REITMANS

(CANADA) LIMITED

Unaudited Condensed Consolidated Interim Financial Statements
July 29, 2017 and July 30, 2016

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

	Notes	For the three months ended		For the six months ended	
		July 29, 2017	**July 30, 2016**	**July 29, 2017**	**July 30, 2016**
Sales		**$ 251,121**	$ 254,447	**$ 458,228**	$ 457,934
Cost of goods sold	5	**112,447**	111,297	**206,332**	201,290
Gross profit		**138,674**	143,150	**251,896**	256,644
Selling and distribution expenses		**117,017**	119,987	**232,011**	235,463
Administrative expenses		**10,896**	10,713	**21,374**	21,205
Results from operating activities		**10,761**	12,450	**(1,489)**	(24)
Finance income	11	**2,540**	824	**4,796**	5,163
Finance costs	11	**1,319**	612	**438**	2,362
Earnings before income taxes		**11,982**	12,662	**2,869**	2,777
Income tax expense (recovery)	10	**2,305**	3,691	**(236)**	(212)
Net earnings		**$ 9,677**	$ 8,971	**$ 3,105**	$ 2,989
Earnings per share :	12				
Basic		**$ 0.15**	$ 0.14	**$ 0.05**	$ 0.05
Diluted		**$ 0.15**	$ 0.14	**$ 0.05**	$ 0.05

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)

	Notes	For the three months ended July 29, 2017	For the three months ended July 30, 2016	For the six months ended July 29, 2017	For the six months ended July 30, 2016
Net earnings		**$ 9,677**	$ 8,971	**$ 3,105**	$ 2,989
Other comprehensive (loss) income					
Items that are or may be reclassified subsequently to net earnings:					
Cash flow hedges (net of tax of $5,420 for the three months and $3,260 for the six months ended July 29, 2017; net of tax of $2,777 for the three months ended and $4,939 for the six months ended July 30, 2016)	8	**(14,966)**	7,617	**(9,004)**	(13,500)
Foreign currency translation differences	8	**408**	(220)	**230**	259
Total other comprehensive (loss) income		**(14,558)**	7,397	**(8,774)**	(13,241)
Total comprehensive (loss) income		**$ (4,881)**	$ 16,368	**$ (5,669)**	$ (10,252)

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)

	Notes	July 29, 2017	July 30, 2016	January 28, 2017
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	4	**$ 115,441**	$ 114,538	$ 120,265
Marketable securities	14	**57,951**	48,772	54,764
Trade and other receivables		**5,284**	5,361	4,256
Derivative financial asset	14	**-**	623	1,386
Income taxes recoverable		**2,434**	3,367	3,480
Inventories	5	**147,273**	147,159	146,059
Prepaid expenses		**9,349**	8,647	6,846
Total Current Assets		**337,732**	328,467	337,056
NON-CURRENT ASSETS				
Property and equipment		**113,732**	128,289	124,106
Intangible assets		**19,828**	23,741	23,110
Goodwill		**38,183**	38,183	38,183
Deferred income taxes		**29,892**	30,973	25,891
Total Non-Current Assets		**201,635**	221,186	211,290
TOTAL ASSETS		**$ 539,367**	$ 549,653	$ 548,346
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade and other payables	6	**$ 111,426**	$ 119,272	$ 114,254
Derivative financial liability	14	**14,414**	8,962	3,160
Deferred revenue	7	**17,820**	17,228	21,478
Current portion of long-term debt	14	**661**	1,957	1,655
Total Current Liabilities		**144,321**	147,419	140,547
NON-CURRENT LIABILITIES				
Other payables	6	**7,101**	7,468	7,186
Deferred lease credits		**6,973**	9,236	8,230
Long-term debt	14	**-**	661	-
Pension liability		**19,182**	19,897	18,869
Total Non-Current Liabilities		**33,256**	37,262	34,285
SHAREHOLDERS' EQUITY				
Share capital	8	**38,397**	38,397	38,397
Contributed surplus		**10,048**	9,397	9,769
Retained earnings		**323,446**	324,025	326,675
Accumulated other comprehensive loss	8	**(10,101)**	(6,847)	(1,327)
Total Shareholders' Equity		**361,790**	364,972	373,514
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 539,367**	$ 549,653	$ 548,346

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)

	Notes	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance as at January 29, 2017		**$ 38,397**	**$ 9,769**	**$ 326,675**	**$ (1,327)**	**$ 373,514**
Net earnings		**-**	**-**	**3,105**	**-**	**3,105**
Total other comprehensive loss	8	**-**	**-**	**-**	**(8,774)**	**(8,774)**
Total comprehensive income (loss) for the period		**-**	**-**	**3,105**	**(8,774)**	**(5,669)**
Share-based compensation costs	9	**-**	**279**	**-**	**-**	**279**
Dividends	8	**-**	**-**	**(6,334)**	**-**	**(6,334)**
Total contributions by (distributions to) owners of the Company		**-**	**279**	**(6,334)**	**-**	**(6,055)**
Balance as at July 29, 2017		**$ 38,397**	**$ 10,048**	**$ 323,446**	**$ (10,101)**	**$ 361,790**
Balance as at January 31, 2016		$ 38,397	$ 9,007	$ 327,370	$ 6,394	$ 381,168
Net earnings		-	-	2,989	-	2,989
Total other comprehensive loss	8	-	-	-	(13,241)	(13,241)
Total comprehensive income (loss) for the period		-	-	2,989	(13,241)	(10,252)
Share-based compensation costs	9	-	390	-	-	390
Dividends	8	-	-	(6,334)	-	(6,334)
Total contributions by (distributions to) owners of the Company		-	390	(6,334)	-	(5,944)
Balance as at July 30, 2016		$ 38,397	$ 9,397	$ 324,025	$ (6,847)	$ 364,972

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)

	Notes	For the three months ended July 29, 2017	For the three months ended July 30, 2016	For the six months ended July 29, 2017	For the six months ended July 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES					
Net earnings		**$ 9,677**	$ 8,971	**$ 3,105**	$ 2,989
Adjustments for:					
Depreciation, amortization and net impairment losses		**10,412**	10,720	**21,715**	21,067
Share-based compensation costs	**9**	**208**	277	**520**	478
Net change in fair value of marketable securities	**11**	**(1,732)**	487	**(3,187)**	(3,583)
Net change in transfer of realized loss (gain) on cash flow hedges to inventory		**3,302**	(814)	**376**	2,490
Foreign exchange loss (gain)		**115**	(146)	**(292)**	184
Interest and dividend income, net	**11**	**(793)**	(778)	**(1,570)**	(1,480)
Income tax expense (recovery)		**2,305**	3,691	**(236)**	(212)
		23,494	22,408	**20,431**	21,933
Changes in:					
Trade and other receivables		**1,563**	404	**(1,058)**	(1,187)
Inventories		**7,455**	(7,609)	**(1,214)**	(22,311)
Prepaid expenses		**(267)**	820	**(2,503)**	274
Trade and other payables		**1,324**	35,178	**(2,433)**	21,960
Pension liability		**154**	319	**313**	561
Deferred lease credits		**(575)**	(741)	**(1,256)**	(1,404)
Deferred revenue		**(502)**	(1,248)	**(3,658)**	(2,097)
Cash from operating activities		**32,646**	49,531	**8,622**	17,729
Interest paid	**11**	**(15)**	(46)	**(39)**	(100)
Interest received		**215**	156	**432**	317
Dividends received		**603**	632	**1,207**	1,192
Income taxes received		**548**	370	**548**	370
Income taxes paid		**(4)**	(1)	**(7)**	(431)
Net cash flows from operating activities		**33,993**	50,642	**10,763**	19,077
CASH FLOWS USED IN INVESTING ACTIVITIES					
Additions to property and equipment and intangible assets		**(5,651)**	(8,141)	**(8,780)**	(16,359)
Proceeds on disposal of property and equipment and intangibles		**-**	-	**-**	416
Cash flows used in investing activities		**(5,651)**	(8,141)	**(8,780)**	(15,943)
CASH FLOWS USED IN FINANCING ACTIVITIES					
Dividends paid	**8**	**(3,167)**	(3,167)	**(6,334)**	(6,334)
Repayment of long-term debt		**(501)**	(470)	**(994)**	(933)
Cash flows used in financing activities		**(3,668)**	(3,637)	**(7,328)**	(7,267)
FOREIGN EXCHANGE GAIN (LOSS) ON CASH HELD IN FOREIGN CURRENCY		**292**	(75)	**521**	76
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**24,966**	38,789	**(4,824)**	(4,057)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD		**90,475**	75,749	**120,265**	118,595
CASH AND CASH EQUIVALENTS, END OF THE PERIOD		**$ 115,441**	$ 114,538	**$ 115,441**	$ 114,538

Supplementary cash flow information (note 13)
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 28, 2017.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on September 7, 2017.

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;
- the pension liability is recognized as the present value of the defined benefit obligation less the fair value of the plan assets; and
- liabilities for cash-settled share-based payment arrangements are measured in accordance with IFRS 2, *Share-Based Payment*.

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 28, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended January 28, 2017 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

Disclosure Initiative (Amendments to IAS 7)

In January 2016, the IASB issued amendments to IAS 7, Statements of Cash Flows which requires specific disclosures for movements in certain liabilities on the statement of cash flows. These amendments are applicable for the annual period beginning on or after January 1, 2017. These amendments did not require any significant change to the Company's presentation and disclosure in these unaudited condensed consolidated interim financial statements. The Company will be providing additional disclosure in relation to the changes in liabilities arising from financing activities in its annual consolidated financial statements for the year ending February 3, 2018.

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 July 29, 2017 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 16 - Leases

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), replacing IAS 17, Leases and related interpretations. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as finance and operating leases. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers ("IFRS 15") has been adopted.

The Company has performed a preliminary assessment of the potential impact of the adoption of IFRS 16 on its consolidated financial statements. The Company expects the adoption of IFRS 16 will have a significant impact as the Company will recognize new assets and liabilities for its operating leases of retail stores, offices, automobiles and equipment. In addition, the nature and timing of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of use assets and interest expense on lease liabilities.

The Company has not yet determined which transition method it will apply or whether it will use the optional exemptions or practical expedients under the standard. The Company expects to disclose additional detailed information, including its transition method, any practical expedients elected and estimated quantitative financial effects, before the adoption of IFRS 16.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15. 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 expects that the implementation of IFRS 15 will impact the allocation of revenue that is deferred in relation to its customer loyalty award programs. The amount of revenue deferred is currently measured based on the fair value of loyalty points and awards granted, taking into consideration the estimated redemption percentage. Under IFRS 15, consideration will be allocated between the loyalty program awards and the goods on which the awards were earned, based on their relative stand-alone selling prices. The Company is currently assessing the impact of this change on its consolidated financial statements.

The Company also expects that the implementation of IFRS 15 will impact the allocation of revenue that is deferred in relation to gift cards sold. Currently an estimate is made of gift cards not expected to be redeemed based on historical redemption patterns. Under IFRS 15, if the Company expects to be entitled to a breakage amount for the gift cards, it will recognize the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer. The Company is currently assessing the impact of this change on its consolidated financial statements.

The Company does not expect the implementation of IFRS 15 to otherwise have a significant impact on its revenue; however the detailed assessment is ongoing.

IFRS 2 – Share-based Payment

On June 20, 2016, the IASB issued amendments to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Company does not expect amendments to have a material impact.

4. CASH AND CASH EQUIVALENTS

	July 29, 2017	**July 30, 2016**	**January 28, 2017**
Cash	**$ 115,441**	$ 111,039	$ 107,767
Short-term deposits	**-**	3,499	12,498
	$ 115,441	$ 114,538	$ 120,265

The Company's cash held with banks bears interest at variable rates. Short-term deposits at July 30, 2016 were bearing interest at 0.7% (January 28, 2017 – 0.7%).

5. INVENTORIES

During the three and six months ended July 29, 2017, inventories recognized as cost of goods sold amounted to $109,150 and $201,016, respectively ($108,204 and $195,753 for the three and six months ended July 30, 2016). In addition, for the three and six months ended July 29, 2017, the Company recorded $3,297 and $5,316 ($3,093 and $5,537 for the three and six months ended July 30, 2016) 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.

6. TRADE AND OTHER PAYABLES

	July 29, 2017	July 30, 2016	January 28, 2017
Trade payables	**$ 74,996**	$ 78,101	$ 74,394
Personnel liabilities	**20,098**	21,946	22,507
Other non-trade payables	**11,389**	12,454	14,353
Payables relating to premises	**10,584**	12,969	9,189
Provision for sales returns	**1,460**	1,270	997
	118,527	126,740	121,440
Less non-current portion	**7,101**	7,468	7,186
	$ 111,426	$ 119,272	$ 114,254

The non-current portion of trade and other payables, includes the following amounts:

	July 29, 2017	July 30, 2016	January 28, 2017
Deferred rent and other payables relating to premises	**$ 6,345**	$ 7,380	$ 6,671
Performance Share Units (note 9)	**756**	88	515
Total non-current portion of trade and other payables	**$ 7,101**	$ 7,468	$ 7,186

7. DEFERRED REVENUE

	July 29, 2017	July 30, 2016	January 28, 2017
Loyalty points and awards granted under loyalty programs	**$ 9,514**	$ 9,828	$ 7,981
Unredeemed gift cards	**8,306**	7,400	13,497
	$ 17,820	$ 17,228	$ 21,478

8. 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			
	July 29, 2017		July 30, 2016	
	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 and end of the period	**49,890**	**37,915**	49,890	37,915
Total share capital	**63,330**	**$ 38,397**	63,330	$ 38,397

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.

Purchase of Shares for Cancellation

The Company did not purchase any shares under a normal course issuer bid approved in December 2016 in the three and six months ended July 29, 2017. 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 28, 2017.

Accumulated Other Comprehensive Income ("AOCI")

AOCI is comprised of the following:

	Cash Flow Hedges	Foreign Currency Translation Differences	Total AOCI
Balance at January 29, 2017	**$ (410)**	**$ (917)**	**$ (1,327)**
Net change in fair value of cash flow hedges (net of tax of $3,793)	**(10,475)**	**-**	**(10,475)**
Transfer of realized gain on cash flow hedges to inventory (net of tax of $533)	**1,471**	**-**	**1,471**
Change in foreign currency translation differences	**-**	**230**	**230**
Balance at July 29, 2017	**$ (9,414)**	**$ (687)**	**$ (10,101)**
Balance at January 31, 2016	$ 7,514	$ (1,120)	$ 6,394
Net change in fair value of cash flow hedges (net of tax of $3,673)	(10,039)	-	(10,039)
Transfer of realized gain on cash flow hedges to inventory (net of tax of $1,266)	(3,461)	-	(3,461)
Change in foreign currency translation differences	-	259	259
Balance at July 30, 2016	$ (5,986)	$ (861)	$ (6,847)

Dividends

The following dividends were declared and paid by the Company:

	For the three months ended		For the six months ended	
	July 29, 2017	**July 30, 2016**	**July 29, 2017**	**July 30, 2016**
Common shares and Class A non-voting shares	**$ 3,167**	$ 3,167	**$ 6,334**	$ 6,334
Dividend per share	**$ 0.05**	$ 0.05	**$ 0.10**	$ 0.10

9. SHARE-BASED PAYMENTS

Share Option Plan

On June 8, 2016, the Company amended its share option and incentive plan. Under the amended plan, the Company can, at its sole discretion, grant share options and / or Share Appreciation Rights (“SARs”). The amended plan 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. Under the amended plan, the granting of options and the related vesting period, which is normally up to 4 years (previously up to 5 years), are at the discretion of the Board of Directors and the options have a maximum term of up to 7 years (previously up to 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. The SARs entitle key management and employees to a cash payment based on the increase in the share price of the Company’s Class A non-voting shares from the grant date to the vesting date. No SARs have been granted or are outstanding.

All previously issued and outstanding options, prior to the effective date of the amended plan, continue to vest and be governed by the terms of the previous plans.

The changes in outstanding share options were as follows:

	For the three months ended				For the six months ended			
	July 29, 2017		July 30, 2016		July 29, 2017		July 30, 2016	
	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	**2,974**	**$ 7.74**	3,552	$ 9.67	**3,843**	**$ 9.27**	3,610	$ 9.62
Granted	**-**	**-**	295	4.40	**-**	**-**	295	4.40
Exercised	**-**	**-**	-	-	**-**	**-**	-	-
Forfeited	**(63)**	**5.79**	(53)	6.73	**(932)**	**13.93**	(111)	6.38
Outstanding, at end of period	**2,911**	**$ 7.78**	3,794	$ 9.31	**2,911**	**$ 7.78**	3,794	$ 9.31
Options exercisable, at end of period	**1,667**	**$ 9.03**	1,813	$ 11.88	**1,667**	**$ 9.03**	1,813	$ 11.88

No share option awards were granted during the three and six months ended July 29, 2017. Compensation cost related to the share option awards granted during the three and six months ended July 30, 2016 under the fair value based approach was calculated using the following assumptions:

	295,000 Options Granted June 8, 2016
Expected option life	4.4 years
Risk-free interest rate	0.80%
Expected stock price volatility	33.11%
Average dividend yield	4.55%
Weighted average fair value of options granted	$0.78
Share price at grant date	$4.40

For the three and six months ended July 29, 2017, the Company recognized compensation costs of $102 and $279, respectively, relating to its share option plan ($189 and $390 for the three and six months ended July 30, 2016), with a corresponding credit to contributed surplus.

Performance Share Units (cash-settled)

The Company has a performance share unit ("PSUs") plan for its executives and key management that entitles them to a cash payment. The PSUs vest based on non-market performance conditions measured over a three fiscal-year period ("performance period"). The number of PSUs that can vest can be up to 1.5 times the actual number of PSUs awarded if exceptional performance is achieved. Upon settlement of the vested PSUs, the cash payment will be equal to the number of PSUs multiplied by the fair value of the Common shares calculated using the volume weighted average trading price during the five trading days commencing five trading days subsequent to the release of the Company's financial results for the performance period.

On April 10, 2017, the Company granted 322,000 PSUs at a weighted average share price of $5.09 (409,000 PSUs at a weighted average share price of $4.52 for the three and six months ended July 30, 2016). PSUs vest in whole after the performance period upon meeting pre-determined non-market conditions.

The following table summarizes the grants of PSUs:

	For the three months ended		**For the six months ended**	
	July 29, 2017	**July 30, 2016**	**July 29, 2017**	**July 30, 2016**
	PSUs (in 000's)	**PSUs (in 000's)**	**PSUs (in 000's)**	**PSUs (in 000's)**
Outstanding, at beginning of period	**710**	-	**388**	-
Granted	**-**	409	**322**	409
Forfeited	**(46)**	-	**(46)**	-
Outstanding, at end of period	**664**	409	**664**	409

As of July 29, 2017, based on a weighted average share price of $4.35 for the five trading days preceding July 29, 2017, the Company recognized a share-based compensation expense related to PSUs of $82 in selling and distribution expenses and $24 in administrative expenses for the three months ended July 29, 2017; $173 in selling and distribution expenses and $68 in administrative expenses for the six months ended July 29, 2017 ($62 in selling and distribution expenses and $26 in administrative expenses for the three and six months ended July 30, 2016) with a corresponding credit in other non-current payables.

10. INCOME TAX

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.

11. FINANCE INCOME AND FINANCE COSTS

	For the three months ended		For the six months ended	
	July 29, 2017	**July 30, 2016**	**July 29, 2017**	**July 30, 2016**
Dividend income from marketable securities	**$ 582**	$ 632	**$ 1,207**	$ 1,263
Interest income	**226**	192	**402**	317
Net change in fair value of marketable securities	**1,732**	-	**3,187**	3,583
Finance income	**2,540**	824	**4,796**	5,163
Interest expense - mortgage	**15**	46	**39**	100
Net change in fair value of marketable securities	**-**	487	**-**	-
Foreign exchange loss	**1,304**	79	**399**	2,262
Finance costs	**1,319**	612	**438**	2,362
Net finance income recognized in net earnings	**$ 1,221**	$ 212	**$ 4,358**	$ 2,801

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on net earnings for the three and six months ended July 29, 2017 of $9,677 and $3,105, respectively (net earnings of $8,971 and $2,989 for the three and six months ended July 30, 2016).

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	
	July 29, 2017	**July 30, 2016**	**July 29, 2017**	**July 30, 2016**
Weighted average number of shares - basic	**63,330**	63,330	**63,330**	63,330
Weighted average number of shares - diluted	**63,330**	63,330	**63,356**	63,330

For the three and six months ended July 29, 2017, a total of 2,905,400 and 2,650,400, respectively, share options were excluded from the calculation of diluted earnings per share as these options were deemed to be anti-dilutive (3,793,800 for the three and six months ended July 30, 2016).

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.

13. SUPPLEMENTARY INFORMATION

	July 29, 2017	July 30, 2016	January 28, 2017
Non-cash transactions:			
Additions to property and equipment and intangible assets included in trade and other payables	**$ 252**	$ 617	$ 973

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 $938 and $1,847 for the three and six months ended July 29, 2017, respectively ($863 and $1,684 for three and six months ended July 30, 2016). 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 July 29, 2017, $271 of asset impairment charges were reversed following an improvement in the profitability of certain CGU's ($283 and $774 for the three and six months ended July 30, 2016). Net impairment losses have been recorded in selling and distribution expenses.

14. 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.

	July 29, 2017						
	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							
Marketable securities	**$ 57,951**	**$ -**	**$ -**	**$ 57,951**	**$ 57,951**	**$ -**	**$ 57,951**
Financial liabilities measured at fair value							
Derivative financial liability	**$ -**	**$ 14,414**	**$ -**	**$ 14,414**	**$ -**	**$ 14,414**	**$ 14,414**
Financial liabilities not measured at fair value							
Long-term debt	**$ -**	**$ -**	**$ 661**	**$ 661**	**$ -**	**$ 685**	**$ 685**

	July 30, 2016						
	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	$ -	$ 623	$ -	$ 623	$ -	$ 623	$ 623
Marketable securities	$ 48,772	$ -	$ -	$ 48,772	$ 48,772	$ -	$ 48,772
Financial liabilities measured at fair value							
Derivative financial liability	$ -	$ 8,962	$ -	$ 8,962	$ -	$ 8,962	$ 8,962
Financial liabilities not measured at fair value							
Long-term debt	$ -	$ -	$ 2,618	$ 2,618	$ -	$ 2,700	$ 2,700

	January 28, 2017						
	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	$ -	$ 1,386	$ -	$ 1,386	$ -	$ 1,386	$ 1,386
Marketable securities	$ 54,764	$ -	$ -	$ 54,764	$ 54,764	$ -	$ 54,764
Financial liabilities measured at fair value							
Derivative financial liability	$ -	$ 3,160	$ -	$ 3,160	$ -	$ 3,160	$ 3,160
Financial liabilities not measured at fair value							
Long-term debt	$ -	$ -	$ 1,655	$ 1,655	$ -	$ 1,704	$ 1,704

There were no transfers between levels of the fair value hierarchy for the periods ended July 29, 2017, July 30, 2016 and January 28, 2017.

Derivative financial instruments

The Company entered into forward contracts with its banks on the U.S. dollar. These foreign exchange contracts extend over a period not exceeding twelve months.

Details of the foreign exchange contracts outstanding, all of which are designated as cash flow hedges, are as follows:

	July 29, 2017				
	Average Strike Price	**Notional Amount in U.S. Dollar**	**Derivative Financial Asset**	**Derivative Financial Liability**	**Net**
Foreign exchange forward contracts	**$ 1.317**	**$ 199,500**	**$ -**	**$(14,414)**	**$ (14,414)**

	July 30, 2016				
	Average Strike Price	**Notional Amount in U.S. Dollar**	**Derivative Financial Asset**	**Derivative Financial Liability**	**Net**
Foreign exchange forward contracts	$ 1.351	$ 179,500	$ 623	$ (8,962)	$ (8,339)

	January 28, 2017				
	Average Strike Price	**Notional Amount in U.S. Dollars**	**Derivative Financial Asset**	**Derivative Financial Liability**	**Net**
Foreign exchange forward contracts	$ 1.319	$ 197,000	$ 1,386	$ (3,160)	$ (1,774)

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 July 29, 2017 from those described in the Company’s audited annual consolidated financial statements for the year ended January 28, 2017.