Management's discussion and analysis (MD&A)

Introduction

This Management's Discussion and Analysis (MD&A) provides management's perspective on our Company, our performance and our strategy for the future.

Definitions

In this document, the terms "we", "us", "our", "Company" and "Canadian Tire" refer to Canadian Tire Corporation, Limited and its business units and subsidiaries. For commonly used terminology (such as retail sales and same store sales), see the Glossary of Terms (pages 124 to 126) in the MD&A contained in our 2010 Annual Report, which can be found online on the SEDAR website at www.sedar.com and on our Canadian Tire website in the Investor Relations section at corp.canadiantire.ca/en/investors.

Review and approval by the Board of Directors

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on November 10, 2011.

Quarterly comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for the third quarter (13 weeks ended October 1, 2011) are against results for the third quarter of 2010 (13 weeks ended October 2, 2010).

Accounting framework

Commencing with the first quarter of 2011, as required by the Canadian Accounting Standards Board, the Company is reporting its financial results under International Financial Reporting Standards (IFRS). The differences between IFRS and previous Canadian Generally Accepted Accounting Principles (previous GAAP) are referenced in Section 13.0 of this MD&A.

Accounting estimates and assumptions

The preparation of condensed consolidated financial statements that conform with 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 Condensed Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. See section 11.0 in this MD&A for further information.

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 19.0 in this MD&A for additional important information and a caution on the use of forward-looking information.

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 Our Company

1.1 Overview of the business

For a full description of our retail and financial services business please see Section 1.0 of the MD&A contained in our 2010 Annual Report.

On August 18, 2011, the Company acquired The Forzani Group Ltd. ("FGL Sports"). FGL Sports is the largest national retailer of sporting goods in Canada, with over 500 locations under corporate and franchise banners from coast to coast. FGL Sports offers a comprehensive assortment of brand-name and private-label products under the following banners: Sport Chek, Sport Mart, National Sports, Athletes World, Sports Experts, Intersport, Atmosphere, Tech Shop, Nevada Bob's Golf, Hockey Experts, S3 and Fitness Source. FGL Sports' stores are located in malls, strip malls and retail power centres. FGL Sports' Sport Chek banner also offers e-commerce retailing through its website at www.sportchek.ca.

FGL Sports previously had a different reporting period from the Company. FGL Sports has been aligned with the Company's reporting period and the results for August 19 to October 1, 2011 ("stub period") are included in the Company's results for the current quarter and year to date, but are not included in the prior year comparatives.

2.0 Financial aspirations

The Strategic Objectives (announced at our investor conference and media day on April 7, 2010 and which have been posted online on our website (under the Investor section) at http://corp.canadiantire.ca) include financial aspirations for the Company for the five-year period ending in 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 goals that we aspire to achieve over the life of the Strategic Plan, based on the successful execution of our various initiatives.

Financial measure	Aspirations over 5 year period
Canadian Tire Retail (CTR) retail sales (POS) annual growth	3% to 5%
Consolidated adjusted 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%

We will report on our progress against these financial aspirations on an annual basis in our year-end Annual Report.

3.0 Our performance in 2011

3.1 Condensed consolidated financial results

(C$ in millions, except where noted)	Q3 2011	Q3 2010	Change	YTD 2011	YTD 2010	Change
Retail sales	$ 2,921.0	$ 2,512.1	16.3%	$ 7,888.9	$ 7,264.2	8.6%
Revenue	$ 2,704.9	$ 2,266.1	19.4%	$ 7,252.0	$ 6,624.8	9.5%
Gross margin dollars	780.6	698.3	11.8%	2,121.9	2,016.9	5.2%
Operating expenses (excluding depreciation and amortization)	512.9	451.8	13.5%	1,426.7	1,305.5	9.3%
Other income (expense)	10.2	(0.9)	1,233.8%	12.6	-	n/a
EBITDA	277.9	245.6	13.1%	707.8	711.4	(0.5)%
Depreciation and amortization	75.8	69.5	9.2%	209.5	203.6	2.9%
Net finance costs	32.1	37.6	(14.9)%	99.3	116.8	(15.0)%
Income before income taxes	$ 170.0	$ 138.5	22.7%	$ 399.0	$ 391.0	2.1%
Income taxes	33.5	38.0	(11.9)%	98.3	116.1	(15.3)%
Effective tax rate	19.7%	27.6%		24.6%	29.7%	
Net income after taxes	$ 136.5	$ 100.5	35.9%	$ 300.7	$ 274.9	9.4%
Basic earnings per share	$ 1.68	$ 1.23	36.1%	$ 3.69	$ 3.37	9.6%
Diluted earnings per share	$ 1.67	$ 1.23	36.2%	$ 3.68	$ 3.35	9.6%

Third Quarter

Retail Sales

Consolidated retail sales in the third quarter increased by 16.3 per cent (or $408.9 million) over the prior year. This was primarily attributable to FGL Sports being included in retail sales for the third quarter ($218.4 million) from August 19th, but not being included in the prior year. In addition, all other retail banners contributed to the increase, with the Gasoline channel ("Petroleum") increasing 27.4 per cent as a result of higher gasoline prices at the pump and additional volume from newly constructed

sites along the 400 series highways in Ontario. The Living category within the CTR banner and Apparel category under the Mark's banner also enjoyed strong retail sales growth.

Revenue

Consolidated revenue in the third quarter increased 19.4 per cent (or $438.8 million) over the prior year due to FGL Sports being included in revenue for the third quarter ($219.5 million), but not being included in the prior year. The Retail segment increased 21.9 per cent due to the inclusion of FGL Sports, the strength of higher gasoline prices and strong shipments within the CTR banner. The Financial Services segment increased 2.7 per cent, excluding the impact of the transfer of the Auto Club business from Financial Services to the Retail segment which had no impact on consolidated revenue.

Gross Margin

Consolidated gross margin dollars increased 11.8 per cent (or $82.3 million) compared to Q3 2010 due to higher revenues in the Retail segment and lower loan impairment losses in the Financial Services segment. FGL Sports is included in gross margin for the third quarter, but is not included in the prior year. The consolidated gross margin rate declined 196 basis points due to mix (lower margin Petroleum business outperformance) and lower margin rates at CTR and Mark's banner stores.

Operating Expenses (excluding depreciation and amortization expense)

Consolidated operating expenses (excluding depreciation and amortization expense) in the third quarter increased 13.5 per cent (or $61.1 million) from the prior year. This was attributable to FGL Sports being included in operating expenses for the third quarter, but not being included in the prior year. Excluding FGL Sports' operating expenses for the stub period, consolidated operating expenses (excluding depreciation and amortization expense) decreased by 0.4 per cent in the third quarter. It should be noted that Q3 2010 included a $14.7 million restructuring charge.

Other Income (Expense)

Consolidated other income (expense) in the third quarter increased from the prior year, mostly due to a $10.4 million gain recorded on the revaluation of the FGL Sports shares held prior to the acquisition date.

Depreciation and Amortization Expenses

Consolidated depreciation and amortization expense in the third quarter increased 9.2 per cent (or $6.3 million) from the prior year due to FGL Sports being included in depreciation and amortization expense for the third quarter, but not being included in the prior year. Excluding FGL Sports, consolidated depreciation and amortization expense increased slightly (0.5 per cent) in the third quarter compared to last year as a result of higher amortization of software intangible assets. This was partially offset by a decrease in depreciation expense as the Company has rolled out less capital intensive store formats in recent years.

Net Finance Costs

Consolidated net finance costs in the third quarter decreased 14.9 per cent (or $5.5 million) versus last year. The decrease was due to the repayment of the $300 million 5.22 per cent medium term note in the third quarter of 2010 and interest received related to a provincial income tax settlement in Q3 2011, as discussed in section 9.0.

Income Taxes

The effective tax rate in the third quarter decreased from 27.6 per cent in Q3 2010 to 19.7 per cent in Q3 2011 due to a reduction in the tax provision for the resolution of outstanding tax matters from prior years, as discussed in section 9.0.

3.2 Q3 2011 performance overview

A summary of our key performance metrics for the third quarter follows.

Key operating performance measures

(year-over-year percentage change, C$ in millions, except where noted)	Q3 2011	Q3 2010	Change	YTD 2011	YTD 2010	Change
Retail Segment - Total						
Retail sales growth	16.3%	2.6%		8.6%	3.4%	
Revenue[1]	$2,443.8	$2,004.8	21.9%	$6,488.6	$5,853.0	10.9%
Retail ROIC[2]	8.46%	7.63%		n/a	n/a	
Retail Segment - by banner						
CTR						
Retail sales growth[3]	3.2%	2.0%		1.7%	1.8%	
Same store sales growth[4]	2.3%	1.4%		0.8%	1.1%	
Sales per square foot[5,6]	$383	$ 385	(0.4)%	n/a	n/a	
Revenue[1,7]	$1,496.1	$ 1,424.5	5.0%	$4,197.9	$ 4,140.9	1.4%
Mark's						
Retail sales growth[8]	2.8%	4.5%		3.0%	4.9%	
Same store sales growth[9]	2.7%	2.4%		2.9%	2.2%	
Sales per square foot[10]	$ 297	$ 294	1.0%	n/a	n/a	
Revenue[1, 11]	$ 197.3	$ 173.9	13.5%	$ 591.5	$ 523.1	13.1%
Petroleum						
Gasoline volume (litres) growth	4.5%	2.7%		3.4%	0.4%	
Retail sales growth	27.4%	3.9%		22.2%	9.4%	
Revenue[1]	$ 534.5	$ 409.0	30.7%	$ 1,490.3	$1,198.7	24.3%
Gross margin dollars	$ 38.6	$ 35.4	9.1%	$ 110.8	$ 103.5	7.1%
Financial Services Segment						
Revenue	$ 243.1	$ 241.9	0.5%	$ 711.7	$ 715.9	(0.6)%
Credit card sales growth	1.3%	(0.8)%		(0.7)%	3.6%	
Gross average receivables (GAR)	$4,061.1	$4,049.3	0.3%	$4,026.7	$4,042.2	(0.4)%
Revenue[12] (as a % of GAR)	23.56%	24.11%		n/a	n/a	
Average number of accounts with a balance[13] (thousands)	1,728	1,716	0.7%	1,712	1,715	(0.2)%
Average account balance[13] (whole $)	$ 2,341	$ 2,342	0.0%	$2,342	$2,335	0.3%
Net credit card write-off rate[12, 13]	7.33%	7.72%		n/a	n/a	
Past due credit card accounts (PD2+)[14]	4.01%	3.88%		n/a	n/a	
Allowance rate[15]	2.90%	2.92%		n/a	n/a	
Operating expenses[12] (as a % of GAR)	6.88%	6.64%		n/a	n/a	
Return on average total managed portfolio[12, 16]	5.10%	5.02%		n/a	n/a	

1. Inter-segment revenue within the retail banners (CTR, Mark's and Petroleum) of $3.6 million in the third quarter ($2.6 million for Q3 2010) and $10.6 million for YTD Q3 2011 ($9.7 million for YTD Q3 2010) has been eliminated at the Retail segment level. Revenue reported for CTR, Mark's and Petroleum includes inter-segment revenue. FGL Sports had no inter-segment revenue with CTR, Mark's or Petroleum.

2. Figures are calculated on a rolling 12-month basis. As these are rolling 12-month figures, Q3 2010 data includes both previous GAAP (Q4 2009) and IFRS-restated data (for Q1-Q3 2010).

3. Includes sales from Canadian Tire stores, PartSource stores and the labour portion of CTR's auto service sales.

4. Includes sales from Canadian Tire and PartSource stores. Starting Q1 2011, CTR same store sales include sales from the labour portion of CTR's auto service sales. The Q3 2010 same store sales metric has been restated to reflect the change in methodology. Refer to section 14.0 for further details.

5. Excludes PartSource stores. Retail space does not include warehouse, garden centre and auto service areas.

6. CTR's sales per square foot has been calculated using sales on a rolling 52-week basis in each year for those stores that had been open for a minimum of 53 weeks as at the end of the current quarter. Sales from PartSource stores are excluded. Refer to section 14.0 for further details.

7. In 2011 certain vendor support funds at CTR are reflected as a reduction in inventory / cost of producing revenue (for the rebates provided by suppliers) and a corresponding reduction in revenue (for amounts passed through to Dealers). These amounts were previously offset. This decreased the third quarter revenue and cost of producing revenue by approximately $9 million with no impact on gross margin dollars or earnings.

8. Includes retail sales from Mark's corporate stores and franchise stores and, commencing in 2010, ancillary revenue related to embroidery and alteration services.

9. Mark's same store sales exclude new stores, stores not open for 53 weeks, store closures and ancillary revenue.

10. Starting Q1 2011, Mark's retail sales per square foot are based on sales from both corporate stores and franchise stores that have been opened for a minimum of 53 weeks. The Q3 2010 sales per square foot metric was restated to reflect the change in methodology. Refer to section 14.0 for further details.

11. Includes retail sales from Mark's corporate stores. In 2011 inventory transfers to Mark's franchisees are reflected as revenue with the corresponding inventory cost reflected in cost of producing revenue (previously only the franchise royalty was reflected in revenue). This increased revenue and cost of producing revenue by approximately $19.0 million with no impact on gross margin dollars or earnings.

12. Figures are calculated on a rolling 12-month basis and comprise the total managed portfolio of loans receivable. As these are rolling 12-month figures, Q3 2010 data includes both previous GAAP (Q4 2009) and IFRS-restated data (for Q1-Q3 2010).

13. Credit card portfolio only.

14. Accounts overdue one month or more.

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

16. Return is calculated as adjusted income before income taxes as a percentage of gross average receivables (GAR).

FGL Sports' performance overview

A summary of FGL Sports' key performance metrics has been provided for the six week period ending October 1, 2011 compared to the six week period ending October 2, 2010.

Key operating performance measures

(C$ in millions)	**August 21st to October 1st, 2011**	**August 22nd to October 2nd, 2010**
FGL Sports		
Retail sales growth[1]	6.6%	n/a
Same store sales growth[1]	7.3%	n/a

1. These key operating performance metrics are calculated using the Company's weekly sales calendar, which begins on Sunday and ends on Saturday. For 2011, the Sunday after the acquisition date was August 21st. For 2010, the Sunday in the comparable period was August 22nd. The percentages reported in the table are for comparison purposes only as the Company did not own FGL Sports in 2010.

3.3 Business segment performance

3.3.1 Retail Segment

3.3.1.1 Retail banner network at a glance

Number of stores and retail square footage	October 1, 2011	January 1, 2011	October 2, 2010
Consolidated store count			
CTR retail banner stores[1]			
Updated and expanded stores	272	306	326
Smart stores	139	103	77
Traditional stores	62	64	68
Small Market stores	13	12	11
Total CTR retail banner stores	486	485	482
PartSource banner stores	87	87	87
Mark's banner stores[1]	385	383	383
Canadian Tire gas bar locations[2]	291	287	283
FGL Sports banners stores[3]			
Sport Chek	145	n/a	n/a
Sports Experts	69	n/a	n/a
Other FGL Sports banners stores	314	n/a	n/a
Total FGL Sports banners stores	528	n/a	n/a
Total stores	**1,777**	**1,242**	**1,235**
Consolidated retail square footage (in millions) [2]			
CTR banner	19.5	19.3	19.1
PartSource banner	0.3	0.3	0.3
Mark's banner	3.3	3.3	3.3
FGL Sports banner[3]	6.5	n/a	n/a
Total retail square footage[2] (in millions)	**29.6**	**22.9**	**22.7**

1. Store count numbers reflect individual selling locations; therefore, both CTR and Mark's totals include stores that are co-located.

2. The average retail square footage for Petroleum's convenience stores was 470 square feet per store in Q3 2011. It was not included in the above.

3. FGL Sports' store count and retail square footage information for January 1, 2011 and October 2, 2010 is not applicable as the Company acquired FGL Sports on August 18, 2011.

The Company continues to retrofit its CTR banner store network, with a focus on converting selected traditional and "updated and expanded" stores (i.e.: Class of, Next Generation and Concept 20/20) to the latest formats. Customer feedback indicates that the two new formats (Small Market and Smart store) have been well received and the Company has been satisfied with their results and, accordingly, has extended the new format build/conversion program with 37 real estate projects completed to date in 2011.

3.3.1.2 Retail Segment financial results

(C$ in millions)	Q3 2011	Q3 2010	Change	2011YTD	2010YTD	Change
Retail sales	$ 2,921.0	$ 2,512.1	16.3%	$ 7,888.9	$ 7,264.2	8.6%
Revenue[1]	$ 2,443.8	$ 2,004.8	21.9%	$ 6,488.6	$ 5,853.0	10.9%
Gross margin dollars	617.5	538.3	14.7%	1,662.8	1,548.9	7.4%
Gross margin (per cent of revenue)	25.3%	26.9%		25.6%	26.5%	
Operating expenses						
(excluding depreciation and amortization)	432.3	364.4	18.7%	1,185.4	1,053.8	12.5%
Other income (expense)	10.3	(0.7)	1,576.6%	12.9	1.6	727.2%
EBITDA	195.5	173.2	12.8%	490.3	496.7	(1.3)%
Depreciation and amortization	73.0	66.8	9.4%	201.5	197.2	2.1%
Net finance costs	16.7	22.2	(25.1)%	53.2	67.8	(21.6)%
Income before income taxes	$ 105.8	$ 84.2	25.6%	$ 235.6	$ 231.7	1.7%

[1] See footnotes in the key operating performance measures table in section 3.2.

Explanation of Retail Segment financial results

Third quarter

Retail sales

Total retail sales in the third quarter increased by 16.3 per cent (or $408.9 million) over the prior year. This was partially attributable to FGL Sports being included in retail sales for the third quarter ($218.4 million), but not being included in the prior year.

In addition, Petroleum increased 27.4 per cent primarily due to a significant increase in pump prices over the prior year. An increase of 4.5 per cent in gas volumes also contributed to the increase in retail sales, attributable to the new sites located along the 400 series highways in Ontario.

Also, CTR banner store retail sales increased 3.2 per cent as all key areas of the store experienced a sales increase. Living sales experienced strong growth in kitchen and household cleaning and solid growth in backyard living as a result of increased customer traffic to our stores. Playing sales were strong in outdoor recreational activities, gardening and cycling, as the outdoor categories enjoyed favourable summer weather conditions. Automotive sales increased in automotive maintenance fluids and heavy automotive maintenance parts.

Retail sales in the Mark's Apparel category increased by 2.8 per cent over the prior year. The industrial wear category experienced near double digit growth while sales softened in the men's casual wear and women's wear categories as a result of the slow start to Fall sales due to the relatively warmer September compared to the prior year. Growth was strongest in men's industrial footwear, ladies' industrial footwear and men's industrial workwear, reflecting the strengthening economy in the western resource-based provinces.

Retail Revenue

Revenue increased 21.9 per cent (or $439.0 million) over the third quarter of 2010 due to the inclusion of FGL Sports ($219.5 million) and higher sales at CTR banner stores and Petroleum. Petroleum revenue increased primarily due to higher gas prices and increased volumes attributable to new sites along the 400 series highway in Ontario (operated through a joint arrangement which began operating in 2010).

Commencing in 2011, the Company aligned its treatment of certain transactions with Canadian Tire Associate Dealers and Mark's franchisees. This resulted in changes in the treatment of inventory shipments to Mark's franchisees and certain vendor support funds at CTR. In addition to royalty fees, inventory shipments to Mark's franchisees are now reflected as revenue and corresponding cost of sales. This increased Mark's revenue by approximately $19.0 million with no impact on gross margin dollars or earnings. In addition, certain vendor support funds at CTR are now reflected as a reduction in inventory/cost of sales and a corresponding reduction in revenue when provided to Dealers. This decreased CTR's revenue by approximately $9 million with no impact on gross margin dollars or earnings.

Also commencing in 2011, the Auto Club business is being reported under the Retail segment, whereas in 2010, the Auto Club business was reported under the Financial Services segment. This change in reporting resulted in a revenue increase of approximately $5.4 million versus the prior year within the Retail segment.

Retail Gross Margin

Gross margin rate declined in the third quarter by 158 basis points to 25.3 per cent. This was due to a number of factors including the mix effect of higher sales growth of the lower margin Petroleum business. Part of the decrease is also attributable to the change in accounting treatment of inventory shipments to Marks franchisees offset by the change in the treatment of certain vendor support funds at CTR (as noted above). Mark's also experienced a decline in margin rate as a result of markdowns in spring and summer merchandise. CTR banner margin rate was down slightly due to the cross-category mix effect of stronger sales of lower margin categories. The total retail margin rate decline was partially offset by the inclusion of FGL Sports. It should be noted, however, that margins at FGL Sports were negatively impacted due to the amortization of the increased fair value inventory adjustment established upon the closing of the acquisition. The fair value adjustment amounted to $13.0 million of which $4.3 million was amortized in the quarter.

Retail Operating Expenses (excluding depreciation and amortization)

Retail operating expenses increased 18.7 per cent (or $67.9 million) over the third quarter of 2010 due to FGL Sports being included in retail operating expenses for the third quarter ($59.2 million) and not being included in the prior year. Adjusting for FGL Sports, the acquisition costs of FGL Sports ($6.3 million) and the transfer of the Auto Club program expenses from Financial Services to Retail ($4.2 million) in Q3 2011 and the $14.7 million restructuring charge recorded in Q3 2010, retail operating expenses increased 3.8 per cent. The majority of the increase is related to stock compensation expense.

Retail Other Income (Expense)
Retail other income (expense) in the third quarter increased from the prior year, mostly due to a $10.4 million gain recorded on the revaluation of the FGL Sports shares held prior to the acquisition date.

Retail Net Finance Costs
Retail net finance costs decreased from the third quarter of 2010 as a result of the repayment of a $300 million 5.22 per cent medium-term note on October 1, 2010 and interest received related to a provincial income tax settlement. FGL Sports is included in retail net finance costs for the third quarter, but is not included in the prior year.

Impact of FGL Sports on reported results
For the quarter-ended October 1, 2011, FGL Sports contributed revenue of $219.5 million and net income after taxes of $3.5 million to the Company's results during the stub period of August 19 to October 1, 2011.

3.3.1.3 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. Please see sections 5.3.1.5, 5.3.2.5 and 5.3.3.5 of our 2010 MD&A contained in our 2010 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 14.0 of the MD&A contained in our 2010 Annual Report for a discussion of some other industry-wide and Company-wide risks affecting the business.

FGL Sports has business risks similar to CTR and Mark's.

3.3.2 Financial Services

3.3.2.1 Key performance indicators

Earnings Impact of Segment Alignment
Auto Club services, previously part of the Financial Services segment, were reflected in the Retail segment effective Q1 2011. This resulted in an increase in Retail revenues of approximately $5.4 million in the third quarter for that segment with a corresponding decrease to the Financial Services segment.

In addition, the capital structure of the Financial Services segment was rebalanced to be more reflective of industry norms. This was achieved by way of an intercompany dividend ($300 million) in Q1 2011 which effectively resulted in reduced interest income to the Financial Services segment in the third quarter (with a corresponding reduction in interest expense to the Retail segment).

The net effect of both of these items on the Financial Services segment income before income taxes was approximately $4.1 million for the quarter, with no impact on the consolidated earnings.

Portfolio Quality

The Q3 2011 rolling 12-month net write-off rate on the credit card loans portfolio was 7.33 per cent, down 39 basis points from 7.72 per cent in the prior year. This improvement was a result of a decrease in regular and bankruptcy related write-offs as a result of the improving economic environment.

Credit card receivables past due increased by 13 basis points to 4.01 per cent over the third quarter of 2010 as a result of slowing average balance growth across the industry.

3.3.2.2 Financial Services' financial results

(C$ in millions)	Q3 2011	Q3 2010	Change	2011 YTD	2010 YTD	Change
Revenue	$ 243.1	$ 241.9	0.5%	$ 711.7	$ 715.9	(0.6)%
Gross margin dollars	145.1	140.6	3.1%	407.4	412.1	(1.1)%
Gross margin (per cent of revenue)	59.7%	58.1%		57.2%	57.6%	
Operating expenses (excluding depreciation and amortization)	62.6	68.0	(8.1)%	189.6	195.8	(3.3)%
Other income (expense)	(0.1)	(0.2)	(49.7)%	(0.3)	(1.6)	(79.9)%
EBITDA	82.4	72.4	13.9%	217.5	214.7	1.4%
Depreciation and amortization	2.8	2.7	4.5%	8.0	6.4	26.7%
Net finance costs	15.4	15.4	(0.2)%	46.1	49.0	(5.9)%
Income before income taxes	$ 64.2	$ 54.3	18.3%	$ 163.4	$ 159.3	2.6%

Explanation of Financial Services' financial results

Third quarter

Financial Services Revenue

Financial Services' revenue increased a modest 0.5 per cent (or $1.2 million) from the prior year due to higher interest income on loans receivable as a result of a slight increase in gross average receivables (GAR). This was impacted by a decrease in other revenue due to the reporting of the Auto Club business in the Retail Segment (as discussed in Section 3.3.1.2).

Financial Services Gross Margin

Gross margin improved from Q3 2010 primarily due to lower loan loss provisioning requirements resulting from improvements in the economy and consumer bankruptcy rates.

Financial Services Operating Expenses (excluding depreciation and amortization)

Financial Services' operating expenses decreased versus the prior year due to the above noted transition of the Auto Club expenses to the Retail Segment in 2011 and lower personnel costs.

3.3.2.3 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. Please see section 5.3.4.7 and 5.3.4.8 of our MD&A contained in our 2010 Annual Report for an explanation of these business-specific risks. Also see section 10.0 of this MD&A for a discussion on Enterprise risk management and section 14.0 of the MD&A contained in our 2010 Annual Report for a discussion of some other industry-wide and Company-wide risks affecting the business.

4.0 Capital management

The Company's objectives in managing capital, its definition of capital and its constraints are included in Note 3 of the Q3 2011 Condensed Consolidated Financial Statements. There were no material changes during the third quarter of 2011 in the Company's objectives, definitions or constraints in managing capital.

While the acquisition of FGL Sports impacts consolidated debt ratios and covenant metrics, it did not fundamentally alter the Company's objectives in managing capital or its definition of capital. The Company is in compliance with its debt covenants.

5.0 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 8.0 of the MD&A contained in our 2010 Annual Report.

Following the Company's announcement of the proposed acquisition of FGL Sports in August (refer to section 16.0), Standard & Poor's affirmed the Company's long term corporate credit rating of BBB+ with a stable outlook.

In September 2011, DBRS downgraded the Company's rating from A(low) for medium term notes and debentures and R-1(low) for commercial paper to BBB(high) for medium term notes and debentures and R-2(high) for commercial paper. The downgrade was the result of additional leverage including lease obligations related to the acquisition of FGL Sports.

5.1 Funding program

5.1.1 Funding requirements

We fund our capital expenditures, working capital needs, dividend payments and other financing needs, such as debt repayments and Class A Non-Voting Share purchases under the Normal Course Issuer Bid (NCIB), from a combination of sources.

In the third quarter of 2011, the primary sources of funding were:

- Cash generated from operating activities before interest and taxes ($556 million);
- Net proceeds from the disposition of short and long-term investments ($38 million); and
- Net proceeds from the issuance of short-term borrowings ($43 million).

5.1.2 Uses of Cash

During the third quarter of 2011, we used cash primarily for the following:

- Acquisition of FGL Sports ($740 million);
- Capital expenditures including intangibles, on a cash basis ($120 million);
- Payment of interest expense ($41 million);
- Net payment of loans payable ($31 million); and
- Payment of dividends ($22 million).

5.1.3 Working capital

Optimizing our working capital continues to be a long-term priority in order to maximize cash flow for use in the operations of the Company. The table below shows the change in the value of our working capital components at the end of the third quarter of 2011 from the third quarter of 2010.

(C$ in millions)	**October 1, 2011**	**October 2, 2010**	**Increase / (decrease) in working capital**
Trade and other receivables	$ 875.6	$ 614.7	$ 260.9
Merchandise inventories	1,775.1	1,238.3	536.8
Income taxes recoverable	89.1	74.2	14.9
Prepaid expenses and deposits	81.5	72.2	9.3
Trade and other payables	(1,743.4)	(1,302.9)	(440.5)
Provisions	(181.4)	(229.0)	47.6
			$ 429.0

Trade and other receivables increased primarily due to the acquisition of FGL Sports' trade and other receivables, as well as an increase in the value of the foreign exchange hedge contracts and pledged collateral (in the form of a bond investment) that became current in 2011.

Merchandise inventories increased primarily due to the acquisition of FGL Sports' merchandise inventories.

Trade and other payables increased mostly due to the acquisition of FGL Sports' trade and other payables.

5.1.4 Loans receivable

As a result of the implementation of IFRS, loans receivable are now comprised of credit card, personal and line of credit loans held directly by Financial Services as well as those securitized loans financed by Glacier Credit Card Trust (the accounts of which do not qualify for derecognition under IFRS) and

loans to Dealers originated by Franchise Trust (which are now consolidated with those of the Company). The composition is as follows:

(C$ in millions)	Q3 2011	Q3 2010
Financial Services	$ 2,309.0	$ 2,435.2
Glacier Credit Card Trust	1,611.5	1,486.4
Franchise Trust	658.2	713.9
Other	9.4	-
Total short-term and long-term loans receivable[1]	$ 4,588.1	$ 4,635.5

[1] Total loans receivable is net of allowance for loan impairment.

6.0 Equity

The book value of Common and Class A Non-Voting Shares at the end of the third quarter of 2011 was $52.77 per share compared to $47.72 at the end of the third quarter of 2010.

For information related to the number of shares outstanding for the Class A Non-Voting Shares (CTC.A) and the Common Shares (CTC), see Note 11 in the Notes to the Condensed Consolidated Financial Statements.

Dividends

Dividends declared on Common and Class A Non-Voting Shares in the third quarter of 2011 remained consistent with the second quarter of 2011 at $0.275 per share, reflecting the Board of Directors' decision in November 2010 to increase the quarterly dividend rate from $0.21 per share.

On November 10, 2011 the Company's Board of Directors declared a dividend of $0.30 per share payable on March 1, 2012 to shareholders of record as of January 31, 2012.

7.0 Investing activities

7.1 Q3 2011 Capital expenditures

Canadian Tire's capital expenditures, on an accrual basis, totaled $120.2 million in the third quarter of 2011 versus $95.5 million in Q3 2010. These capital expenditures were comprised of:

- $51.0 million for real estate projects, including projects associated with the rollout of CTR's new store formats and the Mark's rebranding;
- $32.3 million for strategic initiatives, including automotive infrastructure, CTR loyalty, customer-centric retailing and online;
- $14.2 million for IT projects and infrastructure;
- $ 9.2 million for FGL Sports' capital expenditures post-acquisition;
- $ 6.2 million for CTR supply chain and distribution centres; and
- $ 7.3 million for other purposes.

8.0 Foreign operations

The Company has established operations outside of Canada including offshore activities in Bermuda and the Pacific Rim. For an overview of our foreign operations, see section 11.0 of the MD&A contained in the 2010 Annual Report.

9.0 Tax matters

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes 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 substantial changes in the status of ongoing audits by tax authorities as described in section 12.0 in the MD&A contained in our 2010 Annual Report, except as noted below.

During the third quarter of 2011, the Company reduced income tax expense by $13.8 million due to adjustments to prior years' estimated tax payable and the estimated federal and provincial reassessments related to the dividends received matter, which was settled with CRA during the fourth quarter of 2010 (for a full description, see section 12.0 in the MD&A contained in our 2010 Annual Report). In addition, the Company recorded pre-tax interest income from overpayment of taxes of approximately $2.5 million.

The Company regularly reviews the potential for adverse outcomes in respect of tax matters. The Company believes that the ultimate disposition of any tax matters in dispute with tax authorities will not have a material adverse effect on its liquidity, consolidated financial position or results of operations because the Company believes 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.

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 14.0 and 14.2, respectively, in the MD&A contained in our 2010 Annual Report.

Management reviews risks on an ongoing basis and did not identify any new principal risks during the third quarter of 2011.

11.0 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 our judgment, the accounting policies and estimates detailed in Note 2 and Note 3 of the Notes to the Q1 2011 Interim Condensed Consolidated Financial Statements for the 13 weeks ending April 2, 2011 do 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. All individually significant loans receivable found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. 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. This methodology employs statistical analysis of historical data, economic indicators and experience of delinquency and default to estimate the amount of loans that will eventually be written off as a result of events occurring before the date of the Condensed Consolidated Balance Sheet. 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.

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 January 1, 2011, see section 16.0 of the MD&A contained in our 2010 Annual Report.

For a recent continuity schedule of finance lease obligations and debt repayment maturities by year, see Note 23 K in the Notes to the Q1 2011 Unaudited Interim Condensed Consolidated Financial Statements.

As a result of the acquisition of FGL Sports in Q3 2011, the Company's total contractual obligations changed. The Company's contractual obligations are shown in the following table.

Contractual obligations due by period

(C$ in millions)	Total	In the remaining three months of 2011	In years 2012 - 2013	In years 2014 - 2015	After 2015
Long-term debt[1, 2]	$ 1,063.5	$ 12.3	$ 1.1	$ 300.1	$ 750.0
Glacier Credit Card Trust debt[1]	1,469.5	317.5	634.9	517.1	-
Finance lease obligations[3]	293.5	9.3	65.9	47.0	171.3
Operating leases	2,078.1	69.8	544.9	442.6	1,020.8
Purchase obligations	989.5	514.1	418.2	54.6	2.6
Financial Services' deposits[1]	2,276.1	715.1	1,005.5	539.7	15.8
Other obligations	61.0	24.0	21.9	8.8	6.3
Total contractual obligations	$ 8,231.2	$ 1,662.1	$ 2,692.4	$ 1,909.9	$ 1,966.8

[1] Interest obligations are excluded.
[2] Excludes Glacier Credit Card Trust.
[3] Interest obligations are included.

In addition, FGL Sports has agreements with certain of its franchisees that guarantee the lease payments to the lessors. The total amount of these guarantees is $55.4 million.

13.0 Changes in accounting policies – Implementation of IFRS

In February 2008, the Canadian Institute of Chartered Accountants (CICA) announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Accordingly, the conversion from Canadian GAAP to IFRS was applicable to the Company's reporting for the first quarter of 2011, for which the current and comparative 2010 information was prepared under IFRS. The transition to IFRS impacted accounting, financial reporting, internal control over financial reporting, taxes, information systems and processes as well as certain contractual arrangements.

For further information, see sections 13.1 and 13.2 contained in the Q1 2011 MD&A and Notes 22 and 23 in the Notes to the Q1 2011 Unaudited Interim Condensed Consolidated Financial Statements.

Q1 to Q4 2010 IFRS restated operating segment comparatives are available on the Company's website at http://corp.canadiantire.ca/EN/Investors/Pages/default.aspx.

14.0 Supplementary measures

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. CTR banner same store sales includes sales from all CTR and PartSource banner stores that have been open for more than 53 weeks and therefore allows for a more consistent comparison to other stores open during the period and to results in the prior year.

To enhance comparability of the same store metric across the different retail banners of the Company and retail industry, starting Q1 2011, same store sales include the sales from the labour portion of CTR's auto service sales, online sales and take into account the percentage change in square footage of expanded and replacement stores.

Mark's same store sales metric calculation was aligned with CTR's effective Q1 2011.

Sales per square foot

In Q1 2011, management reassessed the calculation of the "sales per square foot" metric. Starting Q1 2011, the exclusion period of new stores was changed to 53-weeks for both CTR and Mark's instead of a two-year period for CTR and a prorated number for Mark's. Mark's sales per square foot now also includes both corporate and franchise stores.

15.0 Controls and procedures

Changes in internal control over financial reporting

During the third quarter of 2011, 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 controls, policies and procedures of FGL Sports. We acquired the assets of FGL Sports and its subsidiaries on August 18, 2011. FGL Sports' contribution to our condensed consolidated financial statements for the quarter ended October 1, 2011 was approximately 3.0 per cent of consolidated revenues and approximately 1.2 per cent of consolidated pre-tax earnings. Additionally, FGL Sports' current assets and current liabilities were approximately 9.4 per cent and 8.7 per cent of consolidated current assets and liabilities, respectively, and its long-term assets and long-term liabilities were approximately 4.9 per cent and 9.0 per cent of consolidated long-term assets and long-term liabilities, respectively.

The scope limitation is primarily based on the time required to assess the FGL Sports' disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR) in a manner consistent with the Company's other operations.

Further details related to the acquisition of FGL Sports are disclosed in section 16.0 of this MD&A and in Note 17 in the Notes to the Company's unaudited condensed consolidated financial statements for the third quarter of 2011.

16.0 Acquisition of FGL Sports

On May 9, 2011, the Company announced its intention to acquire all of the outstanding common shares of FGL Sports, Canada's largest sporting goods retailer. The offer was conditional on 66 2/3rds per cent of the outstanding Class A (common) shares on a fully diluted basis being deposited in acceptance of the offer. The Company previously owned approximately four per cent of the outstanding shares of FGL Sports with an initial cost of $25.0 million. The all cash offer for the shares of FGL Sports was for $26.50 per share, excluding FGL Sports' debt and shares already owned by the Company.

On August 18, 2011, the Company acquired control of FGL Sports. The Company's approximately 97 per cent ownership of the issued and outstanding Class "A" shares (the "Common shares") of FGL Sports included the shares acquired on and prior to August 18, 2011. The Company acquired the remaining Common shares of FGL Sports on August 25, 2011.

The acquisition is financed by a combination of cash on hand and short term financing and is expected to be accretive to earnings for the remainder of 2011.

The acquisition date fair value of consideration transferred is as follows:

(C$ in millions)		
Cash	$	765.2
Fair value of previously held interests		35.4
Total cash consideration transferred	$	800.6

The provisional fair value of identifiable assets acquired and liabilities assumed as at the acquisition date are as follows:

(C$ in millions)		
Cash and cash equivalents	$	25.3
Trade and other receivables[1]		111.1
Loans receivable		0.8
Merchandise inventories		455.9
Income taxes recoverable		3.4
Prepaid expenses and deposits		11.1
Long term receivables and other assets		4.9
Intangible assets		382.3
Property and equipment		155.1
Trade and other payables		(288.9)
Short-term borrowings		(241.9)
Provisions		(31.0)
Deferred income taxes		(58.2)
Other long-term liabilities		(37.7)
Total net identifiable assets	$	492.2

1. Gross trade and other receivables acquired is $112.4 million, of which $1.3 million was expected to be uncollectible as at acquisition date.

Goodwill was recognized as a result of the acquisition as follows:

(C$ in millions)		
Total consideration transferred	$	800.6
Less: Total net identifiable assets		492.2
Goodwill	$	308.4

The goodwill recognized on acquisition of FGL Sports is attributable mainly to the expected future growth potential from the expanded customer base of FGL Sports' banners/brands, the network of stores which are predominantly mall-based and access to the important 18-35 year old customer segment.

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

The Company incurred acquisition-related costs of $11.5 million to date relating to external legal, consulting fees and due diligence costs. These costs have been included in "administrative expenses" in the condensed consolidated statements of income.

A pre-tax gain of $10.4 million was recognized on the Company's previously held interest in FGL Sports prior to the acquisition date. The gain is recognized in "other income (expense)" in the condensed Consolidated Statements of Income and is included as part of the fair value of previously held interest included in the total consideration transferred, noted in the table above.

The impact of the acquisition on the condensed consolidated statements of cash flows is as follows:

(C$ in millions)		
Total consideration transferred	$	765.2
Cash and cash equivalents acquired		(25.3)
Acquisition of subsidiary	$	739.9

17.0 Business sustainability

Canadian Tire has three aspirations for its sustainability initiatives: Grow the business without increasing the net carbon footprint of the economy; eliminate unnecessary packaging while sending zero waste to landfills; and, provide innovative products and services that meet customers' needs without compromising the ability of future generations to meet their needs.

Specific sustainability measures are reported in relation to three key segments of the business operations: products; transportation of these products to retail stores; and, the operation of the Company's owned and leased buildings.

Year-to-date the Company has completed 365 initiatives[1] forecasted[2] to annually avoid[3] approximately $4.5 million in costs, 2,300 tonnes of waste, and 5,300 tonnes of greenhouse gas emissions[4] – equivalent to energy use and emissions from powering 694 Canadian homes each year. Canadian Tire also contributed $12.3 million to community blue box and industry product stewardship and recycling programs year-to-date. In addition, Canadian Tire operates two low carbon energy generation installations that include solar PV and geothermal technologies, with many more currently under construction or under contract for completion during the next year. Year-to-date these projects have generated over 190 GJ of energy, generated approximately $875,000 in revenue and $4,300 in cost avoidance[3], and helped to avoid nine tonnes of greenhouse gas emissions[4] in the local economy.

Significant initiatives advanced in the third quarter include:

- Canadian Tire expanded the implementation of its sustainability initiatives to another business unit in the quarter: Mark's retrofitted high-efficiency lighting in 13 stores. With these improvements, Mark's is forecasted to annually avoid more than $54,000 in costs and over 520 tonnes of GHG emissions; and
- Product initiatives this quarter generated four times the forecasted annual waste avoidance versus Q3 2010. The main drivers for this increase are three popular storage products in which the product redesign for material efficiency reduced product weight by more than 40 per cent. This is forecasted to avoid over $900,000 in costs and 380 tonnes of waste annually.

For a measure of our carbon footprint and further details on our sustainability initiatives please see Section 20.0 in our MD&A contained in our 2010 Annual Report or refer to *Making a Difference* at http://corp.canadiantire.ca/EN/MAD/Pages/default.aspx.

1. Initiatives vary in complexity and size from changes made to an individual retail product, a retrofit made to a fleet vehicle or the building of a new store. Project completion is defined by a) the commercial operation date for Buildings and Transport projects and b) the approval date for Operations and Product projects. Projects are reported in the quarter they are completed, unless results data is not available, in which case the project is reported in a future quarter provided it is in the same year of the project's complete date or the first quarter of the following year.

2. These values express a 12 month forecasted result from the date of each project's completion. Values beyond the first 12 months are not reported. As sustainability initiatives are part of an inherently dynamic process and as projects come to fruition, revisions to estimates are periodically made and the business sustainability performance report is adjusted in accordance with the Company's internal business sustainability performance report corporate directive.

3. Avoidance refers to savings in comparison to what it would have been if Canadian Tire had not made the improvements.

4. Measured as carbon dioxide equivalents (CO_2eq). Greenhouse gases such as methane (CH_4), and nitrous oxide (N_2O) are converted to their relative Global Warming Potentials (GWP).

18.0 Community Activities – Jumpstart

Canadian Tire's charitable efforts are reflected in the work of Canadian Tire Jumpstart Charities, which helps financially disadvantaged children gain the life benefits that are associated with participating in organized sports and recreational activities. To date, 310 Jumpstart chapters have been created in communities across the country and have contributed to help over 370,000 children.

During the third quarter of 2011, Jumpstart raised over $3.5 million across Canada, helping over 22,000 children participate in sports and recreation programs. Year-to-date 2011, Jumpstart raised over $8.8 million, helping over 56,000 children. In 2011, Canadian Tire Jumpstart Charities has a target to help up to 110,000 children by covering registration, equipment and transportation costs for sport and recreational activities.

19.0 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 financial aspirations listed in section 2.0;
- acquisition of FGL Sports in section 16.0; and
- business sustainability in section 17.0.

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

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, our strategic goals and priorities, our actions and the results of those actions and the economic and business outlook for us. Often but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "will", "expect", "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 our 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 agents and PartSource, Mark's Work Wearhouse and FGL Sports store operators and franchisees, as well as our financial arrangements with such parties; (c) the growth of certain business categories and market segments and the willingness of customers to shop at our stores or acquire our financial products and services; (d) our margins and sales and those of our competitors; (e) risks and uncertainties relating to information management, technology, supply chain, product safety, changes in law, competition, seasonality, commodity price and business disruption, our 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) our 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 our 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, please refer to sections 3.3.1.3 (Business risks), 3.3.2.3 (Business risks) and 10.0 (Enterprise risk management) and all subsections there under of this MD&A. Please also refer to the "Risk Factors" section of our Annual Information Form for fiscal 2010 and our 2010 Management's Discussion and Analysis, 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, unless 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

Canadian Tire strives to maintain a high standard of disclosure and investor communication and has been recognized as a leader in financial reporting practices. Reflecting our commitment to full and transparent disclosure, the Investor Relations section of the Company's website (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).

The Company's Annual Information Form, Management Information Circular and quarterly reports are also available on the SEDAR (System for Electronic Disclosure and Retrieval) website at www.sedar.com.

If you would like to contact the Investor Relations department directly, call Angela McMonagle at (416) 480-8225 or email investor.relations@cantire.com.

Condensed Consolidated Balance Sheets (Unaudited)

As at (C$ in millions)		**October 1, 2011**		October 2, 2010 (Note 22)		January 1, 2011 (Note 22)
ASSETS						
Cash and cash equivalents (Note 13)	**$**	**493.4**	$	658.3	$	568.9
Short-term investments		**167.2**		194.3		196.7
Trade and other receivables		**875.6**		614.7		673.9
Loans receivable (Note 10)		**3,964.9**		3,952.3		4,051.0
Merchandise inventories		**1,775.1**		1,238.3		901.0
Income taxes recoverable		**89.1**		74.2		99.3
Prepaid expenses and deposits		**81.5**		72.2		37.6
		7,446.8		6,804.3		6,528.4
Assets classified as held for sale (Note 15)		**21.9**		14.8		20.8
Total current assets		**7,468.7**		6,819.1		6,549.2
Long-term receivables and other assets		**707.1**		759.6		726.9
Long-term investments		**165.3**		30.2		75.8
Goodwill and intangible assets		**1,092.2**		345.2		361.4
Investment property		**70.7**		70.6		68.6
Property and equipment		**3,353.0**		3,198.3		3,232.0
Deferred income taxes		**21.6**		31.2		34.6
Total assets	**$**	**12,878.6**	$	11,254.2	$	11,048.5
LIABILITIES						
Bank indebtedness (Note 13)	**$**	**120.0**	$	97.9	$	118.0
Deposits		**1,181.3**		675.9		615.6
Trade and other payables		**1,743.4**		1,302.9		1,179.9
Provisions		**181.4**		229.0		196.2
Short-term borrowings		**586.1**		100.3		100.6
Loans payable (Note 16)		**658.2**		713.9		687.0
Current portion of long-term debt		**354.2**		388.3		354.2
Total current liabilities		**4,824.6**		3,508.2		3,251.5
Long-term provisions		**55.3**		22.9		25.1
Long-term debt		**2,350.9**		2,397.3		2,365.4
Long-term deposits		**1,088.3**		1,312.9		1,264.5
Deferred income taxes		**71.4**		-		-
Other long-term liabilities		**190.1**		127.5		137.1
Total liabilities		**8,580.6**		7,368.8		7,043.6
SHAREHOLDERS' EQUITY						
Share capital (Note 11)		**710.7**		710.8		711.6
Contributed surplus		**1.0**		0.2		0.3
Accumulated other comprehensive income (loss)		**27.5**		(10.2)		(32.3)
Retained earnings		**3,558.8**		3,184.6		3,325.3
Total shareholders' equity		**4,298.0**		3,885.4		4,004.9
Total liabilities and shareholders' equity	**$**	**12,878.6**	$	11,254.2	$	11,048.5

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 October 1, 2011	13 weeks ended October 2, 2010 (Note 22)	39 weeks ended October 1, 2011	39 weeks ended October 2, 2010 (Note 22)
Revenue (Note 5)	**$ 2,704.9**	$ 2,266.1	**$ 7,252.0**	$ 6,624.8
Cost of producing revenue (Note 6)	**(1,924.3)**	(1,567.8)	**(5,130.1)**	(4,607.9)
Gross margin	**780.6**	698.3	**2,121.9**	2,016.9
Other income (expense) (Note 17)	**10.2**	(0.9)	**12.6**	-
Operating expenses				
Distribution costs	**(85.8)**	(72.6)	**(239.4)**	(219.1)
Sales and marketing expenses	**(330.0)**	(264.8)	**(875.7)**	(777.6)
Administrative expenses	**(172.9)**	(183.9)	**(521.1)**	(512.4)
Total operating expenses (Note 7)	**(588.7)**	(521.3)	**(1,636.2)**	(1,509.1)
Operating income	**202.1**	176.1	**498.3**	507.8
Finance income	**7.8**	4.5	**18.4**	9.5
Finance costs	**(39.9)**	(42.1)	**(117.7)**	(126.3)
Net finance costs	**(32.1)**	(37.6)	**(99.3)**	(116.8)
Income before income taxes	**170.0**	138.5	**399.0**	391.0
Income taxes	**(33.5)**	(38.0)	**(98.3)**	(116.1)
Net income	**$ 136.5**	$ 100.5	**$ 300.7**	$ 274.9
Basic earnings per share	**$ 1.68**	$ 1.23	**$ 3.69**	$ 3.37
Diluted earnings per share	**$ 1.67**	$ 1.23	**$ 3.68**	$ 3.35
Weighted average number of Common and Class A Non-Voting Shares outstanding - Basic (Note 12)	**81,446,801**	81,591,011	**81,448,346**	81,609,190
Weighted average number of Common and Class A Non-Voting Shares outstanding - Diluted (Note 12)	**81,740,993**	81,931,561	**81,810,490**	81,940,502

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		39 weeks ended	
	October 1, 2011	October 2, 2010 (Note 22)	**October 1, 2011**	October 2, 2010 (Note 22)
Net income	**$ 136.5**	$ 100.5	**$ 300.7**	$ 274.9
Other comprehensive income (loss)				
Derivatives designated as cash flow hedges:				
Gains/(losses), net of tax of $25.0 and $6.7 (2010 - $14.5 and $12.5), respectively	**65.3**	(34.2)	**17.5**	(23.9)
Reclassification of losses to non-financial asset, net of tax of $5.4 and $16.1 (2010 - $5.5 and $23.5), respectively	**14.1**	12.9	**41.2**	48.7
Reclassification of losses to income, net of tax of $0.2 and $0.4 (2010 - $0.5 and $1.7), respectively	**0.5**	0.7	**1.0**	3.5
Available for sale financial assets:				
(Losses)/Gains, net of tax of $0.2 and $2.8 (2010 - $nil and $0.1), respectively	**(0.3)**	0.1	**6.9**	0.2
Reclassification of gains to income, net of tax of $2.9 and $2.7 (2010 - $nil and $nil), respectively	**(7.2)**	(0.1)	**(6.8)**	(0.1)
Total other comprehensive income (loss)	**72.4**	(20.6)	**59.8**	28.4
Total comprehensive income	**$ 208.9**	$ 79.9	**$ 360.5**	$ 303.3

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 October 1, 2011	13 weeks ended October 2, 2010 (Note 22)	39 weeks ended October 1, 2011	39 weeks ended October 2, 2010 (Note 22)
Cash generated from (used for):				
Operating activities				
Net income	**$ 136.5**	$ 100.5	**$ 300.7**	$ 274.9
Adjustments for:				
Impairment on loans receivable (Note 10)	**83.9**	86.4	**263.3**	260.4
Depreciation on property and equipment and investment properties	**57.7**	57.0	**163.5**	166.2
Net finance costs	**32.1**	37.6	**99.3**	116.8
Income tax expense	**33.5**	38.0	**98.3**	116.1
Amortization of intangible assets	**18.1**	12.5	**46.0**	37.4
Changes in fair value of derivative instruments	**19.8**	(1.5)	**25.2**	(1.7)
Other	**9.8**	11.5	**12.9**	6.7
Gain on revaluation of shares (Note 17)	**(10.4)**	-	**(10.4)**	-
	381.0	342.0	**998.8**	976.8
Changes in working capital and other	**174.5**	(171.9)	**54.8**	(170.4)
Cash generated from operating activities before interest and taxes	**555.5**	170.1	**1,053.6**	806.4
Interest paid	**(41.4)**	(39.6)	**(129.2)**	(134.0)
Interest received	**3.7**	2.4	**23.7**	4.2
Income taxes paid	**(32.5)**	(35.1)	**(82.0)**	(94.4)
Cash generated from operating activities	**485.3**	97.8	**866.1**	582.2
Investing activities				
Acquisition of The Forzani Group Ltd. (Note 17)	**(739.9)**	-	**(739.9)**	-
Acquisition of short-term investments	**(94.7)**	(98.4)	**(305.1)**	(171.2)
Acquisition of long-term investments	**(17.5)**	-	**(123.1)**	(24.8)
Additions to property and equipment and investment properties	**(61.5)**	(65.1)	**(151.3)**	(152.2)
Additions to intangible assets	**(58.4)**	(16.4)	**(97.6)**	(42.7)
Long-term receivables and other assets	**(4.2)**	0.3	**(6.0)**	3.8
Proceeds from the disposition of long-term investments	**-**	-	**18.1**	-
Proceeds from the disposition of short-term investments	**150.4**	49.4	**324.6**	81.7
Other	**2.7**	1.1	**8.9**	5.4
Cash used for investing activities	**(823.1)**	(129.1)	**(1,071.4)**	(300.0)
Financing activities				
Issuance of short-term borrowings	**923.4**	165.5	**1,670.0**	920.2
Repayment of short-term borrowings	**(880.1)**	(165.3)	**(1,426.4)**	(982.9)
Issuance of loans payable	**23.6**	24.7	**96.4**	168.6
Repayment of loans payable	**(54.3)**	(68.8)	**(125.2)**	(212.1)
Issuance of share capital (Note 11)	**1.1**	1.0	**10.5**	15.8
Repurchase of share capital (Note 11)	**(1.2)**	(10.9)	**(10.7)**	(25.4)
Repayment of long-term debt and finance lease liabilities	**(5.9)**	(306.5)	**(19.0)**	(357.0)
Dividends paid	**(22.4)**	(17.1)	**(67.2)**	(51.4)
Cash (used) generated for financing activities	**(15.8)**	(377.4)	**128.4**	(524.2)
Cash used in the period	**(353.6)**	(408.7)	**(76.9)**	(242.0)
Cash and cash equivalents, net of bank indebtedness, beginning of period	**728.1**	968.6	**450.9**	802.1
Effect of exchange rate fluctuations on cash held	**(1.1)**	0.5	**(0.6)**	0.3
Cash and cash equivalents, net of bank indebtedness, end of period (Note 13)	**$ 373.4**	$ 560.4	**$ 373.4**	$ 560.4

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	Fair value changes in available for sale financial assets	Total accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity (Note 22)
Balance at January 3, 2010	$ 720.4	$ 0.2	$ (38.6)	$ -	$ (38.6)	$ 2,961.1	$ 3,643.1
Total comprehensive income							
Net income						274.9	274.9
Other comprehensive income (loss)							
Derivatives designated as cash flow hedges:							
Losses, net of tax of $12.5			(23.9)		(23.9)		(23.9)
Reclassification of losses to non-financial asset, net of tax of $23.5			48.7		48.7		48.7
Reclassification of losses to income, net of tax of $1.7			3.5		3.5		3.5
Available for sale financial assets:							
Gains, net of tax of $0.1				0.2	0.2		0.2
Reclassification of gains to income, net of tax of $nil				(0.1)	(0.1)		(0.1)
Total other comprehensive income	-	-	28.3	0.1	28.4	-	28.4
Total comprehensive income	-	-	28.3	0.1	28.4	274.9	303.3
Contributions by and distributions to shareholders							
Issue of Class A Non-Voting Shares (Note 11)	15.8				-		15.8
Repurchase of Class A Non-Voting Shares (Note 11)	(25.4)				-		(25.4)
Dividends paid to shareholders					-	(51.4)	(51.4)
Total contributions by and distributions to shareholders	(9.6)	-	-	-	-	(51.4)	(61.0)
Balance at October 2, 2010	$ 710.8	$ 0.2	$ (10.3)	$ 0.1	$ (10.2)	$ 3,184.6	$ 3,885.4

(C$ in millions)	Share capital	Contributed surplus	Cashflow Hedges	Fair value changes in available for sale financial assets	Total accumulated other comprehensive income (loss) (Note 22)	Retained earnings (Note 22)	Total shareholders' equity
Balance at January 1, 2011	**$ 711.6**	**$ 0.3**	**$ (32.4)**	**$ 0.1**	**$ (32.3)**	**$ 3,325.3**	**$ 4,004.9**
Total comprehensive income							
Net income						**300.7**	**300.7**
Other comprehensive income (loss)							
Derivatives designated as cash flow hedges:							
Gains, net of tax of $6.7			**17.5**		**17.5**		**17.5**
Reclassification of losses to non-financial asset, net of tax of $16.1			**41.2**		**41.2**		**41.2**
Reclassification of losses to income, net of tax of $0.4			**1.0**		**1.0**		**1.0**
Available for sale financial assets:							
Gains, net of tax of $2.8				**6.9**	**6.9**		**6.9**
Reclassification of gains to income, net of tax of $2.7				**(6.8)**	**(6.8)**		**(6.8)**
Total other comprehensive income (loss)	**-**	**-**	**59.7**	**0.1**	**59.8**	**-**	**59.8**
Total comprehensive income (loss)	**-**	**-**	**59.7**	**0.1**	**59.8**	**300.7**	**360.5**
Contributions by and distributions to shareholders							
Issue of Class A Non-Voting Shares (Note 11)	**10.5**				**-**		**10.5**
Repurchase of Class A Non-Voting Shares (Note 11)	**(10.7)**				**-**		**(10.7)**
Excess of issue price over repurchase price (Note 11)	**(0.7)**	**0.7**			**-**		**-**
Dividends paid to shareholders					**-**	**(67.2)**	**(67.2)**
Total contributions by and distributions to shareholders	**(0.9)**	**0.7**	**-**	**-**	**-**	**(67.2)**	**(67.4)**
Balance at October 1, 2011	**$ 710.7**	**$ 1.0**	**$ 27.3**	**$ 0.2**	**$ 27.5**	**$ 3,558.8**	**$ 4,298.0**

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

1. The Company and its Operations

Canadian Tire Corporation, Limited and its subsidiaries ("the Company") is comprised of two main business operations that offer a range of retail goods and services including general merchandise, clothing, sporting goods, petroleum and financial services. On August 18, 2011 the Company acquired The Forzani Group Ltd. ("FGL Sports"). The operations of FGL Sports are included in the Company's results from operations and financial position commencing August 19, 2011. The Company is a limited liability incorporated business primarily domiciled in Canada. The address of its registered office is 2180 Yonge Street, Toronto, Ontario, M4P 2V8, Canada. The Company is listed on the Toronto Stock Exchange (TSX – CTC, CTC.A).

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 revenues 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 consolidated financial statements") have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), which include interpretations as issued by the International Accounting Standards Board (the "IASB") and the IFRS Interpretations Committee.

The Company prepared these interim consolidated financial statements for the 13 weeks and 39 weeks ended October 1, 2011 (and comparative results for the 13 weeks and 39 weeks ended October 2, 2010) in accordance with IAS 34 - *Interim Financial Reporting*, IFRS 1 - *First Time Adoption of IFRS* and the accounting policies that the Company expects to be in effect as at and for the year ending December 31, 2011.

These interim consolidated financial statements should be read in conjunction with: the Company's 2010 annual financial statements; the IFRS transitional disclosures included in Note 22 of these interim consolidated financial statements; and the IFRS transitional and selected annual disclosures included in Notes 22 and 23 of the Company's 2011 first quarter condensed interim consolidated financial statements and notes ("Q1 2011 interim consolidated financial statements").

The significant accounting policies as disclosed in the Company's Q1 2011 interim consolidated financial statements have been applied consistently in the preparation of these interim consolidated financial statements. Accordingly, please refer to the Company's Q1 2011 interim consolidated financial statements for a full description of the Company's Significant Accounting Policies (Note 3) and Basis for Fair Value (Note 4).

These interim consolidated financial statements were approved by the Company's Board of Directors on November 10, 2011.

Basis of presentation
These interim consolidated 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 cash-settled share-based payment plans;
- Assets acquired and liabilities assumed in the acquisition of FGL Sports.

Functional and presentation currency
These interim consolidated 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.

Use of estimates and judgments
The preparation of these interim consolidated 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 contingent liabilities at the date of these interim consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from estimates made in these interim consolidated financial statements.

Judgment is used mainly in determining whether a balance or transaction should be recognized in these interim consolidated 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.

The Company has applied judgment in its assessment of the appropriateness of consolidation of special purpose entities, the classification of leases and financial instruments, the recognition of tax losses and provisions, the determination of cash generating units, the identification of its investment properties, the identification of the indicators of impairment for property and equipment, investment property and intangible assets with finite useful lives, the level of componentization of property and equipment, and the allocation of purchase price adjustments on the acquisition of FGL Sports.

Estimates are used when estimating 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 inventory allowances, customer loyalty programs, deferred revenue, insurance reserves, assumptions underlying actuarial determination of retirement future benefit obligations, income and other taxes, provisions, certain fair value measures including those related to the valuation of business combinations, share-based payments and financial instruments, the testing of goodwill, indefinite useful life intangible assets and other assets for impairment, updating models used in the determination of allowances on loans receivable, purchase price adjustments on the acquisition of FGL Sports and calculating the proforma results as if the acquisition of FGL Sports had occurred at the beginning of the Company's fiscal year.

Standards, amendments and interpretations issued and not yet adopted

Financial instruments

In November 2009 the IASB issued IFRS 9 – *Financial instruments* ("IFRS 9"), Classification and Measurement, 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 other comprehensive income ("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 and 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, 2013. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Financial instruments: disclosures

In October 2010, the IASB amended IFRS 7 – *Financial instruments: Disclosures*, which will be applied prospectively for annual periods beginning on or after July 1, 2011. The amendments require additional disclosures on transferred financial assets. The Company is assessing the potential impact of these amendments.

Deferred taxes – Recovery of underlying assets

In December 2010, the IASB amended IAS 12 - *Income Taxes* ("IAS 12"), which introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The amendment is effective for annual periods beginning on or after January 1, 2012. This amendment is not expected to impact the Company as its investment properties are not measured at fair value.

Consolidated Financial Statements

In May 2011, the 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 SIC-12 - *Consolidation - Special Purpose Entities*. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. The standard requires an entity 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.

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 will be accounted for using the equity method of accounting. The existing option to account for joint ventures using proportionate consolidation has been removed. For a joint operation, the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

Disclosure of Involvement with Other Entities
In May 2011, the IASB issued IFRS 12 - *Disclosure of Involvement with 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 issue of IFRS 10 and IFRS 11, IAS 28 – *Investments in Associates* ("IAS 28") has been amended. IAS 28 will provide accounting guidance for investments and associates and will set out the requirements for the application of the equity method when accounting for investments and joint ventures.

IFRS 10, IFRS 11 and IFRS 12 and the amendments to IAS 27 and IAS 28 are effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted only if all of these standards are concurrently adopted. However, entities may provide some or all of the information required by IFRS 12 without early adopting all of IFRS 12 or early adopting IFRS 10, IFRS 11, IAS 27 and IAS 28. The Company is assessing the potential impact of these standards.

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 existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted. The Company is assessing the potential impact of these amendments.

Other Comprehensive Income Presentation
In June 2011, the IASB amended IAS 1 – *Presentation of Financial Statements* to require companies to group together items within OCI that may be reclassified to the profit or loss section of the income statement. The amendments reaffirm the existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are effective for annual periods beginning on or after July 1, 2012. The Company is assessing the potential impact of these amendments.

Post-employment Benefits
In June 2011, the IASB amended IAS 19 – *Employment Benefits*, which applies 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 statement of other comprehensive income; and require additional disclosures. The amendments are effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. This amendment is not expected to have any significant impact as the Company already immediately records any actuarial gains and losses in OCI.

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 current economic environment and the transition to IFRS have not changed the Company's objectives in managing capital.

The Company is in compliance with key covenants under its existing debt agreements during the quarter. Under these covenants, the Company currently has flexibility to fund business growth and maintain or amend dividend rates within its existing dividend policy.

To assess its effectiveness in managing capital, the Company monitors certain key ratios to ensure they are within targeted ranges. Various debt to capitalization ratios are assessed with and without the impact of securitization.

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 18 of the Company's 2010 annual financial statements, except that it now includes Glacier Credit Card Trust indebtedness. The definition of capital excludes Franchise Trust indebtedness. See also Note 23M to the Q1 2011 interim consolidated financial statements.

The Company is in compliance with regulatory requirements associated with the operations of Canadian Tire Bank ("the Bank"), its federally chartered bank, and other regulatory requirements that impact its business operations.

The Bank's ratios are above internal minimum targets for Tier 1 and Total Capital ratios and below its internal maximum targets for the assets to capital multiple. The Bank's internal minimum ratios are determined by the Internal Capital Adequacy Assessment Process. During the nine months ended September 30, 2011 and the comparative period for 2010, the Bank complied with the capital guidelines issued by OSFI under the "International Convergence of Capital Measurement and Capital Standards – A Revised Framework" (Basel II).

While the acquisition of FGL Sports impacts consolidated debt ratios and covenant metrics, it did not fundamentally alter the Company's objectives in managing capital or its definition of capital. The Company is in compliance with its debt covenants.

4. Operating Segments

Effective January 2, 2011, the Company re-organized its four previously reportable operating segments to conform with its revised view of operating the business. The Company now has two reportable segments, Retail and Financial Services. Prior year comparatives have been restated to conform to the current year presentation.

The Company's two 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 is comprised of the Living, Fixing, Playing, Automotive, Apparel and Sporting Goods categories. The retail business is conducted under a number of banners including Canadian Tire Retail (CTR), Canadian Tire Gas (Petroleum), Mark's Work Wearhouse, 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 is a business that markets a range of Canadian Tire-branded credit cards, personal loans, lines of credit, insurance and warranty products. It also operates a federally regulated bank that offers guaranteed investment certificates and accepts consumer deposits. Financial Services also includes Glacier Credit Card Trust ("GCCT"), a financing program established to purchase co-ownership interests in the Company's credit card loans, and it issues debt to third-party investors to fund its purchases.

The two reportable operating segments have foreign-based subsidiaries or activities. These subsidiaries hold assets such as highly rated short-term securities. One operates a reinsurance company while others provide product sourcing, logistics and vendor management outside of Canada. These assets and activities do not constitute geographic segments.

The segments operate independently but do share some services such as certain corporate, treasury, financial, legal, information technology and human resource functions. All intercompany transactions are eliminated upon consolidation. The accounting policies of the reportable segments and basis of preparation are the same as described in note 3 of the Company's Q1 2011 interim consolidated financial statements.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment income before income tax, as included in the internal management reports reviewed by the Company's CEO. Management has determined that this measure is the most relevant in evaluating segment results.

(C$ in millions)	13 weeks ended October 1, 2011 Retail	Financial Services	Eliminations and Adjustments	Total	13 weeks ended October 2, 2010 Retail	Financial Services	Eliminations and Adjustments	Total
External revenue	**$ 2,443.7**	**$ 239.6**	**$ 21.6**	**$ 2,704.9**	$ 2,004.6	$ 239.2	$ 22.3	$ 2,266.1
Intercompany revenue	**0.1**	**3.5**	**(3.6)**	**-**	0.2	2.7	(2.9)	-
Total revenue	**2,443.8**	**243.1**	**18.0**	**2,704.9**	2,004.8	241.9	19.4	2,266.1
Gross margin	**617.5**	**145.1**	**18.0**	**780.6**	538.3	140.6	19.4	698.3
Operating expenses	**(505.3)**	**(65.4)**	**(18.0)**	**(588.7)**	(431.2)	(70.7)	(19.4)	(521.3)
Operating income	**122.5**	**79.6**	**-**	**202.1**	106.4	69.7	-	176.1
Income before income taxes	**105.8**	**64.2**	**-**	**170.0**	84.2	54.3	-	138.5
Items included in the above:								
Depreciation and amortization	**$ 73.0**	**$ 2.8**	**$ -**	**$ 75.8**	$ 66.8	$ 2.7	-	$ 69.5
Interest income	**12.6**	**174.6**	**(0.6)**	**186.6**	11.8	171.3	(4.7)	178.4
Interest expense	**22.4**	**36.2**	**(0.6)**	**58.0**	26.7	37.5	(4.7)	59.5

(C$ in millions)	39 weeks ended October 1, 2011 Retail	Financial Services	Eliminations and Adjustments	Total	39 weeks ended October 2, 2010 Retail	Financial Services	Eliminations and Adjustments	Total
External revenue	**$ 6,488.1**	**$ 702.4**	**$ 61.5**	**$ 7,252.0**	$ 5,852.5	$ 708.2	$ 64.1	$ 6,624.8
Intercompany revenue	**0.5**	**9.3**	**(9.8)**	**-**	0.5	7.7	(8.2)	-
Total revenue	**6,488.6**	**711.7**	**51.7**	**7,252.0**	5,853.0	715.9	55.9	6,624.8
Gross margin	**1,662.8**	**407.4**	**51.7**	**2,121.9**	1,548.9	412.1	55.9	2,016.9
Operating expenses	**(1,386.9)**	**(197.6)**	**(51.7)**	**(1,636.2)**	(1,251.0)	(202.2)	(55.9)	(1,509.1)
Operating income	**288.8**	**209.5**	**-**	**498.3**	299.5	208.3	-	507.8
Income before income taxes	**235.6**	**163.4**	**-**	**399.0**	231.7	159.3	-	391.0
Items included in the above:								
Depreciation and amortization	**$ 201.5**	**$ 8.0**	**$ -**	**$ 209.5**	$ 197.2	$ 6.4	$ -	$ 203.6
Interest income	**36.9**	**509.2**	**(3.6)**	**542.5**	31.2	502.1	(11.2)	522.1
Interest expense	**68.0**	**104.6**	**(3.6)**	**169.0**	78.6	109.4	(11.2)	176.8

Capital expenditures by segment are as follows:

	13 weeks ended October 1, 2011				13 weeks ended October 2, 2010			
Capital expenditures [1]	**$ 119.5**	**$ 0.7**	**$ -**	**$ 120.2**	$ 90.3	$ 5.2	$ -	$ 95.5

	39 weeks ended October 1, 2011				39 weeks ended October 2, 2010			
Capital expenditures [1]	**$ 227.7**	**$ 5.1**	**$ -**	**$ 232.8**	$ 199.2	$ 8.0	$ -	$ 207.2

[1] Capital expenditures are presented on an accrual basis and include intangible software additions (Note 14).

Segmented Assets

As at (C$ in millions)	**October 1, 2011**	October 2, 2010	January 1, 2011
Retail	**$ 8,757.8**	$ 7,523.6	$ 7,246.5
Financial Services	**4,966.2**	5,319.3	4,706.6
Eliminations	**(845.4)**	(1,588.7)	(904.6)
Total	**$ 12,878.6**	$ 11,254.2	$ 11,048.5

5. Consolidated Revenue

	13 weeks ended		**39 weeks ended**	
(C$ in millions)	**October 1, 2011**	October 2, 2010	**October 1, 2011**	October 2, 2010
Sale of goods	**$ 2,350.2**	$ 1,922.6	**$ 6,213.7**	$ 5,608.7
Interest income on loans receivable	**178.8**	173.9	**524.1**	512.6
Services rendered	**88.3**	88.9	**261.3**	261.8
Royalties and license fees	**85.1**	77.2	**244.8**	233.9
Rental income	**2.5**	3.5	**8.1**	7.8
	$ 2,704.9	$ 2,266.1	**$ 7,252.0**	$ 6,624.8

Major customers

Revenue is earned from a variety of customers. Canadian Tire, Mark's Work Wearhouse and FGL Sports ship merchandise to a network of over 750 independent Dealers and franchisees. Financial Services and Petroleum provide goods and services to millions of customers. The Company does not have a reliance on any one customer.

6. Consolidated Cost of Producing Revenue

	13 weeks ended		**39 weeks ended**	
(C$ in millions)	**October 1, 2011**	October 2, 2010	**October 1, 2011**	October 2, 2010
Inventory cost of sales	**$ (1,826.2)**	$ (1,466.5)	**$ (4,825.8)**	$ (4,304.1)
Net impairment loss on loans receivable	**(69.5)**	(73.4)	**(221.6)**	(221.4)
Finance costs on deposits	**(18.1)**	(17.4)	**(51.3)**	(50.5)
Other	**(10.5)**	(10.5)	**(31.4)**	(31.9)
	$ (1,924.3)	$ (1,567.8)	**$ (5,130.1)**	$ (4,607.9)

Included in "inventory cost of sales" for the 13 weeks ended October 1, 2011 is $21.6 million (2010 – $12.6 million) of write-downs of inventory as a result of net realizable value being lower than cost. For the 39 weeks ended October 1, 2011 $56.3 million (2010 – $37.6 million) of write downs of inventory are included in "inventory cost of sales".

Inventory write-downs recognized in previous periods and reversed in the 13 weeks and 39 weeks ended October 1, 2011 were $8.2 million (2010 - $4.1 million) and $15.2 million (2010 - $11.3 million) respectively. The write-downs and reversals are included in "cost of producing revenue" on the Condensed Consolidated Statements of Income.

7. Consolidated Operating Expenses by Nature

(C$ in millions)	13 weeks ended October 1, 2011	13 weeks ended October 2, 2010	39 weeks ended October 1, 2011	39 weeks ended October 2, 2010
Personnel expenses (Note 8)	**$ (216.0)**	$ (187.3)	**$ (574.1)**	$ (537.7)
Occupancy	**(113.7)**	(95.3)	**(310.4)**	(285.4)
Marketing and advertising	**(75.0)**	(72.0)	**(222.2)**	(206.7)
Depreciation of property and equipment and investment properties	**(57.7)**	(57.0)	**(163.5)**	(166.2)
Amortization of intangible assets	**(18.1)**	(12.5)	**(46.0)**	(37.4)
Other	**(108.2)**	(97.2)	**(320.0)**	(275.7)
	$ (588.7)	$ (521.3)	**$ (1,636.2)**	$ (1,509.1)

8. Consolidated Personnel Expenses

(C$ in millions)	13 weeks ended October 1, 2011	13 weeks ended October 2, 2010	39 weeks ended October 1, 2011	39 weeks ended October 2, 2010
Wages and salaries	**$ (160.0)**	$ (132.6)	**$ (432.3)**	$ (397.8)
Benefits	**(45.7)**	(53.4)	**(120.9)**	(131.2)
Share-based payments	**(10.3)**	(1.3)	**(20.9)**	(8.7)
	$ (216.0)	$ (187.3)	**$ (574.1)**	$ (537.7)

9. Share-Based Payment Plans

During the 39 weeks ended October 1, 2011, the Company issued the following share-based payment awards:

Stock options

The Company granted 433,804 stock options with tandem stock appreciation rights to certain employees. These stock options fully vest after a three-year period, are exercisable over a term of seven years and have an exercise price of $62.30.

2011 Performance Share Unit Plan

The Company has granted 2011 performance share units (PSUs) to certain employees. Each PSU entitles the participant to receive a cash payment equal to the weighted average closing price of Class A Non-Voting Shares traded on the Toronto Stock Exchange for the 20-day period commencing the day after the last day of the performance period, multiplied by an applicable multiplier determined by specific performance-based criteria.

10. Loans Receivable

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

	Total principal amount of receivables [1]			Average balance for the 39 weeks ended	
(C$ in millions)	**October 1, 2011**	October 2, 2010	January 1, 2011	**October 1, 2011**	October 2, 2010
Credit card loans	**$ 3,906.6**	$ 3,894.5	$ 3,996.3	**$ 3,889.7**	$ 3,882.6
Line of credit loans	**9.5**	12.0	11.3	**10.3**	13.6
Personal loans [2]	**4.4**	15.1	11.2	**7.2**	23.2
Total Financial Services' loans receivable	**3,920.5**	3,921.6	4,018.8	**$ 3,907.2**	$ 3,919.4
Dealer loans [3]	**658.2**	713.9	687.0		
Other loans	**9.4**	-	-		
Total loans receivable	**4,588.1**	4,635.5	4,705.8		
Less: long-term portion [4]	**623.2**	683.2	654.8		
Current portion of loans receivable	**$ 3,964.9**	$ 3,952.3	$ 4,051.0		

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 three 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 $620.0 million at October 1, 2011 (October 2, 2010 - $677.8 million).

All loans receivable are initially recorded at fair value and subsequently measured at amortized cost. The impairment loss on loans receivable for the 13 and 39 weeks ended October 1, 2011 was $83.9 million (2010 - $86.4 million) and $263.3 million (2010 - $260.4 million), respectively. Recoveries of the allowance for loan impairment for the 13 and 39 weeks ended October 1, 2011 were $13.0 million (2010 - $13.1 million) and $37.1 million (2010 - $39.0 million), respectively.

11. Share Capital

(C$ in millions)	**October 1, 2011**	October 2, 2010	January 1, 2011
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (October 2, 2010 - 3,423,366)	**$ 0.2**	$ 0.2	$ 0.2
78,020,008 Class A Non-Voting Shares (October 2, 2010 - 78,006,067)	**710.5**	710.6	711.4
	$ 710.7	$ 710.8	$ 711.6

All issued shares are fully paid up. 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 2011 and 2010, the Company issued and repurchased Class A Non-Voting Shares. The net excess of the issue price over the repurchase price results in contributed surplus. The net excess of the repurchase price over the issue price is allocated first to contributed surplus, if any, with any remainder allocated to retained earnings.

The following transactions occurred with respect to Class A Non-Voting Shares during 2011 and 2010:

(C$ in millions)	**39 weeks ended October 1, 2011** Number	$	39 weeks ended October 2, 2010 Number	$
Shares outstanding at beginning of the period	**78,020,007**	**$ 711.4**	78,178,066	$ 720.2
Issued				
Dividend reinvestment plan	**53,738**	**3.2**	46,545	2.6
Stock option plan	**1,000**	**-**	2,000	0.1
Employee Stock Purchase Plan	**-**	**-**	107,682	5.9
Employee Profit Sharing Plan	**59,491**	**3.6**	74,491	4.1
Associate Dealer profit sharing plans	**59,302**	**3.7**	55,732	3.1
Repurchased	**(173,530)**	**(10.7)**	(458,449)	(25.4)
(Excess of issue price over repurchase price) Excess of repurchase price over issue price	**-**	**(0.7)**	-	-
Shares outstanding at end of the period	**78,020,008**	**$ 710.5**	78,006,067	$ 710.6

Since 1988 the Company has followed an anti-dilution policy. The Company repurchases shares to substantially offset the dilutive effects of issuing Class A Non-Voting Shares pursuant to various corporate programs.

As at October 1, 2011, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $22.4 million (2010 - $17.1 million) at a rate of $0.275 per share (2010 - $0.21).

12. Basic and Diluted Earnings Per Share

The calculation of basic and diluted earnings per share is based on the net income reported in the Consolidated Statements of Income and the weighted average number of basic and diluted shares outstanding, as follows:

Number of shares	**13 weeks ended October 1, 2011**	13 weeks ended October 2, 2010	**39 weeks ended October 1, 2011**	39 weeks ended October 2, 2010
Weighted average number of Common and Class A Non-Voting Shares outstanding - Basic	**81,446,801**	81,591,011	**81,448,346**	81,609,190
Dilutive effect of employee stock options	**294,192**	340,550	**362,144**	331,312
Weighted average number of Common and Class A Non-Voting Shares outstanding - Diluted	**81,740,993**	81,931,561	**81,810,490**	81,940,502

13. Notes to the Consolidated Statements of Cash Flows

The components of cash and cash equivalents are:

(C$ in millions)	**October 1, 2011**	October 2, 2010	January 1, 2011
Cash	**$ 22.5**	$ 56.8	$ 15.5
Cash equivalents	**297.2**	398.8	538.2
Restricted cash and cash equivalents[1]	**173.7**	202.7	15.2
Total cash and cash equivalents	**493.4**	658.3	568.9
Bank indebtedness	**(120.0)**	(97.9)	(118.0)
Cash and cash equivalents, net of bank indebtedness	**$ 373.4**	$ 560.4	$ 450.9

[1] Relates to Glacier Credit Card Trust and is restricted for the purposes of paying out note holders.

14. Property, Equipment, Investment Property and Intangible Assets

Acquisitions and disposals

During the 13 and 39 weeks ended October 1, 2011, property and equipment and investment properties were acquired at an aggregate cost of $63.5 million (2010 - $76.4 million) and $143.1 million (2010 - $160.6 million), respectively. The amount of property and equipment and investment properties acquired that is included in trade and other payables at October 1, 2011 was $13.0 million (2010 - $16.8 million). Property and equipment and investment properties with a carrying amount of $3.1 million (2010 - $3.2 million) and $9.2 million (2010 - $5.1 million) were disposed of during the 13 and 39 weeks ended October 1, 2011, respectively.

During the 13 and 39 weeks ended October 1, 2011, intangible assets were acquired at an aggregate cost of $56.7 million (2010 - $19.1 million) and $89.7 million (2010 - $46.6 million), respectively. The amount of intangible assets acquired that is included in trade and other payables at October 1, 2011 was $0.5 million (2010 - $6.5 million).

Capital commitments

The Company has commitments of approximately $23.6 million at October 1, 2011 for the acquisition of property and equipment (2010 - $38.1 million).

15. Assets Classified as Held for Sale

Assets held for sale as at October 1, 2011 include land and buildings with a cost of $13.3 million and $29.0 million, respectively (2010 - $13.1 million and $8.0 million, respectively), and accumulated depreciation of $20.4 million (2010 - $6.3 million). Land and buildings generally relate to stores in the Retail segment that have relocated to newer sites. The Company is actively marketing these properties to third parties and they will be sold when terms and conditions acceptable to the Company are reached.

During the 13 and 39 weeks ended October 1, 2011 the Company classified $8.6 million (2010 - $2.3 million) and $16.3 million (2010 - $9.7 million), respectively, of land and buildings to assets held for sale as they meet the required criteria to be classified as held for sale. During the 13 and 39 weeks ended October 1, 2011 the Company transferred $1.0 million (2010 – $nil) and $7.9 million (2010 - $0.9 million), respectively, of land and buildings previously classified as held for sale to property and equipment as it has determined that they no longer meet the criteria to be classified as held for sale.

16. Loans Payable

Franchise Trust, a legal entity sponsored by a third party bank, originates loans to Dealers. Loans payable are the loans that Franchise Trust has incurred to fund the loans to Dealers. These loans are not direct legal liabilities of the Company, but have been consolidated in the accounts of the Company as the Company effectively controls the silo of Franchise Trust containing the Dealer loan program.

17. Business Combinations

Acquisition of FGL Sports

On August 18, 2011, the Company acquired control of FGL Sports. The Company's approximately 97% ownership of the issued and outstanding Class "A" shares (the "Common shares") of FGL Sports included the shares acquired on and prior to August 18, 2011. The Company acquired the remaining Common shares of FGL Sports on August 25, 2011.

FGL Sports is a Canadian retailer of sporting goods offering a comprehensive assortment of brand-name and private-label products, operating stores from coast to coast, under the following corporate and franchise banners: Sport Chek, Sports Experts, Intersport, Atmosphere, Tech Shop, Nevada Bob's Golf, Hockey Experts, Sport Mart, National Sports, Athletes World, S3 and Fitness Source.

The acquisition of FGL Sports will increase Canadian Tire's presence in sporting goods, with more than 1,000 combined retail sports outlets across Canada. A significant portion of FGL Sports sales are in athletic apparel and footwear, with the balance of sales in sporting hard goods that complement the Company's assortment. The acquisition of retail banners like Sport Chek and Sports Experts is a natural extension of the Company's sporting goods business.
For the quarter-ended October 1, 2011 FGL Sports contributed revenue of $219.5 million and net income of $3.5 million to the Company's results during the stub period August 19 to October 1, 2011.

If the acquisition had occurred on January 2, 2011, management estimates that consolidated revenue would have been approximately $8 billion and consolidated net income would have been approximately $290 million for the 39 weeks

ended October 1, 2011. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same as if the acquisition had occurred on January 2, 2011. In addition, change in control costs and acquisition-related costs incurred by FGL Sports have been excluded from the calculation of consolidated net income.

The acquisition date fair value of consideration transferred is as follows:

(C$ in millions)		
Cash	**$**	**765.2**
Fair value of previously held interests		**35.4**
Total consideration transferred	**$**	**800.6**

The provisional fair value of identifiable assets acquired and liabilities assumed as at the acquisition date are as follows:

(C$ in millions)		
Cash and cash equivalents	**$**	**25.3**
Trade and other receivables [1]		**111.1**
Loans receivable		**0.8**
Merchandise inventories		**455.9**
Income taxes recoverable		**3.4**
Prepaid expenses and deposits		**11.1**
Long term receivables and other assets		**4.9**
Intangible assets		**382.3**
Property and equipment		**155.1**
Trade and other payables		**(288.9)**
Short-term borrowings		**(241.9)**
Provisions		**(31.0)**
Deferred income taxes		**(58.2)**
Other long-term liabilities		**(37.7)**
Total net identifiable assets	**$**	**492.2**

[1] Gross trade and other receivables acquired is $112.4 million, of which $1.3 million was expected to be uncollectible as at acquisition date.

The fair value of the identifiable assets acquired and liabilities assumed in the table above have been determined provisionally pending Management's final review of the valuations.

Goodwill was recognized as a result of the acquisition as follows:

(C$ in millions)		
Total consideration transferred	**$**	**800.6**
Less: Total net identifiable assets		**492.2**
Goodwill	**$**	**308.4**

The goodwill recognized on acquisition of FGL Sports is attributable mainly to the expected future growth potential from the expanded customer base of FGL Sports banners/brands, the network of stores which are predominantly mall-based and access to the important 18-35 year old customer segment.

None of the goodwill recognized is expected to be deductible for income tax purposes.
The Company has incurred acquisition-related costs of $11.5 million to date relating to external legal, consulting fees and due diligence costs. These costs have been included in "administrative expenses" in the condensed Consolidated Statements of Income.

A pre-tax gain of $10.4 million was recognized on the Company's previously held interest in FGL Sports prior to the acquisition date. The gain is recognized in "other income (expense)" in the condensed Consolidated Statements of Income and is included as part of the fair value of previously held interest included in the total consideration transferred, noted in the table above.

The impact of the acquisition on the condensed Consolidated Statements of Cash Flows is as follows:

(C$ in millions)		
Total cash consideration transferred	**$**	**765.2**
Cash and cash equivalents acquired		**(25.3)**
Acquisition of The Forzani Group Ltd.	**$**	**739.9**

18. 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 consolidated earnings, cash flows, or financial position.

The Company's wholly-owned subsidiary, Canadian Tire Bank (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 is a matter 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 adversely decided, the total aggregate exposure as at December 31, 2010 would have been approximately $22.5 million.

19. 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 14 of the most recently issued annual financial statements for the 52 weeks ended January 1, 2011 contained in our 2010 Annual Report, except as noted below.

Income taxes for the 13 and 39 weeks ended October 1, 2011 were reduced by $13.8 million and $14.7 million, respectively due to adjustments to prior years' estimated tax payable and the estimated federal and provincial reassessments related to the dividends received matter, which was settled with the CRA during the fourth quarter of 2010 (for a full description see Note 14 in the Company's 2010 annual financial statements).

The Company regularly reviews the potential for adverse outcomes in respect of tax matters. The Company has determined that the ultimate disposition of any tax matters in dispute with tax authorities will not have a material adverse effect on its liquidity, consolidated financial position or results of operations 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.

20. Related Parties

The Company has related party relationships with members of the Board of Directors, key management personnel, and other entities over which they exercise control. Key management personnel includes the Company's Chief Executive Officer, Chief Financial Officer, and the top four senior officers. Close family members of key management personnel, members of the Board of Directors, and any entities over which they exercise control, are also defined as related parties. Transactions with members of the Board of Directors who were also Canadian Tire Dealers represented less than one-percent of the Company's total revenue and were in accordance with established Company policy applicable to all Dealers. Other transactions with related parties during the period were not significant.

Significant subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, actual and potential voting rights that presently are exercisable or convertible are taken into account. Management has also considered additional factors in assessing control such as de facto circumstantial evidence. The financial statements of subsidiaries are included in the interim consolidated financial statements from the date that control commences until the date that control ceases.

The Company's significant subsidiaries are:

Significant Subsidiaries	Country of incorporation	Ownership Interest **2011**	2010
Canadian Tire Financial Services Limited	Canada	**100%**	100%
Mark's Work Wearhouse Limited	Canada	**100%**	100%
Canadian Tire Real Estate Limited	Canada	**100%**	100%
The Forzani Group Ltd.	Canada	**100%**	-

21. Subsequent Events

On November 10, 2011 the Company's Board of Directors declared a dividend of $0.30 per share payable on March 1, 2012 to shareholders of record as of January 31, 2012.

22. Transition to International Financial Reporting Standards (IFRS)

The Company has adopted IFRS effective January 2, 2011. Prior to the adoption of IFRS, the Company presented its financial statements in accordance with previous Canadian Generally Accepted Accounting Principles ("previous GAAP"). As a result, the 2010 comparative information has been adjusted from amounts previously reported in the Company's financial statements prepared in accordance with previous GAAP. IFRS 1 - *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), requires first-time adopters to apply IFRS Standards retrospectively as if IFRS had been in effect from the date of the Company's inception. The Company's transition date is January 3, 2010 (the "Transition Date") and an opening Consolidated Balance Sheet has been prepared as at that date. The interim consolidated financial statements for the 13 and 39 weeks ended October 1, 2011 and for the comparative 2010 periods are prepared in compliance with IAS 34 - *Interim Financial Statements.* These financial statements have been presented in accordance with the IFRS accounting policies discussed in Note 3 of the Company's Q1 2011 interim consolidated financial statements. The Company will prepare its first annual consolidated financial statements prepared in accordance with IFRS for the year ending December 31, 2011 by applying IFRS that are in effect as at that date. Accordingly, the opening Consolidated Balance Sheet and financial statements for 2010 and 2011 may differ from these financial statements if new standards are subsequently enacted and effective prior to the end of 2011.

A. Presentation of consolidated financial statements

The Company has not changed its presentation format in its financial statements in the current quarter ended October 1, 2011 from previous quarters in 2011. For a full description of its presentation adopted in 2011 see Note 22A in the Company's Q1 2011 interim consolidated financial statements.

B. Elected exemptions from full retrospective application

IFRS 1 provides entities preparing their first IFRS compliant financial statements with several optional exemptions from full retrospective application of IFRS. The Company applied certain of these optional exemptions in its first quarter ended April 2, 2011. The Company has not changed or applied any new exemptions in the current quarter ended October 1, 2011. For a full description of the exemptions the Company applied see Note 22B in the Company's Q1 2011 interim consolidated financial statements.

C. Mandatory exceptions to retrospective application of IFRS

In preparing these interim consolidated financial statements in accordance with IFRS 1 the Company applied certain mandatory exceptions from full retrospective application of IFRS in its first quarter ended April 2, 2011. The Company has not changed or applied any new mandatory exceptions in the current quarter ended October 1, 2011. For a full description of the exemptions the Company applied see Note 22C in the Company's Q1 2011 interim consolidated financial statements.

D. Reconciliation of Shareholders' Equity from previous GAAP to IFRS

The following is a reconciliation of the Company's total Shareholders' Equity reported in accordance with previous GAAP to its Shareholders' Equity reported in accordance with IFRS as at October 1, 2010. For the reconciliation of the Company's total shareholders' equity at January 3, 2010 and January 1, 2011 see Note 22D in the Company's Q1 2011 interim consolidated financial statements.

(C$ in millions)	Note		October 2, 2010
Total Shareholders' Equity as reported under previous GAAP		$	3,928.9
Transitional adjustments:			
Property and equipment	i		(1.1)
Impairment	ii		(1.1)
Leases	iii		26.2
Provisions	iv		(24.6)
Loyalty programs	v		(1.2)
Employee benefits	vi		(13.8)
Share-based payments	vii		(4.1)
Consolidation	viii		(0.8)
Securitization	ix		(41.4)
Financial instruments	x		0.8
Foreign exchange translation	xi		4.2
Income taxes	xii		13.4
Total transitional adjustments			(43.5)
Total Shareholders' Equity as reported under IFRS		**$**	**3,885.4**

The following is an explanation of the adjustments to shareholders' equity:

(i) Property and equipment

IAS 16 - *Property, Plant and Equipment* requires the Company to componentize the amount initially recognized in respect of an item of property, plant and equipment into its significant parts and depreciate each part separately over its respective useful life. The Company determined that certain of its supply chain assets have additional separable parts or "components". These components were separately depreciated over their useful lives, resulting in a higher depreciation charge.

Furthermore, insurance proceeds and rental proceeds netted against the cost of property and equipment under previous GAAP have been reclassified to income under IFRS.

(ii) Impairment

IFRS requires impairment testing of goodwill, intangibles and tangible assets at the CGU level. Under previous GAAP, the Company tested goodwill at the reporting unit level. This change resulted in an impairment of goodwill associated with one of its CGUs in the Retail operating segment.

Under previous GAAP, tangible and intangible assets other than goodwill were tested for impairment by first comparing the undiscounted cash flows generated by the asset or group of assets to the carrying amount. If the application of this first test indicated that there was an impairment, the amount of the impairment was then calculated by comparing the discounted cash flows to the carrying amount of the asset or group of assets. Under IFRS, impairment testing is performed by immediately comparing discounted cash flows to the carrying amount of an asset or group of assets. As a result, the Company recorded impairments on certain of its long-lived assets in its Retail operating segment.

(iii) Leases

There are two impacts to the Company of adopting lease accounting under IFRS: (a) the reclassification of certain leases from operating to finance, and (b) the accounting for deferred gains and losses on previous sale and lease-back transactions.

(a) Under previous GAAP, the Company classified a lease as operating or finance based on quantitative "bright-line" tests. Under IFRS, the assessment must be made based on a qualitative analysis of risks and rewards. As a result of the qualitative analysis, the Company identified certain IT and supply chain leases where the Company obtains the majority of the risks and rewards incidental to ownership. These leases were reclassified from operating to finance leases. As a result, the Company has retrospectively recorded leased assets and finance lease obligations, as well as an adjustment to retained earnings based on the difference between the lease payments under previous GAAP and the depreciation and interest (accretion) recorded on the finance leases under IFRS.

(b) Under IFRS, any gains or losses on sale and lease-back transactions that were established at fair value and where the lease-back transaction results in an operating lease must be recognized immediately. Under previous GAAP, the Company was amortizing the gains or losses over the lease term. As a result, the Company has recognized the remaining balance of deferred gains on its operating sale and lease-back transactions in opening retained earnings.

(iv) Provisions

Under IFRS, reserves and/or accruals for which there is a significant degree of uncertainty about the amount or timing of the payment are classified as provisions. In addition, a provision must be discounted when the time-value of money is material. Therefore, the Company reclassified certain accruals to provisions and has discounted these provisions where applicable.

Furthermore, IFRS specifies that the discount rate applied to the provision must be the rate that reflects the risks associated with the obligation. Under previous GAAP, the Company measured its provisions for asset retirement obligations using the credit-adjusted risk-free rate of interest. As a result, the Company has re-measured its provisions for asset retirement obligations, which are now referred to as site restoration and decommissioning provisions under IFRS.

Under previous GAAP, reserves and accruals are only recorded when a legal obligation exists. Under IFRS, provisions are recorded for both legal and constructive obligations. A constructive obligation exists when an action by the Company indicates to a third party that it will accept certain responsibilities, and creates a valid expectation on the part of that third party that it will discharge those responsibilities.

(v) Loyalty programs

IFRIC 13 - *Customer Loyalty Programmes* requires award credits granted as part of a sales transaction to be accounted for as a separate component of revenue earned on the transaction. Revenue earned on the transaction is allocated to the award credit based on its fair value and deferred until the award credits are redeemed, unless a third party provides the awards, in which case revenue is deferred until the Company fulfills its obligations to the customer in respect of the awards. As a result, the Company has deferred revenue earned on transactions relating to its loyalty programs until the Company has fulfilled its obligation to the customer.

(vi) Employee benefits

Under previous GAAP, the Company was using the corridor method to amortize actuarial gains and losses. On transition to IFRS, the Company elected to reset all cumulative unamortized actuarial gains and losses to zero as at the Transition Date. Cumulative actuarial gains and losses that existed at the Transition Date were recognized in opening retained earnings for the Company's employee benefit plans. Actuarial losses related to employee benefits, previously included in "accumulated other comprehensive income" on the condensed Consolidated Statement of Changes in Shareholders' Equity, are presented in "retained earnings" at January 1, 2011. There is no impact on "Total shareholders' equity" on the condensed Consolidated Balance Sheet at January 1, 2011.

(vii) Share-based payments

Under previous GAAP, the obligation for cash-settled share-based awards was revalued at each reporting period based on the intrinsic value of each award and the portion vested. Under IFRS, the obligation for cash-settled awards was remeasured at each reporting date based on the fair value of each award and the portion vested.

Under previous GAAP, the Company recognized forfeitures of share-based awards as they occurred. Under IFRS, an estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. As a result, the Company adjusted its liability for share-based awards.

Under previous GAAP, the Company recognized the total fair value of share-based awards with graded vesting on a straight-line basis over the employment period necessary to vest the award. Under IFRS, the Company recognized the fair value of each tranche in an award with graded vesting on a straight-line basis over the vesting period of the tranche.

(viii) Consolidation

Glacier Credit Card Trust ("GCCT")

Glacier Credit Card Trust was formed to buy co-ownership interests in the Company's credit card loans. GCCT issues debt to third-party investors to fund its purchases. Under previous GAAP, GCCT was determined to be a qualifying special purpose entity and was therefore exempt from consolidation. Under IFRS, the Company is required to consolidate an entity that it controls based on the criteria set forth in IAS 27 - *Consolidated and Separate Financial Statements ("IAS 27")* and SIC 12 - *Consolidation - Special Purpose Entities* ("SIC 12"). The Company determined that it controls GCCT and is therefore required to consolidate GCCT under IFRS.

Dealer loan program

Franchise Trust (FT), a legal entity sponsored by a third party bank, originates loans to Dealers for their purchase of inventory and fixed assets. The Company has arranged for several major Canadian banks to provide standby letters of credit to Franchise Trust to support the credit quality of the loan portfolio. The Company was not required to consolidate any part of FT under previous GAAP. Under IFRS, the Company is required to consolidate an entity/arrangement (or a portion thereof) it is considered to control based on the criteria set forth in IAS 27 and SIC 12. The Company has determined that it controls the portion (silo) of FT that issues loans to Dealers under the Dealer loan program and accordingly, is required to consolidate the silo of FT containing the Dealer loan program.

(ix) Securitization

Since 1995, the Company has securitized credit card receivables through GCCT. Under previous GAAP, the Company recorded a gain/loss on sale and derecognized the credit card receivables. Under IFRS, an entity may not derecognize an asset when it maintains the majority of the risks and rewards associated with the asset. Therefore, the securitization transactions no longer qualify for derecognition under IFRS and the Company must recognize the receivables on the Consolidated Balance Sheets. Accordingly, the gain/loss on the sale of the receivables was reversed.

(x) Financial instruments

Hedging with options

Under IFRS, the Company is required to reflect the time value of foreign exchange options in the Consolidated Statements of Income. Under previous GAAP, the fair market value of the foreign exchange options portfolio was recorded as an adjustment to inventory (for goods where title of ownership had transferred) or Other Comprehensive Income ("OCI") (for future merchandise yet to be purchased). Under IFRS, the time value component of the fair market valuation of the foreign exchange options portfolio is recorded in the Consolidated Statements of Income rather than in OCI, which results in new income statement volatility going forward under IFRS.

Debt issuance costs

Under IFRS, all transaction costs that are directly attributable to the issuance of debt must be capitalized and amortized over the term of the debt. Under previous GAAP, the Company expensed these transaction costs as incurred. As a result, costs previously expensed are retrospectively capitalized in the Consolidated Balance Sheets and netted against the outstanding debt.

Allowance for impairment of loans receivable

Under both previous GAAP and IFRS, the Company determines its allowance for impairment of loans receivable using an incurred loss model. However, IFRS requires objective evidence of a loss having occurred prior to recording impairment on a financial asset. IFRS also provides more detailed guidance on loss events, impairment analysis, and when an impairment is permitted. This increased guidance has resulted in an increase in the Company's impairment allowance.

(xi) Foreign exchange translation

The Company elected to reset all cumulative translation differences to zero as at the Transition Date. Cumulative translation differences that existed at the Transition Date were fully recognized in opening retained earnings.

(xii) Income taxes

This adjustment reflects the change in current or deferred income taxes resulting from the effect of the IFRS adjustments described as allowed under IAS 12 - *Income Taxes*.

E. Reconciliation of Net Income and Comprehensive Income from previous GAAP to IFRS

The following is a reconciliation of the Company's Net income and Comprehensive income reported in accordance with previous GAAP to its Net income and Comprehensive income in accordance with IFRS for the 13 and 39 weeks ended October 2, 2010. For the reconciliation of the Company's Net income and Comprehensive income for the 52 weeks ended January 1, 2011 see Note 22E in the Company's Q1 2011 interim consolidated financial statements.

(C$ in millions)	Notes	13-weeks ended October 2, 2010	39-weeks ended October 2, 2010
Net income as reported under previous GAAP		**$ 103.2**	**$ 272.5**
Transitional adjustments:			
Property and equipment	i	(0.1)	(0.5)
Impairment	ii	0.0	0.2
Leases	iii	(3.9)	(9.2)
Provisions	iv	0.1	0.1
Loyalty programs	v	0.2	0.4
Employee benefits	vi	0.2	0.4
Share-based payments	vii	2.0	2.6
Consolidation	viii	(0.2)	(0.8)
Securitization	ix	5.9	7.8
Financial instruments	x	(9.0)	1.3
Income taxes	xi	2.1	0.1
Total transitional adjustments		(2.7)	2.4
Net income as reported under IFRS		**$ 100.5**	**$ 274.9**

(C$ in millions)	Notes	13-weeks ended October 2, 2010	39-weeks ended October 2, 2010
Comprehensive income as reported under previous GAAP		**$ 78.8**	**$ 302.0**
Transitional adjustments:			
Adjustments to net income		(2.7)	2.4
Employee benefits	vi	-	-
Financial instruments	x	3.8	(1.1)
Comprehensive income as reported under IFRS		**$ 79.9**	**$ 303.3**

The following is an explanation of the adjustments to net income and comprehensive income:

(i) Property and equipment

Additional significant components of certain assets are depreciated separately over a shorter useful life. As a result, higher depreciation was charged on these components.

(ii) Impairment

On initial transition to IFRS, the Company impaired certain depreciable assets. The lower cost base resulted in a decrease in depreciation expense.

(iii) Leases

The Company accounts for leases of certain assets as finance leases under IFRS. As a result, the Company depreciates the leased assets on the same basis as similar owned assets and records accretion expense on the financing obligation. Under previous GAAP, these assets were accounted for as operating leases and rental payments were expensed on a straight-line basis over the lease term.

Furthermore, the gain recorded on previous sale and lease-back transactions were being amortized to net income on a straight-line basis over the lease term under previous GAAP. Under IFRS, as a result of the reclassification of the lease from operating to finance, the gain on sale was amortized on the same basis as the leased assets.

Under previous GAAP, the Company was amortizing gains and losses from previous sale and lease-back transactions classified as operating leases over the term of the various lease agreements. Under IFRS, gains and losses on sale and lease-back transactions that result in an operating lease must be recorded in income immediately. Therefore, the balances are no longer being amortized.

(iv) Provisions

The adjustments relate to movements in the IFRS discount rate during the year and the unwinding of the discount rate applied to provisions for warranty and site restoration, which were partly offset by depreciation on decommissioning and restoration obligations.

(v) Loyalty programs

Awards provided by the Company

Under IFRS, the Company defers revenue allocated to award credits granted as part of a sales transaction and recognizes that revenue when the customer redeems the award credits. Under previous GAAP, the cost of providing award credits was included in revenue and marketing expenses.

Awards provided by a third party

Under previous GAAP, the Company recorded the cost of operating its Canadian Tire Money programs as a reduction of revenue. Under IFRS, since the awards associated with this program are supplied by a third party, the Company defers revenue until it has fulfilled its obligations to the customer in respect of the awards. As the Company's obligation to the customer is fulfilled at the same time that the award credits are granted to the customer, the event triggering the revenue deferral and the event triggering revenue recognition are the same, resulting in the Company immediately recognizing the revenue associated with the loyalty transaction and a corresponding loyalty expense.

(vi) Employee benefits

The Company elected to recognize all cumulative actuarial gains and losses as at the Transition Date. As a result, the Company adjusted its expense to remove the amortization of actuarial gains and losses. Furthermore, the Company's policy under IFRS is to record actuarial gains and losses into OCI. Under previous GAAP, the Company was recognizing actuarial gains and losses into income using the corridor approach.

(vii) Share-based payments

Under previous GAAP, the obligation for cash settled share-based awards was revalued at each reporting period based on the intrinsic value of each award and the portion vested. Under IFRS, the obligation for cash-settled awards was remeasured at each reporting date based on the fair value of each award and the portion vested.

Under previous GAAP, the Company recognized forfeitures of share-based awards as they occurred. Under IFRS, an estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. As a result, the Company adjusted its liability for share-based awards.

Under previous GAAP, the Company recognized the total fair value of share-based awards with graded vesting on a straight-line basis over the employment period necessary to vest the award. Under IFRS, the Company recognized the fair value of each tranche in an award with graded vesting on a straight-line basis over the vesting period of the tranche.

(viii) Consolidation

The Company consolidates GCCT and the silo of FT containing the Dealer loan program under IFRS, but did not consolidate these entities under previous GAAP. Accordingly, the financial results of these entities have been included in the determination of the Company's net income under IFRS.

(ix) Securitization

Credit card receivables that were securitized through GCCT no longer qualify for derecognition under IFRS as they did under previous GAAP. As a result, the Company has reinstated the receivable balances and corresponding income and expenses related to those balances.

(x) Financial instruments

Hedging with options

Under IFRS, the Company is required to reflect the time value of foreign exchange options in the Consolidated Statements of Income. Under previous GAAP, the fair market value of the foreign exchange options portfolio was recorded as an adjustment to inventory (for goods where title of ownership had transferred) or OCI (for future merchandise yet to be purchased). Under IFRS, the time value component of the fair market valuation of the foreign exchange options portfolio is recorded in the Consolidated Statements of Income rather than in OCI, which results in new income statement volatility going forward under IFRS.

Designation of previously recognized financial instruments

Upon transition to IFRS, certain financial assets were reclassified from "held for trading" to "available for sale". Changes in the fair value of financial assets classified as held for trading are recorded in net income, whereas changes in fair value of available for sale financial assets are recorded in OCI.

Debt issuance costs

Under IFRS, all transaction costs that are directly attributable to the issuance of debt must be capitalized. Under previous GAAP, the Company expensed these transaction costs as incurred. Therefore, the previously expensed costs were retrospectively capitalized in the Consolidated Balance Sheets and netted against the outstanding debt. These transaction costs are being amortized into income over the term of the related debt.

Allowance for impairment of loans receivable

Under IFRS, the Company was required to recalculate its allowance for impairment of loans receivable. This resulted in an increase in the impairment and a decrease to net income.

(xi) Income taxes

This adjustment reflects the current or deferred income taxes resulting from the effect of the IFRS adjustments described.

F. Reconciliation of Cash Flows from previous GAAP to IFRS

The most significant adjustments to the Company's condensed Consolidated Statements of Cash Flows reported in accordance with IFRS relate to the consolidation of additional entities under IFRS that were not required to be consolidated under previous GAAP and the elimination of securitization transactions reported under previous GAAP that no longer qualify for de-recognition under IFRS.

All amounts and classification changes referenced in the note below relate to items in the Company's condensed Consolidated Statements of Cash Flows for the 39 weeks ended October 2, 2010.

As a result of the consolidation of additional entities and new finance leases, the repayment of long-term debt increased from $308.1 million under previous GAAP to $357.0 million under IFRS. In addition, under IFRS the Company includes "issuance/repayment of commercial notes" of $920.2 million and $982.9 million, respectively, and "issuance/repayment of loans payable" of $168.6 million and $212.1 million, respectively, in financing activities.

As a result of securitization transactions reported under previous GAAP no longer qualifying for de-recognition under IFRS, “net provision for loans receivable” of $133.8 million under previous GAAP is now presented as “impairment on loans receivable” of $260.4 million under IFRS. In addition, “gain on sale of loans receivable” of $21.8 million, “securitization loans receivable” of $23.9 million and “net securitization of loans receivable” of $239.4 million presented under previous GAAP are no longer applicable under IFRS. “Investment in loans receivable” changed from ($27.7) million under previous GAAP to ($166.2) million under IFRS.

The Company has also modified the classification of certain items within the condensed Consolidated Statements of Cash Flows. “Investment in loans receivable”, classified as investing activities under previous GAAP, is now presented as “loans receivable” in “changes in working capital and other”. “Net change in deposits”, classified as financing activities under previous GAAP, is now presented as “deposits” in “changes in working capital and other”.

Net finance costs and income tax expense are included in “operating activities” and interest paid, interest received and income taxes paid are included in “cash generated from operating activities” in the condensed Consolidated Statements of Cash Flows under IFRS.

Supplementary Information: Interest Coverage

The Company’s finance cost requirements for the 52 weeks ended October 1, 2011, after annualizing interest on debt issued and retired during this period, amounted to $170 million. The Company’s income before interest on debt and income taxes for the 52 weeks ended October 1, 2011 was $764.7 million, which is 4.5 times the Company’s finance cost requirements for this period.