The Results

Financial Reporting

Management's Discussion & Analysis

As at April 7, 2009

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). All references to dollars are in Canadian funds unless otherwise indicated. The Annual Report and other related documents can be found at www.sedar.com.

Management's discussion and analysis (the "MD&A") provides an overview of the performance of The Forzani Group Ltd. ("FGL" or the "Company"), and its subsidiaries, for the 13-week fourth quarter and 52-week period ended February 1, 2009 ("fiscal 2009" or "F09"), compared to the 14-week fourth quarter and 53-week period ending February 3, 2008 ("fiscal 2008" or "F08").

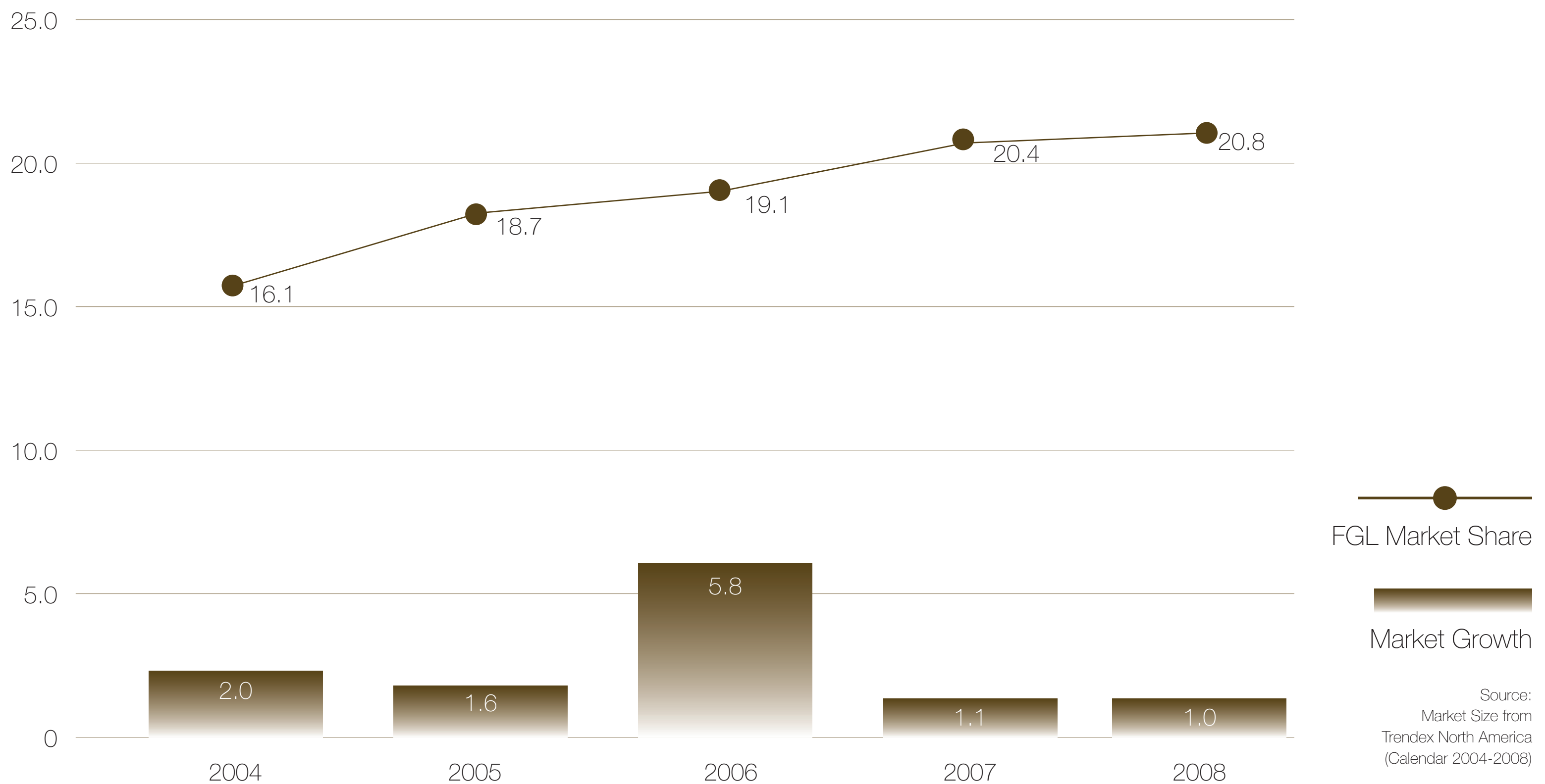
In recent years, the MD&A has evolved to become a document that is intended to be able to stand on its own, separate and distinct from the Company's financial statements and notes thereto. This requirement to stand alone is contained in National Instrument 51-102. As a result, the MD&A contains, along with information pertinent to the operation of the Company's businesses, considerable duplication of the information contained in the notes to the Company's consolidated financial statements. This duplication is intentional as it is necessary and required under current regulations pertaining to the preparation of an MD&A.

Review Of Operations

Overview

The Forzani Group Ltd. is Canada's largest national retailer of sporting goods, offering a comprehensive assortment of brand-name and private-brand products, operating stores from coast to coast, under the following corporate and franchise banners: Sport Chek, Coast Mountain Sports, Sport Mart, National Sports, Athletes World, Sports Experts, Intersport, Econosports, Atmosphere, RnR, Tech Shop, Pegasus, Nevada Bob's Golf, Hockey Experts, S3 and The Fitness Source. As well, the Company retails on-line at www.sportmart.ca and provides a content rich sporting goods information site at www.sportchek.ca. At the end of fiscal 2009, the Company operated 337 corporate stores and is franchisor/licensor of 227 stores.

Commanding the largest share of the Canadian sporting goods market, FGL's retail system sales[1] have increased at a cumulative annual growth rate of approximately 8.5% over the last five years, translating into a market share of 20.8%. This growth is particularly noteworthy, as the sporting goods market has grown at an average estimated annual rate of 2.4% over the same period. FGL is the dominant player in the Canadian sporting goods market.



1 Retail system sales are retail sales from corporate and franchise stores and are not a recognized performance measure under GAAP. Management believes that this measure is useful supplemental information which provides the reader with an indication of the Company's total retail sales, but may not be comparable to measures used by other companies.

Retail system sales, and comparable store sales, for the fourth quarters and fiscal years ended February 1, 2009 and February 3, 2008 are shown in the tables below:

($ In millions)		Quarter 4			Fiscal Year	
(unaudited)	F09 $	F08 $	% Chg	F09 $	F08 $	% Chg
Retail System Sales (13 & 52 weeks F09 vs 13 & 52 weeks F08)						
Corporate	317.1	322.5	(1.7)	994.0	953.1	4.3
Franchise	189.8	176.4	7.6	584.6	551.2	6.1
Total	506.9	498.9	1.6	1,578.6	1,504.3	4.9
(13 & 52 weeks F09 vs 14 & 53 weeks F08)						
Corporate	317.1	338.8	(6.4)	994.0	969.3	2.5
Franchise	189.8	185.9	2.1	584.6	559.8	4.4
Total	506.9	524.7	(3.4)	1,578.6	1,529.1	3.2
Comparable Store Sales (13 & 52 weeks F09 vs 13 & 52 weeks F08)						
Corporate	305.1	316.1	(3.5)	911.7	929.6	(1.9)
Franchise	182.2	172.1	5.9	554.6	529.3	4.8
Total	487.3	488.2	(0.2)	1,466.3	1,458.9	0.5
(13 & 52 weeks F09 vs 14 & 53 weeks F08)						
Corporate	305.1	332.1	(8.1)	911.7	944.7	(3.5)
Franchise	182.2	181.4	0.4	554.6	537.7	3.1
Total	487.3	513.5	(5.1)	1,466.3	1,482.4	(1.1)

For the 13 weeks ended February 1, 2009 and the 14 weeks ended February 3, 2008

Retail system sales for the 13-week quarter ended February 1, 2009 were $506.9 million, a $17.8 million decrease from sales for the 14-week quarter ended February 3, 2008 of $524.7 million. Revenue, consisting of corporate store sales, wholesale sales, service income, equipment rentals, franchise fees and franchise royalties, was $380.8 million, a $29.8 million, or 7.3% decrease from the 14-week period last year.

Corporate revenues, at $317.1 million, were 6.4% below last year's revenues of $338.8 million, while wholesale revenues for the quarter were $63.7 million, down 11.3% from the prior year as the Company's FGL Wholesale division sales suffered from the ongoing weak business climate in the U.S.

Corporate comparable store sales for the fourth quarter decreased 8.1% and Franchise comparable store sales, were up 0.4% for an overall same store sales decrease of 5.1%. Excluding the 14th week from the prior year, comparable corporate store sales decreased 3.5% while franchise retail sales increased 5.9% for an overall sales decrease of 0.2%.

The Company's margins for the quarter were 39.8%, down 20 basis points from the prior year mark of 40.0%. In absolute dollars, combined gross margin decreased $12.9 million to $151.4 million compared to $164.3 million in the 14-week period last year. The lower margin rate in the quarter reflects pricing pressure in the corporate retail business due to the weak consumer climate, ongoing aggressive promotional activities in the Athletes World division and the Company's continued focus on improved inventory aging. Wholesale margins during the quarter improved over the prior year.

Store operating expenses, as a percent of retail revenue, were 23.5% versus 21.9% in the prior year. Overall store operating expense increased $0.4 million during the quarter, the combination of an additional 4 corporate stores (net of closings) and normal year over year increases. Comparable store operating costs were 21.0% of retail revenues versus 19.8% last year. The comparable store costs in absolute dollars decreased $1.2 million or 1.9% as variable costs were adjusted to reduce same store sales volumes.

General and administrative expenses were 7.8% of total revenue at $29.6 million. In absolute dollars, general and administrative expenses decreased $5.9 million, due to reduced Athletes World overhead, reduced performance based compensation costs and reduced severance costs from the prior year related to the departure of the former Chief Operating Officer.

Earnings, before interest, taxes, investment losses and amortization ("EBITA")[1], were $47.2 million compared to $54.6 million for the same period last year. As a percent of revenue, EBITA was down compared to the 4th quarter of fiscal 2008 at 12.4%.

Net earnings for the quarter were $24.2 million, or 6.4% of revenues versus $28.7 million or 7.0% in the prior year. Excluding Athletes World, net earnings for the quarter were $24.0 million or 6.3% of revenues. Basic earnings per share for the 13-week period ended February 1, 2009 were $0.79 compared to $0.85 in the prior year. Diluted earnings per share were $0.79, for the fourth quarter, versus a company record $0.85 in the fourth quarter of fiscal 2008. Cash flow from operations[2] was $42.6 million, up $7.8 million or 22.4% from the $34.8 million in the prior year. On a per share basis, cash flow increased to $1.40 from $1.05 in the prior year.

1 Earnings before interest, taxes, amortization and investment gains or losses (EBITA) is not a recognized performance measure under GAAP, see Consolidated Statement of Operations and Retained Earnings and line item entitled 'Operating earnings before undernoted items'. Management believes that, in addition to net earnings, this measure is useful supplemental information, which provides the reader with an indication of operating earnings prior to amortization, debt service and provision for income taxes. This may not be comparable to measures used by other companies.

2 Cash flow from operations and cash flow per share from operations are not recognized measures under GAAP. Cash flow per share is defined to be cash from operating activities before non-cash changes in working capital divided by the weighted average shares outstanding. Management believes that cash flow per share is a key measure, as it demonstrates the Company's ability to generate cash flow necessary to fund future growth. This may not be comparable to measures used by other companies.

During the quarter, the Company opened 2 Sport Chek, 1 Coast Mountain, 1 Fitness Source and 3 Athletes World stores while closing 2 Nevada Bob's Golf and 3 Athletes World stores. In the franchise division, 6 stores were opened (2 Atmosphere, 1 S3, 1 Econosport, 1 Nevada Bob's Golf and 1 Buying Member) and 5 RnR stores closed. As a result, at the end of the fourth quarter, the Company had 337 corporate stores and 227 franchise locations. This represents a year over year net increase of 31,917 square feet of retail selling space, a 0.5% increase versus the previous year. The Company now has 564 stores from coast to coast (February 3, 2008 – 567 stores).

Quarterly Data

(in thousands, except per share data)

	Revenue	EBITA	Net Earnings	EPS[1]	Diluted EPS[1]
	$	$	$	$	$
April 30, 2006	280,434	12,828	294	0.01	0.01
July 30, 2006	283,996	16,075	1,948	0.06	0.06
October 29, 2006	346,349	31,416	11,878	0.36	0.35
January 28, 2007	353,176	46,941	21,097	0.63	0.62
Total	1,263,955	107,260	35,217	1.06	1.04
April 29, 2007	294,558	14,459	739	0.02	0.02
July 29, 2007	292,381	20,940	5,428	0.16	0.16
October 28, 2007	333,471	32,946	12,586	0.37	0.36
February 3, 2008	410,599	54,625	28,698	0.85	0.85
Total	1,331,009	122,970	47,451	1.40	1.39
May 4, 2008	307.490	7,682	(2,907)	(0.09)	(0.09)
August 3, 2008	295,562	14,861	1,476	0.05	0.05
November 2, 2008	362,894	27,334	6,586	0.22	0.22
February 1, 2009	380,812	47,225	24,170	0.79	0.79
Total	1,346,758	97,102	29,325	0.94	0.93

1 Quarterly Diluted EPS and EPS are calculated as Earnings divided by the respective weighted average shares outstanding for the quarter reported. The year to date Diluted EPS and EPS are also calculated on a moving average, weighted shares outstanding basis and, as a result the sum of the reported quarters may not add to the annual figures presented elsewhere.

For the 52 weeks ended February 1, 2009 and the 53 weeks ended February 3, 2008

Retail system sales for the 52 weeks ended February 1, 2009 were $1.6 billion, a $49.5 million increase from sales for the 53 weeks ended February 3, 2008.

Comparable sales in corporate stores decreased 3.5% while franchise stores increased 3.1%, with total comparable retail system sales decreasing 1.1%. Excluding the 53rd week from the prior year, comparable store sales in corporate stores decreased 1.9% while franchise stores increased 4.8%, with total comparable retail system sales increasing 0.5%.

Revenue was $1.3 billion, a $15.7 million, or 1.2% increase over the 53-week period last year. Combined gross margin for the 52 weeks ended February 1, 2009 was flat to the prior year at 35.9% of revenue. In absolute dollars, combined gross margin increased $5.1 million, to $483.5 million, from the 53-week period last year.

Store operating expenses, as a percent of retail revenue, were 27.9% versus 26.0% in the prior year. On a comparable store basis, store operating expenses were 25.6% up from the prior year at 24.9% percent of retail revenue. On an absolute dollar basis, comparable store operating expenses decreased $3.2 million or 1.4% from the prior year, a result of adjustments to variable costs, a focus on cost control and changes to compensation plans.

General and administrative expenses were $109.3 million, or 8.1% of total revenue, versus $103.8 million or 7.8% in the prior year. The increase in absolute dollars of $5.5 million is a result of the costs associated the additional Athletes World infrastructure and reorganization costs ($7.9 million), and general planned year-over-year cost increases which were partially offset by reduced accruals for performance based compensation and severance costs.

EBITA was $97.1 million, or 7.2% of total revenue, compared to 9.2% for the prior year. Excluding the impact of Athletes World, EBITA was $99.0 million. Net earnings for the 52 weeks ended February 1, 2009 were $29.3 million compared to a record $47.5 million for the 53-week period in the prior year.

Basic and diluted earnings per share for the 52-week period ended February 1, 2009 were $0.94 and $0.93 respectively, compared to $1.40 and $1.39 respectively in the prior year. Net earnings for the year were negatively impacted by the Company's decision to increase its provision for a proposed denial of interest deduction of certain payments by the Company to a subsidiary in the taxation years ended 2004 and 2005. Excluding the impact of this provision, basic and diluted earnings per share for the year were $0.99.

Cash flow from operations decreased to $74.8 million from $82.7 million. On a per share basis, cash flow decreased 2.4% to $2.39 compared to $2.45 the prior year.

As indicated by the quarterly diluted EPS data on page 37, the decrease in earnings, from the prior year, was the result of weaker quarterly performances in each quarter of the year. In the first half of the year, diluted EPS decreased $0.22 to a loss of $0.04 per share versus $0.18 per share in fiscal 2008. In the second half of the year, diluted EPS decreased $0.24 to $0.97 versus $1.21 in the prior year.
The Athletes World acquisition reduced diluted EPS by $0.05 per share for the year.

Annual Data

(in thousands, except per share data)

	For the 52 weeks ended February 1, 2009	For the 53 weeks ended February 3, 2008	For the 52 weeks ended January 28, 2007[1]
Revenue	$ 1,346,758	$ 1,331,009	$ 1,263,955
EBITA	$ 97,102	$ 122,970	$ 107,260
Net earnings	$ 29,325	$ 47,451	$ 35,217
Earnings per share	$ 0.94	$ 1.40	$ 1.06
Diluted earnings per share	$ 0.93	$ 1.39	$ 1.04
Cash flow from operations, per share (basic)	$ 2.39	$ 2.45	$ 2.34
Weighted average number of shares outstanding (basic)	31,298	33,787	33,145
Total assets	$ 689,460	$ 754,964	$ 682,591
Total long-term debt (excluding current portion)	$ 126	$ 6,586	$ 58,303

1. Certain fiscal 2007 comparative figures have been reclassified to conform to the presentation adopted for the current year ending February 1, 2009.

Geographic Representation

The Company continues to consolidate its corporate store base. In fiscal 2009, the Company reduced its corporate retail space by 17,091 square feet. Athletes World saw a net reduction of 49,954 square feet, as a further 11 locations were closed during the year while 3 new locations were opened late in the year, with a refreshed business concept. The most aggressive store expansion was in Ontario, where 9,738 square feet (net of closings) were added. In the franchise division, the Company continues to expand adding 49,008 square feet (net of closings and conversions) in fiscal 2009. The most aggressive expansion was in Quebec, where 70,432 square feet (net of closings) was added.

number of stores

	February 1, 2009			February 3, 2008		
	Corporate	Franchise	Total	Corporate	Franchise	Total
Western Canada	152	27	179	156	35	191
Ontario	157	18	175	162	19	181
Quebec	1	172	173	-	158	158
Atlantic & Northern	27	10	37	26	11	37
Total	337	227	564	344	223	567

retail square footage

	February 1, 2009			February 3, 2008		
	Corporate	Franchise	Total	Corporate	Franchise	Total
Western Canada	1,964,910	175,696	2,140,606	2,003,366	192,482	2,195,848
Ontario	2,346,955	116,192	2,463,147	2,337,217	119,810	2,457,027
Quebec	6,687	1,489,249	1,495,936	-	1,418,817	1,418,817
Atlantic & Northern	291,383	43,612	334,995	286,443	44,632	331,075
Total	4,609,935	1,824,749	6,434,684	4,627,026	1,775,741	6,402,767

Retail System Sales

Retail system sales from corporate and franchise locations were $1,578.6 million, an increase of 3.2% over fiscal 2008.

	February 1, 2009			February 3, 2008		
(In thousands)	Corporate	Franchise	Total	Corporate	Franchise	Total
Western Canada	485,316	69,073	554,389	489,100	69,908	559,008
Ontario	436,056	44,299	480,355	424,188	49,633	473,821
Quebec	4,414	455,629	460,043	32	425,033	425,065
Atlantic & Northern	68,257	15,593	83,850	55,939	15,251	71,190
Total	994,043	584,594	1,578,637	969,259	559,825	1,529,084

Comparable Store Sales

A summary of comparable store sales changes, by quarter, is set out below.

	February 1, 2009			February 3, 2008		
(percent)	Corporate	Franchise	Total	Corporate	Franchise	Total
Q1	(5.2)	3.1	(2.1)	0.4	9.6	3.5
Q2	(6.5)	(0.6)	(4.2)	0.4	6.1	2.5
Q3	(0.2)	11.5	3.8	(2.4)	3.0	(0.7)
Q4	(8.1)	0.4	(5.1)	10.6	17.7	13.0
	(3.5)	3.1	(1.1)	3.3	10.0	5.6

Revenue And Margins

Revenue from the Company's retail and wholesale divisions increased $15.7 million, or 1.2 %, over fiscal 2008, to $1.3 billion. Gross margin, on a combined basis, from retail and wholesale sales was flat to the prior year at 35.9%.

Retail Revenue

Retail revenue consists of merchandise sales, income from service shops and equipment rental in corporate stores. In fiscal 2009, retail revenue increased 2.5% to $994.0 million due to the addition of the full year impact of the Athletes World acquisition in the 4th quarter of the prior year.

Corporate Store Changes By Banner

Store count decreased by a net of 7 stores or 2.0%, with a square footage decrease of 0.4 % as the Company closed additional Athletes World stores prior to emerging from Company's Creditor Arrangement Act "CCAA" protection on June 30, 2008.

	Balance, opening	Opened	Closed	Converted	Acquired	Balance, closing
Sport Chek	126	3	(1)	-	-	128
Sport Mart	85	-	(3)	-	-	82
Coast Mountain Sports	22	1	-	-	-	23
Hockey Experts	3	-	-	-	-	3
National Sports	20	-	-	-	-	20
Athletes World	70	3	(11)	-	-	62
Other*	18	5	(5)	1	-	19
Total	344	12	(20)	1	-	337

* Includes Nevada Bob's Golf stores acquired from a franchisee pending sale to new franchisees and newly opened, corporately owned, Fitness Source store.

Corporate Square Footage Changes By Banner

	Balance, opening	Opened	Remodeled/ expanded	Closed	Converted	Acquired	Balance, closing
Sport Chek	2,758,074	53,070	11,966	(18,519)	-	-	2,804,591
Sport Mart	676,317	-	(598)	(23,736)	-	-	651,983
Coast Mountain Sports	274,885	8,308	(10,923)	-	-	-	272,270
Hockey Experts	23,587	-	(94)	-	-	-	23,493
National Sports	447,954	-	(28)	-	-	-	447,926
Athletes World	313,479	9,867	-	(59,821)	-	-	263,525
Other	132,730	41,900	2,426	(37,596)	6,687	-	146,147
Total	**4,627,026**	**113,145**	**2,749**	**(139,672)**	**6,687**	**-**	**4,609,935**

Revenue by Category

In general, the Company has three sales departments: footwear, hardgoods (equipment) and softgoods (clothing and outerwear). The shift between categories in terms of percentage of revenue was due to the impact of the Athletes World acquisition which sells clothing and footwear exclusively.

(percent)	February 1, 2009	February 3, 2008	January 28, 2007
Footwear	30.6	29.8	29.1
Hardgoods	30.7	31.6	35.2
Softgoods	38.7	38.6	35.7
Total	**100.0**	**100.0**	**100.0**

Wholesale Revenue

Wholesale revenue consists of wholesale sales to franchisees and third parties and income from royalties and administrative fees. In fiscal 2009, revenues decreased by 2.5%, from the previous year, to $352.7 million, driven primarily by a $21.3 million reduction in revenues earned by the FGL Wholesale division, which sells to third parties predominantly in the U.S. These reduced revenues more than offset a $10 million revenue increase in the Franchise division resulting from increased sales to existing franchises and 4 new franchise stores (net of closings/conversions).

Franchise Store Changes By Banner

In fiscal 2009, 19 new franchise locations were opened: 1 Econosport, 6 Atmosphere, 1 Pegasus, 2 Nevada Bob's Golf, 2 Buying Members, 1 Fitness Source, 3 Hockey Experts and 3 S3.

	Opening	Opened	Closed	Converted	Closing
Sports Experts	71	-	-	-	71
Intersport	59	-	(3)	2	58
Atmosphere	24	6	-	-	30
Econosports	4	1	-	(1)	4
RnR	12	-	(7)	(1)	4
Tech Shop / Pegasus	4	1	-	-	5
Nevada Bob's Golf	20	2	(4)	-	18
Hockey Experts	8	3	-	-	11
Fitness Source	11	1	-	-	12
Buying Members	10	2	-	(3)	9
S3	-	3	-	2	5
Total	223	19	(14)	(1)	227

Franchise Square Footage Changes By Banner

Total retail selling space in the franchise division increased 2.8% to 1,824,749 square feet. The development of Fitness Source and Hockey Experts banners gives the Company two excellent vehicles to expand its share of the fitness equipment and hockey markets while Atmosphere and S3 are targeting outdoor and casual clothing. The reduction in square footage in the Nevada Bob's Golf stores reflects the current direction to reorganize the business as a boutique within Sport Chek corporate stores outside of Quebec.

	Opening	Opened	Remodeled	Closed	Converted	Closing
Sports Experts	936,221	-	(1,403)	-	-	934,818
Intersport	309,995	-	3,123	(17,050)	7,500	303,568
Atmosphere	196,278	35,298	12	-	-	231,588
Econosports	29,852	11,260	-	-	(6,687)	34,425
RnR	34,686	-	-	(18,329)	(4,000)	12,357
Tech Shop / Pegasus	11,711	4,000	-	-	-	15,711
Nevada Bob's Golf	115,393	6,000	(7,760)	(14,300)	-	99,333
Hockey Experts	49,487	9,600	-	-	-	59,087
Fitness Source	57,737	4,000	(3,500)	-	-	58,237
Buying Members	34,381	28,744	-	-	(12,045)	51,080
S3	-	16,000	-	-	8,545	24,545
Total	1,775,741	114,902	(9,528)	(49,679)	(6,687)	1,824,749

Gross Margin

Gross margin, on a combined basis, from retail and wholesale sales, was 35.9% flat to the prior year. In absolute dollars, combined gross margin increased $5.1 million to $483.5 million, compared to $478.4 million in fiscal 2008.

Operating And Administrative Expenses

Store Operating

Store operating expenses include all costs incurred to operate corporate stores, plus the cost of store supervision. In fiscal 2009, store operating costs, as a percentage of retail revenue, increased to 27.9% from 26.0%. On a comparative store basis, store operating costs were 25.6% of retail revenue up from 24.9% in the prior year. In absolute dollars, comparative store operating costs decreased $3.2 million or 1.4%, as controllable expenses were managed to reduce sales volumes achieved.

General and Administrative

General and administrative expenses were $109.3 million, or 8.1% of total revenue, 30 basis points above fiscal 2008. General and administrative expenses increased, in absolute dollars, by $5.5 million. This was due to the increased Athletes World infrastructure and reorganization costs and general, planned year over year increases which offset the impact of decreased performance based compensation and severance expenses.

Operating Earnings

EBITA

EBITA decreased $25.9 million, or 21.1%, to $97.1 million compared to $123.0 million in fiscal 2008. EBITA margin was 7.2% of revenue, a decrease of 200 basis points from fiscal 2008.

Financial Condition

At the end of fiscal 2009, the Company's financial position continues to be strong. The following table highlights key liquidity and debt ratios for the Company.

	February 1, 2009	February 3, 2008	January 28, 2007[1]
Working capital ratio	1.26	1.38	1.69
Accounts receivable days outstanding	121	114	119
Accounts payable coverage of inventory and accounts receivable	73.9%	70.9%	62.2%
Inventory turns[2]	2.83	2.74	2.8
Net total debt to capitalization[3]	8.5%	7.1%	10.1%

1 Certain fiscal 2007 comparative figures have been reclassified to conform with the presentation adopted for the current year ending February 1, 2009.
2 Calculated as the ratio of Cost of Goods Sold to average inventory
3 Calculated as the ratio of average net debt (long-term debt plus current portion of long-term debt less cash) to average net debt plus average shareholders' equity.

As at February 1, 2009, the Company had working capital of $79.8 million, compared to $125.1 million in the prior year. Accounts receivable rose $8.9 million due to growth in the franchise network and income tax receivables, which offset reduced U.S. business done in the FGL Wholesale division. Inventory decreased $27.9 million of which $12.2 million was attributable to the reduced Athletes World store count. Excluding Athletes World, all other banners inventory decreased $15.7 million despite increased store square footage as inventory intensity[4] dropped 5.9% to $64 versus the prior year of $68. Accounts payable financing of inventory and receivables from franchisees, was 73.9% versus 70.9% in the prior year. Net total debt to capitalization rose as a result of the reduced cash position at year end, primarily the result of $44.0 million in share repurchases made during the year under the Company's normal course issuer bid.

Liquidity And Capital Resources

The Company's principal capital requirements are to fund working capital needs, develop private-label brands and open new stores in connection with its expansion strategy. These capital requirements have generally been satisfied by a combination of cash flow from operations and borrowings under its credit facility and term loans (more fully described in Note 10 to the consolidated financial statements) and the periodic issuance of shares. For fiscal 2009, these sources of capital included: cash generated from operating activities, before changes in non-cash working capital elements, of $74.8 million, a decrease of $7.9 million when compared to the prior year; and a credit facility with GE Canada Finance Holding Company. Based on current operating levels and available funds, there will be sufficient means to satisfy the Company's working capital needs, debt-service requirements and expansion strategies for the coming fiscal year. In the current economic climate, the Company has performed detailed sensitivity analysis on its current operating level expectations and believes that its credit facility will provide sufficient means to satisfy working capital, debt service and expansion requirements in even its worst case estimates.

Effective June 11, 2008, the Company renewed its credit agreement with GE Canada Finance Holding Company. The renewed agreement increased the $235 million credit facility, which was comprised of a $185 million revolving loan and a $50 million term loan, to a $250 million facility, comprised entirely of a revolving loan and having a June 11, 2013 expiry date. Under the terms of the credit agreement, the interest rate payable on the revolving loan is based on the Company's financial performance as determined by its interest coverage ratio. As at February 1, 2009, the interest rate paid was bank prime less 0.45%. The facility is collateralized by general security agreements against all existing and future acquired assets of the Company. As at February 1, 2009, the Company is in compliance with its financial covenant. The Company believes that despite the recent, well publicized performance issues of its U.S. parent company, GE Canada Finance will be able to fund its commitment under the credit facility.

The company is committed, at February 1, 2009, to minimum payments under long-term real property, data processing equipment and software leases for the next five years, as follows:

Payments Due By Period

(In thousands)	Total	1 Year	2-3 Years	4- 5 Years	Beyond
	$	$	$	$	$
Contractual Obligations	490,516	87,523	142,366	93,156	86,471

4. Defined as inventory on hand, at cost, per square foot of retail space.

In addition, the Company may be obligated to pay percentage rent under certain of the real property leases.

As at February 1, 2009, the Company had open letters of credit for purchases of inventory of approximately $1,961,000 (2008 - $1,890,000).

Acquisitions

On September 9, 2007, the Company acquired select net assets of Al DiMarco's Custom Golf Shop Ltd. and various other related entities ("DiMarco"). The acquisition was accounted for using the purchase method as net assets acquired encompass the necessary inputs, processes and outputs to sustain the business, thereby meeting the definition of a business and accordingly the consolidated financial statements include the results of operations since the date of the acquisition. The consideration for the transaction was $1,039,000 in cash and the settlement of an outstanding account receivable by the Company from DiMarco of $3,095,000. The allocation of the purchase price is provided in Note 17 to the consolidated statements. These 8 Nevada Bob's Golf locations are currently being operated as corporate stores pending sale to franchisees.

On November 26, 2007, the Company acquired 100% of the outstanding shares of Athletes World Limited ("AWL") which was operating under Companies' Creditors Arrangement Act ("CCAA") protection. While under CCAA protection, FGL maintained its usual role in the management of the day-to-day operation of Athletes World under the supervision of a court appointed monitor who was responsible for reviewing Athletes World's ongoing operations, assisting with the development and filing of the Court documents, liaising with creditors and other stakeholders and reporting to the Court. On June 30, 2008 AWL successfully exited from CCAA protection.

The total consideration for the transaction was $8,666,000, consisting of cash and acquisition costs, as well as the assumption of a secured operating debt facility of $18,196,000. Depending upon the achievement of certain operating results, the Company is contingently liable to the former unsecured creditor of certain inter-company debt on a pro-rata basis. The allocation of the purchase price is provided in Note 17 to the consolidated financial statements.

Capital Expenditures

(In thousands)

	February 1, 2009	February 3, 2008	January 28, 2007
	$	$	$
Capital expenditures (net of disposals)	52,139	40,660	37,997
Less: Lease inducements	(4,221)	(7,648)	(6,149)
Net capital expenditures	**47,918**	**33,012**	**31,848**

Capital expenditures, net of lease inducements and disposals, were $47.9 million in fiscal 2009, an increase of $14.9 million over the previous year as the company accelerated its investment in refreshing the newly acquired Athletes World stores, in-store boutiques in the Sport Chek locations and information technology investment relating to its Banner Migration project.

Financing

The Company is exposed to credit risk on its accounts receivable from franchisees. The accounts receivable are net of applicable allowances for doubtful accounts, which are established based on the specific credit risks associated with individual franchisees and other relevant information. Concentration of credit risk with respect to receivables is limited due to the large number of franchisees, which are generally profitable operations, secured by inventory.

The Company is exposed to interest rate risk on its credit facility and the term loan. Interest rate risk reflects the sensitivity of the Company's financial condition to movements in the interest rates. For fiscal year 2009, a 25 – basis point increase or decrease in interest rates, assuming that all other variables are constant, would have resulted in a $157,000 decrease or increase in the Company's net earnings for the period ending February 1, 2009. The Company has no exposure to asset-backed securities.

The Company purchases a portion of its inventory from foreign vendors with payment terms in foreign currencies and is exposed to fluctuations of the US dollar on a portion of its wholesale receivables. To manage the foreign exchange risk associated with these purchases, the Company hedges its exposure to foreign currency by purchasing foreign exchange options and forward contracts to fix exchange rates and protect planned margins.

The Company has recorded an unrealized gain in the consolidated statement of comprehensive earnings for the fiscal year ended February 1, 2009 of $1,340,000 (net of tax - $871,000) relating to forward foreign currency contracts that qualify for hedge accounting.

The outstanding forward foreign exchange contracts to which hedge accounting was applied at February 1, 2009 have notional amounts of $3,629,000 and terms ranging from February 6, 2009 to August 21, 2009 at forward rates ranging from $1.021 to $1.2695.

Items currently reported in accumulated other comprehensive earnings will be reclassified to net earnings as the hedge is completed and the related non-financial asset is expensed or when a hedge is deemed ineffective and the hedged item has settled.

Employee Benefits Plans

The Company has a defined contribution plan and an employee profit sharing plan. Defined contributions are paid to employee retirement savings plans and are expensed when incurred. Under the employee profit sharing plan, the Company creates a pool of funds to distribute to participating employees on a predetermined basis. Distributions are tied to the value of the Company's common shares and the employees' achievement of individual financial and operational targets. Payouts under the employee profit sharing plan are made annually. For the period ended February 1, 2009, the Company has expensed $1,090,000 (2008 - $1,095,000) to the defined contribution plan and has accrued $504,000 for the employee profit sharing plan (2008 - $150,000).

Under these plans, the Company contributions are fixed, and accordingly, the Company is not exposed to any risk created by the current stock market volatility.

Share Capital

The Company has authorized an unlimited number of Class A shares and an unlimited number of Preferred shares, issuable in series. The Class A shares of the Company are publicly traded on the Toronto Stock Exchange under the symbol "FGL".

During the year, there were 2,694,376 Class A shares purchased at an average price of $16.34 for a total expenditure of $44,027,000, pursuant to the Company's Normal Course Issuer Bid which expired March 27, 2009.

The Company has 30,468,045 shares outstanding and has not issued any Preferred Shares. At the end of the year the Company had 1,173,844 options that were exercisable. As at April 7,2009, 1,280,003 outstanding options were exercisable.

Dividends

On December 7, 2007 the Company declared its first quarterly dividend of $0.075 per Class A share payable on February 4, 2008 to shareholders of record on January 21, 2008. The Company's stated intention is to declare annual dividends of $0.30 per share, payable quarterly, subject to the Board of Director's discretion. The Company has analyzed its cash flow and believes that there will be sufficient cash resources to continue the regular quarterly dividend at this time.

During fiscal 2009, the Company declared quarterly dividends of $0.075 per Class A common share, payable to shareholders of record as follows:

Date Declared	For Shareholders of Record Dated
April 9, 2008	April 21, 2008
June 10, 2008	July 21, 2008
September 2, 2008	October 20, 2008
December 12, 2008	January 19, 2009

On April 7, 2009, the Company declared its first quarter fiscal 2010 dividend of $0.075 per Class A share payable on May 4, 2009 to shareholders of record on April 20, 2009.

All dividends paid by the Company are, pursuant to subsection 89 (14) of the Income Tax Act, designated as eligible dividends. An eligible dividend paid to a Canadian resident is entitled to the enhanced dividend tax credit.

New Accounting Policies

As of February 4, 2008, the Company adopted the following new CICA accounting policies:

Capital Disclosures – CICA Section 1535

The standard establishes disclosure requirements about an entity's capital and how it is managed. The new standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what an entity regards as capital and whether the entity has complied with any externally imposed capital requirements and the consequences of any non-compliance.

Financial Instruments - Disclosures (CICA Section 3862) and Financial Instruments – Presentation (CICA Section 3863)

The standards replace Section 3861 Financial Instruments - Disclosure and Presentation, revising and enhancing disclosure requirements while carrying forward, substantially unchanged, its presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Inventory - CICA Section 3031

The standard introduces significant changes to the measurement and disclosure of inventories, including the allocation of overhead based on normal capacity, the use of the specific cost method for inventories that are not ordinarily interchangeable for goods and services produced for specific purposes, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required to be disclosed.

Under the prior guidance, the Company included storage costs in the cost of inventory. This is no longer permitted, resulting in a $1,357,000 adjustment to opening inventory for the year and a corresponding adjustment to opening retained earnings. Prior periods have not been restated.

The following are new standards that have been issued by the CICA that are not yet effective but may impact the Company:

Goodwill and Intangible Assets

In November 2007, the CICA issued Section 3064, Goodwill and Intangible Assets ("Section 3064"). Section 3064, which replaces Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This standard is effective for the Company for interim and annual consolidated financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently assessing the impact that this section will have on its financial position and results of operations. Any adjustment will be recorded through opening retained earnings in the first quarter of fiscal 2010.

Business Combinations and Consolidated Financial Statements – CICA Section 1582 and 1601

As of January 30, 2011, the Company will be required to adopt new CICA standards with respect to business combinations and consolidated financial statements. The new CICA 1582 will replace CICA 1581 and is meant to align the accounting for business combinations under Canadian GAAP with the requirements of International Financial Reporting Standards. Likewise, CICA 1601 will replace CICA 1600 with respect to consolidated financial statements.

Under sections 1582 and 1601 the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners, members or participants. In addition, acquisition costs are not part of the purchase consideration and are to be expensed when incurred. With the adoption of these Standards, the Company expects that all acquisition related costs will be expensed through the statement of operations. These standards will be applied on a prospective basis.

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA announced that GAAP for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from GAAP to IFRS will be applicable to the Company's reporting for the first quarter of fiscal 2012 for which the current and comparative information will be prepared under IFRS.

The Company is in the process of completing the scoping and assessment phase of the transition. This phase identified a number of topics possibly impacting either the Company's financial results and/or the Company's effort necessary to changeover to IFRS. This phase is ongoing, as the Company will continue to assess future International Accounting Standards Board ("IASB") pronouncements for transitional impacts.

The Company has started the key elements phase of implementation which includes the identification, evaluation and selection of accounting policies necessary for the Company to transition to IFRS. Consideration of impacts on operational elements such as information technology and internal control over financial reporting are integral to this process.

Although the Company's impact assessment activities are underway and progressing according to plan, continued progress is necessary before the Company can prudently increase the specificity of the disclosure of pre- and post-IFRS changeover accounting policy differences.

Retail Risks And Uncertainties

Traditionally, the retail industry is influenced by a number of external factors that are difficult to actively manage. These include the overall economy, consumer spending and debt levels. Other factors, such as retail competition, seasonality, changes in fashion trends and adverse movements in foreign exchange and interest rates, can normally be managed to a certain extent.

The key elements of the Company's strategy for minimizing normal risks and those created by the recent market volatility and credit crisis are as follows:

Retail Competition and Consumer Confidence

The Company competes with independent specialty retailers, on a regional basis, in all major markets across Canada and with department stores and mass merchants on a national basis. The Company analyzes competitive effects in its markets, particularly its performance relative to competitors. This analysis permits a determination of the degree of competitiveness within a market or business segment and allows for the necessary steps to be taken to protect market share. Due to the Company's large network of stores, its competitive risks are reduced.

The Company's traditional ability to forecast the business climate has been compromised by the recent credit crisis, stock market volatility and deteriorating performance of the international and domestic economies. In order to manage the greater level of uncertainty, the Company has created and reviewed multiple scenarios of its business operations and created cost containment strategies to maintain profitability and liquidity. In addition, the Company manages its inventory position by adjusting its forward looking open to buy to current rates of product sell-through on a monthly basis.

Seasonality

The Company strives to minimize the seasonality of the business by altering its merchandise mix at certain times of the year, to reflect consumer demand.

Fashion Trends

Fashion trends in the sports apparel industry shift quickly and the Company's success in this area is largely dependent on its ability to gauge consumer preferences and to deliver merchandise in a timely fashion to satisfy consumer trends. The Company minimizes its exposure to changes in fashion trends by actively managing its inventory and aggressively marking down slow-moving inventory. In the current economic environment, the Company believes that its mix of reasonably priced, performance athletic apparel will continue to be an integral part of its target consumers lifestyle, and that its value priced goods and banners may attract more customers.

Foreign Exchange Risk

In fiscal 2009, total foreign exchange exposure was approximately $65.8 million, or 7.6% of the Company's purchases. The Company uses options and forward contracts to fix exchange rates and protect planned margins. As at February 1, 2009, the Company had $3.6 million in net foreign exchange contracts outstanding.

On February 1, 2009, a 1% increase or decrease in the exchange rate of the Canadian dollar, assuming that all other variables are constant, would have resulted in a $85,000 decrease or increase in the Company's net earnings for the period ended February 1, 2009.

Liquidity Risk

Liquidity is the risk the Company will encounter difficulties in meeting its financial obligations. The Company manages its liquidity risk through cash and debt management.

Operations Sensitivity Analysis

The following table illustrates the impact a 1% increase in sales, and a 1% improvement in margins, has on the Company's gross margin dollars.

	February 1, 2009	February 3, 2008	January 28, 2007
(In thousands)	$	$	$
Sales shift of 1%	4,835	4,784	4,516
Margin increase of 1%	13,468	13,310	12,640

Senior Management and Other Key Personnel Risk

The Company's success is, to a significant extent, attributable to the leadership and experience of its senior management and other key employees. The unexpected loss of the Company's current senior management or other key employees, or its ability to attract, hire and retain such persons in the future could have an adverse effect on the business and prospects of the Company. In order to manage this risk, the Company monitors and adjusts its compensation to the marketplace and, has in place a Long Term Incentive Plan for key personnel. The Company has also initiated a program to identify and develop the next generation of high potential leadership candidates from within management ranks.

Personnel Risk

The Company is exposed to risks in hiring and retaining exceptional sales and administrative personnel to operate its business. It competes on a regional basis for these resources with other employers both within and outside the traditional retail market. In order to manage this risk, the Company monitors trends in compensation and benefits and adjusts its offering to employees on a regular basis to remain competitive.

Supply Chain Risk

The Company sources the majority of its product from domestic suppliers. No single vendor accounts for more than 7% of the total annual purchases of the Company. To the extent that these domestic suppliers import their products, the Company may be exposed to the risk of delivery delay caused by a labor disruption at the ports handling this product. To mitigate the risk, the Company has historically worked closely with key vendors to re-schedule or re-route deliveries and/or production that could be delayed in the event of likely port disruptions.

Weather

Extreme weather conditions can affect the timing of consumer spending and may have an adverse effect upon the Company's business. In particular, unseasonable weather, especially during the Company's peak selling seasons, may have an adverse effect of the Company's sales and results from operations. The Company's geographic diversity mitigates the risk to some extent as does its ability to adjust local inventories on a timely basis through its precision retail group and supply chain.

Related Party Transactions

An officer of the Company holds an interest in franchise store operations. During the year, the franchise operations transacted business, in the normal course and at fair market value, with the Company, purchasing product in the amount of $11,438,00 (2008 - $7,660,000). At the end of the year, accounts receivable from the franchise operation were $4,404,000 (2008 – $1,821,000).

Legal Proceedings

Claims and suits have been brought against the Company in the ordinary course of business. In the opinion of management, all such claims and suits are adequately covered by insurance or, if not so covered, the results are not expected to materially affect the Company's financial position. Any costs to the Company arising from these claims and suits will be charged to earnings in the year in which they occur.

Disclosure Controls And Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management in order to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings, that the Company's disclosure controls and procedures, as of the end of such period, are effective and provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to them by others within those entities.

Internal Control Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for the design of internal controls over financial reporting, or causing them to be designed under their supervision, and evaluated for operating effectiveness to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

In fiscal 2008, the Company completed its assessment of the design of the internal controls over financial reporting. In fiscal 2009, the Company evaluated the operating effectiveness of those controls and determined that a number of its information systems are subject to general control deficiencies which when aggregated result in deficiencies. These deficiencies are not considered to be a material weakness such that there is a reasonable possibility that a material misstatement in the Company's annual financial statements will not be prevented or detected on a timely basis.

Control deficiencies exist in the following areas:

- Change Management
- Security Access
- Computer Operations
- Information Security

While the controls are not directly compensated, the Company considers the risks inherent in these weaknesses to be compensated for by manual controls including, but not limited to, management's review of results against budgets and prior year.

The Company realizes the significance of these control weaknesses and is actively pursuing a remediation process.

It should be noted that, while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's controls and procedures provide a reasonable level of assurance that they are effective (except as noted above), they do not expect that the controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Future Events And Trends

The Company anticipates continued consolidation in the sporting-goods retail industry. This will create opportunities for the Company to further increase its market share. As independent retailers continue to see reductions in their profit margins, and as buying groups weaken, this will create opportunities for the franchise division to attract quality independents. Furthermore, as less productive retailers exit the market, it will create opportunities for further corporate expansion. In fiscal 2010, the Company plans to open 16 new corporate stores and focus on driving up existing corporate store sales per door through the installation of Nevada Bob's Golf concept shops in Sport Chek locations, while continuing to expand its Franchise store base by approximately 12 stores.

This document may contain forward-looking statements relating to the future performance of The Forzani Group Ltd. Forward-looking statements, specifically those concerning future performance, are subject to certain risks and uncertainties, and actual results may differ materially. The Company, in compliance with the reporting requirements of the various securities commissions, details these risks and uncertainties from time to time. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made. The Company disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Management's Responsibilities For Financial Reporting

The Annual Report, including the consolidated financial statements, is the responsibility of the management of the Company. The consolidated financial statements were prepared by management in accordance with generally accepted accounting principles. The significant accounting policies used are described in Note 2 to the consolidated financial statements. The integrity of the information presented in the financial statements, including estimates and judgments relating to matters not concluded by year-end, is the responsibility of management. Financial information presented elsewhere in this Annual Report has been prepared by management and is consistent with the information in the consolidated financial statements.

Management is responsible for the development and maintenance of systems of internal accounting and administrative controls. Such systems are designed to provide reasonable assurance that the financial information is accurate, relevant and reliable, and that the Company's assets are appropriately accounted for and adequately safeguarded (refer also to page 55 under "internal control over financial reporting"). The Board of Directors is responsible for ensuring that management fulfils its responsibilities for final approval of the annual consolidated financial statements. The Board appoints an Audit Committee consisting of three directors, none of whom is an officer or employee of the Company or its subsidiaries. The Audit Committee meets at least four times each year to discharge its responsibilities under a written mandate from the Board of Directors. The Audit Committee meets with management and with the independent auditors to satisfy itself that they are properly discharging their responsibilities, reviews the consolidated financial statements and the Auditors' Report, and examines other auditing, accounting and financial reporting matters. The consolidated financial statements have been reviewed by the Audit Committee and approved by the Board of Directors of The Forzani Group Ltd. The consolidated financial statements have been examined by the shareholders' auditors, Ernst & Young, LLP, Chartered Accountants. The Auditors' Report outlines the nature of their examination and their opinion on the consolidated financial statements of the Company. The independent auditors have full and unrestricted access to the Audit Committee, with and without management present.

[signed]
Robert Sartor
Chief Executive Officer

[signed]
Micheal R. Lambert, CA
Chief Financial Officer

Auditor's Report

To the Shareholders of
The Forzani Group Ltd.

We have audited the consolidated balance sheets of The Forzani Group Ltd. as at February 1, 2009 and February 3, 2008 and the consolidated statements of operations, retained earnings, comprehensive earnings, accumulated other comprehensive earnings (loss) and cash flows for the 52 week period ended February 1, 2009 and the 53 week period ended February 3, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 1, 2009 and February 3, 2008 and the results of its operations and its cash flows for the 52 week period ended February 1, 2009 and the 53 week period ended February 3, 2008 in accordance with Canadian generally accepted accounting principles.

[Signed]
Ernst & Young LLP
Chartered Accountants

Calgary, Canada
April 7, 2009