

The Forzani Group Ltd.

Consolidated Balance Sheets
(in thousands)
(unaudited)

As at	May 4, 2008	February 3, 2008	April 29, 2007
ASSETS			
Current			
Cash and cash equivalents	\$ 2,945	\$ 47,484	\$ 897
Accounts receivable	125,266	75,506	134,538
Inventory (Note 1)	339,368	319,445	330,898
Prepaid expenses	16,084	14,501	4,565
	483,663	456,936	470,898
Capital assets	191,599	188,621	185,421
Goodwill and other intangibles	91,529	89,335	89,586
Other assets	3,912	3,863	4,952
Future income tax asset	16,808	16,209	117
	\$ 787,511	\$ 754,964	\$ 750,974
LIABILITIES			
Current			
Indebtedness under revolving credit facility	\$ 27,446	\$ -	\$ 23,811
Accounts payable and accrued liabilities	301,486	279,910	276,039
Current portion of long-term debt	53,100	51,863	2,494
	382,032	331,773	302,344
Long-term debt	5,437	6,586	56,204
Deferred lease inducements	53,323	55,089	57,947
Deferred rent liability	6,045	6,033	5,831
	446,837	399,481	422,326
SHAREHOLDERS' EQUITY			
Share capital (Note 3)	156,954	157,105	154,043
Contributed surplus	7,296	7,210	8,741
Accumulated other comprehensive loss	47	(8)	(2)
Retained earnings (Note 1)	176,377	191,176	165,866
	340,674	355,483	328,648
	\$ 787,511	\$ 754,964	\$ 750,974

see accompanying notes to the consolidated financial statements

The Forzani Group Ltd.

Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	For the thirteen weeks ended	
	May 4, 2008	April 29, 2007
Revenue		
Retail	\$ 210,330	\$ 194,195
Wholesale	97,160	100,363
	307,490	294,558
Cost of sales	202,079	196,520
Gross margin	105,411	98,038
Operating and administrative expenses		
Store operating	70,409	57,541
General and administrative	27,320	26,038
	97,729	83,579
Operating earnings before undernoted items	7,682	14,459
Amortization	11,250	11,052
Interest expense	904	1,370
Loss on sale of investment	-	864
	12,154	13,286
Earnings (loss) before income taxes	(4,472)	1,173
Income tax expense (recovery)		
Current	(968)	438
Future	(597)	(4)
	(1,565)	434
Net earnings (loss) for the period	\$ (2,907)	\$ 739
Basic and diluted earnings (loss) per share	\$ (0.09)	\$ 0.02

see accompanying notes

The Forzani Group Ltd.

Consolidated Statements of Retained Earnings, Comprehensive Earnings and
Accumulated Other Comprehensive Earnings (Loss)
(in thousands)
(unaudited)

Consolidated Statement of Retained Earnings	For the thirteen weeks ended	
	May 4, 2008	April 29, 2007
Retained earnings, beginning of period	\$ 191,176	\$ 171,095
Adjustment arising from adoption of new accounting policy (Note 1)	(1,357)	-
Adjusted Retained earnings, beginning of period	189,819	171,095
Net earnings (loss)	(2,907)	739
Dividends paid (Note 3(e))	(2,473)	-
Adjustment arising from shares purchased under a normal course issuer bid (Note 3(b))	(8,062)	(5,968)
Retained earnings, end of period	\$ 176,377	\$ 165,866

Consolidated Statement of Comprehensive Earnings

Net earnings (loss)	\$ (2,907)	\$ 739
Other comprehensive earnings (loss):		
Unrealized foreign currency gains and losses on cash flow hedges (net of tax of \$29 (2008- \$48))	55	(81)
Other comprehensive earnings (loss)	55	(81)
Comprehensive earnings (loss)	\$ (2,852)	\$ 658

Consolidated Statement of Accumulated Other Comprehensive Earnings (Loss) ("AOCE")

Accumulated other comprehensive earnings (loss), beginning of period	\$ (8)	\$ -
Reclassification of foreign currency translation (transitional adjustment)	-	79
Accumulated other comprehensive earnings (loss), beginning of period, as restated	(8)	79
Other comprehensive earnings (loss)	55	(81)
Accumulated other comprehensive earnings (loss), end of period	\$ 47	\$ (2)

see accompanying notes

The Forzani Group Ltd.

Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	For the Thirteen Weeks Ended	
	May 4, 2008	April 29, 2007
Cash provided by (used in) operating activities		
Net earnings (loss) for the period	\$ (2,907)	\$ 739
Items not involving cash:		
Amortization of capital assets	11,250	11,052
Amortization of deferred finance charges	181	176
Amortization of deferred lease inducements	(2,875)	(2,775)
Rent expense (Note 4)	21	126
Stock-based compensation (Note 3(c))	690	2,146
Future income tax expense (recovery)	(597)	(4)
Loss on sale of investment	-	864
Unrealized (gain) loss on ineffective hedges	(25)	63
	5,738	12,387
Changes in non-cash elements of working capital related to operating activities (Note 4)	(55,836)	(54,396)
	(50,098)	(42,009)
Cash provided by (used in) financing activities		
Proceeds from issuance of share capital (Note 3(b))	2,257	5,507
Share repurchase via normal course issuer bid (Note 3(b))	(11,074)	(7,555)
Decrease in long-term debt	(93)	(1,119)
Increase in revolving credit facility	27,446	23,811
Dividends paid (Note 3(e))	(2,473)	-
Lease inducements received	1,108	2,179
	17,171	22,823
Changes in non-cash elements of financing activities (Note 4)	22	(1,194)
	17,193	21,629
Cash provided by (used in) investing activities		
Capital assets	(11,337)	(4,999)
Other assets	(297)	2,694
	(11,634)	(2,305)
Changes in non-cash elements of investing activities (Note 4)	-	824
	(11,634)	(1,481)
Decrease in cash	(44,539)	(21,861)
Cash position, opening	47,484	22,758
Cash position, closing	\$ 2,945	\$ 897

see accompanying notes

The Forzani Group Ltd.

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands)

(unaudited)

1. Summary of Significant Accounting Policies

The unaudited interim consolidated financial statements (the “financial statements”) of The Forzani Group Ltd. (the “Company” or “FGL”) have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”). These financial statements do not contain all disclosures required by GAAP for annual financial statements, and accordingly, the financial statements should be read in conjunction with the most recently prepared annual financial statements for the 53-week period ended February 3, 2008.

The interim financial statements follow the same accounting policies and methods of application as the most recent annual audited consolidated financial statements as at February 3, 2008, except as noted below.

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from these estimates. Estimates are used when accounting for items such as employee benefits, product warranties, inventory provisions, amortization, uncollectible receivables and the liability for the Company’s loyalty program.

The Company’s business follows a seasonal pattern, with merchandise sales traditionally being higher in the fiscal fourth quarter due to consumer holiday buying patterns. As a result, a disproportionate share of total revenues is typically earned in the fourth quarter. This business seasonality results in performance, for the 13-week period ended May 4, 2008 which is not necessarily indicative of performance for the balance of the year.

Effective February 4, 2008 the Company adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”).

CICA Section 1535, *Capital Disclosures*, 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. Additional disclosure required as a result of the adoption of this standard is contained in Note 5.

CICA Sections 3862, *Financial Instruments - Disclosures*, and 3863 *Financial Instruments- Presentation*, 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. Additional disclosure required as a result of the adoption of this standard is contained in Note 6.

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CICA Section 3031, *Inventories*, 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 period and a corresponding adjustment to opening retained earnings by the difference in the measurement of opening inventory. Prior periods have not been restated.

2. Future Accounting Policy

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 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.

3. Share Capital

(a) Authorized

An unlimited number of Class A common shares

An unlimited number of Preferred shares, issuable in series

(b) Issued

Class A shares	Number	Consideration
Balance February 3, 2008	32,970	\$ 157,105
Shares issued upon employees exercising stock option	182	2,257
Stock-based compensation related to options exercised	-	605
Shares redeemed pursuant to normal course issuer bid	(632)	(3,013)
Balance May 4, 2008	32,520	\$ 156,954

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During the quarter, 632,300 (2008 –360,800) Class A shares were repurchased and cancelled pursuant to the Company's Normal Course Issuer Bid for a total expenditure of \$11,074,412 (2008 –\$7,555,222) or \$17.51 per share, and the consideration in excess of stated value of \$8,061,526 (amount paid of \$11,074,412 less stated value of \$3,012,886) was charged to retained earnings.

During the last week of the quarter, the Company committed to the purchase of an additional 402,400 shares for \$7,346,000 that were settled and cancelled subsequent to the quarter end.

(c) Stock Option and Unit Plans

As at May 4, 2008, the Company has outstanding stock options to officers and employees to purchase 1,774,676 Class A shares at prices between \$10.25 and \$23.00 per share. These options expire on dates between August 2008 and April 2013.

The Company has three stock option plans. The first plan has the following general terms: options vest over a period ranging from 2 to 5 years and the maximum term of the options granted is 5 years. During the 13-week period ended May 4, 2008, there were no options issued under this plan and \$15,046 in compensation expense was recognized (2008 – \$234,104).

The second plan has the following general terms: options vest over a period ranging from 2 to 5 years dependent on the Company achieving certain performance targets and the maximum term of the options granted is 5 years. All performance targets related to this plan were achieved in fiscal 2007, and therefore any new grants under this plan vest and are expensed immediately. During the 13-week period ended May 4, 2008, 120,000 options (2008 – 200,000) were issued under this plan and \$382,800 in compensation expense was recognized (2008 - \$1,886,192).

The third plan, which forms part of a new Long Term Incentive Plan ("LTIP"), has the following general terms: option grants are made annually and options vest over 3 years with a maximum term of 5 years. Under the terms of the plan, options issued carry a tandem share appreciation right ("TSAR") which allows holders to exercise vested options in either the traditional fashion, where shares are issued from treasury, or surrender their option in exchange for an amount of cash equalling the difference between the market price for a common share on the date of surrender and the strike price of the option. The final details of this plan were approved by the Company in the third quarter of fiscal 2008 and therefore, 110,000 options granted in the first quarter of fiscal 2008 have been reclassified as falling under the plan.

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During the 13-week period ended May 4, 2008, 258,520 options (2008 – 110,000) were issued under this plan. The related stock-based compensation expense in 2009 was \$292,390 (2008- \$25,656).

The total number of shares authorized for option grants under all option plans is 3,406,622

Weighted Average

Options issued	Strike price	Fair value per option	Risk-free rate	Expected option life	Expected volatility	Expected dividend yield
378,520	\$16.84	\$3.19	3.01%	3.00	26.95%	1.78%

The following table summarizes the movement in stock options during the quarter:

	Number
Opening	1,658
Granted	379
Exercised	(182)
Converted (TSAR Exercise)	(11)
Forfeited	(69)
Closing	1,775

The Company issues director stock units (“DSU”), restricted stock units (“RSU”) and performance stock units (“PSU”) from time to time. These units are accounted for as liability-classified awards and are measured at their fair value on the date of issuance, and re-measured at each reporting period, until settlement. During the quarter, 142,793 (2008 – 100,000) PSUs were issued and \$1,572,280 (2008 – \$2,369,341) was charged to stock-based compensation expense. During the quarter, 43,305 (2008 – Nil) RSUs were issued and \$498,765 (2008 - \$Nil) was charged to stock-based compensation expense. During the quarter, 4,744 (2008 – 3,990) DSUs were issued and \$325,731 (2008 - \$322,620) was charged to stock-based compensation expense.

As at May 4, 2008, the Company recorded a total amount payable for all units outstanding of \$2,913,587 (2008 - \$2,397,628) of which \$2,301,718 relates to DSUs and will be paid when a director leaves the Board of Directors.

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(d) Earnings per Share

The Company uses the treasury-stock method to calculate diluted earnings per share. Under the treasury-stock method, the numerator remains unchanged from the basic earnings per share calculation as the assumed exercise of the Company's stock options does not result in an adjustment to earnings. The reconciliation of the denominator in calculating diluted earnings per share is as follows:

	For the thirteen weeks ended	
	May 4, 2008	April 29, 2007
Weighted average number of Class A shares outstanding (basic)	32,894	33,782
Effect of dilutive securities	89	571
Weighted average number of Class A shares outstanding (diluted)	32,983	34,353

Anti-dilutive options are excluded from the effect of dilutive securities. The following weighted average options are anti-dilutive:

	For the thirteen weeks ended	
	May 4, 2008	April 29, 2007
Anti-dilutive options	462	-

(e) Dividends

On December 7, 2007 the Company declared its first quarterly dividend of \$0.075 per Class A common 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 Directors discretion. On April 9, 2008, the Company declared its regular quarterly dividend of \$0.075 per Class A common share, payable on May 5, 2008 to shareholders of record April 21, 2008.

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.

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(unaudited)

4. Supplementary Cash Flow Information

	For the thirteen weeks ended	
	May 4, 2008	April 29, 2007
Rent expense		
Straight-line rent expense	\$ 9	\$ 94
Non-cash free rent	12	32
	\$ 21	\$ 126
Changes in non-cash elements of working capital related to operating activities		
Accounts receivable	\$ (49,760)	\$ (69,163)
Inventory	(26,117)	(28,691)
Prepaid and other expenses	(1,583)	(1,877)
Non-cash free rent	(9)	273
Financial instruments	57	-
Accounts payable and accrued liabilities	21,576	45,062
	\$ (55,836)	\$ (54,396)
Changes in non-cash elements of financing activities		
Lease inducements	\$ -	\$ (561)
Derivative assets	-	(65)
Long-term debt	-	(568)
AOCE	55	-
Net financial assets	(33)	-
	\$ 22	\$ (1,194)
Changes in non-cash elements of investing activities		
Capital assets	\$ -	\$ 256
Other assets	-	568
	\$ -	\$ 824
Cash interest paid	\$ 723	\$ 1,184
Cash taxes paid	\$ 14,654	\$ 16,965

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Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands)

(unaudited)

5. Capital Disclosures

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to deploy capital to provide an appropriate return on investment to its shareholders. The Company's overall strategy remains unchanged from the prior year. The capital structure of the Company consists of cash, short and long-term debt and shareholders' equity comprised of retained earnings and share capital. The Company manages its capital structure and makes adjustments to it in light of economic conditions and the risk characteristics of the underlying assets. The Company's primary uses of capital are to finance non-cash working capital requirements, capital expenditures and acquisitions, which are currently funded from its internally-generated cash flows. The Company is in compliance with all externally imposed capital requirements, including any debt covenants.

6. Financial Instruments and Hedges

Financial Instruments

Financial assets and financial liabilities are initially recorded at fair value and are subsequently measured based on their classification as described below. The Company classifies its financial instruments into various categories based on the purpose for which the financial instruments were acquired and their characteristics.

Held-for-trading

Financial assets that are purchased and held with the intention of generating profits in the short-term are classified as held-for-trading. These investments are accounted for at fair value with the change in fair value recognized in net earnings during the period. Cash and cash equivalents and any derivatives not designated as hedges are classified as held for trading as of May 4, 2008.

Held-to-maturity

Securities that have a fixed maturity date and which the Company has a positive intention and ability to hold to maturity are classified as held-to-maturity and are accounted for at amortized cost using the effective interest rate method. The Company does not recognize gains and losses arising from changes in the fair value of these instruments until the gains and losses are realized, or there is impairment in the value of an asset. When recognized, such gains and losses are recorded directly in net income. No investments are classified as held-to-maturity investments. The Company does not own any asset-backed commercial paper.

Available-for-sale

Available-for sale investments are carried at fair value, except where the instrument does not have a quoted market price in an active market, with foreign exchange and revaluation gains and losses included in other comprehensive income or loss until the gains and losses are realized when equities are sold in the market or there is impairment in the value. The Company does not have any assets classified as available-for-sale.

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Loans and Receivables

The Company's accounts receivable are classified as current assets and are recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurement of trade receivables is at amortized cost, which usually corresponds to the amount initially recorded less any allowance for doubtful accounts.

Other Financial Liabilities

Accounts payable, accrued liabilities, dividends payable and income tax payable are classified as other financial liabilities and are measured at amortized cost.

Fair value of Financial Instruments

The Company has determined the fair value of its cash and cash equivalents, accounts receivable and financial liabilities (trade payables and accrued liabilities), approximates their respective carrying amounts as at the balance sheet dates due to their short-term nature.

The Company has determined the fair value of the current and long term portions of its mortgage debts are \$58,426 versus a carrying value of \$58,537. The change in fair value is created by movements in interest rates for similar maturity debt instruments which are used to discount the remaining payment obligations of the Company's mortgage debts. The fair value of the current and long term debt owing under the GE Capital credit facilities equals the carrying value.

Risks

Exposure to credit risk and interest rate risk arises in the normal course of the Company's business. The Company does not currently enter into derivative financial instruments to reduce exposure to fluctuations in any credit or interest risks impacting the operations of the Company.

i. Credit risk

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.

ii. Interest rate risk

The Company is exposed to interest rate risk on the credit facility as the rate is based on bank prime and on the Company's financial performance as determined by its interest coverage ratio. As at May 4, 2008, the interest rate paid was bank prime less 0.45%. For the first quarter of fiscal 2009, a 1% change in interest rates would change interest expense by \$167,005 (2008 - \$198,066).

The Company is not exposed to interest rate risk on long-term receivables, mortgages and vendor take-back loans as the rates are fixed.

The Forzani Group Ltd.

Notes to Interim Consolidated Financial Statements

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(unaudited)

iii. Liquidity risk

The Company is exposed to liquidity risk that it may be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements and using various funding sources to ensure its financial flexibility. The Company prepares budget and cash forecasts to ensure that it has sufficient funds to fulfill its obligations. In recent years, the Company has financed the growth of its capacity and sales primarily through cash flows from operations, the use of its revolving credit on a regular basis and through the periodic issuance of shares.

iv. Foreign Exchange Risk

The Company is exposed to exchange risk as a result of its foreign currency denominated purchases, primarily in U.S. dollars, and its U.S. dollar denominated accounts receivables. However, it mitigates its exposure to foreign exchange risk through active hedging programs. The Company does not use derivative financial instruments for speculative or trade purposes.

Hedging

The Company currently uses forward currency contracts and options to hedge anticipated transactions whose terms do not exceed one year.

The Company has recorded an unrealized loss in the consolidated statement of comprehensive earnings for the thirteen week period ended May 4, 2008 of \$83,664 relating to forward foreign currency contracts that do qualify for hedge accounting.

The outstanding forward foreign exchange contracts to which hedge accounting was applied at May 4, 2008 have notional amounts of \$6,656,265 and terms ranging from May 4, 2008 to October 10, 2008 at forward rates ranging from \$1.0193 to \$1.0204.

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.

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Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands)

(unaudited)

7. Segmented Financial Information

The Company operates principally in two business segments: corporately owned and operated retail stores and as a wholesale business selling to franchisees and others. Amortization and interest expense are not disclosed by segment, as they are all substantially retail in nature.

	May 4, 2008	April 29, 2007
Revenues:		
Retail	\$ 210,330	\$ 194,195
Wholesale	97,160	100,363
	\$ 307,490	\$ 294,558
Operating Profit:		
Retail	\$ 10,901	\$ 18,529
Wholesale	9,600	10,030
	20,501	28,559
Non-segment specific administrative expenses	12,819	14,100
Operating activities before under-noted items	7,682	14,459
Amortization	11,250	11,052
Interest expense	904	1,370
Loss on sale of investment	-	864
	12,154	13,286
Earnings (loss) before income taxes	(4,472)	1,173
Income tax expense (recovery)	(1,565)	434
Net earnings (Loss) for the period	\$ (2,907)	\$ 739

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Notes to Interim Consolidated Financial Statements

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As at	May 4, 2008	February 3, 2008	April 29, 2007
Accounts Receivable			
Retail	\$ 1,978	\$ 2,796	\$ 1,625
Wholesale	119,155	71,036	119,377
Non-segment specific	4,133	1,674	13,536
	\$ 125,266	\$ 75,506	\$ 134,538
Capital Assets			
Retail	\$ 168,098	\$ 164,740	\$ 162,651
Wholesale	20,419	20,596	19,166
Non-segment specific	3,082	3,285	3,604
	\$ 191,599	\$ 188,621	\$ 185,421
Goodwill/Other Assets			
Retail	\$ 54,335	\$ 63,291	\$ 61,171
Wholesale	34,392	20,336	29,685
Non-segment specific	6,714	9,571	3,682
	\$ 95,441	\$ 93,198	\$ 94,538
Total Assets			
Retail	\$ 501,166	\$ 515,739	\$ 525,407
Wholesale	232,437	164,541	204,083
Non-segment specific	53,908	74,684	21,484
	\$ 787,511	\$ 754,964	\$ 750,974

8. Employee Benefits Plan

The Company has a defined contribution plan and an employee profit sharing plan (replaces the previous deferred 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. The deferred profit sharing contributions were previously paid to a Trustee for the purchase of shares of the Company then distributed to participating employees on a predetermined basis, upon retirement from the Company. Contributions to both the employee profit sharing plan and previously to the deferred profit sharing plan are recognized as an expense when incurred.

The Company has expensed \$330,134 (2008 - \$331,961) during the quarter to the defined contribution plan and has accrued \$101,667 for the employee profit sharing plan (2008 - \$203,331 accrued to the deferred profit sharing plan).

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Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands)

(unaudited)

9. Acquisitions

The Company continues to operate Athletes World Limited (“AWL”), which on October 30, 2007 filed for and is currently operating under Companies’ Creditors Arrangement Act (“CCAA”) protection, as a stand-alone business. AWL was acquired effective November 26, 2007. While under CCAA protection, FGL is maintaining its usual role in the management of the day-to-day operation of Athletes World, under the supervision of a court appointed monitor who is 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. The final restructuring proposal requires approval by the Court and the other affected stakeholders.

As a result of obtaining additional information regarding preliminary estimates of fair values made at the date of purchase, management has revised the purchase price allocation. The revisions consisted of adjustments between various asset categories. There was no net impact to either the total assets acquired or the consideration given.

Inventory	\$ 26,171
Capital assets	2,626
Intangible asset - trademark	2,212
Future income tax asset	13,215
<u>Total assets acquired</u>	<u>44,224</u>

Bank indebtedness	108
Accounts payable	17,254
Long-term debt	18,196
<u>Total liabilities acquired</u>	<u>35,558</u>
<u>Net assets acquired</u>	<u>\$ 8,666</u>

Consideration given:	
Cash	\$ 1,500
Acquisition costs	7,166
<u>Total consideration</u>	<u>\$ 8,666</u>

On May 30, 2008, the creditors of AWL voted on and approved the proposed Plan of Arrangement. The Court approved the Sanction Order on June 6, 2008, and following a twenty-one day statutory appeal period, AWL is expected to successfully exit from CCAA protection.

10. Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the current period.