Management's discussion and analysis (MD&A)

Forward-looking statements

This MD&A contains statements that are forward-looking. Actual results or events may differ materially from those forecasted in this disclosure because of the risks and uncertainties associated with Canadian Tire's business and the general economic environment. See section 12.0 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 Preface

1.1 Definitions

In this document, the terms "we", "us", "our", "Company" and "Corporation" refer to Canadian Tire Corporation, Limited and entities it controls. For commonly used terminology (such as retail sales and same store sales), see the Glossary of Terms (pages 156 to 158) in the MD&A contained in the Company's 2011 Annual Report, which can be found online on the SEDAR (System for Electronic Disclosure and Retrieval) website at http://www.sedar.com and on the Company's Canadian Tire website in the Investor Relations section at http://investors.canadiantire.ca.

1.2 Review and approval by the Board of Directors

The Board of Directors, on the recommendation of its Audit Committee, authorized for issuance the contents of this MD&A on November 8, 2012.

1.3 Quarterly and year-to-date comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for the third quarter of 2012 (13 weeks ended September 29, 2012) are against results for the third quarter of 2011 (13 weeks ended October 1, 2011) and comparisons of 2012 year-to-date results (39 weeks ended September 29, 2012) are against 2011 year-to-date results (39 weeks ended October 1, 2011).

Our results for the 13 week period and 39 week period ended October 1, 2011 include those of FGL Sports for the six week period beginning August 19, 2011 and ending October 1, 2011.

1.4 Accounting estimates and assumptions

The preparation of condensed interim consolidated financial statements that conform with International Financial Reporting Standards (IFRS) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. See section 7.1 in this MD&A for further information.

1.5 Rounding and percentages

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

2.0 Company and industry overview

2.1 Overview of the business

For a full description of the Company's Retail and Financial Services business segments, please see section 2.1 of the MD&A contained in the Company's 2011 Annual Report.

2.2 Strategic objectives

While meeting the needs of the jobs and joys of everyday living in Canada, the Company has focused its retail businesses and financial services business to support growth and productivity improvements in order to achieve the five-year financial aspirations outlined in 2010 (see section 3.0 for financial aspirations). The specific strategic objectives are included in section 5.0 of the MD&A contained in the 2011 Annual Report.

2.3 Key performance indicators

For a full description of the Company's key performance indicators, please see section 2.2 of the MD&A contained in the Company's 2011 Annual Report. Readers are cautioned that certain key performance indicators do not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Please refer to section 10.4 of the MD&A contained in the Company's 2011 Annual Report for a discussion on supplementary (non-GAAP/IFRS) measures as well as section 7.3 in this MD&A.

3.0 Financial aspirations

The strategic objectives include financial aspirations for the Company over the five-year period ending December 2014. Progress against these financial aspirations is reported annually. The next update will be reported in the 2012 Annual Report.

Financial measure	**Aspirations over 5-year period to 2014**
Canadian Tire Retail (CTR) retail sales (POS) annual growth	3% to 5%
Consolidated Earnings Per Share (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%

4.0 Performance in 2012

The results of our operations were affected by several non-operating items. These items include:

(C$ in millions)	Q3 2012	Q3 2011	YTD 2012	YTD 2011	Line item
Gain on Forzani shares (pre-tax)	-	10.4	-	10.4	Other income/(expense)
Forzani acquisition costs (pre-tax)	-	(6.3)	-	(11.5)	Operating expenses
FGL banner rationalization (pre-tax)	(0.1)	-	(22.8)	-	Various
Interest inc. on tax refund (pre-tax)	-	2.5	-	3.1	Net finance costs
Tax provision adjustment	-	4.8	-	5.7	Income taxes

4.1 Consolidated financial results

(C$ in millions, except per share amounts)	Q3 2012	Q3 2011	Change	YTD Q3 2012	YTD Q3 2011	Change
Retail sales[1]	$ 3,171.9	$ 2,938.1	8.0%	$ 9,072.0	$ 7,941.2	14.2%
Revenue	$ 2,829.8	$ 2,704.9	4.6%	$ 8,260.5	$ 7,252.0	13.9%
Gross margin	859.0	780.6	10.0%	2,503.5	2,121.9	18.0%
Other (expense) income	0.8	10.2	(92.4)%	0.5	12.6	(96.4)%
Operating expenses (excluding depreciation & amortization)	564.7	512.9	10.0%	1,703.3	1,426.7	19.4%
EBITDA	295.1	277.9	6.3%	800.7	707.8	13.1%
Depreciation and amortization	84.1	75.8	10.9%	247.3	209.5	18.0%
Net finance costs	31.7	32.1	(1.0)%	92.8	99.3	(6.5)%
Income before income taxes	179.3	170.0	5.5%	460.6	399.0	15.4%
Income taxes	47.9	33.5	43.1%	124.5	98.3	26.6%
Effective tax rate	26.7%	19.7%		27.0%	24.6%	
Net income	$ 131.4	$ 136.5	(3.7)%	$ 336.1	$ 300.7	11.8%
Basic earnings per share	$ 1.61	$ 1.68	(3.7)%	$ 4.13	$ 3.69	11.8%
Diluted earnings per share	$ 1.61	$ 1.67	(3.8)%	$ 4.11	$ 3.68	11.8%

1. Retail sales for the prior year have been restated. See section 7.3 for more details.

Third quarter

Earnings summary

Diluted earnings per share in the quarter were $1.61, a decrease of 3.8 per cent compared to the third quarter of 2011. Income before income taxes increased in Financial Services and was flat in the Retail segment in the current quarter compared to the prior period. Net income in the third quarter of 2011 included the net benefit related to the acquisition of FGL Sports, lower net finance costs due to interest income, and a lower income tax expense related to a tax settlement. In addition, the adjustment of estimated income taxes payable was lower in Q3 2012 than in the prior year.

Retail sales

Consolidated retail sales increased $233.8 million (8.0 per cent) in the quarter as a result of:

- Inclusion of FGL Sports retail sales of $428.3 million for 13 weeks (compared to $218.4 million for six weeks in Q3 2011);
- Sales growth at CTR due to strong sales of key seasonal, home organization and kitchen products, partially offset by a decline in automotive service;
- Increased sales at Petroleum due to increased convenience store sales and higher gas volumes; and
- Sales growth at Mark's led by strong women's wear and industrial wear sales.

Revenue

Consolidated revenue increased $124.9 million (4.6 per cent) as a result of:

- Inclusion of FGL Sports revenue of $429.1 million for 13 weeks (compared to $219.5 million for six weeks in Q3 2011);
- Growth in Mark's, Petroleum and Financial Services; and
- A decline in CTR.

Gross margin

Consolidated gross margin increased $78.4 million (10.0 per cent) as a result of:

- Inclusion of margin dollars from FGL Sports for 13 weeks (compared to six weeks in Q3 2011);
- Favourable net write-offs in the Financial Services segment;
- Increased margin dollars at Mark's; partially offset by
- A decline in margin dollars at CTR.

Operating expenses (excluding depreciation and amortization)

Consolidated operating expenses (excluding depreciation and amortization) increased $51.8 million (10.0 per cent) primarily due to the inclusion of FGL Sports operating expenses for 13 weeks (compared to six weeks in Q3 2011).

Depreciation and amortization expense

Consolidated depreciation and amortization expense increased $8.3 million (10.9 per cent) primarily due to:

- The inclusion of FGL Sports for 13 weeks (compared to six weeks in Q3 2011); and
- Higher amortization expense of intangible software assets.

Net finance costs

Net finance costs decreased $0.4 million (1.0 per cent) due to the impact of the following:

- Reduced borrowing costs incurred by Franchise Trust due to a decrease in the amount and number of loans outstanding to Canadian Tire Dealers;
- Reduced interest expense resulting from a lower amount of Glacier Credit Card Trust (GCCT) senior and subordinated notes outstanding; offset by
- Reduced interest income related to interest income received in 2011 on a favourable tax settlement.

Year-to-date

Consolidated year-to-date net income grew 11.8 per cent compared to the prior year largely driven by increased earnings in both business segments. The Retail segment income before income taxes grew on higher revenues and improved margin rates in CTR and Mark's and the inclusion of FGL Sports results for nine months compared to six weeks of FGL Sports results in 2011, partially offset by the costs of the FGL Sports banner rationalization plan announced in Q2 2012. Financial Services income before income tax grew due to higher revenue related to receivables growth and lower net impairment loss on loans receivable related to favourable net write-offs and portfolio aging.

Income taxes

The effective tax rate was 26.7 per cent in Q3 2012 compared to 19.7 per cent in Q3 2011. The change in the effective rate reflected adjustments to prior years' estimated tax payable and the estimated federal and provincial reassessments related to the dividends received matter, partially offset by a reduction of the federal tax rate.

Seasonal trend analysis

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

Consolidated quarterly results[1]

(C$ in millions except per share amounts)	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Revenue	$ 2,829.8	$ 2,991.2	$ 2,439.5	$ 3,135.1	$ 2,704.9	$ 2,570.9	$ 1,976.2	$ 2,588.3	$ 2,266.1
Net income	131.4	133.7	71.0	166.3	136.5	105.8	58.4	169.3	100.5
Basic earnings per share	1.61	1.64	0.87	2.04	1.68	1.30	0.72	2.08	1.23
Diluted earnings per share	1.61	1.63	0.87	2.03	1.67	1.29	0.71	2.07	1.23

1. Q3 2010 to Q2 2011 excludes the results of FGL Sports, which was acquired on August 18, 2011. Q3 2011 includes 6 weeks of results for FGL Sports, from the acquisition date of August 18, 2011.

4.2 Key operating performance measures

(year-over-year percentage change C$ in millions, except where noted)	Q3 2012	Q3 2011	Change	YTD Q3 2012	YTD Q3 2011	Change
Retail segment – total						
Retail sales growth[1]	8.0%	16.2%		14.2%	8.6%	
Revenue[2]	$ 2,564.4	$ 2,443.8	4.9%	$ 7,480.1	$ 6,488.6	15.3%
Retail ROIC[3]	6.99%	8.46%		n/a	n/a	
Retail segment – by banner						
CTR						
Retail sales growth[1, 4]	0.3%	3.2%		1.4%	1.8%	
Same store sales growth[1, 4]	(0.2)%	2.3%		0.9%	0.8%	
Sales per square foot[1, 5, 6]	$ 389	$ 386	0.7%	n/a	n/a	
Revenue[2, 7]	$ 1,395.4	$ 1,496.1	(6.7)%	$ 4,231.5	$ 4,197.9	0.8%
Mark's						
Retail sales growth[1,8]	2.0%	1.9%		4.6%	2.9%	
Same store sales growth[1,9]	1.7%	1.5%		3.8%	2.7%	
Sales per square foot[10]	$ 305	$ 297	2.5%	n/a	n/a	
Revenue[2, 11]	$ 200.2	$ 197.3	1.5%	$ 614.1	$ 591.5	3.8%
FGL Sports						
Retail sales growth[12]	4.2%	6.6%		4.7%	n/a	
Same store sales growth[12]	4.4%	7.3%		5.8%	n/a	
Revenue[2]	$ 429.1	219.5	95.5%	$ 1,106.1	219.5	403.9%
Petroleum						
Gasoline volume growth in litres	1.1%	4.5%		0.9%	3.4%	
Retail sales growth	2.4%	27.4%		3.7%	22.2%	
Revenue[2]	$ 543.4	$ 534.5	1.7%	$ 1,539.8	$ 1,490.3	3.3%
Gross margin dollars	$ 39.8	$ 38.6	3.3%	$ 109.8	$ 110.8	(0.8)%
Financial Services segment						
Revenue[13]	$ 249.7	$ 245.0	2.0%	$ 733.9	$ 716.9	2.4%
Credit card sales growth	(0.6)%	1.3%		1.0%	(0.7)%	
Gross average receivables (GAR)	$ 4,116.1	$ 4,061.1	1.4%	$ 4,058.2	$ 4,026.7	0.8%
Revenue[13, 14] (as a % of GAR)	24.1%	23.7%		n/a	n/a	
Average number of accounts with a balance[15] (thousands)	1,733	1,728	0.3%	1,714	1,712	0.2%
Average account balance[15] (whole $)	$ 2,370	$ 2,341	1.2%	$ 2,361	$ 2,342	0.8%
Net credit card write-off rate[14, 15]	6.92%	7.33%		n/a	n/a	
Past due credit card accounts[15, 16] (PD2+)	3.13%	4.01%		n/a	n/a	
Allowance rate[17]	2.55%	2.90%		n/a	n/a	
Operating expenses[14] (as a % of GAR)	6.39%	6.88%		n/a	n/a	
Return on receivables[14, 18]	6.68%	5.10%		n/a	n/a	

1. Sales metrics for the prior year have been restated. See section 7.3 for more details.

2. Inter-segment revenue within the retail banners (CTR, Mark's and Petroleum) of $3.8 million in the third quarter ($3.6 million for Q3 2011) and $11.3 million for YTD Q3 2012 ($10.6 million for YTD Q3 2011) 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.

3. Figures are calculated on a rolling 12-month basis. ROIC is the Retail segment's after-tax earnings before interest, divided by average invested capital for the Retail segment. Invested capital is the sum of total Retail segment assets less Retail segment current liabilities, excluding the current portion of long-term debt.

4. Includes sales from Canadian Tire stores, PartSource stores and the labour portion of CTR's auto service sales. CTR banner same store sales includes sales from all CTR and PartSource banner stores that have been open for one year plus one week and takes into account the percentage change in square footage of expanded and replacement stores.

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

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.

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

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

9. Mark's same store sales include stores open for the full reporting period in both the current and prior year and takes into account the percentage change in square footage of expanded and replacement stores. Same store sales exclude ancillary revenues.

10. Mark's retail sales per square foot are based on sales from both corporate stores and franchise stores that have been open for a minimum of one fiscal year.

11. Includes sale of goods to Mark's franchisee stores and retail sales from Mark's corporate stores.

12. FGL Sports' key operating performance metrics are calculated using the Company's weekly sales calendar which begins on Sunday and ends on Saturday. The metrics provided for 2012 are based on a full 13-week quarter for both 2012 and 2011 and are provided for comparison purposes only as the Company did not own FGL Sports prior to August 18, 2011. The metrics provided for 2011 growth rates are based on the six weeks following the acquisition date and the comparative six week period in 2010, The Sunday after the acquisition date was August 21st. For 2010, the Sunday in the comparable period was August 22nd. The percentage reported in the table are for comparison purposes only as the Company did not own FGL Sports in 2010.

13. Financial Services' prior year revenue has been restated. See note 4 of the notes to the condensed interim consolidated financial statements for more information.

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

15. Credit card portfolio only.

16. Accounts overdue one month or more.

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

18. The return on receivables (return on average total managed portfolio) is calculated as income before income taxes and gain/loss on disposal of property and equipment as a percentage of gross average receivables (GAR).

4.3 Retail banner network at a glance

Number of stores and retail square footage	September 29, 2012	December 31, 2011	October 1, 2011
Consolidated store count			
CTR retail banner stores[1]			
Smart stores	221	169	139
Updated and expanded stores	198	247	272
Traditional stores	51	58	62
Small Market stores	17	14	13
Total CTR retail banner stores	487	488	486
PartSource banner stores	87	87	87
Canadian Tire gas bar locations	293	289	291
Mark's banner stores[1]			
Mark's Work Wearhouse	241	305	307
Mark's	144	78	76
Work World	2	2	2
Total Mark's retail banner stores	387	385	385
FGL Sports banner stores			
Sport Chek	156	150	145
Sports Experts	70	70	69
Atmosphere	56	68	67
Other	208	246	247
Total FGL Sports retail banner stores	490	534	528
Total stores	**1,744**	**1,783**	**1,777**
Consolidated retail square footage[2] (in millions)			
CTR banner	19.8	19.7	19.5
PartSource banner	0.3	0.3	0.3
Mark's banner	3.4	3.4	3.3
FGL Sports banner	6.5	6.6	6.5
Total retail square footage[2] (in millions)	**30.0**	**30.0**	**29.6**

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 499 square feet per store in Q3 2012 (470 square feet per store in Q3 2011). It is not included in the above.

The Company continues to retrofit its store network with a focus on converting selected existing stores to the latest formats. During the quarter, CTR opened two Smart stores, closed one updated and expanded store and temporarily closed one location, which is scheduled to re-open in Q4 2012.

As noted in the Q1 2012 MD&A, FGL Sports total store count has decreased from Q4 2011 due to ongoing store closures of non-strategic store locations, including 18 corporate locations during Q3 2012. In addition, the decrease is partly attributable to 12 Atmosphere-Sport Chek combination stores (previously considered two separate side-by-side selling locations) being converted into single selling locations. Store closures were offset by four new SportChek stores and 1 new Atmosphere store being opened in Q3 2012.

During the quarter, Mark's completed four real estate projects including opening one new corporate store, converting two franchise stores to corporate stores and relocating one corporate store. In addition, 53 stores were refreshed to the new Mark's format bringing the total to 144 at the end of Q3 2012.

4.4 Business segment performance

4.4.1 Retail segment

4.4.1.1 Retail segment financial results

(C$ in millions)	Q3 2012	Q3 2011	Change	YTD Q3 2012	YTD Q3 2011	Change
Retail sales[1]	$ 3,171.9	$ 2,938.1	8.0%	$ 9,072.0	$ 7,941.2	14.2%
Revenue	$ 2,564.4	$ 2,443.8	4.9%	$ 7,480.1	$ 6,488.6	15.3%
Gross margin dollars	689.8	617.5	11.7%	2,008.4	1,662.8	20.8%
Gross margin (% of revenue)	26.9%	25.3%	162 bps	26.8%	25.6%	120 bps
Other income (expense)	0.7	10.3	(94.1)%	(2.0)	12.9	(116.1)%
Operating expenses (excluding depreciation & amortization)	484.9	432.3	12.0%	1,466.6	1,185.4	23.7%
EBITDA	205.6	195.5	5.2%	539.8	490.3	10.1%
Depreciation and amortization	81.6	73.0	11.8%	240.0	201.5	19.1%
Net finance costs	18.4	16.7	10.4%	54.4	53.2	2.4%
Income before income taxes	$ 105.6	$ 105.8	(0.1)%	$ 245.4	$ 235.6	4.1%

1. Retail sales for the prior year have been restated. See section 7.3 for more details.

Third quarter

Earnings summary
Retail segment income before income taxes of $105.6 million was flat compared to the prior year. The inclusion of FGL Sports for 13 weeks compared to six weeks in Q3 2011 and revenue and margin growth at Mark's and Petroleum was offset by lower revenue and margin dollars at CTR.

Retail sales

Retail sales increased 8.0 per cent in the quarter primarily as a result of the inclusion of FGL Sports for 13 weeks compared to six weeks in 2011.

CTR retail sales increased 0.3 per cent in the quarter (0.2 per cent same store sales decrease) driven by sales in key seasonal categories including outdoor recreation, backyard living, backyard fun, kitchen and home organization as a result of increased marketing efforts and new assortments. The sales increases were partially offset by decreases in categories that were de-emphasized; such as electronics, home décor and household cleaning. Automotive sales were down in the quarter, with increases in light automotive parts and car maintenance products offset by decreases in auto service and related heavy parts sales. Auto service sales performance improved relative to the soft sales performance reported in the previous quarter.

At Mark's, retail sales growth of 2.0 per cent (1.7 per cent same store sales increase) was driven by growth in women's tops and industrial footwear sales, particularly in Western Canada. Sales gains were modest in the quarter due to less promotional activity in July and August compared to the prior year, and slower sales in fall seasonal items in September due to extended warm weather through the end of the quarter. Men's wear sales were lower in the quarter.

FGL Sports' retail sales increased 4.2 per cent in the quarter over the comparable period in 2011 (4.4 per cent same store sales increase) due to strong sales in apparel, equipment and footwear.

Petroleum retail sales increased 2.4 per cent primarily due to strong convenience store sales and increased gas volume, led by strong year-over-year volume increases at sites along the 400 series highways.

Retail revenue

Retail revenue increased 4.9 per cent in the quarter primarily due to the inclusion of FGL Sports for 13 weeks compared to six weeks in Q3 2011.

CTR revenue was down 6.7 per cent compared to the prior year predominantly due to reduced shipments to stores of winter goods (such as snowblowers, winter tires and shovels) due to in-store inventory carryover from 2011. The lack of winter weather in Q4 2011 and Q1 2012 resulted in inventory carryover of certain winter goods in some stores, while other stores have been more cautious about ordering winter seasonal goods in advance of the cold weather season. These decreases were partially offset by increases in shipments of kitchen and outdoor recreation products due to increased sales during the quarter.

Mark's revenue increased 1.5 per cent in the quarter primarily due to improved retail sales, as noted above, which was led by women's tops and industrial footwear.

Retail gross margin

Retail gross margin dollars increased 11.7 per cent versus Q3 2011 due to the inclusion of FGL Sports for 13 weeks compared to six weeks in Q3 2011 and increased revenue at Mark's, partially offset by lower margin dollars on lower revenues at CTR. In the Petroleum business, higher margin dollars compared to prior year was due to higher gas volumes, strong convenience sales and a reduction in promotional activity.

The gross margin rate increased 162 basis points in the quarter due to the inclusion of the higher margin FGL Sports business and margin rate expansion at CTR and Mark's. Overall, CTR's margin rate was up compared to the prior year on higher margin rates in the living, fixing and playing and automotive categories. Margin rate improvements in the quarter at Mark's were due to lower clearance markdowns in spring and summer apparel compared to the same period in 2011.

Retail operating expenses (excluding depreciation and amortization)

Retail operating expenses (excluding depreciation and amortization) increased 12.0 per cent primarily due to the inclusion of operating expenses from FGL Sports for 13 weeks compared to six weeks in Q3 2011. Increased marketing and advertising, and occupancy costs due to replacement store projects, were offset by reduced spending related to strategic initiatives compared to the prior year and acquisition costs related to the Forzani acquisition in 2011.

Retail depreciation and amortization expense

Retail depreciation and amortization expense increased 11.8 per cent primarily due to the inclusion of FGL Sports. Higher amortization expense on intangible software assets and an increase in depreciation expense on property and equipment, also contributed to the increase.

Year-to-date

Retail sales on a year-to-date basis were up 14.2 per cent and revenue was up 15.3 per cent compared to the prior year, largely due to the inclusion of FGL Sports. Retail sales also increased due to growth in key seasonal categories, outdoor recreation and kitchen products at CTR and increased revenue contribution from Mark's and Petroleum.

Income before income taxes increased 4.1 per cent on a year-to-date basis. Gross margin increases were partially offset by higher operating expenses, which included costs related to the impact of the FGL Sports banner rationalization plan announced in Q2 2012.

4.4.1.2 Retail segment business risks

The Retail segment is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. These include, but are not limited to, supply chain disruption, seasonality and environmental risks. Please see section 7.5.1.2 of the MD&A contained in the Company's 2011 Annual Report for an explanation of these business-specific risks. See also section 8.0 of this MD&A for a discussion of Enterprise risk management and section 11.0 of the MD&A contained in the Company's 2011 Annual Report for a discussion of additional industry-wide and Company-wide risks affecting the business.

4.4.2 Financial Services segment

4.4.2.1 Financial Services financial results

(C$ in millions)	Q3 2012	Q3 2011[1]	Change	YTD Q3 2012	YTD Q3 2011[1]	Change
Revenue	$ 249.7	$ 245.0	2.0%	$ 733.9	$ 716.9	2.4%
Gross margin	$ 137.9	$ 129.2	6.9%	$ 404.2	$ 359.8	12.4%
Gross margin (% of revenue)	55.3%	52.7%	256 bps	55.1%	50.2%	490 bps
Other income (expense)	0.1	(0.1)	260.0%	2.5	(0.3)	900.7%
Operating expenses	64.7	65.4	(0.8)%	192.2	197.6	(2.7)%
Operating income	73.3	63.7	15.3%	214.5	161.9	32.5%
Net finance (income) costs	(0.4)	(0.5)	(36.8)%	(0.7)	(1.5)	(53.2)%
Income before income taxes	$ 73.7	$ 64.2	14.8%	$ 215.2	$ 163.4	31.7%

1. Financial Services operating segment results for the 13 and 39 weeks ended October 1, 2011 have been reclassified to correspond to the current year presentation. See note 4 of the notes to the condensed interim consolidated financial statements for more information.

Third quarter

Earnings summary
Financial Services income before income taxes increased 14.8 per cent in the quarter compared to the prior year. The increase was due to increased revenue related to credit card receivables growth, improved portfolio aging and write-off performance, and operating expense improvements.

Financial Services revenue

Financial Services revenue increased 2.0 per cent year-over-year due primarily to home services revenue and increased interest income from increased credit card receivables.

Financial Services gross margin

Financial Services gross margin rate increased 256 basis points in the quarter compared to the prior year, primarily due to an $8.7 million improvement in credit card net write-offs and lower interest expense.

Financial Services has changed the monthly minimum payment requirements on their credit card portfolio. This change has affected the aging of customer balances. While management continues to monitor the impact of this change, no related adjustment has been made to the loan loss reserve as at September 29, 2012.

Financial Services operating expenses

Financial Services operating expenses decreased 0.8 per cent in the quarter compared to the prior year due to lower personnel, depreciation and occupancy costs, partially offset by higher marketing and advertising costs.

Year-to-date

Revenue on a year-to-date basis increased 2.4 per cent compared to the prior year due to increased interest income from higher receivables and fee income from higher credit card sales. Income before income taxes increased 31.7 per cent compared to the prior year, primarily as a result of significantly lower net impairment losses from improved receivables portfolio aging metrics and net write-offs, and lower operating expenses.

4.4.2.2 Financial Services segment business risks

Financial Services is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. These include, but are not limited to, consumer credit, securitization funding, interest rate and regulatory risk. Please see section 7.5.2.2 of the MD&A contained in the Company's 2011 Annual Report for an explanation of these business-specific risks. See also section 8.0 of this MD&A for a discussion on Enterprise risk management and section 11.0 of the MD&A contained in the Company's 2011 Annual Report for a discussion of additional industry-wide and Company-wide risks affecting the business.

4.5 Balance sheet and cash flows

4.5.1 Balance sheet highlights

The Company's total assets, liabilities and shareholders' equity as at September 29, 2012 and October 1, 2011 are noted below along with select balance sheet line items where there have been significant changes versus the prior year.

(C$ in millions)	September 29, 2012	October 1, 2011	Change ($)	Change (%)
Current assets				
Cash and cash equivalents and short-term investments	$ 514.2	$ 660.6	$ (146.4)	(22.2)%
Trade and other receivables	779.1	875.6	(96.5)	11.0%
Total assets	**12,719.8**	**12,878.6**	**(158.8)**	**(1.2)%**
Current liabilities				
Short-term borrowings	$ 133.5	$ 586.1	$ (452.6)	(77.2)%
Current portion of long-term debt	661.3	354.2	307.1	86.7%
Long-term liabilities				
Long-term debt	1,912.2	2,350.9	(438.7)	(18.7)%
Total liabilities	**8,075.9**	**8,580.6**	**(504.7)**	**(5.9)%**
Shareholders' equity	**4,643.9**	**4,298.0**	**345.9**	**8.0%**

Assets

Cash and cash equivalents and short-term investments decreased $146.4 million compared to prior year, primarily due to the accumulation of cash in 2011 to fund the maturing debt obligations of Glacier for $317.5 million in November 2011. Glacier has maturing debt obligations of $634.9 million in February 2013.

Trade and other receivables decreased $96.5 million, due to lower sales and related shipments, lower vendor rebates and decreases in the market value of foreign exchange derivatives compared to the prior year.

Liabilities

The decrease in short-term borrowings of $452.6 million compared to the prior year resulted as cash generated from operations was used to pay down short-term borrowings issued to finance the acquisition of FGL Sports. In addition, the Company received proceeds from a $211.6 million securitization transaction completed in Q2 2012 which was used to repay Glacier commercial paper.

Combined, long-term debt and the current portion of long-term debt decreased $131.6 million compared to the prior year as a result of repayment of Glacier senior and subordinated notes totaling $317.5 million in November 2011. The decrease was partially offset by the $211.6 million securitization transaction completed by Glacier in Q2 2012.

4.5.2. Summary cash flows

The Company's consolidated statements of cash flows for the periods ended September 29, 2012 and October 1, 2011 are noted below.

(C$ in millions)	Q3 2012	Q3 2011	Change	YTD 2012	YTD 2011	Change
Cash generated from operating activities	$ 27.1	$ 485.3	$ (458.2)	$ 311.6	$ 866.1	$ (554.5)
Cash (used for) investing activities	(76.4)	(823.1)	746.7	(284.7)	(1,071.4)	786.7
Cash (used for) generated from financing activities	(17.9)	(15.8)	(2.1)	(79.6)	128.4	(208.0)
Cash (used) in the period	$ (67.2)	$ (353.6)	$ 286.4	$ (52.7)	$ (76.9)	$ 24.2

Cash used in the quarter is less than Q3 2011 primarily due to the acquisition of FGL Sports in 2011, offset by an investment in working capital by Financial Services (growth in credit card receivables and reduction in deposit gathering) in Q3 2012.

Cash used on a year-to-date basis is slightly less than 2011 primarily due to the acquisition of FGL Sports in 2011, offset by an investment in working capital by Financial Services (growth in credit card receivables and reduction in deposit gathering) combined with a reduction in Retail accounts payable (reduced inventory purchases and lower valuation of foreign denominated purchases).

5.0 Capital management, financing and capital expenditures

5.1 Capital management

The Company's objectives in managing capital, its definition of capital and its constraints are included in Note 3 of the Q3 2012 condensed interim consolidated financial statements. There were no changes during the third quarter of 2012 in the Company's objectives, definitions or constraints in managing capital. The Company was in compliance with its debt covenants and regulatory requirements.

5.2 Financing

The Company is in a strong liquidity position with the ability to access multiple sources of funding. A detailed description of credit market conditions, the Company's sources of funding and credit ratings were provided in section 8.3 of the MD&A contained in the Company's 2011 Annual Report. The total of available lines of credit at September 29, 2012 was $1.5 billion. The committed lines of credit are available through a four-year $1.2 billion syndicated credit facility that expires in June 2016 and $300.0 million of bilateral credit facilities that expire in July 2013.

Subsequent to the quarter on October 23, 2012, DBRS confirmed the Company's ratings at BBB (high) for medium term notes and debentures and R-2 (high) for commercial paper, both with stable outlooks.

Subsequent to the quarter, the Company issued $400.0 million of five-year senior notes and $23.3 million of five-year subordinated GCCT notes, bearing an interest rate of 2.4 per cent and 3.2 per cent, respectively, payable semi-annually. The senior and subordinated notes have an expected repayment date of October 20, 2017.

5.3 Capital expenditures

The Company's capital expenditures for the quarters ended September 29, 2012 and October 1, 2011 are noted below.

(C$ in millions)	Q3 2012	Q3 2011	YTD Q3 2012	YTD Q3 2011
Real estate projects	$ 44.2	$ 57.0	$ 131.8	$ 117.4
Information technology	15.1	16.3	47.3	38.8
Supply chain and distribution centres	4.5	6.2	9.2	11.3
Strategic initiatives[1]	0.4	32.3	3.9	50.4
Other purposes	3.9	8.4	8.8	14.8
Total capital expenditures[2]	$ 68.1	$ 120.2	$ 201.0	$ 232.7

1. Strategic initiatives includes Automotive Infrastructure, CTR loyalty, customer-centric retailing and online.
2. Capital expenditures are presented on an accrual basis and include intangible software additions.

Capital expenditures in the prior year included projects such as Automotive Infrastructure and the new Loyalty pilot, which were substantially completed prior to 2012. In addition, capital expenditures are down due to the timing of real estate expenditures compared to last year.

5.4 Dividends

Dividends declared on Common and Class A Non-Voting Shares in the third quarter of 2012 remained consistent with the second quarter of 2012 at $0.30 per share, reflecting the Board of Directors' decision in November 2011 to increase the quarterly dividend rate from $0.275 per share.

On November 8, 2012 the Company's Board of Directors declared a dividend of $0.35 per share, payable on March 1, 2013 to shareholders of record as of January 31, 2013.

6.0 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 material changes in the status of ongoing audits by tax authorities as described in section 9.0 in the MD&A contained in the Company's 2011 Annual Report.

Income taxes for the 39 weeks ended September 29, 2012 were reduced by $1.0 million (2011 - $14.7 million) due to adjustments to prior years' estimated tax payable and the estimated federal and provincial reassessments related to the dividends received matter.

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 net income 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.

7.0 Accounting policies and estimates

7.1 Critical accounting estimates

The Company estimates certain amounts reflected in its financial statements using detailed financial models that are based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. In management's judgment, the accounting policies and estimates detailed in Note 2 of the Q3 2012 condensed interim consolidated financial statements 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. Loans receivable that are not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics. The Company uses a roll rate methodology which employs statistical analysis of historical data, economic indicators and experience of delinquency and default to estimate the amount of loans that will eventually be written off. The estimated loss is the difference between the present value of the expected future cash flows, discounted at the original effective interest rate of the portfolio, and the carrying amount of the portfolio. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

7.2 Changes in accounting policies

New standards implemented

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 property measured at fair value. The amendment is effective for annual periods beginning on or after January 1, 2012. This amendment did not impact the Company as its investment property is not measured at fair value.

Standards, amendments and interpretations issued and not yet adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending December 29, 2012 and, accordingly, have not been applied in preparing these interim consolidated financial statements.

Financial instruments

In November 2009, the IASB issued IFRS 9 – *Financial Instruments: Classification and Measurement* ("IFRS 9"), which contains 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 or loss. A mismatch could arise because the entire change in the fair value of the financial assets would be presented in net income but a portion of the change in the fair value of the related financial liabilities would not. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Financial instruments: disclosures

In October 2010, the IASB amended IFRS 7 – *Financial Instruments: Disclosures* ("IFRS 7"), 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 and will include these disclosures in its 2012 annual financial statements.

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 Standing Interpretation Committee ("SIC") Interpretation 12 – *Consolidation – Special Purpose Entities*. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an investor controls one or more investees. The standard requires an investor to consolidate an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As a consequence, IAS 27 has been amended but retains the existing guidance for separate financial statements.

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 venturer 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 provides accounting guidance for investments and associates and sets 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 the standard.

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 net income. The amendments reaffirm the existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amendments 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 re-measurement of defined benefit plan assets and liabilities to be presented in the OCI section of Statements of Comprehensive Income, and require additional disclosures. The amendments are effective for annual periods beginning on or after January 1, 2013. Early 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.

Financial instruments: asset and liability offsetting

In December 2011, the IASB amended IFRS 7 and IAS 32 – *Financial Instruments: Presentation* ("IAS 32") to clarify the requirements for offsetting financial instruments and to require new disclosures on the effect of offsetting arrangements on an entity's financial position. The IFRS 7 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2013. The IAS 32 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014. The Company is assessing the potential impact of these amendments.

7.3 Supplementary (non-GAAP/IFRS) measures

Retail sales

Retail sales refer to the point of sale (i.e., cash register) value of all goods and services sold at Dealer-operated, franchisee-operated, Petroleum retailer-operated and corporate-owned stores across the retail banners. To enhance comparability of the retail sales metric across the different retail banners of the Company and the retail industry, starting in Q1 2012, CTR's retail sales includes additional customer transactions (such as delivery and assembly charges) that were previously excluded. To further enhance comparability of the retail sales metric, starting in Q3 2012, Mark's definition of retail sales was updated to align with that of other businesses within the Company.

Prior year metrics have been restated.

8.0 Enterprise risk management

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

The ERM framework and the principal risks that the Company manages on an ongoing basis are described in detail in sections 11.0 and 11.2, respectively, in the MD&A contained in the Company's 2011 Annual Report.

Management reviews risks on an ongoing basis and did not identify any new principal risks during the third quarter of 2012.

9.0 Controls and procedures

Changes in internal control over financial reporting

During the third quarter of 2012, 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.

10.0 Contractual obligations

The Company has a number of obligations related to long-term debt, finance (capital) lease obligations, operating leases, purchase obligations, Financial Services' deposits and other obligations. For a complete description of amounts outstanding for the year-ended December 31, 2011, see section 8.3.1 of the MD&A contained in our 2011 Annual Report.

In Q3 2012, there were no significant changes to the outstanding contractual obligations compared to the previous two quarters.

11.0 Social and environmental responsibility

11.1 Overview

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

11.2 Community activities (Canadian Tire Jumpstart Charities)

The Company's charitable efforts are reflected through the work of Canadian Tire Jumpstart Charities. Its signature program, Canadian Tire Jumpstart, helps financially disadvantaged children gain the life benefits that are associated with participating in organized sports and recreational activities. The program assists with the cost of registration, equipment and transportation. Through its 312 active chapters, Canadian Tire Jumpstart has funded the programming costs for over 495,000 children since the launch of the program in 2005.

During the third quarter of 2012, Jumpstart raised over $3.0 million across Canada, helping over 27,000 children participate in sports and recreation programs.

During 2012, Jumpstart raised over $10.8 million across Canada, helping over 77,000 children participate in sports and recreation programs.

In its secondary programs, Canadian Tire Jumpstart also supports community work through the Company and Canadian Tire Dealers. Providing assistance for life's basics to families in financial need, the charity supports local organizations, particularly in regional disaster situations.

11.3 Business sustainability

The Business Sustainability Strategy supports the Company's corporate strategic objectives as outlined in section 5.0 of the MD&A contained in the 2011 Annual Report. Business Sustainability is an innovation strategy that aims to provide economic benefits from enhanced environmental and social outcomes by integrating sustainability into business operations. The scope of the strategy is the Company's value-chain – reaching upstream to suppliers and downstream to customers.

Our Business Sustainability Strategy has three aspirations:

1. Profitably grow the business without increasing the net carbon footprint of the economy;
2. Profitably grow the business while eliminating unnecessary packaging and send zero waste to landfills; and
3. Provide innovative products and services that meet our customers' needs without compromising the ability of future generations to meet their needs.

Progress summary and highlights

During the third quarter, the ongoing integration of sustainable practices into the Company's business operations resulted in the completion of 272 initiatives. These initiatives are forecasted to annually avoid over $883,000 in costs, 153 tonnes of waste, and 601 tonnes of greenhouse gas (GHG) emissions. The execution of the Business Sustainability Strategy, as demonstrated by the completion of these initiatives during the quarter, is an ongoing source of process improvement and increased productivity, while contributing to the mitigation of risk.

In addition, during the third quarter, the Company was added to the Dow Jones Sustainability North America Index which benchmarks companies on performance related to economic, social and environmental metrics. The Company is the only Canadian retailer on the Dow Jones Sustainability North America Index and this accomplishment recognizes the Company's leadership in business sustainability.

The Company also became the first retailer to partner with the City of Vancouver to develop an electrical vehicle charging infrastructure. As part of this initiative, which is a two-year trial that will see 67 charging stations commissioned throughout the city, the Company will install a dual port level two charging station at its Marine Drive retail complex in Vancouver. The Company previously installed 10 level one charging stations at this location as part of its LEED Gold Certification.

The third quarter also saw the completion of the Company's right-sizing initiative for exterior signage of promotional materials, including signs to promote the Company's 90th anniversary in September. The Company has long been committed to 'right-sizing' products to help reduce waste and GHG emissions associated with transportation and packaging. Use of enhanced materials resulted in banner weight reduction of 74 per cent and volume reduction by 62 per cent, on average. In total, the seasonal decor right-sizing project is forecasted to annually avoid over $115,000 in costs, 5 tonnes of waste, and 3 tonnes of CO_2e.

Some additional initiatives completed this quarter and recognition highlights are listed below.

- The Company received a Clean50 Top 5 Project award from Delta Management Group for the product and packaging redesigns completed through Canadian Tire's Packaging Sustainability Network. The Clean50 Top 5 Project award recognizes sustainability innovations from across all sectors and projects that have resulted in documented gains to Canada's environmental, business and social bottom lines. The work completed by the Packaging Sustainability Network in 2010 and 2011 has allowed the

Company to avoid a total of $3.6 million in costs, as well as significant reductions in waste and greenhouse gas emissions.

- The Company also received a Clean16 award from Delta Management Group for the work completed by the Business Sustainability team. The Clean16 recognizes individuals or teams who have had the most impact in a variety of categories. The Company's Business Sustainability team was specifically recognized as the top team in the Retail & Consumer Products / Services category for their use of sustainability as a strategic business framework, as well as for the results achieved and reported against in 2011 as a direct result of the Company's Business Sustainability strategy.

Year-to-date completed Sustainability initiatives and their associated forecasted annual benefits

	Products and Packaging	Product Transportation	Buildings and Operations	Value-Chain Total
Number of initiatives[1]	488	7	314	809
Cost avoidance[2] (thousands)	$1,163	$47	$848	$2,058
Energy use avoidance[2] (gigajoules)	22,129	165,894	24,562	212,585
Equivalent energy used[3] (number of Canadian homes)	209	1,566	232	2,007
GHG emissions avoidance[2,4] (tCO_2e)	1,578	11,456	1,344	14,378
Waste avoidance[2] (t)	724	0	9	733
Equivalent waste produced[5] (number of Canadian homes)	1,131	0	15	1,146

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 for these initiatives is defined by: (i) the commercial operation date for buildings and product transport projects, and (ii) the approval date for operations and product projects. Projects are reported in the quarter they are completed, unless data is not available, in which case the completed project is reported in a future quarter provided it is in the same year as the project's completion date or the first quarter of the following year.

2 Avoidance refers to savings in comparison to what the costs, energy, GHG emissions and waste would have been if the Company had not made the improvements. Values express a 12-month forecast occurring after project completion. Additional cumulative results beyond this 12 month forecast are not reported. Values reported include (i) costs avoided by the Company and (ii) energy, GHG emissions, and waste avoided by the Company and, in some cases, its value chain partners such as customers and vendors.

3 Represents the estimated number of average Canadian homes that could be powered for a year based on the forecasted annual avoided energy use resulting from sustainability projects (source: Natural Resources Canada).

4 Measured as carbon dioxide equivalents (CO_2e). Greenhouse gasses such as methane (CH_4) and nitrous oxide (N_2O) are converted to their carbon dioxide equivalent based on their relative global warming potential.

5 Represents the estimated number of households (based on the average waste produced per Canadian household) as it relates to the forecasted annual avoided waste resulting from sustainability projects (source: Statistics Canada).

To date, the Company contributed approximately $16.7 million to community blue box and industry product stewardship and recycling programs.

12.0 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 3.0; and
- the Company's business sustainability aspirations and forecasted benefits in section 11.3.

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 the Company's 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, the Company's strategic goals and priorities, the Company's actions and the results of those actions and the economic and business outlook for the Company. Often but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made.

By its very nature, forward-looking information requires us to make assumptions and is subject to inherent risks and uncertainties, which give rise to the possibility that the Company's assumptions may not be correct and that the Company's expectations and plans will not be achieved. Although the Company believes that the forward-looking information in this document is based on information and assumptions which are current, reasonable and complete, this information is necessarily subject to a number of factors that could cause actual results to differ materially from management's expectations and plans as set forth in such forward-looking information for a variety of reasons. Some of the factors – many of which are beyond the Company's control and the effects of which can be difficult to predict – include (a) credit, market, currency, operational, liquidity and funding risks, including changes in economic conditions, interest rates or tax rates; (b) the ability of Canadian Tire to attract and retain quality employees, Dealers, Canadian Tire Petroleum retailers and PartSource, Mark's and FGL Sports store operators and franchisees, as well as the Company's financial arrangements with such parties; (c) the growth of certain business categories and market segments and the willingness of customers to shop at the Company's stores or acquire the Company's financial products and services; (d) the Company's margins and sales and those of the Company's competitors; (e) risks and uncertainties relating to information management, technology, supply chain, product safety, changes in law, regulations, competition, seasonality, commodity price and business disruption, the Company's relationships with suppliers and manufacturers, changes to existing accounting pronouncements, the risk of damage to the reputation of brands promoted by Canadian Tire and the cost of store network expansion and retrofits and (f) the Company's capital structure, funding strategy, cost management programs and share price. We caution that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect the Company's results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information.

For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, please refer to sections 4.4.1.2 (Retail segment business risks), 4.4.2.2 (Financial Services segment business risks) and 8.0 (Enterprise risk management) and all subsections there under of this MD&A. Please also refer to the "Risk Factors" section of the Company's Annual Information Form for fiscal 2011 and the Company's 2011 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 the Company's 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 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.

November 8, 2012

Condensed Consolidated Balance Sheets (Unaudited)

As at (C$ in millions)	**September 29, 2012**	October 1, 2011	December 31, 2011
ASSETS			
Cash and cash equivalents (Note 13)	**$ 262.2**	$ 493.4	$ 325.8
Short-term investments	**252.0**	167.2	196.4
Trade and other receivables	**779.1**	875.6	829.3
Loans receivable (Note 10)	**4,093.5**	3,964.9	4,081.7
Merchandise inventories	**1,839.9**	1,775.1	1,448.6
Income taxes recoverable	**3.7**	89.1	-
Prepaid expenses and deposits	**76.8**	81.5	44.3
Assets classified as held for sale (Note 15)	**20.4**	21.9	30.5
Total current assets	**7,327.6**	7,468.7	6,956.6
Long-term receivables and other assets	**699.7**	707.1	668.9
Long-term investments	**156.9**	165.3	128.2
Goodwill and intangible assets	**1,089.6**	1,092.2	1,110.0
Investment property	**76.0**	70.7	72.4
Property and equipment	**3,325.7**	3,353.0	3,365.9
Deferred income taxes	**44.3**	21.6	36.8
Total assets	**$ 12,719.8**	$ 12,878.6	$ 12,338.8
LIABILITIES			
Bank indebtedness (Note 13)	**$ 113.8**	$ 120.0	$ 124.8
Deposits	**1,154.9**	1,181.3	1,182.3
Trade and other payables	**1,738.6**	1,743.4	1,640.9
Provisions	**176.3**	181.4	191.9
Short-term borrowings	**133.5**	586.1	352.6
Loans payable (Note 16)	**650.2**	658.2	628.7
Income taxes payable	**-**	-	3.9
Current portion of long-term debt	**661.3**	354.2	27.9
Total current liabilities	**4,628.6**	4,824.6	4,153.0
Long-term provisions	**49.4**	55.3	55.1
Long-term debt (Note 19)	**1,912.2**	2,350.9	2,347.7
Long-term deposits	**1,196.6**	1,088.3	1,102.2
Deferred income taxes	**83.1**	71.4	66.1
Other long-term liabilities	**206.0**	190.1	205.7
Total liabilities	**8,075.9**	8,580.6	7,929.8
SHAREHOLDERS' EQUITY			
Share capital (Note 11)	**708.9**	710.7	710.5
Contributed surplus	**2.8**	1.0	1.1
Accumulated other comprehensive income (loss)	**(17.0)**	27.5	11.0
Retained earnings	**3,949.2**	3,558.8	3,686.4
Total shareholders' equity	**4,643.9**	4,298.0	4,409.0
Total liabilities and shareholders' equity	**$ 12,719.8**	$ 12,878.6	$ 12,338.8

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

Condensed Consolidated Statements of Income (Unaudited)

(C$ in millions except per share amounts)	13 weeks ended September 29, 2012	13 weeks ended October 1, 2011 (Note 21)	39 weeks ended September 29, 2012	39 weeks ended October 1, 2011 (Note 21)
Revenue (Note 5)	**$ 2,829.8**	$ 2,704.9	**$ 8,260.5**	$ 7,252.0
Cost of producing revenue (Note 6)	**(1,970.8)**	(1,924.3)	**(5,757.0)**	(5,130.1)
Gross margin	**859.0**	780.6	**2,503.5**	2,121.9
Other income	**0.8**	10.2	**0.5**	12.6
Operating expenses				
Distribution costs	**(89.0)**	(96.2)	**(267.8)**	(269.8)
Sales and marketing expenses	**(396.1)**	(335.8)	**(1,174.8)**	(892.5)
Administrative expenses	**(163.7)**	(156.7)	**(508.0)**	(473.9)
Total operating expenses (Note 7)	**(648.8)**	(588.7)	**(1,950.6)**	(1,636.2)
Operating income	**211.0**	202.1	**553.4**	498.3
Finance income	**4.5**	7.8	**13.0**	18.4
Finance costs	**(36.2)**	(39.9)	**(105.8)**	(117.7)
Net finance costs	**(31.7)**	(32.1)	**(92.8)**	(99.3)
Income before income taxes	**179.3**	170.0	**460.6**	399.0
Income taxes	**(47.9)**	(33.5)	**(124.5)**	(98.3)
Net income	**$ 131.4**	$ 136.5	**$ 336.1**	$ 300.7
Basic earnings per share	**$ 1.61**	$ 1.68	**$ 4.13**	$ 3.69
Diluted earnings per share	**$ 1.61**	$ 1.67	**$ 4.11**	$ 3.68
Weighted average number of Common and Class A Non-Voting Shares outstanding (Note 12)**:**				
Basic	**81,444,801**	81,446,801	**81,448,818**	81,448,346
Diluted	**81,814,873**	81,740,993	**81,819,333**	81,810,490

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

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(C$ in millions)	13 weeks ended September 29, 2012	13 weeks ended October 1, 2011	39 weeks ended September 29, 2012	39 weeks ended October 1, 2011
Net income	**$ 131.4**	$ 136.5	**$ 336.1**	$ 300.7
Other comprehensive income (loss)				
Derivatives designated as cash flow hedges:				
(Losses) gains, net of tax of $16.6 and $12.2 (2011 - $25.0 and $6.7), respectively	**(43.3)**	65.3	**(32.2)**	17.5
Reclassification of losses to non-financial asset, net of tax of $0.9 and $2.1 (2011 - $5.4 and $16.1), respectively	**2.2**	14.1	**5.6**	41.2
Reclassification of (gains) losses to income, net of tax of $0.1 and $0.1 (2011 - $0.2 and $0.4), respectively	**(0.2)**	0.5	**(0.2)**	1.0
Available-for-sale financial assets:				
Gains (losses), net of tax of $0.1 and $0.2 (2011 - $0.2 and $2.8), respectively	**0.2**	(0.3)	**0.4**	6.9
Reclassification of gains to income, net of tax of $nil and $0.6 (2011 - $2.9 and $2.7), respectively	**(0.1)**	(7.2)	**(1.6)**	(6.8)
Total other comprehensive income (loss)	**(41.2)**	72.4	**(28.0)**	59.8
Total comprehensive income	**$ 90.2**	$ 208.9	**$ 308.1**	$ 360.5

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

Condensed Consolidated Statements of Cash Flows (Unaudited)

(C$ in millions)	13 weeks ended September 29, 2012	13 weeks ended October 1, 2011 (Note 21)	39 weeks ended September 29, 2012	39 weeks ended October 1, 2011 (Note 21)
Cash generated from (used for):				
Operating activities				
Net income	**$ 131.4**	$ 136.5	**$ 336.1**	$ 300.7
Adjustments for:				
Impairment on loans receivable (Note 10)	**81.2**	83.9	**241.7**	263.3
Depreciation on property and equipment and investment property	**62.6**	57.7	**182.8**	163.5
Income tax expense	**47.9**	33.5	**124.5**	98.3
Net finance costs	**31.7**	32.1	**92.8**	99.3
Amortization of intangible assets	**21.5**	18.1	**64.5**	46.0
Deferred income taxes	**15.4**	3.6	**20.3**	3.6
Changes in fair value of derivative instruments	**1.6**	19.8	**(5.3)**	25.2
Other	**3.1**	6.2	**11.3**	9.3
Gain on revaluation of shares	**-**	(10.4)	**-**	(10.4)
	396.4	381.0	**1,068.7**	998.8
Changes in working capital and other	**(306.3)**	174.5	**(536.4)**	54.8
Cash generated from operating activities before interest and taxes	**90.1**	555.5	**532.3**	1,053.6
Interest paid	**(38.2)**	(41.4)	**(114.3)**	(129.2)
Interest received	**2.2**	3.7	**5.9**	23.7
Income taxes paid	**(27.0)**	(32.5)	**(112.3)**	(82.0)
Cash generated from operating activities	**27.1**	485.3	**311.6**	866.1
Investing activities				
Acquisition of FGL Sports	**-**	(739.9)	**-**	(739.9)
Acquisition of short-term investments	**(56.6)**	(94.7)	**(217.8)**	(305.1)
Acquisition of long-term investments	**(24.1)**	(17.5)	**(104.4)**	(123.1)
Additions to property and equipment and investment property	**(56.5)**	(61.5)	**(159.5)**	(151.3)
Additions to intangible assets	**(12.2)**	(58.4)	**(43.5)**	(97.6)
Proceeds from the maturity and disposition of long-term investments	**-**	-	**4.7**	18.1
Proceeds from the maturity and disposition of short-term investments	**72.8**	150.4	**231.6**	324.6
Other	**0.2**	(1.5)	**4.2**	2.9
Cash used for investing activities	**(76.4)**	(823.1)	**(284.7)**	(1,071.4)
Financing activities				
Net issuance (repayment) of short-term borrowings	**15.3**	43.3	**(219.1)**	243.6
Issuance of loans payable	**40.6**	23.6	**176.4**	96.4
Repayment of loans payable	**(43.1)**	(54.3)	**(154.9)**	(125.2)
Issuance of share capital (Note 11)	**1.2**	1.1	**11.3**	10.5
Repurchase of share capital (Note 11)	**(1.2)**	(1.2)	**(11.2)**	(10.7)
Issuance of long-term debt	**2.5**	-	**214.2**	-
Repayment of long-term debt and finance lease liabilities	**(8.8)**	(5.9)	**(21.8)**	(19.0)
Dividends paid	**(24.4)**	(22.4)	**(73.3)**	(67.2)
Payment of transaction costs related to long-term debt	**-**	-	**(1.2)**	-
Cash (used for) generated from financing activities	**(17.9)**	(15.8)	**(79.6)**	128.4
Cash used in the period	**(67.2)**	(353.6)	**(52.7)**	(76.9)
Cash and cash equivalents, net of bank indebtedness, beginning of period	**215.4**	728.1	**201.0**	450.9
Effect of exchange rate fluctuations on cash held	**0.2**	(1.1)	**0.1**	(0.6)
Cash and cash equivalents, net of bank indebtedness, end of period (Note 13)	**$ 148.4**	$ 373.4	**$ 148.4**	$ 373.4

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
Balance at December 31, 2011	**$ 710.5**	**$ 1.1**	**$ 9.4**	**$ 1.6**	**$ 11.0**	**$ 3,686.4**	**$ 4,409.0**
Total comprehensive income							
Net income						**336.1**	**336.1**
Other comprehensive income (loss)							
Derivatives designated as cash flow hedges:							
Losses, net of tax of $12.2			**(32.2)**		**(32.2)**		**(32.2)**
Reclassification of losses to non-financial asset, net of tax of $2.1			**5.6**		**5.6**		**5.6**
Reclassification of gains to income, net of tax of $0.1			**(0.2)**		**(0.2)**		**(0.2)**
Available-for-sale financial assets:							
Gains, net of tax of $0.2				**0.4**	**0.4**		**0.4**
Reclassification of gains to income, net of tax of $0.6				**(1.6)**	**(1.6)**		**(1.6)**
Total other comprehensive income (loss)	**-**	**-**	**(26.8)**	**(1.2)**	**(28.0)**	**-**	**(28.0)**
Total comprehensive income	**-**	**-**	**(26.8)**	**(1.2)**	**(28.0)**	**336.1**	**308.1**
Contributions by and distributions to shareholders							
Issue of Class A Non-Voting Shares (Note 11)	**11.3**				**-**		**11.3**
Repurchase of Class A Non-Voting Shares (Note 11)	**(11.2)**				**-**		**(11.2)**
Excess of issue price over repurchase price (Note 11)	**(1.7)**	**1.7**			**-**		**-**
Dividends					**-**	**(73.3)**	**(73.3)**
Total contributions by and distributions to shareholders	**(1.6)**	**1.7**	**-**	**-**	**-**	**(73.3)**	**(73.2)**
Balance at September 29, 2012	**$ 708.9**	**$ 2.8**	**$ (17.4)**	**$ 0.4**	**$ (17.0)**	**$ 3,949.2**	**$ 4,643.9**
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	-	-	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					-	(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 is a Canadian public company primarily domiciled in Canada. Its registered office is located at 2180 Yonge Street, Toronto, Ontario, M4P 2V8, Canada. It is listed on the Toronto Stock Exchange (TSX – CTC, CTC.A). Canadian Tire Corporation, Limited and entities it controls are together referred to in these condensed interim consolidated financial statements as “the Company”.

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

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

2. Basis of Preparation

Statement of compliance

These condensed interim consolidated financial statements (“interim consolidated financial statements”) have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The Company prepared these interim consolidated financial statements for the 13 and 39 weeks ended September 29, 2012 (and comparative results for the 13 and 39 weeks ended October 1, 2011) in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting.* These interim consolidated financial statements should be read in conjunction with the annual financial statements contained in the Company’s 2011 Annual Report.

These interim consolidated financial statements were authorized for issuance by the Company’s Board of Directors on November 8, 2012.

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 share-based payment plans; and
- Initial recognition of assets acquired and liabilities assumed in business combinations.

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 and the number of shares or the weighted average number of shares which are presented in whole numbers.

Use of estimates and judgments

The preparation of these interim 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 liabilities at the date of these interim consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. 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 the 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.

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

Estimates are used: when determining the useful lives of property and equipment, investment property and intangible assets for the purposes of depreciation and amortization; when accounting for and measuring items such as inventory, customer loyalty programs, deferred revenue, insurance reserves, income and other taxes, provisions and purchase price adjustments on business combinations; when making assumptions underlying actuarial determination of post-employment benefits; when measuring certain fair values including those related to the valuation of business combinations, share-based payments and financial instruments; when testing goodwill, intangible assets with indefinite useful lives and other assets for impairment; and when updating models used in the determination of allowances on loans receivable.

New standards implemented

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 property measured at fair value. The amendment is effective for annual periods beginning on or after January 1, 2012. This amendment did not impact the Company as its investment property is not measured at fair value.

Standards, amendments and interpretations issued and not yet adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending December 29, 2012 and, accordingly, have not been applied in preparing these interim consolidated financial statements.

Financial instruments
In November 2009, the IASB issued IFRS 9 – *Financial Instruments: Classification and Measurement* ("IFRS 9"), which contains 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 or loss. A mismatch could arise because the entire change in the fair value of the financial assets would be presented in net income but a portion of the change in the fair value of the related financial liabilities would not. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Financial instruments: disclosures
In October 2010, the IASB amended IFRS 7 – *Financial Instruments: Disclosures* ("IFRS 7"), 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 and will include these disclosures in its 2012 annual financial statements.

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 Standing Interpretation Committee ("SIC") Interpretation 12 – *Consolidation – Special Purpose Entities*. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an investor controls one or more investees. The standard requires an investor to consolidate an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As a consequence, IAS 27 has been amended but retains the existing guidance for separate financial statements.

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 venturer 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 provides accounting guidance for investments and associates and sets 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 the standard.

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 net income. The amendments reaffirm the existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amendments 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 OCI section of Statements of Comprehensive Income, and require additional disclosures. The amendments are effective for annual periods beginning on or after January 1, 2013. Early 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.

Financial instruments: asset and liability offsetting
In December 2011, the IASB amended IFRS 7 and IAS 32 – *Financial Instruments: Presentation* ("IAS 32") to clarify the requirements for offsetting financial instruments and to require new disclosures on the effect of offsetting arrangements on an entity's financial position. The IFRS 7 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2013. The IAS 32 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014. The Company is assessing the potential impact of these amendments.

3. Capital Management

The Company's objectives when managing capital are:
- ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- maintaining healthy liquidity reserves and access to capital; and
- minimizing the after-tax cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

The definition of capital varies from company to company, industry to industry and for different purposes. The Company's definition of capital is the same as that detailed in Note 5 of the annual financial statements contained in the Company's 2011 Annual Report, which includes Glacier Credit Card Trust ("GCCT") indebtedness but excludes Franchise Trust indebtedness.

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 Company was in compliance with key covenants under its existing debt agreements during the quarter ended September 29, 2012. Under these covenants, the Company currently has sufficient flexibility to fund business growth and maintain or amend dividend rates within its existing dividend policy. The Company is in compliance with regulatory requirements, including the capital guidelines issued by the Office of the Superintendent of Financial Institutions of Canada, associated with the operations of Canadian Tire Bank ("the Bank"), a federally chartered bank, and other regulatory requirements that impact its business operations.

4. Operating Segments

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

- Financial Services markets a range of Canadian Tire-branded credit cards, including the Canadian Tire Options MasterCard, the Cash Advantage MasterCard, the Gas Advantage MasterCard and the Sport Chek MasterCard. Financial Services also markets insurance and warranty products. The Bank, a wholly-owned subsidiary of Canadian Tire Financial Services Limited, is a federally regulated bank that manages and finances the Company's consumer MasterCard, Visa and retail credit card portfolios, as well as an existing block of Canadian Tire-branded personal loan and line of credit portfolios. The Bank also offers and markets High Interest Savings account deposits, Tax Free Savings Account deposits and Guaranteed Investment Certificate deposits, both directly and through third-party brokers. Financial Services includes 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.

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

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

(C$ in millions)	13 weeks ended September 29, 2012 Retail	Financial Services	Eliminations and adjustments	Total	13 weeks ended October 1, 2011 Retail	Financial Services [1]	Eliminations and adjustments [1]	Total
External revenue	$ 2,564.3	$ 246.0	$ 19.5	$ 2,829.8	$ 2,443.7	$ 241.5	$ 19.7	$ 2,704.9
Intercompany revenue	0.1	3.7	(3.8)	-	0.1	3.5	(3.6)	-
Total revenue	2,564.4	249.7	15.7	2,829.8	2,443.8	245.0	16.1	2,704.9
Cost of producing revenue	1,874.6	111.8	(15.6)	1,970.8	1,826.3	115.8	(17.8)	1,924.3
Gross margin	689.8	137.9	31.3	859.0	617.5	129.2	33.9	780.6
Other income (expense)	0.7	0.1	-	0.8	10.3	(0.1)	-	10.2
Operating expenses	566.5	64.7	17.6	648.8	505.3	65.4	18.0	588.7
Operating income	124.0	73.3	13.7	211.0	122.5	63.7	15.9	202.1
Net finance costs (income)	18.4	(0.4)	13.7	31.7	16.7	(0.5)	15.9	32.1
Income before income taxes	$ 105.6	$ 73.7	$ -	$ 179.3	$ 105.8	$ 64.2	$ -	$ 170.0
Items included in the above:								
Depreciation and amortization	$ 81.6	$ 2.5	$ -	$ 84.1	$ 73.0	$ 2.8	$ -	$ 75.8
Interest income	9.2	175.2	(0.5)	183.9	12.6	174.6	(0.6)	186.6
Interest expense	21.0	33.6	(0.5)	54.1	22.4	36.2	(0.6)	58.0

(C$ in millions)	39 weeks ended September 29, 2012 Retail	Financial Services	Eliminations and adjustments	Total	39 weeks ended October 1, 2011 Retail	Financial Services [1]	Eliminations and adjustments [1]	Total
External revenue	$ 7,479.9	$ 723.9	$ 56.7	$ 8,260.5	$ 6,488.1	$ 707.6	$ 56.3	$ 7,252.0
Intercompany revenue	0.2	10.0	(10.2)	-	0.5	9.3	(9.8)	-
Total revenue	7,480.1	733.9	46.5	8,260.5	6,488.6	716.9	46.5	7,252.0
Cost of producing revenue	5,471.7	329.7	(44.4)	5,757.0	4,825.8	357.1	(52.8)	5,130.1
Gross margin	2,008.4	404.2	90.9	2,503.5	1,662.8	359.8	99.3	2,121.9
Other (expense) income	(2.0)	2.5	-	0.5	12.9	(0.3)	-	12.6
Operating expenses	1,706.6	192.2	51.8	1,950.6	1,386.9	197.6	51.7	1,636.2
Operating income	299.8	214.5	39.1	553.4	288.8	161.9	47.6	498.3
Net finance costs (income)	54.4	(0.7)	39.1	92.8	53.2	(1.5)	47.6	99.3
Income before income taxes	$ 245.4	$ 215.2	$ -	$ 460.6	$ 235.6	$ 163.4	$ -	$ 399.0
Items included in the above:								
Depreciation and amortization	$ 240.0	$ 7.3	$ -	$ 247.3	$ 201.5	$ 8.0	$ -	$ 209.5
Interest income	26.0	516.9	(0.9)	542.0	36.9	509.2	(3.6)	542.5
Interest expense	61.9	98.7	(0.9)	159.7	68.0	104.6	(3.6)	169.0

[1] Financial Services' operating segment results for the 13 and 39 weeks ended October 1, 2011 have been reclassified to correspond to the current year presentation. Certain revenues and costs that were previously presented in finance income and finance costs that are directly related to funding Financial Services' loans receivable have been presented in revenue and cost of producing revenue. This reclassification presents Financial Services' results as it manages and views its business and how the results are being presented to the Company's CEO. These revenues and costs are considered financing activities for external reporting and are therefore reported in net finance costs in the Condensed Consolidated Statements of Income. As a result of the reclassification of Financial Services' results for the 13 and 39 weeks ended October 1, 2011, external revenue increased by $1.9 million and $5.2 million, respectively, cost of producing revenue increased by $17.8 million and $52.8 million, respectively, gross margin decreased by $15.9 million and $47.6 million, respectively, operating income decreased by $15.9 million and $47.6 million, respectively, and net finance costs decreased by $15.9 million and $47.6 million, respectively. There is no impact to income before income taxes. The reclassifications in Financial Services' operating segment results are reversed in elimination and adjustments, resulting in no impact to the Condensed Consolidated Statements of Income.

Capital expenditures by reportable segment are as follows:

	13 weeks ended September 29, 2012				13 weeks ended October 1, 2011			
(C$ in millions)	Retail	Financial Services	Eliminations and adjustments	Total	Retail	Financial Services	Eliminations and adjustments	Total
Capital expenditures [1]	$ 67.3	$ 0.8	$ -	$ 68.1	$ 119.5	$ 0.7	$ -	$ 120.2

	39 weeks ended September 29, 2012				39 weeks ended October 1, 2011			
(C$ in millions)	Retail	Financial Services	Eliminations and adjustments	Total	Retail	Financial Services	Eliminations and adjustments	Total
Capital expenditures [1]	$ 199.2	$ 1.8	$ -	$ 201.0	$ 227.7	$ 5.1	$ -	$ 232.8

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

Total assets by reportable segment are as follows:

(C$ in millions)	September 29, 2012	October 1, 2011	December 31, 2011
Retail	$ 8,718.3	$ 8,757.8	$ 8,341.5
Financial Services	4,840.7	4,966.2	4,684.0
Eliminations	(839.2)	(845.4)	(686.7)
Total	$ 12,719.8	$ 12,878.6	$ 12,338.8

5. Revenue

	13 weeks ended		39 weeks ended	
(C$ in millions)	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Sale of goods	$ 2,469.6	$ 2,350.2	$ 7,197.4	$ 6,213.7
Interest income on loans receivable	179.4	178.8	529.0	524.1
Services rendered	92.0	88.3	267.8	261.3
Royalties and license fees	85.9	85.1	256.7	244.8
Rental income	2.9	2.5	9.6	8.1
	$ 2,829.8	$ 2,704.9	$ 8,260.5	$ 7,252.0

Major customers

Revenue is earned from a variety of customers. Canadian Tire Retail, Mark’s, FGL Sports and PartSource ship merchandise to a network of over 750 independent Dealers and franchisees. Mark’s, FGL Sports and PartSource corporate-owned stores, Petroleum and Financial Services provide goods and services directly to customers. The Company does not have reliance on any one customer.

6. Cost of Producing Revenue

	13 weeks ended		39 weeks ended	
(C$ in millions)	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Inventory cost of sales	$ 1,874.2	$ 1,826.2	$ 5,471.3	$ 4,825.8
Net impairment loss on loans receivable	65.5	69.5	195.2	221.6
Finance costs on deposits	17.9	18.1	53.9	51.3
Other	13.2	10.5	36.6	31.4
	$ 1,970.8	$ 1,924.3	$ 5,757.0	$ 5,130.1

Inventory write-downs as a result of net realizable value being lower than cost recognized in the 13 and 39 weeks ended September 29, 2012 are $21.5 million (2011 - $21.6 million) and $62.0 million (2011 - $56.3 million), respectively.

Inventory write-downs recognized in previous periods and reversed in the 13 and 39 weeks ended September 29, 2012 are $8.4 million (2011 - $8.2 million) and $12.3 million (2011 - $15.2 million), respectively.

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

7. Operating Expenses by Nature

	13 weeks ended		39 weeks ended	
(C$ in millions)	**September 29, 2012**	October 1, 2011	**September 29, 2012**	October 1, 2011
Personnel expenses (Note 8)	**$ 233.9**	$ 216.0	**$ 723.2**	$ 574.1
Occupancy	**140.2**	113.7	**425.3**	310.4
Marketing and advertising	**81.1**	75.0	**220.3**	222.2
Depreciation of property and equipment and investment property	**62.6**	57.7	**182.8**	163.5
Amortization of intangible assets	**21.5**	18.1	**64.5**	46.0
Other	**109.5**	108.2	**334.5**	320.0
	$ 648.8	$ 588.7	**$ 1,950.6**	$ 1,636.2

8. Personnel Expenses

	13 weeks ended		39 weeks ended	
(C$ in millions)	**September 29, 2012**	October 1, 2011	**September 29, 2012**	October 1, 2011
Wages and salaries	**$ 173.0**	$ 160.0	**$ 530.8**	$ 432.3
Benefits	**55.7**	45.7	**173.7**	120.9
Share-based payments	**5.2**	10.3	**18.7**	20.9
	$ 233.9	$ 216.0	**$ 723.2**	$ 574.1

9. Share-based Payments

During the 39 weeks ended September 29, 2012, the Company issued the following share-based payment awards:

Stock options

The Company granted 742,802 stock options with tandem stock appreciation rights to certain employees. These stock options fully vest on a graduated basis over a three-year period, are exercisable over a term of seven years and have an exercise price ranging from $63.67 to $66.73.

Performance Share Unit Plans

The Company has granted performance share units (PSUs) to certain employees. Each PSU entitles the participant to receive a cash payment in an amount equal to the weighted average closing price of Class A Non-Voting Shares traded on the Toronto Stock Exchange 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. Compensation expense related to the PSUs is accrued over the performance period based on the expected total compensation to be paid out at the end of the performance period. The performance period of each plan is approximately three years from the date of issuance.

10. Loans Receivable

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

	Total principal amount of receivables[1]			Average balance[1]	
(C$ in millions)	**September 29, 2012**	October 1, 2011	December 31, 2011	**September 29, 2012**	October 1, 2011
Credit card loans	**$ 4,043.6**	$ 3,906.6	$ 4,026.8	**$ 3,940.1**	$ 3,889.7
Line of credit loans	**7.8**	9.5	8.8	**8.3**	10.3
Personal loans [2]	**0.9**	4.4	3.3	**1.9**	7.2
Total Financial Services' loans receivable	**4,052.3**	3,920.5	4,038.9	**$ 3,950.3**	$ 3,907.2
Dealer loans [3]	**650.2**	658.2	628.7		
Other loans	**7.9**	9.4	8.8		
Total loans receivable	**4,710.4**	4,588.1	4,676.4		
Less: long-term portion [4]	**616.9**	623.2	594.7		
Current portion of loans receivable	**$ 4,093.5**	$ 3,964.9	$ 4,081.7		

[1] Amounts shown are net of allowance for loan impairment.
[2] Personal loans are unsecured loans that are provided to qualified existing credit card holders for terms of 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 $609.9 million at September 29, 2012 (October 1, 2011 - $620.0 million and December 31, 2011 - $587.5 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 September 29, 2012 was $81.2 million (2011 - $83.9 million) and $241.7 million (2011 - $263.3 million), respectively. Recoveries of bad debt for the 13 and 39 weeks ended September 29, 2012 was $14.7 million (2011 - $13.0 million) and $43.2 million (2011 - $37.1 million), respectively.

11. Share Capital

(C$ in millions)	**September 29, 2012**	October 1, 2011	December 31, 2011
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (October 1, 2011 - 3,423,366; December 31, 2011 - 3,423,366)	**$ 0.2**	$ 0.2	$ 0.2
78,020,350 Class A Non-Voting Shares (October 1, 2011 - 78,020,008; December 31, 2011 - 78,020,208)	**708.7**	710.5	710.3
	$ 708.9	$ 710.7	$ 710.5

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 2012 and 2011, 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 2012 and 2011:

	39 weeks ended September 29, 2012		39 weeks ended October 1, 2011	
(C$ in millions)	**Number**	**$**	Number	$
Shares outstanding at beginning of the year	**78,020,208**	**$ 710.3**	78,020,007	$ 711.4
Issued				
Dividend reinvestment plan	**51,994**	**3.5**	53,738	3.2
Stock option plan	**200**	**-**	1,000	-
Employee Profit Sharing Plan	**59,078**	**4.1**	59,491	3.6
Dealer profit sharing plans	**54,724**	**3.7**	59,302	3.7
Repurchased	**(165,854)**	**(11.2)**	(173,530)	(10.7)
Excess of issue price over repurchase price	**-**	**(1.7)**	-	(0.7)
Shares outstanding at end of the period	**78,020,350**	**$ 708.7**	78,020,008	$ 710.5

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 September 29, 2012, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $24.4 million (2011 - $22.4 million) at a rate of $0.30 per share (2011 - $0.275 per share).

On November 8, 2012, the Company's Board of Directors declared a dividend of $0.35 per share payable on March 1, 2013 to shareholders of record as of January 31, 2013.

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 Condensed Consolidated Statements of Income and the weighted average number of basic and diluted shares outstanding. The weighted average number of basic and diluted shares outstanding is calculated, as follows:

	13 weeks ended		**39 weeks ended**	
	September 29, 2012	October 1, 2011	**September 29, 2012**	October 1, 2011
Weighted average number of Common and Class A Non-Voting Shares outstanding - Basic	**81,444,801**	81,446,801	**81,448,818**	81,448,346
Dilutive effect of employee stock options	**370,072**	294,192	**370,515**	362,144
Weighted average number of Common and Class A Non-Voting Shares outstanding - Diluted	**81,814,873**	81,740,993	**81,819,333**	81,810,490

13. Notes to the Condensed Consolidated Statements of Cash Flows

The components of cash and cash equivalents are:

(C$ in millions)	**September 29, 2012**	October 1, 2011	December 31, 2011
Cash	**$ 33.3**	$ 22.5	$ 79.6
Cash equivalents	**218.1**	297.2	233.4
Restricted cash and cash equivalents[1]	**10.8**	173.7	12.8
Total cash and cash equivalents	**262.2**	493.4	325.8
Bank indebtedness	**113.8**	120.0	124.8
Cash and cash equivalents, net of bank indebtedness	**$ 148.4**	$ 373.4	$ 201.0

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

14. Property, Equipment, Investment Property and Intangible Assets

Acquisitions and disposals

During the 13 and 39 weeks ended September 29, 2012, property and equipment and investment property were acquired at an aggregate cost of $57.5 million (2011 - $63.5 million) and $160.9 million (2011 - $143.1 million), respectively. The amount of property and equipment and investment property acquired that is included in trade and other payables at September 29, 2012 is $16.9 million (2011 - $13.0 million). During the 13 and 39 weeks ended September 29, 2012, property and equipment and investment property were disposed of with a carrying amount of $1.6 million (2011 - $3.1 million) and $18.2 million (2011 - $9.2 million), respectively.

During the 13 and 39 weeks ended September 29, 2012, intangible assets were acquired at an aggregate cost of $10.6 million (2011 - $56.7 million) and $40.1 million (2011 - $89.7 million), respectively. The amount of intangible assets acquired that is included in trade and other payables at September 29, 2012 is $1.3 million (2011 - $0.5 million). There were no disposals of intangible assets during the 13 weeks ended September 29, 2012 (2011 - $0.3 million). During the 39 weeks ended September 29, 2012, intangible were disposed of with a carrying amount of $0.1 million (2011 - $1.5 million).

Capital commitments

The Company has commitments of approximately $25.1 million at September 29, 2012 for the acquisition of property and equipment (2011 - $23.6 million).

15. Assets Classified as Held for Sale

Assets classified as held for sale as at September 29, 2012 include land and buildings with a cost of $3.6 million and $28.9 million, respectively (2011 - $13.3 million and $29.0 million, respectively), and accumulated depreciation of $12.1 million (2011 - $20.4 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.

16. Loans Payable

Franchise Trust, a special purpose entity, is a legal entity sponsored by a third party bank which 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.

Loans payable, which are initially recognized at fair value and are subsequently measured at amortized costs, are due within one year.

17. 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 net income, cash flows, or financial position.

The Bank is the subject of two class action proceedings regarding allegations that certain fees charged on the Bank issued credit cards are not permitted under the Quebec Consumer Protection Act. The Bank has determined that it has a solid defense to both actions on the basis that banking and cost of borrowing disclosure are matters of exclusive federal jurisdiction. Accordingly, no provision has been made for amounts, if any, that would be payable in the event of an adverse outcome. If adversely decided, the total aggregate exposure to the Company would be approximately $25.8 million at September 29, 2012.

18. 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 material changes in ongoing audits by tax authorities as disclosed in Note 37 of the annual financial statements contained in the Company's 2011 Annual Report.

Income taxes for the 39 weeks ended September 29 2012 were reduced by $1.0 million (2011 - $14.7 million) due to adjustments to prior years' estimated tax payable and the estimated federal and provincial reassessments related to the dividends received matter.

The Company regularly reviews the potential for adverse outcomes in respect of tax matters. The Company believes that the ultimate disposition of these will not have a material adverse effect on its liquidity, consolidated financial position or net income because the Company 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.

19. Long-term Debt

On May 31, 2012, the Company issued $200.0 million of five-year senior notes and $11.6 million of five-year subordinated notes, bearing an interest rate of 2.8% and 3.8%, respectively, payable semi-annually. The senior and subordinated notes have an expected repayment date of May 20, 2017.

20. Subsequent Event

On October 24, 2012, the Company issued $400.0 million of five-year senior notes and $23.3 million of five-year subordinate notes, bearing an interest rate of 2.4% and 3.2%, respectively, payable semi-annually. The senior and subordinated notes have an expected repayment date of October 20, 2017.

21. Comparative Figures

Certain of the prior period's figures have been reclassified to correspond to the current year presentation. In the Condensed Consolidated Statements of Income, certain employee benefits costs previously included in administrative expenses are now presented in distribution costs and sales and marketing expenses within operating expenses. For the 13 weeks ended October 1, 2011, administrative expenses have been reduced by $16.2 million, with a corresponding increase in distribution costs and sales and marketing expenses of $10.4 million and $5.8 million, respectively. For the 39 weeks October 1, 2011, administrative expenses have been reduced by $47.2 million, with a corresponding increase in distribution costs and sales and marketing expenses of $30.4 million and $16.8 million, respectively.

In the Condensed Consolidated Statements of Cash Flows, issuance/repayment of short-term borrowings, which were previously shown separately, are presented as net issuance (repayment) of short-term borrowings in financing activities. There is no impact to cash (used for) generated from financing activities as a result of this change in presentation.

Supplementary Information: Interest Coverage (Unaudited)

The Company's finance cost requirements for the 52 weeks ended September 29, 2012, after annualizing interest on debt issued and retired during this period amounted to $145.0 million. The Company's income before interest on debt and income taxes for the 52 weeks ended September 29, 2012 amounted to $836.5 million, which is 5.8 times the Company's finance cost requirements for this period.