A non-voting and Common shares of the capital stock of the Company was declared payable January 27, 2005, to shareholders of record as of the close of business January 13, 2005. This is an increase of 56% over the previous quarterly rate of \$0.09 per share.

On behalf of the Board of Directors,

(signed)

Jeremy H. Reitman  
President

Montreal, December 1, 2004

# Highlights

Nine months ended October 30, 2004	% Increase
<b>\$675,703,000</b> sales	8
<b>\$96,206,000</b> ebitda	41
<b>\$78,369,000</b> pre-tax earnings	59
<b>\$54,544,000</b> net earnings	60
<b>\$1.58</b> earnings per share	60
<b>\$129,132,000</b> cash and investments	(10)
<b>866</b> stores	3

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



For the interim period ended October 30, 2004

The following Management's Discussion and Analysis of Financial Condition and Results of Operations of Reitmans (Canada) Limited ("Reitmans" or the "Company") should be read in conjunction with the unaudited consolidated financial statements of Reitmans for the nine month period ended October 30, 2004.

The purpose of the following discussion is to provide an update to the information contained in Management's Discussion and Analysis included in Reitmans' 2004 Annual Report and Management's Discussion and Analysis included in the Company's Interim Report for the six months ended July 31, 2004. Reitmans assumes that the reader of the following discussion has access to and has read such reports. This assumption is in accordance with Section 430.2.1 of *MD&A Guideline on Preparation and Disclosure* published in 2002 by the Canadian Institute of Chartered Accountants and with Section 2.3 of *Ontario Securities Commission's Companion Policy 51-501CP*. Reitmans' 2004 Annual Report and its Interim Report for the six month period ended July 31, 2004 can be downloaded from Reitmans' website at [www.reitmans.ca](http://www.reitmans.ca).

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.

### **OVERVIEW OF FINANCIAL CONDITION AND CONSOLIDATED OPERATING RESULTS FOR THE NINE MONTH PERIOD ENDED OCTOBER 30, 2004 ("year to date") AND COMPARISON TO FINANCIAL CONDITION AND CONSOLIDATED OPERATING RESULTS FOR THE COMPARABLE PERIOD ENDED NOVEMBER 1, 2003**

#### **RESULTS OF OPERATIONS**

The consolidated financial statements for the nine months ended October 30, 2004 reflect the consolidated operations of Reitmans.

Sales for the year to date increased 8% to \$675,703,000 as compared with \$626,658,000 for the nine months ended November 1, 2003. Comparable store sales increased 3% in this period. This sales increase is due in part to an excellent customer response to the Company's summer, fall and early holiday merchandise offerings in all banners. As well, the Company had 866 stores in operation at the end of this period compared to 843 stores at the same time last year.

Operating earnings for the year to date increased 55% to \$71,713,000 as compared with \$46,178,000 for the comparable period last year. The factors contributing to this increase included significantly improved gross margins realized at store level, helped in part by a Canadian dollar which continues to remain relatively strong, combined with effective cost containment at both store and overhead levels. As well, the Company continues to close unproductive and less profitable stores and to open stores in less expensive power centres and strip malls allowing us to build somewhat larger, more profitable stores.

Pre-tax investment income increased to \$8,280,000 from \$6,853,000 for the comparable period last year. The \$1,427,000 increase in investment income is principally attributable to an increase in realized capital gains over the comparable period last year.

Net earnings after tax increased 60% to \$54,544,000 or \$1.58 per share as compared with \$34,055,000 or \$0.99 per share for the comparable period last year.

With respect to the Canadian dollar, the Company in its normal course of business must make long lead-time commitments for a significant proportion of its merchandise purchases, in some cases as long as eight months. Many of these purchases must be paid for in US dollars. The Company uses a variety of strategies designed to fix the cost of its continuing US dollar long-term commitments at the lowest possible cost while at the same time allowing itself the opportunity to take advantage of a positive swing in the value of the Canadian dollar vis-à-vis the US dollar.

## **OVERVIEW OF FINANCIAL CONDITION AND CONSOLIDATED OPERATING RESULTS FOR THE THREE MONTH PERIOD ENDED OCTOBER 30, 2004 ("3<sup>rd</sup> Quarter") AND COMPARISON TO FINANCIAL CONDITION AND CONSOLIDATED OPERATING RESULTS FOR THE COMPARABLE PERIOD ENDED NOVEMBER 1, 2003**

### **RESULTS OF OPERATIONS**

Sales for the 3<sup>rd</sup> Quarter increased 10% to \$236,281,000 as compared with \$215,683,000 for the three month period ended November 1, 2003. Comparable store sales increased 5% in this period. Operating earnings for the 3<sup>rd</sup> Quarter increased 40% to \$24,118,000 as compared with \$17,252,000 for the comparable period last year. This increase reflects a strong gross margin performance at the store operating level, efficient inventory management, the effect of a continuing strong Canadian dollar and effective cost control, both at the store operating and corporate overhead levels.

Net earnings after tax increased 39% to \$17,638,000 or \$0.51 per share as compared with \$12,654,000 or \$0.37 per share for the comparable period last year.

Cash and investments are \$129,132,000 or a \$13,654,000 decrease over November 1, 2003. This reflects, in part, the fact that the Company repaid in full the balance of its Shirmax acquisition loan of \$74,000,000 in the 1<sup>st</sup> Quarter of this year, yet continued to generate very positive cash flow from its retailing operations.

Inventories on hand at October 30, 2004 were \$10,635,000 less than at November 1, 2003. This significant reduction in inventory on hand reflects a number of positive operating factors, including the results of a successful selling season throughout the 3<sup>rd</sup> Quarter, the effect of a continuing strong Canadian dollar and management's improved ability to more efficiently organize the timely flow of merchandise to the stores through our single Distribution Centre. It also reflects management's decision to operate the Addition Elle and Thyme Maternity banners (acquired in June 2002 as part of the Shirmax transaction) in a manner more consistent with long-standing Reitmans business practices as they relate to inventory management and store operating philosophy.

Prepaid Expenses of \$8,706,000 are approximately the same as \$8,402,000 for the comparable period last year.

During the 3<sup>rd</sup> Quarter, the Company continued to incur capital expenditures in the Distribution Centre, particularly with respect to the installation of certain additional merchandise handling equipment and the upgrade of its head office facilities. These expenditures for the Distribution Centre were previously budgeted for in the 1<sup>st</sup> Quarter of the current year, but the Company and its contractor experienced some delays in delivery of certain of the supplemental material handling equipment.

As of this date, the Company is still responsible for the rent and maintenance of the now unused Jarry Street Office and Distribution Centre, which it assumed on the acquisition of Shirmax. Management believes that the present accrual is sufficient to offset any expense related to the possible future cancellation of this obligation.

During the 3<sup>rd</sup> Quarter, the Addition Elle and Addition Elle Outlet operations were consolidated under the Addition Elle banner, thereby providing the Addition Elle customer moderately priced plus-size merchandise in both mall and off-mall environments.

During the 3<sup>rd</sup> Quarter, the Company opened 20 new stores and closed 6 stores. In the year to date, the Company opened 47 stores comprised of 19 Reitmans, 9 Smart Set, 15 Penningtons, 2 RW & CO., 1 Addition Elle and 1 Thyme Maternity; 26 stores were closed. Accordingly, at October 30, 2004 there were 866 stores in operation across Canada, consisting of 351 Reitmans, 167 Smart Set, 140 Penningtons, 30 RW & CO., 113 Addition Elle and 65 Thyme Maternity. An additional 10 stores are scheduled to open this year and 8 stores are scheduled to be closed.

### **LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES**

Shareholders' equity at October 30, 2004 amounted to \$322,539,000 or \$9.33 per share as compared to \$272,565,000 or \$7.92 per share last year. The Company continues to be in a strong financial position. The Company's principal sources of liquidity are its cash and investments in marketable securities of \$129,132,000 at October 30, 2004 compared with \$142,786,000 at November 1, 2003.

Major financing activities in the 3<sup>rd</sup> Quarter included paying down \$420,000 of long-term debt, consisting principally of the mortgage on the Distribution Centre. The Company also paid a cash dividend of nine cents per share for an aggregate amount of \$3,112,000 and issued 25,000 Class A non-voting shares under its employee stock option plan.

In June 2002, the Company borrowed \$86,000,000 to fully fund the Shirmax acquisition. This loan was financed by a combination of three and six-month Bankers' Acceptances. The terms of the loan required the Company to repay \$2,000,000 each quarter, commencing October 15, 2002, for eleven quarters, with the balance of \$64,000,000 repayable on June 5, 2005. During the 1<sup>st</sup> Quarter of the current year, on March 1 and on April 15, 2004, the Company exercised its contractual right and accelerated the paydown of its long-term Shirmax acquisition debt by \$40,000,000 and \$34,000,000 respectively. As a result, this loan was fully repaid fourteen months in advance and is no longer reflected on the Balance Sheet as a liability. This prepayment will reduce the Company's otherwise projected pre-tax interest expense for the remainder of the current fiscal year by approximately \$850,000.

In November 2002, the Company mortgaged its Distribution Centre, receiving \$20,000,000 at a fixed rate of 6.4% for a 15-year period. On May 30, 2003, the Company entered into a sale leaseback agreement with a financial institution for certain of its merchandise handling equipment aggregating \$10,000,000 of value. The lease calls for 48 monthly payments of \$193,000, following which the Company has an option to extend the lease or buy back the equipment.

The current portion of long-term debt as reflected on the Balance Sheet represents the principal repayments on the mortgage and capital leases due during the next twelve months.

During the 3<sup>rd</sup> Quarter, the Company invested \$10,552,000 in new and renovated stores, \$750,000 in its Distribution Centre and \$1,982,000 in renovating and refurbishing its Sauvé Street offices. For the year to date, the Company has expended \$32,729,000 on new and renovated stores, the Distribution Centre and the Sauvé Street offices. The Company has budgeted a further \$5,750,000 for capital investment for the remainder of the fiscal year. These funds are anticipated to be expended principally for store development, including a significant upgrade to the Company's point-of-sale software and hardware, and for equipment for the Distribution Centre. These expenditures, together with the payment of cash dividends and the repayments related to Reitmans' long-term debt obligations, are expected to be funded by the Company's existing financial resources and funds derived from its operations.

## **INVESTMENTS**

Investments consist of Canadian marketable securities, principally high quality preferred shares and income trusts. At October 30, 2004, marketable securities amounted to \$68,139,000 (market value \$72,245,000) as compared with \$74,473,000 (market value \$79,830,000) last year. Investment income for the year to date amounted to \$8,280,000, composed principally of net capital gains of \$3,919,000 compared to \$6,853,000 with \$1,925,000 of net capital gains for the comparable period last year. Investment income was higher this year reflecting management's decision to continue to realize gains that were accrued on certain of the Company's holdings of marketable securities that were considered to be more vulnerable to potentially rising interest rates.

The Company's principal capital requirements are to fund ongoing new and renovation store construction projects, finance other budgeted capital expenditures referred to above and fund its working capital needs. These requirements have in the past been satisfied by a combination of cash flow from its retailing and investment operations and management expects that to continue.

The Company has borrowing and working capital credit facilities available to it in excess of \$100 million. 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 day-to-day purposes.

## FINANCIAL COMMITMENTS

The following table sets forth our financial commitments after giving effect to the repayment of the Shirmax acquisition loan, the details of which are described in the previous commentary.

Contractual Obligations	Total	Payments Due by Period		
		Within 1 year	2 to 4 years	5 years and over
Long-term debt	\$ 18,598,000	\$ 1,128,000	\$ 3,225,000	\$ 14,245,000
Store leases and equipment	373,391,000	80,480,000	182,273,000	110,638,000
Total contractual obligations	<u>\$ 391,989,000</u>	<u>\$ 81,608,000</u>	<u>\$ 185,498,000</u>	<u>\$ 124,883,000</u>

## FINANCIAL INSTRUMENTS

The Company as part of its strategy to fix the cost of certain of its US dollar merchandise purchase commitments has entered into a series of forward options and forward plus "knock-in" options. These instruments are exercisable at various dates up to February 2005 granting the Company the ability to purchase up to \$20 million US at strike rates not in excess of \$1.3390 Canadian. For the quarter and year to date, the unrealized loss on exchange on the above noted options is \$2,371,000 and has been recorded in cost of goods sold.

## RELATED PARTY TRANSACTIONS

The Company leases two retail locations which are owned by a corporation controlled by a related party. All aspects of both leases reflect normal and usual commercial terms.

## TRENDS, UNCERTAINTIES AND RISKS

The Company is principally engaged in the sale of women's apparel through 866 leased retail outlets operating under six 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. As well, there is no effective barrier to prevent entry into the Canadian apparel retailing market place by any potential competitor, foreign or domestic.

To mitigate these risks, each banner is directed to and focused on a different niche in the Canadian women's apparel market. Virtually all the Company's merchandise is private label. No supplier represents more than 6% of our purchases (in dollars and/or units) and there are a variety of alternative sources (both domestic and offshore) for virtually all the Company's merchandise. When merchandise is sourced offshore and must be paid for in US dollars, the Company contracts the purchase of like amounts of US dollars to ensure it is protected against any material adverse fluctuations in the value of the Canadian dollar between the time the relevant merchandise is ordered and when it must be paid for.

Geographically, the Company's stores are located generally according to Canada's female population. About 40% of RW & CO.'s merchandise is young men's wear, and certain Reitmans stores carry a limited selection of children's apparel. Together, these non-women's wear sales account for less than 7% of all apparel sales made by the Company.

The Company has good relationships with its landlords and 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 our merchandise on an ongoing basis.

For the year to date, the Company has experienced improved sales and operating margins and is realizing the cost savings benefits from the efficient operation of its Distribution Centre and the integration of the Shirmax operations.

The Company cautions that past financial performance is not necessarily indicative of future results.

## **OUTLOOK**

The Company is very well positioned for the future. It has consolidated its position as the leader in maternity apparel and plus-size ladies apparel in Canada with the Shirmax acquisition. The Reitmans banner has continued to successfully expand its offerings in off-mall, lower cost locations, while serving its target market in larger stores with a deeper merchandise assortment. Our more youth-oriented banners, namely Smart Set and RW & CO. are positioned for further growth.

Our Hong Kong office continues to perform well, with over 80 full-time employees dedicated to seeking out the highest quality, affordable and fashionable apparel for all our banners.

The Company has a very strong Balance Sheet, with excellent liquidity and borrowing capacity should it need to avail itself thereof. Its systems, including merchandise procurement, inventory control, planning, allocation and distribution, Distribution Centre management, point-of-sale, financial management and information technology, are now fully integrated. The Company is committed to continue to invest in training for all levels of its employees.

# Consolidated Balance Sheets

(in thousands)

	Unaudited October 30, 2004	Unaudited November 1, 2003	Audited January 31, 2004
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 60,993	\$ 68,313	\$ 101,837
Accounts receivable	4,388	3,958	3,962
Merchandise inventories	93,544	104,179	60,223
Prepaid expenses	8,706	8,402	7,604
Total Current Assets	<b>167,631</b>	184,852	173,626
<b>INVESTMENTS</b>			
(Market value \$72,245; 2003 - \$79,830)	<b>68,139</b>	74,473	73,880
<b>CAPITAL ASSETS</b>			
GOODWILL	<b>42,426</b>	42,426	42,426
FUTURE INCOME TAXES	1,219	1,718	710
OTHER ASSETS	1,423	1,755	1,715
	<b>\$ 450,892</b>	\$ 466,434	\$ 453,467
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued items	\$ 91,810	\$ 85,959	\$ 74,986
Income taxes payable	16,705	9,428	6,217
Current portion of long-term debt	1,128	9,857	9,739
Future income taxes	-	115	-
Total Current Liabilities	<b>109,643</b>	105,359	90,942
<b>LONG-TERM DEBT</b>			
DEFERRED LICENSING REVENUE	17,470	87,463	85,082
FUTURE INCOME TAXES	217	417	367
	<b>1,023</b>	630	674
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13,572	12,679	12,798
Contributed surplus	292	-	149
Retained earnings	308,675	259,886	263,455
Total Shareholders' Equity	<b>322,539</b>	272,565	276,402
	<b>\$ 450,892</b>	\$ 466,434	\$ 453,467

## Consolidated Statements of **Earnings** (Unaudited)

(in thousands except per share amounts)

Sales
Cost of goods sold and selling, general and administrative expenses
Depreciation and amortization
Operating earnings before the undernoted
Investment income
Interest on long-term debt
Earnings before income taxes
Income taxes
Net earnings
Earnings per share:
Basic
Diluted

## Consolidated Statements of **Retained Earnings** (Unaudited)

(in thousands)

Balance at beginning of the period
Net earnings
Deduct:
Dividends
Balance at end of the period

For the nine months ended		For the three months ended	
October 30, 2004	November 1, 2003	October 30, 2004	November 1, 2003
\$ 675,703	\$ 626,658	\$ 236,281	\$ 215,683
579,497	558,480	203,911	190,901
96,206	68,178	32,370	24,782
24,493	22,000	8,252	7,530
71,713	46,178	24,118	17,252
8,280	6,853	1,947	2,381
1,624	3,676	302	1,179
78,369	49,355	25,763	18,454
23,825	15,300	8,125	5,800
\$ 54,544	\$ 34,055	\$ 17,638	\$ 12,654
\$ 1.58	\$ 0.99	\$ 0.51	\$ 0.37
1.55	0.98	0.50	0.37

For the nine months ended		For the three months ended	
October 30, 2004	November 1, 2003	October 30, 2004	November 1, 2003
\$ 263,455	\$ 230,993	\$ 294,149	\$ 248,953
54,544	34,055	17,638	12,654
317,999	265,048	311,787	261,607
9,324	5,162	3,112	1,721
\$ 308,675	\$ 259,886	\$ 308,675	\$ 259,886

# Consolidated Statements of **Cash Flows** (Unaudited)

(in thousands)

## CASH FLOWS FROM OPERATING ACTIVITIES

Net earnings  
 Adjustments for:  
     Depreciation and amortization  
     Future income taxes  
     Stock based compensation  
     Amortization of deferred licensing revenue  
     Amortization of deferred financing costs  
     Investment income  
 Changes in non-cash working capital

## CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of marketable securities  
 Proceeds on sale of marketable securities  
 Additions to capital assets  
 Proceeds on sale of capital assets  
 Investment income, excluding gain on sale of  
     marketable securities of \$3,919 (2003 - \$1,925)

## CASH FLOWS FROM FINANCING ACTIVITIES

Dividends paid  
 Repayment of long-term debt  
 Issue of share capital

NET (DECREASE) INCREASE IN CASH DURING THE PERIOD  
 CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD  
 CASH AND CASH EQUIVALENTS, END OF THE PERIOD

Cash and cash equivalents consist of cash balances with banks and investments in short-term deposits.

	For the nine months ended		For the three months ended	
	October 30, 2004	November 1, 2003	October 30, 2004	November 1, 2003
	\$ 54,544	\$ 34,055	\$ 17,638	\$ 12,654
	24,493	22,000	8,252	7,530
	(160)	(1,597)	240	(107)
	143	-	38	-
	(150)	(150)	(50)	(50)
	292	164	-	55
	(8,280)	(6,853)	(1,947)	(2,381)
	(8,245)	14,638	(4,366)	18,634
	62,637	62,257	19,805	36,335
	(22,961)	(33,627)	(6,880)	(8,173)
	32,621	40,776	8,482	5,691
	(32,729)	(34,408)	(13,284)	(12,762)
	-	10,065	-	-
	4,361	4,928	1,322	1,674
	(18,708)	(12,266)	(10,360)	(13,570)
	(9,324)	(5,162)	(3,112)	(1,721)
	(76,223)	(7,551)	(420)	(2,497)
	774	150	174	50
	(84,773)	(12,563)	(3,358)	(4,168)
	(40,844)	37,428	6,087	18,597
	101,837	30,885	54,906	49,716
	\$ 60,993	\$ 68,313	\$ 60,993	\$ 68,313

# Notes to the Interim Consolidated Financial Statements (Unaudited)

(dollar amounts in thousands except per share amounts)

## 1. DISCLOSURE

These interim consolidated financial statements (the "financial statements") do not contain all disclosures required by Canadian generally accepted accounting principles for annual financial statements and accordingly, the financial statements should be read in conjunction with the most recently prepared annual financial statements for the 52 week period ended January 31, 2004.

The Company's business follows a seasonal pattern, with merchandise sales traditionally being higher in the fourth quarter than in other quarterly periods due to consumer holiday buying patterns. The business seasonality results in performance for the 13 weeks ended October 30, 2004, which is not necessarily indicative of performance for the balance of the year.

## 2. STOCK-BASED COMPENSATION

The Company has a share option plan as described in note 1 j) to the consolidated financial statements contained in the 2004 Annual Report. During the three month period ended October 30, 2004, no options were granted. For the three month period ended October 30, 2004, the Company recognized compensation cost of \$38 related to stock options granted in the fiscal year ended January 31, 2004, with an offsetting credit to contributed surplus.

### 3. LONG-TERM DEBT

	2004	2003
Bank financing bearing interest at prime or bankers' acceptance rate, repayable in quarterly instalments of \$2 million, due June 2005. The loan is secured by specific marketable securities	\$ -	\$ 76,000
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	<b>18,360</b>	19,240
Obligations under capital leases, expiring at various dates to 2007 bearing interest at varying rates, payable in monthly instalments of approximately \$18	<b>238</b>	2,080
	<b>18,598</b>	97,320
Less current portion	<b>1,128</b>	9,857
	<b>\$ 17,470</b>	\$ 87,463

Interest on long-term debt includes \$292 (2003 - \$164) amortization of deferred financing costs relating to the bank financing. The balance of deferred financing costs at October 30, 2004 is NIL (2003 - \$347) and is included in other assets for comparative purposes.

### 4. EARNINGS PER SHARE

The number of shares used in the calculation of earnings per share has been adjusted to reflect the 100% stock dividend paid on April 29, 2004 to Class A and Common shareholders. Comparative figures have been restated on the same basis.

	For the nine months ended		For the three months ended	
	October 30, 2004	November 1, 2003	October 30, 2004	November 1, 2003
Weighted average number of shares per basic earnings per share calculations	<b>34,516,776</b>	34,410,132	<b>34,568,776</b>	34,425,260
Effect of dilutive options outstanding	<b>742,483</b>	395,764	<b>797,606</b>	392,542
Weighted average number of shares per diluted earnings per share calculations	<b>35,259,259</b>	34,805,896	<b>35,366,382</b>	34,817,802



# 866

## stores

- Newfoundland
- Prince Edward Island
- Nova Scotia
- New Brunswick
- Québec
- Ontario
- Manitoba
- Saskatchewan
- Alberta
- British Columbia
- Northwest Territories
- Yukon





Reitmans	Smart Set	Penningtons	RW & CO.	Addition Elle	Thyme Maternity	Total
14	3	3	-	2	1	23
3	3	1	-	-	-	7
20	6	6	1	2	1	36
19	6	3	1	3	1	33
86	34	24	8	32	17	201
113	70	53	11	43	26	316
11	6	5	-	5	2	29
7	3	7	-	3	2	22
44	18	18	3	12	9	104
31	18	20	6	11	6	92
1	-	-	-	-	-	1
2	-	-	-	-	-	2
<b>351</b>	<b>167</b>	<b>140</b>	<b>30</b>	<b>113</b>	<b>65</b>	<b>866</b>

**Reitmans**

**Smart Set**

**Penningtons**

**Addition Elle**

**Thyme Maternity**

**RW & CO.**

