Management’s discussion and analysis (MD&A)

Forward-looking statements

This MD&A contains statements that are forward-looking. Actual results or events may differ materially from those forecasted in this disclosure because of the risks and uncertainties associated with Canadian Tire’s business and the general economic environment. See section 16.0 in this MD&A for additional important information and a caution on the use of forward-looking statements.

We cannot provide any assurance that forecasted financial or operational performance will actually be achieved or, if it is, that it will result in an increase in the price of Canadian Tire shares.

1.0 Preface

1.1 Definitions
In this document, the terms "we", "us", "our", "Company" and "Corporation" refer to Canadian Tire Corporation, Limited and entities it controls. For commonly used terminology (such as retail sales and same store sales), see the Glossary of Terms (pages 124 to 127) in the MD&A contained in the Company's 2012 Annual Report, which can be found online on the System for Electronic Disclosure and Retrieval (SEDAR) website at http://www.sedar.com and on the Company's Canadian Tire website in the Investor Relations section at http://investors.canadiantire.ca.

1.2 Review and approval by the Board of Directors
The Board of Directors, on the recommendation of its Audit Committee, authorized for issuance the contents of this MD&A on November 7, 2013.

1.3 Quarterly comparisons in this MD&A
Unless otherwise indicated, all comparisons of results for Q3 2013 (13 weeks ended September 28, 2013) are against results for Q3 2012 (13 weeks ended September 29, 2012) and comparisons of 2013 year-to-date results (39 weeks ended September 28, 2013) are against 2012 year-to-date results (39 weeks ended September 29, 2012).

1.4 Accounting estimates and assumptions
The preparation of condensed interim consolidated financial statements (interim financial statements) that conform to International Financial Reporting Standards (IFRS) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the interim financial statements and the reported amounts of revenue and expenses during the reporting period. See section 9.1 in this MD&A for further information.

1.5 Rounding and percentages
Rounded numbers are used throughout the MD&A. Year-over-year percentage changes are calculated on whole dollar amounts. In the presentation of basic and diluted earnings per share, the year-over-year percentage changes are based on fractional amounts.

2.0 Company and industry overview

2.1 Overview of the business
For a full description of the Company's Retail and Financial Services segments, see section 2.1 of the MD&A contained in the Company's 2012 Annual Report.

2.2 Strategic objectives

While meeting the needs of the jobs and joys of everyday living in Canada, the Company has focused its retail businesses and financial services business to support growth and productivity improvements as the Company strives to achieve the five-year financial aspirations outlined in 2010 (see section 3.0 for financial aspirations). The specific strategic objectives, major strategic initiatives and 2013 objectives are included in sections 5.1 and 5.1.2 of the MD&A contained in the Company's 2012 Annual Report. Refer to section 16.0 in this MD&A for a caution on the use of forward-looking statements.

2.3 Key operating performance measures

The Company has identified several key operating performance measures which Management believes are useful in assessing the performance of the Company. Retail sales is included in these key operating performance measures and refers to the point of sale (i.e. cash register) value of all goods and services sold to retail customers at Canadian Tire Dealer-operated, Mark's, PartSource and FGL Sports franchisee-operated, Petroleum retailer-operated and corporate-owned stores across the retail banners and do not form part of the Company's consolidated financial statements. Revenue, as reported in the Company's consolidated financial statements, is primarily comprised of the sales of goods to Canadian Tire Dealers and to Mark's, PartSource and FGL Sports franchisees, the sale of gasoline through retailers, and the sale of goods to retail customers by Mark's, PartSource and FGL Sports corporate-owned stores. Management believes that retail sales and related year-over-year comparisons provide meaningful information to investors and are expected and valued by them to help them assess the size and financial health of the retail network of stores; these measures also serve as an indicator of the strength of the Company's brand, which ultimately impacts its consolidated financial performance.

For a full description of the Company's key operating performance measures, see section 2.2 of the MD&A contained in the Company's 2012 Annual Report. Readers are cautioned that certain key operating performance measures do not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 10.4 of the MD&A contained in the Company's 2012 Annual Report for further discussion on key operating performance measures and non-GAAP financial measures as well as section 9.3 in this MD&A.

3.0 Financial aspirations

The strategic objectives include financial aspirations for the Company over the five-year period ending December 2014. These aspirations are not to be construed as guidance or forecasts for any individual year within the five-year period, but rather as long-term rolling targets that we aspire to achieve over the life of our strategic plans, based on the successful execution of our initiatives. Progress against these financial aspirations will be reported in the Company's 2013 Annual Report.

Financial measures[1,2]	Aspirations - fiscal 2010 - 2014
Canadian Tire Retail (CTR) retail sales[3] (POS) annual growth	3% to 5%
Consolidated EPS annual growth	8% to 10%
Retail return on invested capital (ROIC)	10%+
Financial Services return on receivables (ROR)	4.5% to 5.0%
Total return to shareholders (TRS) including dividends	10% to 12%

[1] For financial definition, refer to the Glossary of Terms on pages 124-127 of the 2012 Annual Report and section 9.3 of this MD&A for additional information.
[2] Refer to section 16.0 of this MD&A for information and a caution on the use of forward-looking information.
[3] Refer to sections 2.3 and 9.3 of this MD&A for additional information on retail sales.

Attainment of the financial aspirations continues to assume favourable Canadian economic conditions, the Company's ability to offer innovative products and services, a positive customer experience that appeals to consumers, and the Company's ability to respond to increased competition in the Canadian retail market.

As indicated previously, the Company reports on its progress towards achievement of the financial aspirations annually. In addition, on a quarterly basis, Management reviews the material risks and underlying assumptions that will impact the achievement of its aspirational targets over the five-year period. Based on its assessment, as at the date of this MD&A, Management still aspires to achieve the CTR retail sales growth, consolidated EPS annual growth, Financial Services ROR and TRS aspirations within the five-year period. The ROIC measure of ten per cent is the most aggressive, and while progress continues to be made, reaching this aspiration is dependent upon the Company's continued focus on deploying capital in an efficient manner and increasing the earnings generated by its existing retail assets. Based on the expected deployment of capital and anticipated earnings from our retail assets, Management believes it is unlikely the Company will achieve this aspiration by the end of the five-year strategic plan period. However, the Company continues to aspire to this level of performance.

4.0 Performance to date in 2013

The results of our operations were affected by certain non-operating items related to the formation of CT Real Estate Investment Trust (CT REIT) in Q3 2013 and the FGL Sports banner rationalization initiative in 2012. These items were included in the Q3 2013 and Q3 2012 and respective year-to-date results as follows:

(C$ in millions) **Financial statement line item**	**Q3 2013**	Q3 2012	**YTD Q3 2013**	YTD Q3 2012
Cost of producing revenue	**-**	0.7	**-**	(5.5)
Other income (expense)	**-**	-	**-**	(6.3)
Finance costs	**(0.1)**	-	**(0.1)**	-
Operating expenses	**(7.0)**	(0.8)	**(8.1)**	(11.0)

4.1 Consolidated financial results

(C$ in millions, except where noted)		Q3 2013		Q3 2012	Change		YTD Q3 2013		YTD Q3 2012	Change
Retail sales[1,2]	**$**	**3,261.6**	$	3,162.5	3.1%	**$**	**9,244.2**	$	9,050.2	2.1%
Revenue	**$**	**2,956.0**	$	2,829.8	4.5%	**$**	**8,456.9**	$	8,260.5	2.4%
Gross margin dollars	**$**	**929.1**	$	859.0	8.2%	**$**	**2,639.8**	$	2,503.5	5.4%
Gross margin (% of revenue)		**31.4%**		30.4%	108bps		**31.2%**		30.3%	91bps
Operating expenses (excluding depreciation & amortization)		**609.0**		564.7	7.8%		**1,788.3**		1,703.3	5.0%
Other (expense) income		**(0.8)**		0.8	(206.4)%		**3.2**		0.5	591.4%
EBITDA[3]	**$**	**319.3**	$	295.1	8.2%	**$**	**854.7**	$	800.7	6.8%
Depreciation and amortization		**88.1**		84.1	4.8%		**255.6**		247.3	3.4%
Net finance costs		**25.1**		31.7	(21.0)%		**79.9**		92.8	(13.9)%
Income before income taxes	**$**	**206.1**	$	179.3	14.9%	**$**	**519.2**	$	460.6	12.7%
Income taxes		**60.6**		47.9	26.4%		**145.8**		124.5	17.1%
Effective tax rate		**29.4%**		26.7%			**28.1%**		27.0%	
Net income	**$**	**145.5**	$	131.4	10.7%	**$**	**373.4**	$	336.1	11.1%
Basic earnings per share	**$**	**1.81**	$	1.61	12.3%	**$**	**4.62**	$	4.13	12.0%
Diluted earnings per share	**$**	**1.79**	$	1.61	11.5%	**$**	**4.60**	$	4.11	11.9%

1 Retail sales for the current YTD and prior year periods have been restated. Refer to section 9.3 for additional information.

2 Refer to section 2.3 for additional information on retail sales.

3 See non-GAAP measures in section 9.3 for additional information.

Third quarter

Earnings summary

Diluted earnings per share were $1.79, an increase of 11.5 per cent compared to Q3 2012. Normalizing for the one-time costs associated with the formation of CT REIT in Q3 2013 and for costs associated with the FGL Sports banner rationalization initiative in Q3 2012 referred to in section 4.0, diluted earnings per share increased 15.7 per cent. Consolidated income before income taxes increased 14.9 per cent (increased 18.8 per cent excluding the one-time costs referred to above) due to positive contributions from both the Retail and Financial Services segments.

Retail sales

Consolidated retail sales increased $99.1 million (3.1 per cent) in the quarter as a result of:

- Increased sales in Automotive, Living and Seasonal categories at CTR;
- Increased sales in the FGL Sports banner stores including the impact of Pro Hockey Life Sporting Goods Inc. (PHL) which was acquired on August 12, 2013, and offset by the negative net impact of over 50 fewer stores year-over-year due to the FGL Sports banner rationalization initiative;
- Strong sales growth at Mark's led by industrial apparel, accessories and footwear categories; and
- Higher sales at Petroleum, primarily due to higher gas prices and increased gas volume compared to the prior year.

Revenue
Consolidated revenue increased $126.2 million (4.5 per cent) in the quarter as a result of:

- Higher revenue at CTR due to increased shipments in key categories;
- Revenue growth at FGL Sports, Mark's and Petroleum largely related to increased retail sales across the banners as well as the inclusion of seven weeks of PHL results; and
- Increased interest revenue at Financial Services related to gross average accounts receivable (GAAR) growth.

Gross margin
Consolidated gross margin increased $70.1 million, up 8.2 per cent (8.3 per cent excluding one-time costs noted in section 4.0) and the consolidated gross margin rate increased 108 basis points reflecting:

- Strong margin performance across the CTR, Mark's and FGL Sports banners;
- The inclusion of PHL results for seven weeks during the quarter; and
- Strong margin performance at Financial Services primarily related to higher interest revenue and a lower write-off rate.

Operating expenses (excluding depreciation and amortization)
Consolidated operating expenses (excluding depreciation and amortization) increased $44.3 million, up 7.8 per cent (6.8 per cent excluding one-time costs noted in section 4.0), primarily due to:

- Legal, consulting and other costs associated with the formation of CT REIT;
- Higher marketing costs related to account acquisition at Financial Services and costs associated with Sports partnerships;
- Inclusion of PHL operating expenses for seven weeks;
- Increased personnel costs largely to support higher sales levels at Mark's, higher costs associated with stock-based compensation and higher supply chain costs at CTR; and
- Higher occupancy costs related to the Petroleum network expansion.

Depreciation and amortization expense
Consolidated depreciation and amortization expense increased $4.0 million (4.8 per cent) primarily due to:

- Increased depreciation on new stores in the network;
- Higher amortization of costs related to the re-branding of Mark's; and
- Increased amortization of intangible software assets.

Net finance costs
Net finance costs decreased $6.6 million (21.0 per cent) primarily due to a decrease in interest expense on Glacier Credit Card Trust (Glacier) long-term notes which were refinanced at a lower rate in Q4 2012.

Year-to-date

Consolidated year-to-date net income grew 11.1 per cent (7.7 per cent excluding one-time costs referred to in section 4.0) over the prior year due to earnings improvements across the Retail and Financial Services segments. The Retail segment income before income taxes grew due to higher revenues and a continued focus on managing the balance between sales and margins which led to improved margin rates across all the Retail banners. Financial Services income before income taxes grew due to higher revenue related to receivables growth and favourable funding costs, offset by increased allowance costs related to the growth in receivables.

Seasonal trend analysis

The second and fourth quarters of each year typically tend to generate stronger revenues and earnings in the retail businesses due to the seasonal nature of some merchandise and the timing of marketing programs. The following table shows the financial performance of the Company by quarter for the last two years.

Consolidated quarterly results

(C$ in millions, except where noted)	**Q3 2013**	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Revenue	**$ 2,956.0**	$ 3,021.1	$ 2,479.8	$ 3,166.7	$ 2,829.8	$ 2,991.2	$ 2,439.5	$ 3,135.1
Net income	**145.5**	154.9	73.0	163.1	131.4	133.7	71.0	166.3
Basic earnings per share	**1.81**	1.92	0.90	2.00	1.61	1.64	0.87	2.04
Diluted earnings per share	**1.79**	1.91	0.90	2.00	1.61	1.63	0.87	2.03

4.2 Key operating performance measures

Readers are reminded that certain key operating performance measures do not have standardized meanings under IFRS, and therefore may not be comparable to similar terms used by other companies.

(year-over-year percentage change, C$ in millions, except where noted)	Q3 2013	Q3 2012	Change	YTD Q3 2013	YTD Q3 2012	Change
Retail segment – total						
Retail sales growth[1,2]	**3.1%**	7.6%		**2.1%**	13.9%	
Revenue[3]	**$ 2,676.6**	$ 2,564.4	4.4%	**$ 7,643.1**	$ 7,480.1	2.2%
Retail ROIC[4, 5]	**7.48%**	7.59%		**n/a**	n/a	
Retail segment – by banner						
CTR						
Retail sales growth[6]	**2.8%**	0.3%		**1.8%**	1.4%	
Same store sales growth[6]	**2.0%**	(0.2)%		**0.9%**	0.9%	
Sales per square foot[7]	**$ 387**	$ 389	(0.6)%	**n/a**	n/a	
Revenue[3, 8]	**$ 1,479.6**	$ 1,395.4	6.0%	**$ 4,322.1**	$ 4,231.5	2.1%
FGL Sports						
Retail sales growth[1,9,10]	**4.2%**	4.3%		**3.7%**	4.7%	
Same store sales growth[9,10]	**6.3%**	4.0%		**5.5%**	4.9%	
Sales per square foot[9,11]	**$ 275**	$ 261	5.2%	**n/a**	n/a	
Revenue[3]	**$ 432.8**	$ 429.1	0.8%	**$ 1,137.6**	$ 1,106.1	2.8%
Mark's						
Retail sales growth[1, 12]	**4.7%**	0.9%		**4.4%**	4.2%	
Same store sales growth[1, 13]	**4.3%**	1.7%		**4.2%**	3.8%	
Sales per square foot[13]	**$ 317**	$ 305	3.5%	**n/a**	n/a	
Revenue[3, 14]	**$ 210.4**	$ 200.2	5.1%	**$ 641.5**	$ 614.1	4.5%
Petroleum						
Gasoline volume growth in litres	**0.6%**	1.1%		**0.7%**	0.9%	
Retail sales growth	**3.1%**	2.4%		**1.5%**	3.7%	
Revenue[3]	**$ 558.3**	$ 543.4	2.7%	**$ 1,555.2**	$ 1,539.8	1.0%
Gross margin dollars	**$ 40.8**	$ 39.8	2.4%	**$ 110.4**	$ 109.8	0.5%
Financial Services segment						
Revenue	**$ 262.1**	$ 249.7	5.0%	**$ 766.3**	$ 733.9	4.4%
Credit card sales growth	**5.4%**	(0.6)%		**1.5%**	1.0%	
Gross average accounts receivables (GAAR)	**$ 4,429.7**	$ 4,116.1	7.6%	**$ 4,330.0**	$ 4,058.2	6.7%
Revenue[4] (as a % of GAAR)	**23.59%**	24.08%		**n/a**	n/a	
Average number of accounts with a balance[15] (thousands)	**1,787**	1,733	3.1%	**1,759**	1,714	2.6%
Average account balance[15] (whole $)	**$ 2,476**	$ 2,370	4.5%	**$ 2,457**	$ 2,361	4.1%
Net credit card write-off rate[4, 15]	**5.74%**	6.92%		**n/a**	n/a	
Past due credit card receivables[15, 16] (PD2+)	**2.98%**	3.13%		**n/a**	n/a	
Allowance rate[17]	**2.57%**	2.55%		**n/a**	n/a	
Operating expenses[4] (as a % of GAAR)	**6.39%**	6.39%		**n/a**	n/a	
Return on receivables[4]	**7.21%**	6.68%		**n/a**	n/a	

1 Retail sales for the current YTD and prior year periods have been restated. Refer to section 9.3 for additional information.

2 Refer to section 2.3 for additional information on retail sales.

3 Inter-segment revenue within the retail banners of $4.5 million in the third quarter ($3.8 million for Q3 2012) and $13.3 million for YTD Q3 2013 ($11.3 million for YTD Q3 2012) has been eliminated at the Retail segment level. Revenue reported for CTR, FGL Sports, Mark's and Petroleum includes inter-segment revenue.

4 Figures are calculated on a rolling 12-month basis.

5 Prior year Retail ROIC has been restated. Refer to section 9.3 for additional information.

6 Includes sales from Canadian Tire stores, PartSource stores, the labour portion of CTR's auto service sales and the Home Services business.

7 Excludes PartSource stores. Retail space does not include seasonal outdoor garden centre, auto service bays, warehouse and administrative space.

8 Includes revenue from Canadian Tire Retail, PartSource and Franchise Trust.

9 Retail sales include sales from both corporate and franchise stores and beginning in Q3 2013 includes sales from PHL for the period from August 12th 2013 to September 28, 2013. Prior year metric has been restated to align FGL Sport's weekly sales calendar with that of CTR and Mark's. Refer to section 9.3 for additional information.

10 Year to date sales metrics have been restated. Refer to section 9.3 for additional information.

11 Figures are calculated on a rolling 12-month basis and include both corporate and franchise stores. Sales per square foot includes warehouse and administrative space.

12 Includes retail sales from Mark's corporate and franchise stores and ancillary revenue related to embroidery and alteration services.

13 Includes sales from both corporate and franchise stores and excludes ancillary revenue. Sales per square foot does not include warehouse and administrative space.

14 Includes sale of goods to Mark's franchise stores and retail sales from Mark's corporate stores and excludes ancillary revenue.

15 Credit card portfolio only.

16 Credit card receivables more than 30 days past due as a percentage of total ending credit card receivables.

17 The allowance rate was calculated on the total managed portfolio of loans receivable.

4.3 Retail banner network at a glance

Number of stores and retail square footage	September 28, 2013	December 29, 2012	September 29, 2012
Consolidated store count			
CTR retail banner stores[1]			
Smart stores	**280**	247	221
Updated and expanded stores	**150**	180	198
Traditional stores	**39**	44	51
Small Market stores	**21**	19	17
Express	**1**	N/A	N/A
Total CTR retail banner stores	**491**	490	487
PartSource banner stores	**88**	87	87
FGL Sports banner stores			
Sport Chek	**168**	161	156
Sports Experts	**72**	72	70
Atmosphere	**58**	57	56
Other[2,3]	**117**	185	189
Total FGL Sports retail banner stores	**415**	475	471
Mark's banner stores[1]			
Mark's	**198**	159	144
Mark's Work Wearhouse	**186**	225	241
Work World	**2**	2	2
Total Mark's retail banner stores	**386**	386	387
Canadian Tire gas bar locations	**300**	299	293
Total stores	**1,680**	1,737	1,725
Consolidated retail square footage[4] (in millions)			
CTR banner	**20.1**	19.9	19.8
PartSource banner	**0.3**	0.3	0.3
FGL Sports banners[5]	**6.6**	6.5	6.4
Mark's banner	**3.4**	3.4	3.4
Total retail square footage[4,5] (in millions)	**30.4**	30.1	**29.9**

[1] Store count numbers reflect individual selling locations. Both CTR and Mark's totals include stores that are co-located.

[2] Pro Hockey Life business was acquired by FGL Sports in Q3 2013 and includes 23 corporate stores.

[3] Store count has been adjusted. Refer to section 9.3 for additional information.

[4] The average retail square footage for Petroleum's convenience stores was 525 square feet per store in Q3 2013 (499 square feet per store in Q3 2012). It is not included in the above.

[5] Retail square footage has been adjusted. Refer to section 9.3 for additional information.

The Company continues to retrofit its store network with a focus on converting selected existing stores to the latest formats. As at the end of Q3 2013, 274 stores had adopted some variation of the Living concept and 280 stores had been converted to the Smart store format. During the quarter, CTR converted one traditional store to the new Smart store format and two stores implemented the Living concept assortment. In addition, during the quarter there were 17 stores in the process of adopting the Living assortment which will be fully converted in Q4 2013. In addition, during Q2 2013, Management began to proactively convert its PartSource franchise stores to a corporate-owned model. As at the end of Q3 2013, ten franchise locations had been converted to corporate stores and the Company expects to convert an additional twelve locations by the end of 2013.

The Q3 2013 FGL Sports total store count reflects the completion of the banner rationalization initiative in Q1 2013, the addition of 23 PHL stores in Q3 2013, the closure of three franchise stores during the quarter and a change in how FGL Sports defines its retail locations. As a result of the change, 18 locations and approximately 0.1 million square feet of retail space related to the Company's wholesale operations were removed from the total counts in the table above. Refer to section 9.3 for additional information.

During the quarter, Mark's opened one new and relocated three corporate stores. In addition, nine stores were converted to the new Mark's format, bringing the total number of Mark's branded locations to 198 at the end of Q3 2013.

4.4 Business segment performance

4.4.1 Retail segment

4.4.1.1 Retail segment financial results

(C$ in millions)	**Q3 2013**	Q3 2012	Change	**YTD Q3 2013**	YTD Q3 2012	Change
Retail sales[1,2]	**$ 3,261.6**	$ 3,162.5	3.1%	**$ 9,244.2**	$ 9,050.2	2.1%
Revenue	**$ 2,676.6**	$ 2,564.4	4.4%	**$ 7,643.1**	$ 7,480.1	2.2%
Gross margin dollars	**$ 749.3**	$ 689.8	8.6%	**$ 2,107.0**	$ 2,008.4	4.9%
Gross margin (% of revenue)	**28.0%**	26.9%	110bps	**27.6%**	26.8%	72bps
Operating expenses (excluding depreciation & amortization)	**520.0**	484.9	7.2%	**1,539.2**	1,466.6	5.0%
Other (expense) income	**(0.8)**	0.7	(238.9)%	**3.1**	(2.0)	245.3%
EBITDA[3]	**$ 228.5**	$ 205.6	11.1%	**$ 570.9**	$ 539.8	5.8%
Depreciation and amortization	**85.6**	81.6	4.9%	**247.7**	240.0	3.2%
Net finance (income) costs	**16.8**	18.4	(9.6)%	**52.3**	54.4	(4.2)%
Income before income taxes	**$ 126.1**	$ 105.6	19.4%	**$ 270.9**	$ 245.4	10.4%

1 Retail sales for the current YTD and prior year periods have been restated. Refer to section 9.3 for additional information.

2 Refer to section 2.3 for additional information on retail sales.

3 See non-GAAP measures in section 9.3 for additional information.

Third quarter

Earnings summary Retail segment income before income taxes of $126.1 million was up $20.5 million or 19.4 per cent compared to the prior year (up 26.1 per cent excluding one-time charges referred to in section 4.0). Third quarter results reflect higher revenue and the continued focus on managing the balance between sales and margins across all the Retail banners, partially offset by increased operating expenses.

Retail sales
Retail sales increased 3.1 per cent in the quarter reflecting strong sales results across all retail banners reflecting in part, a positive customer response to new assortments at CTR, Mark's and FGL Sports banners and higher gas prices at Petroleum.

CTR retail sales increased 2.8 per cent in the quarter (2.0 per cent same store sales increase) led by strong sales performances in automotive, seasonal and kitchen products. In Automotive, service centre sales were strong with increases in labour related to hard parts installations, maintenance work, diagnostics and other inspections. Sales in the light auto parts and auto maintenance categories also increased during the quarter. Sales in key seasonal categories largely increased due to demand for power generation products in Calgary and Ontario, outdoor tools products and the new assortment related to the continued rollout of Hunting and Fishing Pro Shops.

FGL Sports' retail sales reflect strong sales performances across all the retail banners, particularly under the Sport Chek banner where same store sales increased 9.1 per cent reflecting strong sales in equipment, apparel and footwear, particularly in casual clothing due to the inclusion of new national brands and a positive customer response to running and training footwear assortments. Retail sales also included seven weeks of PHL results from the date of acquisition to the end of the quarter. Offsetting the positive sales performance was the net impact of over 50 fewer stores as a result of the banner rationalization initiative which was completed at the end of Q1 2013.

At Mark's, retail sales growth of 4.7 per cent (4.3 per cent same store sales) was driven by increased men's industrial apparel and accessories sales as well as strong industrial footwear sales.

Petroleum retail sales increased 3.1 per cent primarily due to higher year-over-year gas prices and the addition of seven incremental sites which contributed to higher gas volumes. Increased non-gas sales also contributed to the positive retail sales performance.

Retail revenue
Retail revenue increased 4.4 per cent in the quarter driven by higher shipments at CTR and increased sales at Mark's, FGL Sports and Petroleum.

CTR revenue was up 6.0 per cent compared to the prior year. Shipment growth was strong in key seasonal categories including outdoor tools and outdoor recreation largely due to positive in-season sales performance experienced during the quarter. Automotive division sales in the quarter drove increased shipments in addition to a shift in timing for winter tires compared to the prior year. Revenue growth was partially offset by shortages of products in certain seasonal categories and due to lower year-over-year shipments for products in categories that have been de-emphasized.

FGL Sports revenue increased 0.8 per cent in the quarter due to higher sales under all corporate and franchise banners, including strong same store sales performance at the core corporate Sport Chek banner stores and the addition of seven weeks of PHL results. Revenue growth was positive despite the net negative impact of over 50 stores that were closed due to the FGL Sports banner rationalization initiative since Q3 2012.

Mark's revenue increased 5.1 per cent in the quarter primarily due to improved retail sales, as noted previously, which was led by industrial apparel and accessories as well as industrial footwear.

Retail gross margin
Retail gross margin dollars increased $59.5 million, up 8.6 per cent (8.7 per cent excluding one-time costs referred to in section 4.0) due to the combined effect of higher shipments at CTR and higher sales at Mark's as well as an improved Retail segment gross margin rate. The retail gross margin rate increased 110 basis points (112 basis points excluding one-time costs referred to in section 4.0) versus Q3 2012 due to continued management of the balance between sales and margins and better margin rates, particularly at CTR, strong margin management and fewer mark downs at Mark's compared to the previous year, as well as a favourable sales mix and the inclusion of PHL results for seven weeks at FGL Sports.

Retail operating expenses (excluding depreciation and amortization)
Retail operating expenses (excluding depreciation and amortization) increased 7.2 per cent (6.0 per cent excluding one-time costs referred to in section 4.0) largely due to legal, consulting and other costs related to the formation of CT REIT, higher costs associated with stock-based compensation, personnel and occupancy expenses resulting from increased sales levels at Mark's, higher supply chain costs at CTR related to increased sales volumes, and costs associated with the Petroleum network expansion. In addition, the inclusion of seven weeks of PHL expenses and increased investments in marketing and advertising expenses related to athlete and other sports sponsorships also contributed to the increase.

Retail depreciation and amortization expense

Retail depreciation and amortization expense increased 4.9 per cent primarily due to higher depreciation expense on property and equipment related to new stores in the network, the Mark's rebranding initiative and an increase in amortization of intangible software assets.

Year-to-date

Retail sales on a year-to-date basis were up 2.1 per cent and revenue was up 2.2 per cent compared to the prior year. Retail sales growth was primarily due to higher sales across all retail banners including sales in key categories related to automotive parts and service as well as the rollout of the Living concept and Pro Shop formats at CTR. Revenue growth was attributable to increased sales across all retail banners and to higher shipment volumes in key seasonal and non-seasonal categories at CTR.

Retail income before income taxes increased 10.4 per cent on a year-to-date basis (increased 4.1 per cent excluding one-time costs referred to in section 4.0). Gross margin increases were partially offset by higher operating expenses which were largely related to the timing of marketing expenditures, planned incremental investment in advertising and marketing across the retail banners, increased costs associated with stock-based compensation, operating expenses associated with the formation of CT REIT as well as the inclusion of expenses related to PHL for seven weeks during the quarter.

4.4.1.2 Retail segment business risks

The Retail segment is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. These include, but are not limited to, supply chain disruption, seasonality and environmental risks. See section 7.5.1.2 of the MD&A contained in the Company's 2012 Annual Report for an explanation of these business-specific risks. See also section 10.0 of this MD&A for a discussion of Enterprise Risk Management and section 11.0 of the MD&A contained in the Company's 2012 Annual Report for a discussion of additional industry-wide and Company-wide risks affecting the business.

4.4.2 Financial Services segment

4.4.2.1 Financial Services financial results

(C$ in millions)	**Q3 2013**	Q3 2012	Change	**YTD Q3 2013**	YTD Q3 2012	Change
Revenue	**$ 262.1**	$ 249.7	5.0%	**$ 766.3**	$ 733.9	4.4%
Gross margin dollars	**151.9**	137.9	10.0%	**450.0**	404.2	11.3%
Gross margin (% of revenue)	**57.9%**	55.3%	267bps	**58.7%**	55.1%	364bps
Other (expense) income	**-**	0.1	(84.7)%	**0.1**	2.5	(94.2)%
Operating expenses	**72.8**	64.7	12.2%	**203.2**	192.2	5.7%
Operating income[1]	**$ 79.1**	$ 73.3	7.9%	**$ 246.9**	$ 214.5	15.1%
Net finance (income) costs	**(0.9)**	(0.4)	123.5%	**(1.4)**	(0.7)	84.9%
Income before income taxes	**$ 80.0**	$ 73.7	8.5%	**$ 248.3**	$ 215.2	15.3%

[1] Refer to section 9.3 in this MD&A for operating income definition and additional information.

Third quarter

Earnings summary Financial Services income before income taxes increased 8.5 per cent in the quarter compared to the prior year. The increase was due to higher revenue related to credit card receivables growth and favourable funding costs, partially offset by increased allowance expense related to GAAR growth.

Financial Services revenue
Financial Services revenue increased 5.0 per cent year-over-year primarily due to increased interest income generated on higher credit card receivables.

Financial Services gross margin
Financial Services gross margin rate increased 267 basis points in the quarter compared to the prior year primarily due to higher revenue from increased interest income and favourable funding costs, partially offset by an increase in allowance expense related to higher gross average accounts receivable.

Financial Services operating expenses
Financial Services operating expenses increased 12.2 per cent in the quarter compared to the prior year due to higher marketing costs largely related to account acquisition and higher personnel costs primarily due to increased stock-based compensation costs.

Year-to-date
Revenue on a year-to-date basis was up 4.4 per cent compared to the prior year primarily due to increased interest revenue related to credit card receivables growth.

Income before income taxes increased 15.3 per cent compared to the prior year largely due to increased interest revenue and lower write-offs, offset by an increase in allowance expense related to higher gross average accounts receivable and higher operating expenses largely related to account acquisition efforts.

4.4.2.2 Financial Services segment business risks
Financial Services is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. These include, but are not limited to, consumer credit, securitization funding, interest rate and regulatory risk. See section 7.5.2.2 of the MD&A contained in the Company's 2012 Annual Report for an explanation of these business-specific risks. See also section 10.0 of this MD&A for a discussion on Enterprise Risk Management and section 11.0 of the MD&A contained in the Company's 2012 Annual Report for a discussion of additional industry-wide and Company-wide risks affecting the business.

4.5 Balance sheet and cash flows

4.5.1 Balance sheet highlights

The Company's total assets, liabilities and shareholders' equity as at September 28, 2013 and September 29, 2012 are noted below along with select balance sheet line items where there have been significant changes versus the prior year.

(C$ in millions)	September 28, 2013	September 29, 2012[1]	Change ($)	Change (%)
Assets				
Cash and cash equivalents	**$ 408.2**	$ 262.2	$ 146.0	55.7%
Short-term investments	**184.8**	252.0	(67.2)	(26.7)%
Trade and other receivables	**720.7**	779.1	(58.4)	(7.5)%
Loans receivable	**4,398.1**	4,093.5	304.6	7.4%
Merchandise inventories	**1,736.1**	1,839.9	(103.8)	(5.6)%
Property and equipment	**3,463.2**	3,325.7	137.5	4.1%
Total assets	**13,156.8**	12,751.7	405.1	3.2%
Liabilities				
Deposits	**$ 1,371.5**	$ 1,154.9	$ 216.6	18.8%
Current portion of long-term debt	**272.8**	661.3	(388.5)	(58.7)%
Long-term debt	**2,077.3**	1,912.2	165.1	8.6%
Long-term deposits	**1,093.2**	1,196.6	(103.4)	(8.6)%
Total liabilities	**8,154.4**	8,106.8	47.6	0.6%
Shareholders' equity	**$ 5,002.4**	$ 4,644.9	$ 357.5	7.7%

[1] Prior year figures have been restated. Refer to note 17 in the notes to the condensed consolidated financial statements for additional information.

Assets

The year-over-year increase in total assets of $405.1 million is primarily due to the increase in loans receivable of $304.6 million resulting largely from credit card receivables growth at Financial Services and an increase in property and equipment of $137.5 million for investments in retail store assets and supporting technology investments as well as land purchased during the quarter for potential future distribution capacity.

The retail businesses continued to experience working capital improvements from faster conversion of trade accounts receivable into cash and overall improved inventory management across the enterprise.

Liabilities

The increase in liabilities reflects the net of increased deposit funding for credit card receivables growth, offset by improved working capital management.

Combined, long-term debt and the current portion of long-term debt decreased $223.4 million compared to the prior year. The Q3 2013 debt balance is lower due to the February 2013 Glacier debt maturity of $634.9 million which was offset by the $423.3 million Glacier securitization transaction which was completed in October 2012.

4.5.2 Summary cash flows

The Company's consolidated statements of cash flows for the periods ended September 28, 2013 and September 29, 2012 are noted below.

(C$ in millions)	**Q3 2013**	Q3 2012	Change ($)	**YTD Q3 2013**	YTD Q3 2012	Change ($)
Cash generated from operating activities before the undernoted items	**$ 408.0**	$ 396.4	$ 11.6	**$ 1,085.9**	$ 1067.4	$ 18.5
Change in operating working capital and other	**(87.1)**	(202.7)	115.6	**74.3**	(323.5)	397.8
Change in loans receivable	**(152.6)**	(130.7)	(21.9)	**(363.7)**	(275.9)	(87.8)
Change in deposits	**57.3**	27.1	30.2	**38.9**	64.3	(25.4)
Cash generated from operating activities before interest and income taxes	**225.6**	90.1	135.5	**835.4**	532.3	303.1
Interest paid	**(16.0)**	(38.2)	22.2	**(87.2)**	(114.3)	27.1
Interest received	**2.7**	2.2	0.5	**9.1**	5.9	3.2
Income taxes paid	**(26.7)**	(27.0)	0.3	**(143.2)**	(112.3)	(30.9)
Cash generated from operating activities	**$ 185.6**	$ 27.1	$ 158.5	**$ 614.1**	$ 311.6	$ 302.5
Cash used for investing activities	**(244.9)**	(76.4)	(168.5)	**(383.2)**	(284.7)	(98.5)
Cash used for financing activities	**(82.4)**	(17.9)	(64.5)	**(819.0)**	(79.6)	(739.4)
Cash used in the period	**$ (141.7)**	$ (67.2)	$ (74.5)	**$ (588.1)**	$ (52.7)	$ (535.4)

Cash used in the quarter increased over the prior year primarily due to the acquisition of PHL and capital investment in property and equipment related to land purchased for potential future distribution capacity, store network openings and rebranding projects as well as digital initiatives. Cash generated from operating activities during the quarter improved over the prior year due to improvement in working capital by the Retail sector through focused efforts to reduce and better manage inventory levels, offset by an increase in loans receivable at Financial Services from credit card receivables growth.

Cash used on a year-to-date basis increased over the prior year primarily due to the repayment of Glacier senior and subordinated notes totaling $634.9 million in February 2013 combined with an increase in credit card balances at Financial Services, the acquisition of PHL and capital investment in property and equipment related to land purchased for potential future distribution capacity, store network openings and rebranding projects as well as digital initiatives. Partially offsetting the cash used year-to-date was an improvement in working capital by the Retail segment through focused efforts to reduce and better manage inventory and collection terms of accounts receivable.

5.0 Capital management, financing and capital expenditures

5.1 Capital management

The Company's objectives when managing capital are:

- Ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- Maintaining healthy liquidity reserves and access to capital; and
- Minimizing the after-tax cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

The definition of capital varies from company to company, industry to industry and for different purposes. The Company's definition of capital is the same as that detailed in note 5 of the annual financial statements contained in the Company's 2012 Annual Report, which includes Glacier indebtedness but excludes Franchise Trust indebtedness.

The Company manages its capital structure with a view to maintaining an investment-grade rating from two credit rating agencies. Management calculates its ratios to approximate the methodology of debt rating agencies and other market participants on a current and prospective basis. To assess its effectiveness in managing capital, management monitors these ratios against targeted ranges.

The Company was in compliance with key covenants under its existing debt agreements during Q3 2013. Under these covenants, the Company currently has sufficient flexibility to fund business growth and maintain or amend dividend rates within its existing dividend policy. The Company was in compliance with regulatory requirements concerning capital, including the capital guidelines issued by the Office of the Superintendent of Financial Institutions (OSFI) of Canada, associated with the operations of Canadian Tire Bank during the quarter.

5.2 Financing

The Company is in a strong liquidity position with the ability to access multiple sources of funding. A detailed description of credit market conditions, the Company's sources of funding and credit ratings were provided in section 8.3 of the MD&A contained in the Company's 2012 Annual Report. The total of available lines of credit at September 28, 2013 was $1.48 billion. The committed lines of credit are available through a four-year $1.18 billion syndicated credit facility that expires in June 2017 and $300.0 million of bilateral credit facilities that expire in September 2014.

The Company's credit ratings were confirmed by DBRS and S&P following the closing of the CT REIT transaction on October 23, 2013.

5.3 Capital expenditures

The Company's capital expenditures for the quarters ended September 28, 2013 and September 29, 2012 are noted below.

(C$ in millions)		**Q3 2013**		Q3 2012[1]		**YTD Q3 2013**		YTD Q3 2012[1]
Real estate projects	**$**	**166.6**	$	44.2	**$**	**264.8**	$	131.8
Information technology		**29.6**		15.5		**59.8**	$	51.1
Supply chain and distribution centres		**5.8**		4.5		**12.7**	$	9.4
Other purposes		**7.6**		3.9		**15.0**	$	8.7
Total capital expenditures[2]	**$**	**209.6**	$	68.1	**$**	**352.3**	$	201.0

[1] Prior year figures were reclassified to conform to the current year's presentation.

[2] Capital expenditures are presented on an accrual basis.

Capital expenditures, while in line with the Company's 2013 plan, increased $141.5 million in the quarter compared to the prior year, primarily due to the purchase of land for future distribution capacity, increased capital spending on real estate projects including costs associated with new FGL Sports banner store openings, store network initiatives at CTR and store network rebranding at Mark's, as well as increased spending on digital initiatives announced earlier in the year.

The following represents forward-looking information and users are cautioned that actual results may vary.

In Q3 2012, the Company announced that operating capital expenditures in 2013 were expected to be between $400 million and $425 million, excluding costs associated with a land purchase for potential future distribution capacity. As at the date of this MD&A, operating capital expenditures for fiscal 2013 are trending towards the high end of this range and as disclosed in the Q2 2013 MD&A, the land acquisition has been completed.

In fiscal 2014, the Company expects that operating capital expenditures will be between $500 million and $525 million. This estimate is based on Management's expectations that the Retail store network would continue to be expanded and refreshed and includes costs related to the FGL Sports store network expansion, rollouts of the Living assortment and Pro Shop concept to CTR stores, Mark's network enhancements and rebranding efforts and additional PartSource and Petroleum locations. In addition, the anticipated level of capital expenditures assumes that further investment will be made in information technology and digital initiatives both in the Company's store network and also in legacy systems that support the Company's operations and the Company's brand. In addition to the range for 2014 capital expenditures noted above, the Company expects to incur an additional $75 million to $100 million in costs associated with site preparation and planning for the land that was purchased in Q3 2013 as a potential site for future distribution capacity.

6.0 Equity

6.1 Share capital

(C$ in millions)	**September 28, 2013**	September 29, 2012	December 29, 2012
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (September 29, 2012 - 3,423,366; December 29, 2012 - 3,423,366)	**$ 0.2**	$ 0.2	$ 0.2
76,913,372 Class A Non-Voting Shares (September 29, 2012 - 78,020,350; December 29, 2012 - 77,720,401)	**621.3**	708.7	687.8
	$ 621.5	$ 708.9	$ 688.0

6.2 Dividends

As of September 28, 2013, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $28.1 million (2012 – $24.4 million) at a rate of $0.35 per share (2012 – $0.30 per share).

6.3 Normal course issuer bid

On February 22, 2013, the Toronto Stock Exchange (TSX) accepted the Company's notice of intention to make a normal course issuer bid (the NCIB) to purchase, between February 26, 2013 and February 25, 2014, up to 2.5 million Class A Non-Voting Shares.

During the quarter, the Company purchased 205,000 Class A Non-Voting Shares under the NCIB at a cost of $18.3 million. None of the shares was purchased for anti-dilutive purposes.

On a year-to-date basis, the Company has purchased 822,200 Class A Non-Voting Shares, beyond those purchased for anti-dilutive purposes, under the NCIB at an aggregate cost of $67.2 million.

In Q1 2013, the Company announced its intention, subject to a number of conditions, to repurchase a minimum of $100 million of its Class A Non-Voting Shares, in addition to those purchased for anti-dilutive purposes, over the course of 2013. The Company intends to continue to purchase shares under the NCIB during the balance of 2013 to meet this objective.

6.4 Equity derivative contracts

The Company enters into equity derivative contracts to provide a partial offset to its exposure to fluctuations in stock option and performance share unit (PSU) plan expense. The Company did not enter into any new equity derivative contracts during the quarter.

7.0 Tax matters

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company has determined that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

There have been no material changes in the status of ongoing audits by tax authorities as disclosed in section 9.0 in the MD&A contained in the Company's 2012 Annual Report.

As a result of the Company's investment in and development of certain qualifying information technology Scientific Research and Experimental Development (SR&ED) projects, a claim has been filed with the Canada Revenue Agency for SR&ED tax credits relating to a prior period. No amounts have been accrued in the Company's interim consolidated financial statements.

The Company regularly reviews the potential for adverse outcomes with respect to tax matters. The Company believes that the ultimate disposition of these will not have a material adverse effect on its liquidity, consolidated financial position or net income because the Company has determined that it has adequate provision for these tax matters. Should the ultimate tax liability materially differ from the provision, the Company's effective tax rate and its earnings could be affected positively or negatively in the period in which the matters are resolved.

Income taxes for the 13 and 39 weeks ended September 28, 2013 were increased by $10.1 million (2012 - $1.1 million) and $11.9 million (2012 - $2.8 million), respectively, due to non-deductible stock option expense. Income taxes in each of the 13 and 39 weeks ended September 28, 2013 were partially offset by a $4.2 million (2012 - $1.0 million) benefit related to adjustments to prior years' estimated tax payable.

The following represents forward-looking information and users are cautioned that actual results may vary.

In Q3 2012, the Company announced the effective tax rate for fiscal 2013 was expected to be 27.4 per cent. Management's current estimate for the 2013 effective tax rate is approximately 28.0 per cent primarily due to a higher stock-based compensation expense than originally anticipated.

In fiscal 2014, the Company anticipates that the effective tax rate will be approximately 27.0 per cent. This reflects the estimated impact of CT REIT based on its forecasted 2014 operations as presented in the CT REIT preliminary and final prospectuses and a lower anticipated stock option expense compared to 2013.

8.0 Business combination

8.1 Acquisition of Pro Hockey Life Sporting Goods Inc.

In August 2013, the Company acquired 100 per cent of the issued and outstanding shares of PHL, a Canadian retailer of sporting goods, with 23 urban, high-end hockey stores operating in five provinces across Canada under various trade names. The acquisition is a natural extension of the Company's sporting goods business.

The Company waived the condition relating to Competition Bureau approval of the acquisition prior to closing. An application to the Competition Tribunal may be made by the Commissioner of Competition in respect of a merger of this type for a period of one year after closing of the transaction.

The total consideration transferred, and the preliminary estimates of the fair value of identifiable assets acquired, liabilities assumed and goodwill recognized, as a result of the acquisition, are as follows:

(C$ in millions)		
Total consideration transferred	$	58.0
Fair value of identifiable assets acquired and liabilities assumed:		
Trade and other receivables		0.2
Merchandise inventories		47.9
Prepaid expenses and deposits		1.4
Assets classified as held for sale		3.7
Intangible assets		14.1
Property and equipment		10.4
Trade and other payables		(37.4)
Short-term borrowings		(21.8)
Deferred income taxes		(4.8)
Other long-term liabilities		(3.3)
Net identifiable assets acquired and liabilities assumed		10.4
Goodwill	$	47.6

The goodwill recognized on acquisition of PHL is attributable mainly to the expected future growth potential from the expanded customer base of PHL stores, the network of stores and access to the urban high-end customer segment within the hockey equipment market.

None of the goodwill recognized is expected to be deductible for income tax purposes.

9.0 Accounting policies and estimates

9.1 Critical accounting estimates

The Company estimates certain amounts reflected in its financial statements using detailed financial models that are based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. In Management's judgment, the accounting policies and estimates detailed in note 2 of the Company's Q3 2013 interim financial statements does not require us to make assumptions about matters that are highly uncertain and accordingly none of the estimates are considered a "critical accounting estimate" as defined in Form 51-102F1 published by the Ontario Securities Commission, except as noted below.

In the Company's view, the allowance for loan impairment at Financial Services is considered to be a "critical accounting estimate." Losses for impaired loans are recognized when there is objective evidence that the impairment of the loan portfolio has occurred. Impairment allowances are calculated on individual loans and on groups of loans assessed collectively. All individually significant loans receivable are assessed for specific impairment. Loans receivable that are not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics. The Company uses a roll rate methodology which employs statistical analysis of historical data, economic indicators and experience of delinquency and default to estimate the dollar amount of loans that will eventually be written off. The estimated loss is the difference between the present value of the expected future cash flows, discounted at the original effective interest rate of the portfolio, and the carrying amount of the portfolio. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

9.2 Changes in accounting policies

New standards implemented

Consolidated financial statements
In May 2011, the International Accounting Standard Board (IASB) issued IFRS 10 – *Consolidated Financial Statements* (IFRS 10), which replaces portions of IAS 27 – *Consolidated and Separate Financial Statements* (IAS 27) and all of Standing Interpretation Committee – *Consolidation – Special Purpose Entities* (SIC-12). IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an investor controls one or more investees. The standard requires an investor to consolidate an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As a consequence, IAS 27 has been amended but retains the existing guidance for separate financial statements. IFRS 10 and the amendments to IAS 27 were effective for annual periods beginning on or after January 1, 2013. The implementation of IFRS 10 and the amendments to IAS 27 did not have an impact on the Company.

Joint arrangements
In May 2011, the IASB issued IFRS 11 – *Joint Arrangements* (IFRS 11), which replaces IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 requires a venturer to classify its interest in a joint arrangement as either a joint venture or joint operation. Joint ventures are accounted for using the equity method of accounting. The previous option to account for joint ventures using proportionate consolidation has been removed. For a joint operation, the venturer recognizes its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 was effective for annual periods beginning on or after January 1, 2013. The implementation of IFRS 11 did not have an impact on the Company.

Disclosure of interests in other entities

In May 2011, the IASB issued IFRS 12 – *Disclosure of Interests in Other Entities* (IFRS 12), which establishes disclosure requirements for an entity's interests in other entities, such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosure requirements and introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

As a consequence of the issuance of IFRS 10 and IFRS 11, IAS 28 – *Investments in Associates* ("IAS 28") has been amended. IAS 28 provides accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

IFRS 12 and the amendments to IAS 28 were effective for annual periods beginning on or after January 1, 2013. Implementation of IFRS 12 will result in additional disclosures in the annual financial statement notes. The amendments to IAS 28 did not have an impact on the Company.

Fair value measurement

In May 2011, the IASB issued IFRS 13 – *Fair Value Measurement* (IFRS 13), which is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosure requirements about fair value measurement. Under previous IFRS, guidance on measuring and disclosing fair value was dispersed among the specific standards requiring fair value measurements and in many cases did not reflect a clear measurement basis or consistent disclosures. IFRS 13 was effective for annual periods beginning on or after January 1, 2013. Implementation of IFRS 13 has resulted in additional disclosures in note 14 to the interim financial statements.

Other comprehensive income presentation

In June 2011, the IASB amended IAS 1 – *Presentation of Financial Statements* (IAS 1) to require companies to group together items within other comprehensive income (OCI) that may be reclassified to net income. The amendments reaffirm the existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amendments were effective for annual periods beginning on or after July 1, 2012. Implementation of IAS 1 amendments did not have any impact on the Company's interim financial statements.

Post-employment benefits
In June 2011, the IASB issued amendments to IAS 19 – *Employment Benefits* ("IAS 19") that apply to defined benefit plans. The amendments eliminate the existing option to defer actuarial gains and losses (known as the corridor approach), require changes from remeasurement of defined benefit plan assets and liabilities to be presented in the OCI section of the statements of comprehensive income, and require additional disclosures. The amendments were effective for annual periods beginning on or after January 1, 2013. These amendments, which were applied retrospectively, did not have any significant impact as the Company already immediately records any actuarial gains and losses in OCI. In addition, the benefit of past service credits, previously recognized in employee benefits in other long-term liabilities on the condensed consolidated balance sheets, have been reclassified to retained earnings. As a result of the retrospective implementation of this standard, the cumulative impact on previously reported balances was as follows:

	Increase/(decrease)		
(C$ in millions)	December 29, 2012	September 29, 2012	December 31, 2011
Other long-term liabilities	$ (1.0)	$ (1.3)	$ (1.3)
Deferred income tax asset	(0.3)	(0.3)	(0.3)
Retained earnings	0.7	1.0	1.0

There was no impact on the condensed consolidated statements of income and there was no impact to cash generated on the condensed consolidated statements of cash flows for the 13 and 39 weeks ended September 29, 2012.

Financial instruments disclosures: Asset and liability offsetting
In December 2011, the IASB amended IFRS 7 – *Financial Instruments: Disclosures* ("IFRS 7") to require new disclosures on the effect of offsetting arrangements on an entity's financial position. The IFRS 7 amendment is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of the IFRS 7 amendment did not have an impact on the Company's results of operations and financial position.

Standards, amendments and interpretations issued and not yet adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending December 28, 2013, and, accordingly, have not been applied in preparing the Company's interim financial statements.

Financial instruments classification and measurement
In November 2009, the IASB issued IFRS 9 – *Financial Instruments: Classification and Measurement* ("IFRS 9"), which contained requirements for financial assets. In October 2010, requirements for financial liabilities were added to IFRS 9. IFRS 9 will replace IAS 39 – *Financial Instruments: Recognition and Measurement* (IAS 39) in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is

measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in the Company's credit risk are presented in OCI instead of net income unless this would create an accounting mismatch. An accounting mismatch may occur when financial liabilities that are measured at fair value are managed with assets that are measured at fair value through profit or loss. A mismatch could arise because the entire change in the fair value of the financial assets would be presented in net income but a portion of the change in the fair value of the related financial liabilities would not. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Financial instruments presentation: Asset and liability offsetting
In December 2011, the IASB amended IAS 32 – *Financial Instruments: Presentation* ("IAS 32") to clarify the requirements which permit offsetting a financial asset and liability in the financial statements. The IAS 32 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014. The Company is assessing the potential impact of the IAS 32 amendments.

9.3 Key operating performance measures and non-GAAP financial measures
The Company uses certain key operating performance measures and non-GAAP financial measures and believes that they provide useful information to both Management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

These measures do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

Key operating performance measures

Retail sales
Retail sales refer to the point of sale (i.e. cash register) value of all goods and services sold to retail customers at Canadian Tire Dealer-operated, Mark's, PartSource and FGL Sports franchisee-operated, Petroleum retailer-operated and corporate-owned stores across the retail banners and do not form part of the Company's consolidated financial statements. Revenue, as reported in the Company's consolidated financial statements, comprises the sales of goods to Canadian Tire Dealers and to Mark's, PartSource and FGL Sports franchisees, the sale of gasoline through agents, and the sale of goods to retail customers by Mark's, PartSource and FGL Sports corporate-owned stores.

Management believes that retail sales and related year-over-year comparisons provide meaningful information to investors and are expected and valued by them to help them assess the size and financial health of the retail network of stores; these measures also serve as an indicator of the strength of the Company's brand, which ultimately impacts its consolidated financial performance.

In addition, beginning in Q1 2013, retail sales includes the value of all goods and services provided as part of the Home Services business offering. To enhance comparability of the retail sales metric across the different retail banners of the Company and the retail industry, starting in Q3 2012, Mark's definition of retail sales was updated to align with that of other businesses within the Company. In Q1 2013, FGL Sports aligned its weekly sales calendar with that of CTR and Mark's.

In addition, in Q3 2013, FGL Sports made a change to how it defines its retail sales. As a result of the change, sales from 18 of the Company's non-franchised retail locations that participate in wholesale buying shows on an ad hoc basis were removed from the calculation of retail sales. Prior year figures and metrics have been restated. Sales definitions for our Retail banners can be found in section 4.2 of this MD&A and also in the glossary of terms at the end of the 2012 Annual Report.

Same-store sales

Same-store sales is the metric used by Management, and most commonly used in the retail industry, to compare retail sales growth in a more consistent manner across the industry. Prior year same-store sales results have been restated for the retail sales definition change made by FGL Sports as noted above. Same-store sales definitions for CTR, Mark's and FGL Sports banners can be found in section 4.2 of this MD&A and also in the glossary of terms at the end of the 2012 Annual Report.

Sales per square foot

Comparisons of sales per square foot metrics over several periods will identify whether existing assets are being made more productive by the Company's introduction of new store layouts and merchandising strategies. Beginning in Q2 2013, FGL Sports began reporting this metric externally in section 4.2 of this MD&A. Q3 2013 and prior year sales results have been restated for the retail sales definition change made by FGL Sports as noted. Sales per square foot definitions for CTR, Mark's and FGL Sports banners can also be found in this section.

Operating income

Operating income is defined as earnings before net finance costs and income taxes and is included in the Company's consolidated financial statements. Management believes operating income is a commonly used measure which investors, financial analysts and rating agencies may use to evaluate and compare a Company's performance against expectations and against other companies.

Retail ROIC

The Company believes Retail ROIC is useful in assessing the return on capital invested in various retail assets. In Q1 2013, Management changed the definition of Retail ROIC to better reflect the Retail segment's business models and to enhance comparability of the metric across the retail industry. The new definition is the Retail segment's after-tax earnings before interest expense and minimum lease payments on operating leases, divided by average invested capital for the Retail segment. Invested capital is the sum of Retail segment total assets less current liabilities, excluding the current portion of long-term debt plus capitalized operating leases. Prior year metrics have been restated.

Non-GAAP financial measures

EBITDA

The consolidated financial results table in section 4.1 of this MD&A reconciles income before income taxes, net finance costs and depreciation and amortization (EBITDA) to GAAP net income measures reported in the condensed consolidated statements of income for the periods ended September 28, 2013 and September 29, 2012. Management primarily uses EBITDA in assessing the performance of its ongoing retail operations and its ability to generate cash flows.

10.0 Enterprise Risk Management

The Company approaches the management of risk strategically through its Enterprise Risk Management (ERM) framework in order to mitigate the impact of principal risks on its business and operations. The ERM framework sets out principles and tools for identifying, evaluating, prioritizing, monitoring and managing risk effectively and consistently across the Company.

The ERM framework and the principal risks that the Company manages on an ongoing basis are described in detail in sections 11.0 and 11.2, respectively, in the MD&A contained in the Company's 2012 Annual Report.

Management reviews risks on an ongoing basis and did not identify any new principal risks during Q3 2013.

11.0 Controls and procedures

Changes in internal control over financial reporting

During the third quarter of 2013, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting, except as noted below.

In accordance with the provisions of National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, Management, including the CEO and CFO, have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude such controls, policies and procedures of PHL. The scope limitation is primarily based on the time required to assess the PHL's disclosure controls and procedures and internal controls over financial reporting in a manner consistent with the Company's other operations.

Further details related to the acquisition of PHL are disclosed in section 8.0 of this MD&A and in note 15 in the notes to the Company's unaudited condensed consolidated financial statements for Q3 2013.

12.0 Contractual obligations

The Company has a number of obligations related to long-term debt, finance (capital) lease obligations, operating leases, purchase obligations, Financial Services deposits and other obligations. For a complete description of amounts outstanding for the year ended December 29, 2012, see section 8.3.1 of the MD&A contained in the Company's 2012 Annual Report.

Over the period from December 30, 2012 to September 28, 2013, the Company has entered into several sports-related agreements and endorsement contracts as follows:

- In Q1 2013, Canadian Tire, Sport Chek and Sports Experts entered into an eight-year agreement as a Premier National Partner of the Canadian Olympic Team, and also entered into agreements with the Canadian Paralympic Committee, the Canadian Soccer Association, Skate Canada, Hockey Canada, Alpine Canada Alpin and Canada Snowboard;
- In Q2 2013, Canadian Tire, Sport Chek, Sports Experts and Mark's entered into an eight-year agreement to be the leading partner of the Ottawa Senators. This agreement includes a variety of rights and assets including the naming rights to the home of the Senators which is now called Canadian Tire Centre;
- In Q3 2013, the Company signed a ten-year endorsement contract with Maple Leaf Sports and Entertainment Limited which includes a variety of rights to certain banners within the Canadian Tire Family of Companies; and
- Over the course of the year, the Company signed endorsement contracts with eleven Canadian Olympic athletes.

The financial terms of the partnership agreements and endorsement contracts are not expected to have a material impact on the Company's consolidated financial results in 2013, or over the terms of the agreements.

Other than the partnership agreements referenced, there were no significant changes to the Company's outstanding contractual obligations compared to those identified as at December 29, 2012.

13.0 Social and environmental responsibility

13.1 Overview

The Company integrates responsible, sustainable business practices into its values, operations and strategy. The following two sections include information about select social and environmental programs, initiatives and policies related to the Company's business operations.

13.2 Community activities and Canadian Tire Jumpstart Charities

The Company's charitable efforts are reflected through the work of Canadian Tire Jumpstart Charities. Its signature program, Canadian Tire Jumpstart, helps financially disadvantaged children gain the life benefits that are associated with participating in organized sports and recreational activities. The program assists with the cost of registration, equipment and transportation. Through its 332 active chapters, and over 3,000 community partners, Canadian Tire Jumpstart has funded the programming costs for over 632,000 children since the launch of the program in 2005.

During Q3 2013, Jumpstart raised over $5.8 million across Canada, helping over 28,000 children participate in sports and recreation programs.

Helping Canadians enjoy life in Canada has always been at the centre of what Canadian Tire stands for. The Canadian Tire Family of Companies is proud to support local initiatives across all our banners through community and organizational support, such as amateur sport, injury prevention programs and disaster relief.

13.3 Business sustainability

Strategy and aspirations

The Business Sustainability strategy supports the Company's corporate strategic objectives as outlined in section 5.1 of the MD&A contained in the 2012 Annual Report. It is an innovation strategy that aims to achieve economic benefits and productivity gains with enhanced environmental outcomes by integrating sustainability into business operations.

Measurement and reporting

The Company reports annually on the environmental footprint and quarterly on the benefits from incremental business sustainability initiatives, measured as annual forecasts.

Environmental footprint

Refer to section 13.3 of the MD&A contained in the 2012 Annual Report for the latest measurement of the Company's environmental footprint.

Incremental initiatives

The following table summarizes projects that have been completed in 2013 as well as the forecasted annualized savings related to those projects which is estimated to be $3.7 million. In addition, forecasted annualized environmental benefits are expected to result in improvements in energy efficiency of 11 per cent and annual waste avoidance of over 1,350 tonnes.

Value-chain segment		Economic benefits ($)	Environmental benefits	
			Energy use (per cent improvement[1])	Waste avoided (tonnes)
Product	Reduced energy from transportation of optimized product and packaging and waste reductions (reduced packaging, damages and product waste)	$ 865,000	17%	1,317
Product transport	Reduced energy use from increased fuel efficiency in transportation modes and vehicles (e.g. use of long-combination vehicles)	91,000	40%	n/a
Business & retail operations	Reduced energy use in buildings and their operations through energy efficiency initiatives (e.g. new construction, retrofits and signage optimization)	2,739,000	11%	36
Total		**$ 3,695,000**	**11%**	**1,353**

[1] Improvements refer to the savings in comparison to the baseline scenario, where baseline scenario is defined as "what would have most likely occurred in the absence of the sustainability project." Improvements are related to the specific projects reported and do not represent total improvements to the value-chain segment.

For additional detail, please refer to the Company's Business Sustainability Performance Reports at:
http://corp.canadiantire.ca/EN/MAD/BusinessSustainability/Pages/OurProgressReports.aspx

14.0 Intention to seek financial partner

Consistent with the announcement made by the Company on August 8, 2013, during the quarter the Company commenced the process of seeking a financial partner for the credit card assets and related funding liabilities of its Financial Services business. The Company intends to enter into an arrangement with a financial partner if the Company's strategic and financial conditions are met. It is expected that the process entered into will extend over a period of approximately 12 months.

15.0 Subsequent event

Initial Public Offering of CT Real Estate Investment Trust (CT REIT)

In October 2013, in connection with its indirect acquisition of a portfolio of properties from the Company for a total purchase price of approximately $3.5 billion, CT REIT completed an IPO of 30,302,500 of its trust units (the Units) for $303.0 million, less offering costs of approximately $23.7 million, for net proceeds of $279.3 million. The IPO included the exercise of a $39.5 million over-allotment option. The Units were issued at a price of $10.00 per unit. After the exercise of the over-allotment option, the Company held an 83.1 per cent effective interest in CT REIT through its ownership of 59,711,094 Units, which had a value of $597.1 million, and all of the Class B limited partnership units in CT REIT Limited Partnership (the Partnership), a wholly owned subsidiary of CT REIT, which had a value of $895.6 million. The Class B limited partnership units are economically equivalent to and exchangeable for Units.

Concurrent with the completion of the IPO, the Partnership issued Class C limited partnership units with an aggregate redemption amount of $1.8 billion, all of which are held by the Company. The Class C limited partnership units are issued in nine series and have annual distribution rates during the initial fixed period ranging from 3.5 to 5.0 per cent.

CT REIT is an unincorporated, closed-end real estate investment trust which holds through the Partnership a geographically diversified portfolio of properties comprising mainly Canadian Tire retail banner stores, Canadian Tire anchored retail developments and one distribution centre.

The Company will consolidate CT REIT as a result of its controlling interest, eliminate all transactions between the Company and CT REIT and continue to account for the portfolio of properties on a historical cost basis in its consolidated financial statements. The portion of income and net assets of CT REIT attributable to the public unit holders will be reported as non-controlling interest on the consolidated balance sheets and consolidated statements of income.

16.0 Other investor communication

Caution regarding forward-looking information

This document contains forward-looking information that reflects Management's current expectations related to matters such as future financial performance and operating results of the Company. Specific forward-looking statements included or incorporated by reference in this document include, but are not limited to, statements with respect to:

- the Company's strategic objectives listed in section 2.2;
- the Company's financial aspirations listed in section 3.0

- the Company’s normal operating capital expenditures in section 5.3;
- the Company’s normal course issuer bid in section 6.3;
- the Company’s effective tax rate in section 7.0;
- the Company’s business sustainability aspirations and forecasted benefits in section 13.3 and
- the Company’s intention to seek a financial partner for its credit card portfolio in section 14.0.

Forward-looking statements are presented for the purposes of providing information about Management’s current expectations and plans and allowing investors and others to get a better understanding of the Company’s anticipated financial position, results of operations and operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

All statements, other than statements of historical facts, included in this document may constitute forward-looking information, including but not limited to, statements concerning Management's expectations relating to possible or assumed future prospects and results, the Company’s strategic goals and priorities, the Company’s actions and the results of those actions and the economic and business outlook for the Company. Often but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "will", "expect", “intend”, "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of Management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that Management believes to be relevant and reasonable at the date that such statements are made.

By its very nature, forward-looking information requires us to make assumptions and is subject to inherent risks and uncertainties, which give rise to the possibility that the Company's assumptions may not be correct and that the Company's expectations and plans will not be achieved.

Although the Company believes that the forward-looking information in this document is based on information and assumptions which are current, reasonable and complete, this information is necessarily subject to a number of factors that could cause actual results to differ materially from Management’s expectations and plans as set forth in such forward-looking information for a variety of reasons. Some of the factors – many of which are beyond the Company’s control and the effects of which can be difficult to predict – include (a) credit, market, currency, operational, liquidity and funding risks, including changes in economic conditions, interest rates or tax rates; (b) the ability of Canadian Tire to attract and retain quality employees, Dealers, Canadian Tire Petroleum retailers and PartSource, Mark's and FGL Sports store operators and franchisees, as well as the Company’s financial arrangements with such parties; (c) the

growth of certain business categories and market segments and the willingness of customers to shop at the Company's stores or acquire the Company's financial products and services; (d) the Company's margins and sales and those of the Company's competitors; (e) risks and uncertainties relating to information management, technology, supply chain, product safety, changes in law, regulations, competition, seasonality, commodity price and business disruption, the Company's relationships with suppliers and manufacturers, changes to existing accounting pronouncements, the risk of damage to the reputation of brands promoted by Canadian Tire and the cost of store network expansion and retrofits and (f) the Company's capital structure, funding strategy, cost management programs and share price. We caution that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect the Company's results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information.
For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, refer to sections 4.4.1.2 (Retail segment business risks), 4.4.2.2 (Financial Services segment business risks) and 9.0 (Enterprise Risk Management) and all subsections there under of this MD&A. Also refer to the "Risk Factors" section of the Company's Annual Information Form for fiscal 2012 and to sections 7.5.1.2 (Retail segment business risks), 7.5.2.2 (Financial Services segment business risks) and 11.0 (Enterprise Risk Management) and all subsections there under of the Company's 2012 MD&A, as well as Canadian Tire's other public filings, available at www.sedar.com and at www.corp.canadiantire.ca.

Statements that include forward-looking information do not take into account the effect that transactions, or non-recurring or other special items announced or occurring after the statements are made, have on the Company's business. For example, they do not include the effect of any dispositions, acquisitions, asset write-downs or other charges announced or occurring after such statements are made.

The forward-looking statements and information contained herein are based on certain factors and assumptions as of the date hereof. The Company does not undertake to update any forward-looking information, whether written or oral, that may be made from time to time by it or on its behalf, to reflect new information, future events or otherwise, except as is required by applicable securities laws.

Information contained in or otherwise accessible through the websites referenced in this MD&A does not form part of this MD&A and all references in this MD&A to websites are inactive textual references and are for your information only.

Commitment to disclosure and investor communication
The Investor Relations section of the Company's website http://corp.canadiantire.ca/en/investors includes the following documents and information of interest to investors:

- Annual Information Form;
- Management Information Circular;
- quarterly reports;
- quarterly fact sheets; and
- conference call webcasts (archived for one year).

Additional information about the Company has been filed electronically with various securities regulators in Canada through SEDAR and is available online at www.sedar.com and with OSFI as the primary regulator for the Company's subsidiary, Canadian Tire Bank.

If you would like to contact the Investor Relations department directly, call Lisa Greatrix at (416) 480-8725 or email investor.relations@cantire.com.

November 7, 2013

Condensed Consolidated Balance Sheets (Unaudited)

As at (C$ in millions)	**September 28, 2013**	September 29, 2012 (Note 17)	December 29, 2012 (Note 17)
ASSETS			
Cash and cash equivalents (Note 11)	**$ 408.2**	$ 262.2	$ 1,015.5
Short-term investments	**184.8**	252.0	168.9
Trade and other receivables	**720.7**	779.1	750.6
Loans receivable (Note 9)	**4,398.1**	4,093.5	4,265.7
Merchandise inventories	**1,736.1**	1,839.9	1,503.3
Income taxes recoverable	**40.9**	35.9	47.5
Prepaid expenses and deposits	**81.4**	76.8	39.1
Assets classified as held for sale	**10.1**	20.4	5.5
Total current assets	**7,580.3**	7,359.8	7,796.1
Long-term receivables and other assets	**718.4**	699.7	681.2
Long-term investments	**129.3**	156.9	182.7
Goodwill and intangible assets	**1,136.7**	1,089.6	1,089.9
Investment property	**92.3**	76.0	95.1
Property and equipment	**3,463.2**	3,325.7	3,343.5
Deferred income taxes	**36.6**	44.0	40.1
Total assets	**$ 13,156.8**	$ 12,751.7	$ 13,228.6
LIABILITIES			
Bank indebtedness (Note 11)	**$ 67.2**	$ 113.8	$ 86.0
Deposits	**1,371.5**	1,154.9	1,311.0
Trade and other payables	**1,940.2**	1,738.6	1,631.3
Provisions	**183.6**	176.3	185.8
Short-term borrowings	**119.9**	133.5	118.9
Loans payable	**630.7**	650.2	623.7
Income taxes payable	**41.4**	32.2	53.0
Current portion of long-term debt	**272.8**	661.3	661.9
Total current liabilities	**4,627.3**	4,660.8	4,671.6
Long-term provisions	**35.9**	49.4	54.8
Long-term debt	**2,077.3**	1,912.2	2,336.0
Long-term deposits	**1,093.2**	1,196.6	1,111.8
Deferred income taxes	**91.6**	83.1	77.7
Other long-term liabilities	**229.1**	204.7	212.4
Total liabilities	**8,154.4**	8,106.8	8,464.3
SHAREHOLDERS' EQUITY			
Share capital (Note 10)	**621.5**	708.9	688.0
Contributed surplus	**3.5**	2.8	2.9
Accumulated other comprehensive income (loss)	**13.5**	(17.0)	(1.7)
Retained earnings	**4,363.9**	3,950.2	4,075.1
Total shareholders' equity	**5,002.4**	4,644.9	4,764.3
Total liabilities and shareholders' equity	**$ 13,156.8**	$ 12,751.7	$ 13,228.6

The related notes form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Income (Unaudited)

(C$ in millions, except per share amounts)	13 weeks ended September 28, 2013	13 weeks ended September 29, 2012 (Note 17)	39 weeks ended September 28, 2013	39 weeks ended September 29, 2012 (Note 17)
Revenue (Note 5)	**$ 2,956.0**	$ 2,829.8	**$ 8,456.9**	$ 8,260.5
Cost of producing revenue (Note 6)	**(2,026.9)**	(1,970.8)	**(5,817.1)**	(5,757.0)
Gross margin	**929.1**	859.0	**2,639.8**	2,503.5
Other (expense) income	**(0.8)**	0.8	**3.2**	0.5
Operating expenses				
Distribution costs	**(85.8)**	(89.0)	**(255.2)**	(267.8)
Sales and marketing expenses	**(427.8)**	(396.1)	**(1,233.5)**	(1,174.8)
Administrative expenses	**(183.5)**	(163.7)	**(555.2)**	(508.0)
Total operating expenses (Note 7)	**(697.1)**	(648.8)	**(2,043.9)**	(1,950.6)
Operating income	**231.2**	211.0	**599.1**	553.4
Finance income	**4.8**	4.5	**15.2**	13.0
Finance costs	**(29.9)**	(36.2)	**(95.1)**	(105.8)
Net finance costs	**(25.1)**	(31.7)	**(79.9)**	(92.8)
Income before income taxes	**206.1**	179.3	**519.2**	460.6
Income taxes	**(60.6)**	(47.9)	**(145.8)**	(124.5)
Net income	**$ 145.5**	$ 131.4	**$ 373.4**	$ 336.1
Basic earnings per share	**$ 1.81**	$ 1.61	**$ 4.62**	$ 4.13
Diluted earnings per share	**$ 1.79**	$ 1.61	**$ 4.60**	$ 4.11
Weighted average number of Common and Class A Non-Voting Shares outstanding:				
Basic	**80,448,073**	81,444,801	**80,791,633**	81,448,818
Diluted	**81,080,891**	81,814,873	**81,238,763**	81,819,333

The related notes form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(C$ in millions)	13 weeks ended September 28, 2013	13 weeks ended September 29, 2012 (Note 17)	39 weeks ended September 28, 2013	39 weeks ended September 29, 2012 (Note 17)
Net income	**$ 145.5**	$ 131.4	**$ 373.4**	$ 336.1
Other comprehensive income				
Items that may be reclassified subsequently to net income:				
Cash flow hedges:				
(Losses) gains, net of tax of $9.2 and $13.5 (2012 - $16.6 and $12.2)	**(25.1)**	(43.3)	**38.0**	(32.2)
Reclassification of (gains) losses to non-financial asset, net of tax of $5.8 and $8.2 (2012 - $0.9 and $2.1)	**(15.8)**	2.2	**(22.7)**	5.6
Reclassification of gains to income, net of tax of $0.1 and $nil (2012 - $0.1 and $0.1)	**(0.2)**	(0.2)	**(0.2)**	(0.2)
Available-for-sale financial assets:				
Gains, net of tax of $nil and $nil (2012 - $0.1 and $0.2)	**-**	0.2	**0.1**	0.4
Reclassification of gains to income, net of tax of $nil and $nil (2012 - $nil and $0.6)	-	(0.1)	**-**	(1.6)
Total other comprehensive income (loss)	**(41.1)**	(41.2)	**15.2**	(28.0)
Total comprehensive income	**$ 104.4**	$ 90.2	**$ 388.6**	$ 308.1

The related notes form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(C$ in millions)	13 weeks ended September 28, 2013	13 weeks ended September 29, 2012 (Note 17)	39 weeks ended September 28, 2013	39 weeks ended September 29, 2012 (Note 17)
Cash generated from (used for):				
Operating activities				
Net income	$ 145.5	$ 131.4	$ 373.4	$ 336.1
Adjustments for:				
Gross impairment loss on loans receivable (Note 9)	84.3	81.2	238.7	241.7
Depreciation on property and equipment and investment property (Note 7)	63.9	62.6	187.0	182.8
Income tax expense	60.6	47.9	145.8	124.5
Net finance costs	25.1	31.7	79.9	92.8
Amortization of intangible assets (Note 7)	24.2	21.5	68.6	64.5
Changes in fair value of derivative instruments	(6.4)	1.6	(12.6)	(5.3)
Deferred income taxes	7.4	15.4	7.0	20.0
Other	3.4	3.1	(1.9)	10.3
	408.0	396.4	1,085.9	1,067.4
Change in operating working capital and other (Note 11)	(87.1)	(202.7)	74.3	(323.5)
Change in loans receivable	(152.6)	(130.7)	(363.7)	(275.9)
Change in deposits	57.3	27.1	38.9	64.3
Cash generated from operating activities before interest and income taxes	225.6	90.1	835.4	532.3
Interest paid	(16.0)	(38.2)	(87.2)	(114.3)
Interest received	2.7	2.2	9.1	5.9
Income taxes paid	(26.7)	(27.0)	(143.2)	(112.3)
Cash generated from operating activities	185.6	27.1	614.1	311.6
Investing activities				
Acquisition of Pro Hockey Life Sporting Goods Inc. (Note 15)	(58.0)	-	(58.0)	-
Acquisition of short-term investments	(37.3)	(56.6)	(69.5)	(217.8)
Proceeds from the maturity and disposition of short-term investments	51.0	72.8	136.5	231.6
Acquisition of long-term investments	-	(24.1)	(30.0)	(104.4)
Proceeds from the disposition of long-term investments	-	-	0.4	4.7
Additions to property and equipment and investment property	(164.6)	(56.5)	(293.2)	(159.5)
Proceeds on disposition of property and equipment, investment property and assets held for sale	0.4	1.8	19.2	20.7
Additions to intangible assets	(20.1)	(12.2)	(49.4)	(43.5)
Long-term receivables and other assets	(13.2)	7.0	(34.3)	(7.6)
Other	(3.1)	(8.6)	(4.9)	(8.9)
Cash used for investing activities	(244.9)	(76.4)	(383.2)	(284.7)
Financing activities				
Net issuance (repayment) of short-term borrowings	(21.4)	15.3	(20.7)	(219.1)
Issuance of loans payable	48.6	40.6	185.2	176.4
Repayment of loans payable	(58.4)	(43.1)	(178.2)	(154.9)
Issuance of share capital (Note 10)	1.2	1.2	4.2	11.3
Repurchase of share capital (Note 10)	(18.3)	(1.2)	(70.1)	(11.2)
Issuance of long-term debt	-	2.5	0.8	214.2
Repayment of long-term debt and finance lease liabilities	(5.9)	(8.8)	(655.3)	(21.8)
Dividends paid	(28.2)	(24.4)	(84.9)	(73.3)
Payment of transaction costs related to long-term debt	-	-	-	(1.2)
Cash used for financing activities	(82.4)	(17.9)	(819.0)	(79.6)
Cash used in the period	(141.7)	(67.2)	(588.1)	(52.7)
Cash and cash equivalents, net of bank indebtedness, beginning of period	482.8	215.4	929.5	201.0
Effect of exchange rate fluctuations on cash held	(0.1)	0.2	(0.4)	0.1
Cash and cash equivalents, net of bank indebtedness, end of period (Note 11)	$ 341.0	$ 148.4	$ 341.0	$ 148.4

The related notes form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(C$ in millions)	Share capital	Contributed surplus	Cashflow hedges	Available-for-sale financial assets	Total accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity
Balance at December 29, 2012	**$ 688.0**	**$ 2.9**	**$ (2.0)**	**$ 0.3**	**$ (1.7)**	**$ 4,074.4**	**$ 4,763.6**
Restatement of Employee Benefits (Note 17)						**0.7**	**0.7**
Restated balance at December 29, 2012	**688.0**	**2.9**	**(2.0)**	**0.3**	**(1.7)**	**4,075.1**	**4,764.3**
Total comprehensive income							
Net income						**373.4**	**373.4**
Other comprehensive income (loss)							
Items that may be reclassified subsequently to net income:							
Cash flow hedges:							
Gains, net of tax of $13.5			**38.0**		**38.0**		**38.0**
Reclassification of gains to non-financial asset, net of tax of $8.2			**(22.7)**		**(22.7)**		**(22.7)**
Reclassification of gains to income, net of tax of $nil			**(0.2)**		**(0.2)**		**(0.2)**
Available-for-sale financial assets:							
Gains, net of tax of $nil				**0.1**	**0.1**		**0.1**
Reclassification of gains to income, net of tax of $nil				**-**	**-**		**-**
Total other comprehensive income (loss)	**-**	**-**	**15.1**	**0.1**	**15.2**	**-**	**15.2**
Total comprehensive income	**-**	**-**	**15.1**	**0.1**	**15.2**	**373.4**	**388.6**
Contributions by and distributions to shareholders							
Issue of Class A Non-Voting Shares (Note10)	**4.2**				**-**		**4.2**
Repurchase of Class A Non-Voting Shares (Note 10)	**(70.1)**				**-**		**(70.1)**
Excess of issue price over repurchase price (Note 10)	**(0.6)**	**0.6**			**-**		**-**
Dividends					**-**	**(84.6)**	**(84.6)**
Total contributions by and distributions to shareholders	**(66.5)**	**0.6**	**-**	**-**	**-**	**(84.6)**	**(150.5)**
Balance at September 28, 2013	**$ 621.5**	**$ 3.5**	**$ 13.1**	**$ 0.4**	**$ 13.5**	**$ 4,363.9**	**$ 5,002.4**
Balance at December 31, 2011	$ 710.5	$ 1.1	$ 9.4	$ 1.6	$ 11.0	$ 3,686.4	$ 4,409.0
Restatement of Employee Benefits (Note 17)						1.0	1.0
Restated balance at December 31, 2011	710.5	1.1	9.4	1.6	11.0	3,687.4	4,410.0
Total comprehensive income							
Net income						336.1	336.1
Other comprehensive income (loss)							
Items that may be reclassified subsequently to net income:							
Cash flow hedges:							
Losses, net of tax of $12.2			(32.2)		(32.2)		(32.2)
Reclassification of losses to non-financial asset, net of tax of $2.1			5.6		5.6		5.6
Reclassification of gains to income, net of tax of $0.1			(0.2)		(0.2)		(0.2)
Available-for-sale financial assets:							
Gains, net of tax of $0.2				0.4	0.4		0.4
Reclassification of gains to income, net of tax of $0.6				(1.6)	(1.6)		(1.6)
Total other comprehensive income (loss)	-	-	(26.8)	(1.2)	(28.0)	-	(28.0)
Total comprehensive income	-	-	(26.8)	(1.2)	(28.0)	336.1	308.1
Contributions by and distributions to shareholders							
Issue of Class A Non-Voting Shares (Note10)	11.3				-		11.3
Repurchase of Class A Non-Voting Shares (Note 10)	(11.2)				-		(11.2)
Excess of issue price over repurchase price (Note 10)	(1.7)	1.7			-		-
Dividends					-	(73.3)	(73.3)
Total contributions by and distributions to shareholders	(1.6)	1.7	-	-	-	(73.3)	(73.2)
Balance at September 29, 2012	$ 708.9	$ 2.8	$ (17.4)	$ 0.4	$ (17.0)	$ 3,950.2	$ 4,644.9

The related notes form an integral part of these condensed consolidated financial statements.

1. The Company and its operations

Canadian Tire Corporation, Limited is a Canadian public company domiciled in Canada. Its registered office is located at 2180 Yonge Street, Toronto, Ontario, M4P 2V8, Canada. It is listed on the Toronto Stock Exchange (TSX – CTC, CTC.A). Canadian Tire Corporation, Limited and entities it controls are together referred to in these condensed interim consolidated financial statements as the "Company".

The Company is comprised of two main business operations that offer a range of retail goods and services, including general merchandise, apparel, sporting goods, petroleum and financial services. Details of its two reportable operating segments, Retail and Financial Services, are provided in Note 4.

The Company's operations are influenced by seasonal trends in the retail environment. The second and fourth quarters of each year are typically when the Company experiences stronger revenue and net income due to the seasonal nature of some merchandise in its retail operations and timing of marketing programs.

2. Basis of preparation

Statement of compliance

These condensed interim consolidated financial statements (interim financial statements) have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company prepared these interim financial statements for the 13 and 39 weeks ended September 28, 2013 (and comparative results for the 13 and 39 weeks ended September 29, 2012) in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting.* These interim financial statements should be read in conjunction with the annual consolidated financial statements contained in the Company's 2012 Annual Report. They have been prepared using the same accounting policies that were described in Note 3 to the Company's annual consolidated financial statements as at and for the 52 weeks ended December 29, 2012, except as described in this note under New standards implemented.

These interim financial statements were authorized for issuance by the Company's Board of Directors on November 7, 2013.

Basis of presentation

These interim financial statements have been prepared on the historical cost basis, except for the following items, which are measured at fair value:

- financial instruments at fair value through profit or loss;
- derivative financial instruments;
- available-for-sale financial assets;
- liabilities for share-based payment plans; and
- initial recognition of assets acquired and liabilities assumed in business combinations.

In addition, the post-employment defined benefit obligation is recorded at its discounted present value.

Functional and presentation currency

These interim financial statements are presented in Canadian dollars ("C$"), the Company's functional currency. All financial information is presented in millions, except per share amounts, which are presented in whole dollars, and the number of shares or the weighted average number of shares, which are presented in whole numbers.

Use of estimates and judgments

The preparation of these 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 and liabilities and disclosures of contingent assets and liabilities at the date of these interim financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results may differ from estimates made in these interim financial statements.

Judgment is used mainly in determining whether a balance or transaction should be recognized in the interim financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Management has applied judgment in its assessment of the appropriateness of consolidation of entities; the classification of leases and financial instruments; the recognition of tax losses, tax credits and provisions; the determination of cash generating units; the identification of investment property; the identification of the indicators of impairment for property and equipment, investment property and intangible assets; and the allocation of purchase price adjustments on business combinations.

Estimates are used when determining the useful lives of property and equipment, investment property and intangible assets for the purposes of depreciation and amortization; when accounting for and measuring items such as merchandise inventory, customer loyalty programs, deferred revenue, income and other taxes, provisions and purchase price adjustments on business combinations; when making assumptions underlying actuarial determination of post-employment benefits; when measuring certain fair values, including those related to the valuation of business combinations, share-based payments and financial instruments; when testing goodwill, intangible assets with indefinite useful lives and other assets for impairment; and when updating models used in the determination of allowances on loans receivable. The allowances on loans receivable are based on historical customer payment experience. Future customer behavior may be affected by a number of factors, including changes in interest and unemployment rates and program design changes.

New standards implemented

Consolidated financial statements

In May 2011, the International Accounting Standard Board ("IASB") issued IFRS 10 – *Consolidated Financial Statements* ("IFRS 10"), which replaces portions of IAS 27 – *Consolidated and Separate Financial Statements* ("IAS 27") and all of Standing Interpretation Committee – *Consolidation – Special Purpose Entities* ("SIC-12"). IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an investor controls one or more investees. The standard requires an investor to consolidate an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As a consequence, IAS 27 has been amended but retains the existing guidance for separate financial statements. IFRS 10 and the amendments to IAS 27 were effective for annual periods beginning on or after January 1, 2013. The implementation of IFRS 10 and the amendments to IAS 27 did not have an impact on the Company.

Joint arrangements

In May 2011, the IASB issued IFRS 11 – *Joint Arrangements* ("IFRS 11"), which replaces IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 requires a venturer to classify its interest in a joint arrangement as either a joint venture or joint operation. Joint ventures are accounted for using the equity method of accounting. The previous option to account for joint ventures using proportionate consolidation has been removed. For a joint operation, the venturer recognizes its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 was effective for annual periods beginning on or after January 1, 2013. The implementation of IFRS 11 did not have an impact on the Company.

Disclosure of interests in other entities

In May 2011, the IASB issued IFRS 12 – *Disclosure of Interests in Other Entities* ("IFRS 12"), which establishes disclosure requirements for an entity's interests in other entities, such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosure requirements and introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

As a consequence of the issuance of IFRS 10 and IFRS 11, IAS 28 – *Investments in Associates* ("IAS 28") has been amended. IAS 28 provides accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

IFRS 12 and the amendments to IAS 28 were effective for annual periods beginning on or after January 1, 2013. Implementation of IFRS 12 will result in additional disclosures in the annual financial statement notes. The amendments to IAS 28 did not have an impact on the Company.

Fair value measurement

In May 2011, the IASB issued IFRS 13 – *Fair Value Measurement* ("IFRS 13"), which is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosure requirements about fair value measurement. Under previous IFRS, guidance on measuring and disclosing fair value was dispersed among the specific standards requiring fair value measurements and in many cases did not reflect a clear measurement basis or consistent disclosures. IFRS 13 was effective for annual periods beginning on or after January 1, 2013. Implementation of IFRS 13 has resulted in additional disclosures in Note 14 to these interim financial statements.

Other comprehensive income presentation

In June 2011, the IASB amended IAS 1 – *Presentation of Financial Statements* ("IAS 1") to require companies to group together items within other comprehensive income ("OCI") that may be reclassified to net income. The amendments reaffirm the existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amendments were effective for annual periods beginning on or after July 1, 2012. Implementation of IAS 1 amendments did not have any impact on the Company's interim financial statements.

Post-employment benefits

In June 2011, the IASB issued amendments to IAS 19 – *Employment Benefits* ("IAS 19") that apply to defined benefit plans. The amendments eliminate the existing option to defer actuarial gains and losses (known as the corridor approach), require changes from remeasurement of defined benefit plan assets and liabilities to be presented in the OCI section of the statements of comprehensive income, and require additional disclosures. The amendments were effective for annual periods beginning on or after January 1, 2013. These amendments, which were applied retrospectively, did not have any significant impact as the Company already immediately records any actuarial gains and losses in OCI. In addition, the benefit of past service credits, previously recognized in employee benefits in other long-term liabilities on the condensed consolidated balance sheets, have been reclassified to retained earnings. As a result of the retrospective implementation of this standard, the cumulative impact on previously reported balances was as follows:

	Increase (decrease)		
(C$ in millions)	**December 29, 2012**	September 29, 2012	December 31, 2011
Other long-term liabilities	**$ (1.0)**	$ (1.3)	$ (1.3)
Deferred income tax asset	**(0.3)**	(0.3)	(0.3)
Retained earnings	**0.7**	1.0	1.0

There was no impact on the condensed consolidated statements of income and there was no impact to cash generated on the condensed consolidated statements of cash flows for the 13 and 39 weeks ended September 29, 2012.

Financial instruments disclosures: Asset and liability offsetting

In December 2011, the IASB amended IFRS 7 – *Financial Instruments: Disclosures* (“IFRS 7”) to require new disclosures on the effect of offsetting arrangements on an entity’s financial position. The IFRS 7 amendment is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of the IFRS 7 amendment did not have an impact on the Company’s results of operations and financial position.

Standards, amendments and interpretations issued and not yet adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 28, 2013, and, accordingly, have not been applied in preparing these interim financial statements.

Financial instruments classification and measurement

In November 2009, the IASB issued IFRS 9 – *Financial Instruments: Classification and Measurement* (“IFRS 9”), which contained requirements for financial assets. In October 2010, requirements for financial liabilities were added to IFRS 9. IFRS 9 will replace IAS 39 – *Financial Instruments: Recognition and Measurement* (“IAS 39”) in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in the Company’s credit risk are presented in OCI instead of net income unless this would create an accounting mismatch. An accounting mismatch may occur when financial liabilities that are measured at fair value are managed with assets that are measured at fair value through profit or loss. A mismatch could arise because the entire change in the fair value of the financial assets would be presented in net income but a portion of the change in the fair value of the related financial liabilities would not. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Financial instruments presentation: Asset and liability offsetting

In December 2011, the IASB amended IAS 32 – *Financial Instruments: Presentation* (“IAS 32”) to clarify the requirements which permit offsetting a financial asset and liability in the financial statements. The IAS 32 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014. The Company is assessing the potential impact of the IAS 32 amendments.

3. Capital management

The Company’s objectives when managing capital are:

- ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans;

- maintaining healthy liquidity reserves and access to capital; and
- minimizing the after-tax cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

The definition of capital varies from company to company, industry to industry and for different purposes. The Company's definition of capital is the same as that detailed in Note 5 of the annual consolidated financial statements contained in the Company's 2012 Annual Report, which includes Glacier Credit Card Trust ("GCCT") indebtedness but excludes Franchise Trust indebtedness.

The Company manages its capital structure with a view to maintaining an investment-grade rating from two credit rating agencies. Management calculates its ratios to approximate the methodology of debt rating agencies and other market participants on a current and prospective basis. To assess its effectiveness in managing capital, management monitors these ratios against targeted ranges.

The Company was in compliance with key covenants under its existing debt agreements as at September 28, 2013. Under these covenants, the Company currently has sufficient flexibility to fund business growth and maintain or amend dividend rates within its existing dividend policy. The Company was in compliance with the capital guidelines issued by the Office of the Superintendent of Financial Institutions of Canada, associated with the operations of Canadian Tire Bank ("the Bank"), a federally chartered bank.

4. Operating segments

The Company has two reportable operating segments, Retail and Financial Services. The reportable operating segments are strategic business units offering different products and services. They are separately managed due to their distinct nature. The following summary describes the operations in each of the Company's reportable segments:

- Retail comprises of the Living, Playing, Fixing, Automotive, Seasonal & Gardening, Apparel and Sporting Goods categories. The retail business is conducted through a number of banners, including Canadian Tire Retail ("CTR"), Canadian Tire Gas ("Petroleum"), Mark's, PartSource, and various FGL Sports banners. Retail also includes the Dealer Loan Program (the portion (silo) of Franchise Trust that issues loans to Dealers), a financing program established to provide an efficient and cost-effective way for Dealers to access the majority of the financing required for their store operations.

- Financial Services markets a range of Canadian-Tire-branded credit cards, including the Canadian Tire Options MasterCard, the Cash Advantage MasterCard, the Gas Advantage MasterCard and the Sport Chek MasterCard. Financial Services also markets insurance and warranty products. The Bank, a wholly owned subsidiary of Canadian Tire Financial Services Limited, is a federally regulated bank that manages and finances the Company's consumer MasterCard, Visa and retail credit card portfolios, as well as an existing block of Canadian-Tire-branded personal loan and line of credit portfolios. The Bank also offers and markets high-interest savings account deposits, tax free savings account deposits and guaranteed investment certificate deposits, both directly and through third-party brokers. Financial Services also includes GCCT, a financing program established to purchase co-ownership interests in the Company's credit card loans. GCCT issues debt to third-party investors to fund its purchases.

Performance is measured based on segment income before income taxes, as included in the internal management reports reviewed by the Company's Chief Executive Officer. Management has determined that this measure is the most relevant in evaluating segment results.

Information regarding the results of each reportable operating segment is as follows:

	13 weeks ended							
	September 28, 2013				September 29, 2012			
(C$ in millions)	Retail	Financial Services	Eliminations and adjustments	Total	Retail	Financial Services	Eliminations and adjustments	Total
External revenue	$ 2,676.5	$ 257.7	$ 21.8	$ 2,956.0	$ 2,564.3	$ 246.0	$ 19.5	$ 2,829.8
Intercompany revenue	0.1	4.4	(4.5)	-	0.1	3.7	(3.8)	-
Total revenue	2,676.6	262.1	17.3	2,956.0	2,564.4	249.7	15.7	2,829.8
Cost of producing revenue	1,927.3	110.2	(10.6)	2,026.9	1,874.6	111.8	(15.6)	1,970.8
Gross margin	749.3	151.9	27.9	929.1	689.8	137.9	31.3	859.0
Other income (expense)	(0.8)	-	-	(0.8)	0.7	0.1	-	0.8
Operating expenses	605.6	72.8	18.7	697.1	566.5	64.7	17.6	648.8
Operating income	142.9	79.1	9.2	231.2	124.0	73.3	13.7	211.0
Net finance (income) costs	16.8	(0.9)	9.2	25.1	18.4	(0.4)	13.7	31.7
Income before income taxes	$ 126.1	$ 80.0	$ -	$ 206.1	$ 105.6	$ 73.7	$ -	$ 179.3
Items included in the above:								
Depreciation and amortization	$ 85.6	$ 2.5	$ -	$ 88.1	$ 81.6	$ 2.5	$ -	$ 84.1
Interest income	10.2	188.6	(1.2)	197.6	9.2	175.2	(0.5)	183.9
Interest expense	20.5	28.7	(1.2)	48.0	21.0	33.6	(0.5)	54.1

	39 weeks ended							
	September 28, 2013				September 29, 2012			
(C$ in millions)	Retail	Financial Services	Eliminations and adjustments	Total	Retail	Financial Services	Eliminations and adjustments	Total
External revenue	$ 7,642.9	$ 754.8	$ 59.2	$ 8,456.9	$ 7,479.9	$ 723.9	$ 56.7	$ 8,260.5
Intercompany revenue	0.2	11.5	(11.7)	-	0.2	10.0	(10.2)	-
Total revenue	7,643.1	766.3	47.5	8,456.9	7,480.1	733.9	46.5	8,260.5
Cost of producing revenue	5,536.1	316.3	(35.3)	5,817.1	5,471.7	329.7	(44.4)	5,757.0
Gross margin	2,107.0	450.0	82.8	2,639.8	2,008.4	404.2	90.9	2,503.5
Other income (expense)	3.1	0.1	-	3.2	(2.0)	2.5	-	0.5
Operating expenses	1,786.9	203.2	53.8	2,043.9	1,706.6	192.2	51.8	1,950.6
Operating income	323.2	246.9	29.0	599.1	299.8	214.5	39.1	553.4
Net finance (income) costs	52.3	(1.4)	29.0	79.9	54.4	(0.7)	39.1	92.8
Income before income taxes	$ 270.9	$ 248.3	$ -	$ 519.2	$ 245.4	$ 215.2	$ -	$ 460.6
Items included in the above:								
Depreciation and amortization	$ 247.7	$ 7.9	$ -	$ 255.6	$ 240.0	$ 7.3	$ -	$ 247.3
Interest income	28.2	552.5	(2.2)	578.5	26.0	516.9	(0.9)	542.0
Interest expense	61.8	89.1	(2.2)	148.7	61.9	98.7	(0.9)	159.7

The eliminations and adjustments include the following items:

- reclassifications of certain revenues and costs in the Financial Services segment to finance income and finance costs;
- reclassifications of revenues and operating expenses to reflect loyalty program accounting in accordance with IFRS Interpretations Committee ("IFRIC") 13 for the Company's Canadian Tire Money programs; and
- inter-segment eliminations.

Capital expenditures by reportable operating segment are as follows:

	13 weeks ended							
	September 28, 2013				September 29, 2012			
(C$ in millions)	**Retail**	**Financial Services**	**Eliminations and adjustments**	**Total**	Retail	Financial Services	Eliminations and adjustments	Total
Capital expenditures[1]	**$ 208.4**	**$ 1.2**	**$ -**	**$ 209.6**	$ 67.3	$ 0.8	$ -	$ 68.1

	39 weeks ended							
	September 28, 2013				September 29, 2012			
(C$ in millions)	**Retail**	**Financial Services**	**Eliminations and adjustments**	**Total**	Retail	Financial Services	Eliminations and adjustments	Total
Capital expenditures[1]	**$ 350.0**	**$ 2.3**	**$ -**	**$ 352.3**	$ 199.2	$ 1.8	$ -	$ 201.0

[1] *Capital expenditures are presented on an accrual basis and include intangible software additions.*

Total assets and liabilities by reportable operating segment are as follows:

(C$ in millions)	**September 28, 2013**	September 29, 2012	December 29, 2012
Retail[1,2]	**$ 8,466.2**	$ 8,048.5	$ 7,978.6
Financial Services[2]	**5,203.2**	4,857.1	5,448.8
Eliminations[1]	**(512.6)**	(153.9)	(198.8)
Total Assets	**$ 13,156.8**	$ 12,751.7	$ 13,228.6

(C$ in millions)	**September 28, 2013**	September 29, 2012	December 29, 2012
Retail[1,2]	**$ 4,385.9**	$ 4,100.1	$ 3,956.0
Financial Services[2]	**4,281.1**	4,160.6	4,707.1
Eliminations[1]	**(512.6)**	(153.9)	(198.8)
Total liabilities	**$ 8,154.4**	$ 8,106.8	$ 8,464.3

[1] *Retail operating segment assets and eliminations no longer include investment in Financial Services subsidiaries. September 29, 2012 figures have been restated to correspond to the current-year presentation. There is no impact on total assets on the condensed consolidated balance sheets as a result of the change in presentation.*

[2] *The Company employs a shared services model for several of its back-office functions, including finance, information technology, human resources and legal. As a result, items of expense relating to these functions are allocated on a systematic and rational basis to the reportable operating segments. The associated assets and liabilities are not allocated in the presented measures of segmented assets and liabilities.*

5. Revenue

	13 weeks ended		39 weeks ended	
(C$ in millions)	**September 28, 2013**	September 29, 2012	**September 28, 2013**	September 29, 2012
Sale of goods	**$ 2,579.8**	$ 2,469.6	**$ 7,354.6**	$ 7,197.4
Interest income on loans receivable	**192.8**	179.4	**563.3**	529.0
Services rendered	**92.2**	92.0	**268.4**	267.8
Royalties and licence fees	**87.3**	85.9	**260.6**	256.7
Rental income	**3.9**	2.9	**10.0**	9.6
	$ 2,956.0	$ 2,829.8	**$ 8,456.9**	$ 8,260.5

Major customers

The Company does not have reliance on any one customer.

6. Cost of producing revenue

	13 weeks ended		39 weeks ended	
(C$ in millions)	**September 28, 2013**	September 29, 2012	**September 28, 2013**	September 29, 2012
Inventory cost of sales	**$ 1,926.9**	$ 1,874.2	**$ 5,534.8**	$ 5,471.3
Net impairment loss on loans receivable	**69.2**	65.5	**190.2**	195.2
Finance costs on deposits	**18.1**	17.9	**53.6**	53.9
Other	**12.7**	13.2	**38.5**	36.6
	$ 2,026.9	$ 1,970.8	**$ 5,817.1**	$ 5,757.0

Inventory write-downs as a result of net realizable value being lower than cost, recognized in the 13 and 39 weeks ended September 28, 2013 were $20.0 million (2012 – $21.5 million) and $56.9 million (2012 – $62.0 million), respectively.

Inventory write-downs recognized in previous periods and reversed in the 13 and 39 weeks ended September 28, 2013 were $8.9 million (2012 – $8.4 million) and $17.6 million (2012 – $12.3 million), respectively. The reversal of write-downs was the result of actual losses being lower than previously estimated.

The write-downs and reversals are included in inventory cost of sales.

7. Operating expenses by nature

	13 weeks ended		39 weeks ended	
(C$ in millions)	**September 28, 2013**	September 29, 2012	**September 28, 2013**	September 29, 2012
Personnel expenses	**$ 253.4**	$ 233.9	**$ 742.1**	$ 723.2
Occupancy	**149.0**	140.2	**439.9**	425.3
Marketing and advertising	**88.9**	81.1	**252.6**	220.3
Depreciation of property and equipment and investment property	**63.9**	62.6	**187.0**	182.8
Amortization of intangible assets	**24.2**	21.5	**68.6**	64.5
Other	**117.7**	109.5	**353.7**	334.5
	$ 697.1	$ 648.8	**$ 2,043.9**	$ 1,950.6

8. Share-based payments

During the 39 weeks ended September 28, 2013, the Company issued the following share-based payment awards:

Stock options

The Company granted 737,209 stock options to certain employees. These stock options generally vest on a graduated basis over a three-year period, are exercisable over a term of seven years and have an exercise price ranging from $69.01 to $84.53.

Performance share unit plans

The Company grants performance share units (“PSUs”) to certain employees. Each PSU entitles the participant to receive a cash payment in an amount equal to the weighted average closing price of Class A Non-Voting Shares traded on the Toronto Stock Exchange during the 10-day period commencing on the first business day after the last day of the performance period, multiplied by a factor determined by specific performance-based criteria. Compensation expense related to the PSUs is accrued over the performance period based on the expected total compensation to be paid out at the end of the performance period. The performance period of each plan is approximately three years from the date of issuance.

9. Loans receivable

Quantitative information about the Company's loans receivable portfolio is as follows:

(C$ in millions)	Total principal amount of receivables[1]			Average balance[1]	
	September 28, 2013	September 29, 2012	December 29, 2012	**September 28, 2013**	September 29, 2012
Credit card loans	**$ 4,353.8**	$ 4,043.6	$ 4,234.3	**$ 4,210.2**	$ 3,940.1
Line of credit loans	**6.7**	7.8	7.5	**7.1**	8.3
Personal loans[2]	**0.1**	0.9	0.5	**0.2**	1.9
Total Financial Services' loans receivable	**4,360.6**	4,052.3	4,242.3	**$ 4,217.5**	$ 3,950.3
Dealer loans[3]	**630.7**	650.2	623.7		
Other loans	**7.6**	7.9	7.7		
Total loans receivable	**4,998.9**	4,710.4	4,873.7		
Less: long-term portion[4]	**600.8**	616.9	608.0		
Current portion of loans receivable	**$ 4,398.1**	$ 4,093.5	$ 4,265.7		

[1] Amounts shown are net of allowance for loan impairment.
[2] Personal loans are unsecured loans that are provided to qualified existing credit card holders for terms of one to five years. Personal loans have fixed monthly payments of principal and interest; however, the personal loans can be repaid at any time without penalty.
[3] Dealer loans issued by Franchise Trust.
[4] The long-term portion of loans receivable is included in long-term receivables and other assets and includes Dealer loans of $594.1 million (September 29, 2012 – $609.9 million and December 29, 2012 – $601.5 million).

The gross impairment loss on loans receivable for the 13 and 39 weeks ended September 28, 2013, was $84.3 million (2012 – $81.2 million) and $238.7 million (2012 – $241.7 million), respectively. Recoveries of bad debts for the 13 and 39 weeks ended September 28, 2013, were $14.3 million (2012 – $14.7 million) and $45.0 million (2012 – $43.2 million), respectively.

For the 13 and 39 weeks ended September 28, 2013, the amount of cash received from interest earned on credit cards and loans was $175.7 million (2012 – $162.5 million) and $512.4 million (2012 – $480.0 million), respectively.

10. Share capital

(C$ in millions)	**September 28, 2013**	September 29, 2012	December 29, 2012
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (September 29, 2012 - 3,423,366; December 29, 2012 - 3,423,366)	**$ 0.2**	$ 0.2	$ 0.2
76,913,372 Class A Non-Voting Shares (September 29, 2012 - 78,020,350; December 29, 2012 - 77,720,401)	**621.3**	708.7	687.8
	$ 621.5	$ 708.9	$ 688.0

All issued shares are fully paid. The Company does not hold any of its Common or Class A Non-Voting Shares. Neither the Common nor Class A Non-Voting Shares have a par value.

During 2013 and 2012, the Company issued and purchased Class A Non-Voting Shares. The net excess of the issue price over the purchase price results in contributed surplus. The net excess of the purchase price over the issue price is allocated first to contributed surplus, with any remainder allocated to retained earnings.

The following transactions occurred with respect to Class A Non-Voting Shares during 2013 and 2012:

	39 weeks ended September 28, 2013			39 weeks ended September 29, 2012		
(C$ in millions)	**Number**		**$**	Number		$
Shares outstanding at beginning of the year	**77,720,401**	**$**	**687.8**	78,020,208	$	710.3
Issued						
Dividend reinvestment plan	**50,146**		**4.0**	51,994		3.5
Stock option plan	**2,725**		**0.2**	200		-
Employee Profit Sharing Plan	**-**		**-**	59,078		4.1
Dealer profit sharing plans	**-**		**-**	54,724		3.7
Repurchased	**(859,900)**		**(70.1)**	(165,854)		(11.2)
Excess of issue price over repurchase price	**-**		**(0.6)**	-		(1.7)
Shares outstanding at end of the period	**76,913,372**	**$**	**621.3**	78,020,350	$	708.7

As of September 28, 2013, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $28.1 million (2012 – $24.4 million) at a rate of $0.35 per share (2012 – $0.30 per share).

On November 7, 2013, the Company's Board of Directors declared a dividend of $0.4375 per share payable on March 1, 2014 to shareholders of record as of January 31, 2014.

11. Notes to the condensed consolidated statements of cash flows

Cash and cash equivalents, net of bank indebtedness, comprise the following:

(C$ in millions)		**September 28, 2013**		September 29, 2012		December 29, 2012
Cash	**$**	**67.3**	$	33.3	$	40.5
Cash equivalents		**331.0**		218.1		533.6
Restricted cash and cash equivalents[1]		**9.9**		10.8		441.4
Total cash and cash equivalents		**408.2**		262.2		1,015.5
Bank indebtedness		**(67.2)**		(113.8)		(86.0)
Cash and cash equivalents, net of bank indebtedness	**$**	**341.0**	$	148.4	$	929.5

[1] *Relates to GCCT and is restricted for the purposes of paying out note holders and additional funding costs.*

Change in operating working capital and other comprises the following:

(C$ in millions)	13 weeks ended September 28, 2013	13 weeks ended September 29, 2012	39 weeks ended September 28, 2013	39 weeks ended September 29, 2012
Change in operating working capital				
Trade and other receivables	**$ (233.5)**	$ (146.5)	**$ 65.9**	$ 41.9
Merchandise inventories	**(255.3)**	(303.2)	**(206.3)**	(380.4)
Income taxes	**(8.6)**	(15.1)	**(7.5)**	(19.8)
Prepaid expenses and deposits	**11.8**	12.8	**(40.9)**	(31.9)
Trade and other payables	**399.8**	256.1	**275.5**	91.3
Total	**(85.8)**	(195.9)	**86.7**	(298.9)
Changes in other				
Provisions	**(4.9)**	(4.4)	**(7.7)**	(16.7)
Long-term provisions	**(9.7)**	(1.3)	**(14.6)**	(5.7)
Other long term liabilities	**13.3**	(1.1)	**9.9**	(2.2)
Total	**(1.3)**	(6.8)	**(12.4)**	(24.6)
Changes in operating working capital and other	**$ (87.1)**	$ (202.7)	**$ 74.3**	$ (323.5)

Supplementary information

During the 13 and 39 weeks ended September 28, 2013, the Company acquired property and equipment and investment property at an aggregate cost of $186.3 million (2012 – $57.5 million) and $304.0 million (2012 – $160.9 million), respectively. During the 13 and 39 weeks ended September 28, 2013, intangible assets were acquired at an aggregate cost of $23.4 million (2012 – $10.6 million) and $48.4 million (2012 – $40.1 million), respectively.

The amount related to property and equipment and investment property acquired that is included in trade and other payables at September 28, 2013, is $55.9 million (2012 – $16.9 million). The amount related to intangible assets that is included in trade and other payables at September 28, 2013, is $4.4 million (2012 – $1.3 million).

During the 13 and 39 weeks ended September 28, 2013, the property and equipment, investment property and intangible assets acquired included non-cash items relating to finance leases, asset retirement obligations and capitalized interest in the amount of $1.3 million (2012 – $0.2 million) and $2.5 million (2012 – $7.2 million), respectively.

Capital commitments

The Company has commitments of approximately $20.2 million at September 28, 2013 for the acquisition of property and equipment (2012 – $25.1 million).

12. Legal matters

The Company and certain of its subsidiaries are party to a number of legal proceedings. The Company has determined that each such proceeding constitutes a routine legal matter incidental to the business conducted by the Company and that the ultimate disposition of the proceedings will not have a material effect on its condensed consolidated net income, cash flows or financial position.

The Bank is the subject of two class action proceedings regarding allegations that certain fees charged on the Bank-issued credit cards are not permitted under the Quebec Consumer Protection Act. The Bank has determined that it has a solid defense to both actions on the basis that banking and cost of borrowing disclosure are matters of exclusive federal jurisdiction. Accordingly, no provision has been made for amounts, if any, that would be payable in the event of an adverse outcome. If the court rules against the Company, the total aggregate exposure would be approximately $27.8 million at September 28, 2013.

13. Tax matters

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company has determined that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

There have been no material changes in ongoing audits by tax authorities as disclosed in Note 35 of the annual consolidated financial statements contained in the Company's 2012 Annual Report.

Income taxes for the 13 and 39 weeks ended September 28, 2013 were increased by $10.1 million (2012 – $1.1 million) and $11.9 million (2012 – $2.8 million), respectively, due to non-deductible stock option expense. Income taxes in each of the 13 and 39 weeks ended September 28, 2013 were partially offset by a $4.2 million (2012 – $1.0 million) benefit related to adjustments to prior years' estimated tax payable.

The Company regularly reviews the potential for adverse outcomes with respect of tax matters. The Company believes that the ultimate disposition of these will not have a material adverse effect on its liquidity, consolidated financial position or net income because the Company has determined that it has adequate provision for these tax matters. Should the ultimate tax liability materially differ from the provision, the Company's effective tax rate and its earnings could be affected positively or negatively in the period in which the matters are resolved.

14. Financial instruments

14.1 Fair value of financial instruments

The carrying amount of the Company's cash and cash equivalents, trade and other receivables, loans receivable, bank indebtedness, trade and other payables, short-term borrowings and loans payable approximate their fair value either due to their short-term nature or because they are derivatives.

The carrying amount of the Company's long-term receivables and other assets approximates their fair value either because the interest rates applied to measure their carrying amount approximate current market interest rates or because they are derivatives.

The fair values of the Company's debt and deposits compared to the carrying amounts are as follows:

(C$ in millions)	**September 28, 2013** Carrying Amount	**September 28, 2013** Fair Value	September 29, 2012 Carrying Amount	September 29, 2012 Fair Value	December 29, 2012 Carrying Amount	December 29, 2012 Fair Value
Liabilities carried at amortized cost						
Debt	**$ 2,350.1**	**$ 2,443.0**	$ 2,573.5	$ 2,723.0	$ 2,997.9	$ 3,162.5
Deposits	**$ 2,464.7**	**$ 2,468.6**	$ 2,351.5	$ 2,377.3	$ 2,422.8	$ 2,453.5

The difference between the fair values and the carrying amounts (excluding transaction costs, which are included in the carrying amount of debt) is due to decreases in market interest rates for similar instruments. The fair values are determined by discounting the associated future cash flows using current market interest rates for items of similar risk.

14.2 Fair value hierarchy

The Company uses a fair value hierarchy to categorize financial assets and financial liabilities. The following table presents the financial instruments measured at fair value classified by the fair value hierarchy:

Balance sheet line	Category	**September 28, 2013** Level	**September 28, 2013**	September 29, 2012 Level	September 29, 2012	December 29, 2012 Level	December 29, 2012
Short-term investments	Fair value through profit or loss	**2**	**$ -**	2	$ 8.1	2	$ 9.4
Short-term investments	Available for Sale	**2**	**184.8**	2	243.9	2	159.5
Long-term investments	Fair value through profit or loss	**2**	**7.3**	2	-	2	7.3
Long-term investments	Fair value through profit or loss	**3**	**-**	3	7.1	3	-
Long-term investments	Available for Sale	**2**	**122.0**	2	149.9	2	175.4
Trade and other receivables	Derivatives	**2**	**33.9**	2	1.7	2	6.5
Long-term receivables and other assets	Derivatives	**2**	**27.7**	2	5.2	2	4.4
Trade and other payables	Derivatives	**2**	**2.9**	2	28.3	2	13.1
Other long-term liabilities	Derivatives	**2**	**1.3**	2	4.8	2	0.2

The fair value of financial assets and financial liabilities in Level 2 include valuations using inputs based on observable market data, either directly or indirectly, other than the quoted prices. Level 3 valuations are based on inputs that are not based on observable market data.

Changes in fair value measurement for instruments categorized in Level 3

Level 3 financial instruments included asset-backed commercial paper. The following table presents the changes in fair value measurements for these instruments:

(C$ in millions)	**September 28, 2013**	September 29, 2012	December 29, 2012
Balance, beginning of year	**$ -**	$ 6.6	$ 6.6
Fair value gains, net of losses, recognized in net income[1]	**-**	0.5	0.7
Transfer out of Level 3[2]	**-**	-	(7.3)
Balance, end of period	**$ -**	$ 7.1	$ -

[1] Reported in other income on the Consolidated Statements of Income

[2] Asset-backed commercial paper investments commenced trading in an active market later in 2012 and therefore, quoted market prices are used to value these investments. Consequently, the carrying amount of asset-backed commercial paper was transferred to Level 2 later in 2012.

15. Business combinations

15.1 Acquisition of Pro Hockey Life Sporting Goods Inc. ("PHL")

In August 2013, the Company acquired 100 per cent of the issued and outstanding shares of PHL, a Canadian retailer of sporting goods, with 23 urban, high-end hockey stores operating in five provinces across Canada under various trade names. The acquisition is a natural extension of the Company's sporting goods business.

The Company waived the condition relating to Competition Bureau approval of the acquisition prior to closing. An application to the Competition Tribunal may be made by the Commissioner of Competition in respect of a merger of this type for a period of one year after closing of the transaction.

The total consideration transferred, and the preliminary estimates of the fair value of identifiable assets acquired, liabilities assumed and goodwill recognized, as a result of the acquisition, are as follows:

(C$ in millions)		
Total consideration transferred	$	58.0
Fair value of identifiable assets acquired and liabilities assumed:		
Trade and other receivables		0.2
Merchandise inventories		47.9
Prepaid expenses and deposits		1.4
Assets classified as held for sale		3.7
Intangible assets		14.1
Property and equipment		10.4
Trade and other payables		(37.4)
Short-term borrowings		(21.8)
Deferred income taxes		(4.8)
Other long-term liabilities		(3.3)
Net identifiable assets acquired and liabilities assumed		10.4
Goodwill	$	47.6

The goodwill recognized on acquisition of PHL is attributable mainly to the expected future growth potential from the expanded customer base of PHL stores, the network of stores and access to the urban high-end customer segment within the hockey equipment market.

None of the goodwill recognized is expected to be deductible for income tax purposes.

PHL's revenue and net income are not significant to the Company's overall results.

15.2 Other acquisitions

During the 13 and 39 weeks ended September 28, 2013, in the normal course of business the Company acquired franchise operations for total consideration of $8.7 million and

$13.3 million, respectively. The fair value of the net assets acquired was $6.4 million and $10.3 million, resulting in goodwill realized of $2.3 million and $3.0 million, respectively.

16. Subsequent event

Initial Public Offering (“IPO”) of CT Real Estate Investment Trust (“CT REIT”)

In October 2013, in connection with its indirect acquisition of a portfolio of properties from the Company for a total purchase price of approximately $3.5 billion, CT REIT completed an IPO of 30,302,500 of its trust units (the “Units”) for $303.0 million, less offering costs of approximately $23.7 million, for net proceeds of $279.3 million. The IPO included the exercise of a $39.5 million over-allotment option. The Units were issued at a price of $10.00 per unit. After the exercise of the over-allotment option the Company held an 83.1 per cent effective interest in CT REIT through its ownership of 59,711,094 Units, which had a value of $597.1 million, and all of the Class B limited partnership units in CT REIT Limited Partnership (the “Partnership”), a wholly owned subsidiary of CT REIT, which had a value of $895.6 million. The Class B limited partnership units are economically equivalent to and exchangeable for Units.

Concurrent with the completion of the IPO, the Partnership issued Class C limited partnership units with an aggregate redemption amount of $1.8 billion, all of which are held by the Company. The Class C limited partnership units are issued in nine series and have annual distribution rates during the initial fixed period ranging from 3.5 to 5.0 per cent.

CT REIT is an unincorporated, closed-end real estate investment trust which holds through the Partnership a geographically diversified portfolio of properties comprised largely of Canadian Tire retail banner stores, Canadian Tire anchored retail developments and one distribution centre.

The Company will consolidate CT REIT as a result of its controlling interest, eliminate all transactions between the Company and CT REIT and continue to account for the portfolio of properties on a historical cost basis in its consolidated financial statements. The portion of income and net assets of CT REIT attributable to the public unit holders will be reported as non-controlling interest on the consolidated balance sheets and consolidated statements of income.

17. Comparative figures

Certain of the prior period’s figures have been restated to correspond to the current-period presentation or as a result of the retrospective implementation of IAS 19 – *Employment Benefits*. Further details are provided in Note 2 under Post-employment benefits.