

New Accounting Standard

At the beginning of 2009 the Company retroactively adopted Section 3064 of the Canadian Institute of Chartered Accountants' (CICA) Handbook, *Goodwill and intangible assets*, which replaces Section 3062 of the same title. The section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets, including internally generated intangible assets. Pre-opening expenses for stores and distribution centres (previously included in Other assets), advertising costs including those related to store openings and costs incurred for Olympic and Paralympic sponsorship (previously included in Prepaid expenses) no longer meet the requirements of the new section. The balances in these asset accounts as at December 31, 2007— that is, at the beginning of first quarter 2008 – were restated and included in Retained Earnings and the results of operations of 2008 were also restated to conform to the 2009 presentation.

In brief, operating income for first quarter 2008 has been reduced by \$6.8 million, amortization and depreciation by \$1.9 million, and net earnings by \$3.4 million, or a reduction of \$0.03 per share. Prepaid expenses have also been reduced by \$21.7 million, other assets by \$11.1 million, and retained earnings by \$20.5 million. The detailed impact of applying these new recommendations is explained in Note 2 of the Consolidated Financial Statements.