

CANADIAN TIRE CORPORATION, LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Q3 2019

Condensed Interim Consolidated Balance Sheets (Unaudited)

As at (C\$ in millions)	September 28, 2019	September 29, 2018 ¹	December 29, 2018 ¹
ASSETS			
Cash and cash equivalents (Note 16)	\$ 226.2	\$ 446.4	\$ 470.4
Short-term investments	233.3	151.3	183.7
Trade and other receivables	1,004.9	976.4	933.3
Loans receivable (Note 6)	5,598.2	5,277.7	5,511.3
Merchandise inventories	2,611.1	2,395.8	1,997.5
Income taxes recoverable	46.7	105.7	15.3
Prepaid expenses and deposits	165.3	154.3	138.8
Assets classified as held for sale	7.2	5.5	5.5
Total current assets	9,892.9	9,513.1	9,255.8
Long-term receivables and other assets	825.6	707.2	742.6
Long-term investments	116.0	175.3	152.7
Goodwill and intangible assets	2,275.6	2,265.6	2,272.0
Investment property	374.8	386.4	364.7
Property and equipment	4,219.8	4,208.4	4,283.2
Right-of-use assets	1,562.9	—	—
Deferred income taxes	347.8	217.2	215.8
Total assets	\$ 19,615.4	\$ 17,473.2	\$ 17,286.8
LIABILITIES			
Bank indebtedness (Note 16)	\$ 39.6	\$ 23.0	\$ —
Deposits	829.8	978.5	964.5
Trade and other payables	2,310.6	2,421.6	2,425.0
Provisions	164.8	146.3	171.8
Short-term borrowings	909.6	829.1	378.1
Loans payable	659.3	647.9	654.6
Current portion of lease liabilities	316.2	—	—
Income taxes payable	66.5	78.7	110.6
Current portion of long-term debt	538.4	787.2	553.6
Total current liabilities	5,834.8	5,912.3	5,258.2
Long-term provisions	58.4	46.3	49.8
Long-term debt	3,978.8	4,038.2	4,000.3
Long-term deposits	1,666.5	1,360.7	1,506.7
Long-term lease liabilities	1,861.1	—	—
Deferred income taxes	140.7	188.5	184.5
Other long-term liabilities	779.7	832.8	872.3
Total liabilities	14,320.0	12,378.8	11,871.8
EQUITY			
Share capital (Note 9)	588.8	601.2	591.5
Contributed surplus	2.9	2.9	2.9
Accumulated other comprehensive (loss) income	(138.0)	2.0	51.1
Retained earnings	3,539.6	3,695.1	3,720.7
Equity attributable to shareholders of Canadian Tire Corporation	3,993.3	4,301.2	4,366.2
Non-controlling interests	1,302.1	793.2	1,048.8
Total equity	5,295.4	5,094.4	5,415.0
Total liabilities and equity	\$ 19,615.4	\$ 17,473.2	\$ 17,286.8

¹ Certain prior period figures are not comparable due to the adoption of IFRS 16 (refer to Note 2).

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

Condensed Interim Consolidated Statements of Income (Unaudited)

For the (C\$ in millions, except share and per share amounts)	13 weeks ended		39 weeks ended	
	September 28, 2019	September 29, 2018 ¹	September 28, 2019	September 29, 2018 ¹
Revenue (Note 11)	\$ 3,636.7	\$ 3,631.3	\$ 10,217.7	\$ 9,927.0
Cost of producing revenue (Note 12)	2,408.1	2,408.5	6,846.9	6,633.7
Gross margin	1,228.6	1,222.8	3,370.8	3,293.3
Other expense (income)	17.9	(4.7)	(15.4)	(23.5)
Selling, general and administrative expenses (Note 13)	832.3	870.9	2,493.8	2,528.7
Net finance costs (Note 14)	71.5	43.4	200.8	106.8
Income before income taxes	306.9	313.2	691.6	681.3
Income taxes	79.2	81.9	162.7	176.5
Net income	\$ 227.7	\$ 231.3	\$ 528.9	\$ 504.8
Net income attributable to:				
Shareholders of Canadian Tire Corporation	\$ 197.2	\$ 203.8	\$ 444.3	\$ 437.8
Non-controlling interests	30.5	27.5	84.6	67.0
	\$ 227.7	\$ 231.3	\$ 528.9	\$ 504.8
Basic earnings per share	\$ 3.20	\$ 3.16	\$ 7.18	\$ 6.70
Diluted earnings per share	\$ 3.20	\$ 3.15	\$ 7.17	\$ 6.68
Weighted average number of Common and Class A Non-Voting Shares outstanding:				
Basic	61,619,653	64,519,606	61,861,892	65,312,977
Diluted	61,678,957	64,683,997	61,930,350	65,514,421

¹ Certain prior period figures are not comparable due to the adoption of IFRS 16 (refer to Note 2).

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

Condensed Interim Consolidated Statements of Comprehensive Income (Unaudited)

For the	13 weeks ended		39 weeks ended	
(C\$ in millions)	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net income	\$ 227.7	\$ 231.3	\$ 528.9	\$ 504.8
Other comprehensive (loss) income, net of taxes				
Items that may be reclassified subsequently to net income:				
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges not subject to basis adjustment	0.2	2.7	(22.3)	8.3
Deferred cost of hedging not subject to basis adjustment - Changes in fair value of the time value of an option in relation to time-period related hedged items	(1.7)	(0.9)	(10.3)	(1.9)
Reclassification of losses to income	0.9	3.0	0.3	3.8
Currency translation adjustment	(51.4)	(27.1)	(80.6)	(27.1)
Items that will not be reclassified subsequently to net income:				
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges subject to basis adjustment	20.2	(24.0)	(36.7)	50.5
Other comprehensive (loss) income	\$ (31.8)	\$ (46.3)	\$ (149.6)	\$ 33.6
Other comprehensive (loss) income attributable to:				
Shareholders of Canadian Tire Corporation	\$ (31.8)	\$ (47.1)	\$ (143.3)	\$ 31.7
Non-controlling interests	—	0.8	(6.3)	1.9
	\$ (31.8)	\$ (46.3)	\$ (149.6)	\$ 33.6
Comprehensive income	\$ 195.9	\$ 185.0	\$ 379.3	\$ 538.4
Comprehensive income attributable to:				
Shareholders of Canadian Tire Corporation	\$ 165.4	\$ 156.7	\$ 301.0	\$ 469.5
Non-controlling interests	30.5	28.3	78.3	68.9
	\$ 195.9	\$ 185.0	\$ 379.3	\$ 538.4

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

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Cash (used for) generated from:				
Operating activities				
Net income	\$ 227.7	\$ 231.3	\$ 528.9	\$ 504.8
Adjustments for:				
Depreciation of property and equipment, investment property and right-of-use assets (Notes 12 and 13)	136.0	71.2	402.9	225.9
Income tax expense	79.2	81.9	162.7	176.5
Net finance costs (Note 14)	71.5	43.4	200.8	106.8
Amortization of intangible assets (Note 13)	27.5	29.3	80.9	95.6
Loss (gain) on disposal of property and equipment, investment property and right-of-use assets	2.4	(0.8)	(27.1)	(16.1)
Other	7.7	3.7	9.7	8.8
Total except as noted below	552.0	460.0	1,358.8	1,102.3
Interest paid	(87.8)	(41.6)	(250.7)	(109.1)
Interest received	13.1	2.5	22.1	6.8
Income taxes paid	(29.0)	(10.9)	(276.2)	(194.0)
Change in operating working capital and other	(493.7)	(370.0)	(784.1)	(560.8)
Change in loans receivable	(51.7)	(120.0)	(89.1)	(244.8)
Cash (used for) generated from operating activities	(97.1)	(80.0)	(19.2)	0.4
Investing activities				
Additions to property and equipment and investment property	(105.2)	(101.5)	(261.8)	(299.0)
Additions to intangible assets	(46.7)	(19.6)	(160.2)	(72.6)
Total additions	(151.9)	(121.1)	(422.0)	(371.6)
Acquisition of short-term investments	(105.0)	(25.4)	(256.1)	(127.7)
Proceeds from maturity and disposition of short-term investments	113.2	37.3	252.9	142.0
Proceeds on disposition of property and equipment and investment property	(0.6)	0.3	17.7	17.9
Business combinations, net of cash acquired	—	(762.9)	—	(762.9)
Lease payments for finance subleases (principal portion) ¹	5.2	—	12.8	—
Acquisition of long-term investments and other	(10.0)	(6.3)	(10.0)	(39.6)
Cash (used for) investing activities	(149.1)	(878.1)	(404.7)	(1,141.9)
Financing activities				
Dividends paid	(60.7)	(55.3)	(181.8)	(167.8)
Distributions paid to non-controlling interests	(19.9)	(6.1)	(58.9)	(17.1)
Total dividends and distributions paid	(80.6)	(61.4)	(240.7)	(184.9)
Net issuance of short-term borrowings	340.7	37.0	531.5	376.8
Issuance of loans payable	76.4	14.5	226.8	173.8
Repayment of loans payable	(82.4)	(22.4)	(222.1)	(193.1)
Issuance of long-term debt	—	1,234.0	570.9	1,434.2
Repayment of long-term debt and finance lease liabilities ²	(500.1)	(3.6)	(500.7)	(12.9)
Payment of lease liabilities (principal portion)	(62.0)	—	(231.5)	—
Payment of transaction costs related to long-term debt	(0.5)	(4.4)	(2.6)	(6.4)
Repurchase of share capital	(11.5)	(116.4)	(207.2)	(398.4)
Proceeds on disposal of partial interest in CT REIT (Note 19)	142.6	—	142.6	—
Net proceeds from issue of trust units to non-controlling interests (Note 19)	86.3	—	86.3	—
Payments on financial instruments	(5.4)	(2.5)	(35.3)	(10.8)
Change in deposits	(51.3)	(21.8)	22.1	(50.4)
Cash (used for) generated from financing activities	(147.8)	1,053.0	140.1	1,127.9
Cash (used) generated in the period	(394.0)	94.9	(283.8)	(13.6)
Cash and cash equivalents, net of bank indebtedness, beginning of period	580.6	328.5	470.4	437.0
Cash and cash equivalents, net of bank indebtedness, end of period	\$ 186.6	\$ 423.4	\$ 186.6	\$ 423.4

¹ Previously reported within Operating activities under IAS 17.

² Comparative number includes repayment of finance lease liabilities under IAS 17.

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

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)

(C\$ in millions)	Total accumulated other comprehensive income (loss)					Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
	Share capital	Contributed surplus	Cashflow hedges	Currency translation adjustment	Total accumulated other comprehensive income (loss)				
December 29, 2018, as previously reported	\$ 591.5	\$ 2.9	\$ 92.0	\$ (40.9)	\$ 51.1	\$ 3,720.7	\$ 4,366.2	\$ 1,048.8	\$ 5,415.0
Transition adjustments - IFRS 16 (Note 2)	—	—	—	—	—	(246.9)	(246.9)	(0.1)	(247.0)
Restated balance at December 30, 2018	591.5	2.9	92.0	(40.9)	51.1	3,473.8	4,119.3	1,048.7	5,168.0
Net income	—	—	—	—	—	444.3	444.3	84.6	528.9
Other comprehensive (loss)	—	—	(62.7)	(80.6)	(143.3)	—	(143.3)	(6.3)	(149.6)
Total comprehensive (loss) income	—	—	(62.7)	(80.6)	(143.3)	444.3	301.0	78.3	379.3
Transfers of cash flow hedge (gains) to non-financial assets	—	—	(45.8)	—	(45.8)	—	(45.8)	—	(45.8)
Contributions and distributions to shareholders of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 9)	11.0	—	—	—	—	—	11.0	—	11.0
Repurchase of Class A Non-Voting Shares (Note 9)	(200.7)	—	—	—	—	—	(200.7)	—	(200.7)
Excess of purchase price over average cost (Note 9)	187.0	—	—	—	—	(187.0)	—	—	—
Dividends	—	—	—	—	—	(191.5)	(191.5)	—	(191.5)
Contributions and distributions to non-controlling interests									
Sale of ownership interests in the CT REIT business, net of transaction costs (Note 19)	—	—	—	—	—	—	—	142.7	142.7
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	92.7	92.7
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(60.3)	(60.3)
Total contributions and distributions	(2.7)	—	(45.8)	—	(45.8)	(378.5)	(427.0)	175.1	(251.9)
Balance at September 28, 2019	\$ 588.8	\$ 2.9	\$ (16.5)	\$ (121.5)	\$ (138.0)	\$ 3,539.6	\$ 3,993.3	\$ 1,302.1	\$ 5,295.4

(C\$ in millions)	Total accumulated other comprehensive income (loss)					Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
	Share capital	Contributed surplus	Cashflow hedges	Currency translation adjustment	Total accumulated other comprehensive income (loss)				
December 30, 2017, as previously reported	\$ 615.7	\$ 2.9	\$ (37.5)	\$ —	\$ (37.5)	\$ 4,169.3	\$ 4,750.4	\$ 823.3	\$ 5,573.7
Transition adjustments - IFRS 15	—	—	—	—	—	(7.6)	(7.6)	—	(7.6)
Restated balance at December 30, 2017	615.7	2.9	(37.5)	—	(37.5)	4,161.7	4,742.8	823.3	5,566.1
Transition adjustments - IFRS 2 & 9	—	—	(0.8)	—	(0.8)	(351.1)	(351.9)	(81.9)	(433.8)
Restated balance at December 31, 2017	615.7	2.9	(38.3)	—	(38.3)	3,810.6	4,390.9	741.4	5,132.3
Net income	—	—	—	—	—	437.8	437.8	67.0	504.8
Other comprehensive income	—	—	58.8	(27.1)	31.7	—	31.7	1.9	33.6
Total comprehensive income	—	—	58.8	(27.1)	31.7	437.8	469.5	68.9	538.4
Transfers of cash flow hedge losses to non-financial assets	—	—	8.6	—	8.6	—	8.6	—	8.6
Contributions and distributions to shareholders of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 9)	9.0	—	—	—	—	—	9.0	—	9.0
Repurchase of Class A Non-Voting Shares (Note 9)	(402.1)	—	—	—	—	—	(402.1)	—	(402.1)
Excess of purchase price over average cost (Note 9)	378.6	—	—	—	—	(378.6)	—	—	—
Dividends	—	—	—	—	—	(174.7)	(174.7)	—	(174.7)
Contributions and distributions to non-controlling interests									
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	2.5	2.5
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(19.6)	(19.6)
Total contributions and distributions	(14.5)	—	8.6	—	8.6	(553.3)	(559.2)	(17.1)	(576.3)
Balance at September 29, 2018	\$ 601.2	\$ 2.9	\$ 29.1	\$ (27.1)	\$ 2.0	\$ 3,695.1	\$ 4,301.2	\$ 793.2	\$ 5,094.4

The related notes form an integral part of these condensed interim 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” or “Canadian Tire Corporation”.

The Company comprises three main business operations, which offer a range of retail goods and services, including general merchandise, apparel, sporting goods, petroleum, Financial Services including a bank and real estate operations. Details of the Company’s three reportable operating segments are provided in Note 5.

Quarterly net income and revenue are affected by seasonality. The fourth quarter typically generates the greatest contribution to revenue and earnings and the first quarter the least.

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2. Basis of Preparation

Statement of Compliance

These condensed interim consolidated financial statements (“interim financial statements”) for the 13 and 39 weeks ended September 28, 2019 (and comparative results for the 13 and 39 weeks ended September 29, 2018) have been prepared in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting* and therefore do not contain all disclosures required by International Financial Reporting Standards (“IFRS”). These interim financial statements should be read in conjunction with the Company’s 2018 Consolidated Financial Statements and Notes and have been prepared using the same accounting policies described in Note 3 to the 2018 Consolidated Financial Statements and Notes, with the exception of the significant accounting policies adopted as a result of the initial application of IFRS 16 - *Leases* (“IFRS 16”) on December 30, 2018, described within this note.

These interim financial statements were authorized for issuance by the Company’s Board of Directors on November 6, 2019.

Basis of Presentation

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

- financial instruments at fair value through profit or loss (“FVTPL”);
- derivative financial instruments;
- liabilities for share-based payment plans; and
- initial recognition of assets acquired and liabilities assumed in a business combination.

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

Functional and Presentation Currency

These interim consolidated financial statements are presented in Canadian dollars (“C\$”), the Company’s functional currency. Each of the Company’s foreign subsidiaries determines its own functional currency and items included in the consolidated financial statements of each foreign subsidiary are measured using that functional currency. Assets and liabilities of foreign operations having a functional currency other than the Canadian dollar are translated at the rate of exchange prevailing at the reporting date, and revenues and expenses at average rates during the period. Gains or losses on translation are accumulated as a component of equity. On the disposal of a foreign operation, or the loss of control, the component of accumulated other comprehensive income relating to that foreign operation is reclassified to net income.

Judgments and Estimates

The preparation of these interim financial statements in accordance with IAS 34 requires Management to make judgments and estimates that affect:

- the application of accounting policies;
- the reported amounts of assets and liabilities;
- disclosures of contingent assets and liabilities; and
- the amounts of revenue and expenses recognized during the reporting periods.

Actual results may differ from estimates made in these interim financial statements.

Judgments are made in the selection and assessment of the Company's accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Judgments and estimates are often interrelated. The Company's judgments and estimates are continually re-evaluated to assess whether they remain appropriate. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Details of the accounting policies that are subject to judgments and estimates that the Company believes could have the most significant impact on the amounts recognized in these interim financial statements are described in Note 2 to the Company's 2018 Consolidated Financial Statements and Notes with the exception of judgments and estimates relating to the adoption of IFRS 16, as described in Note 2 of the first quarter 2019 Condensed Interim Consolidated Financial Statements.

Standards, Amendments and Interpretations Issued and Adopted

Adoption of IFRS 16 - Leases

Effective in 2019, the Company adopted IFRS 16, issued in January 2016 and the related consequential amendments. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 - *Leases* ("IAS 17"), with the distinction between operating leases and finance leases being retained. The adoption of IFRS 16 has resulted in the recognition of right-of-use assets and lease liabilities for all operating leases where the Company is a lessee. Assets and liabilities relating to finance leases on the date of transition remain unchanged. The Company transitioned to IFRS 16 in accordance with the modified retrospective approach, with the cumulative effect of initially applying the new standard recognized in retained earnings on December 30, 2018. The prior year figures were not adjusted.

The following table summarizes the adjustments to opening balances resulting from the initial adoption of IFRS 16:

(C\$ in millions)	As previously reported under IAS 17, December 29, 2018	IFRS 16 transition adjustments	Balance at December 30, 2018
Assets			
Trade and other receivables	\$ 933.3	\$ 14.8	\$ 948.1
Long-term receivables and other assets	742.6	85.0	827.6
Goodwill and intangible assets	2,272.0	(0.7)	2,271.3
Investment property	364.7	4.6	369.3
Property and equipment	4,283.2	(122.6)	4,160.6
Right-of-use assets	—	1,704.3	1,704.3
Deferred income taxes	215.8	74.0	289.8
Liabilities and equity			
Trade payables and other liabilities	\$ 2,425.0	\$ (95.1)	\$ 2,329.9
Current portion of lease liabilities	—	311.4	311.4
Provisions	171.8	(1.1)	170.7
Current portion of long-term debt	553.6	(15.4)	538.2
Long-term lease liabilities	—	2,034.9	2,034.9
Long-term debt	4,000.3	(92.6)	3,907.7
Deferred income taxes	184.5	(16.1)	168.4
Other long-term liabilities	872.3	(119.6)	752.7
Retained earnings	3,720.7	(246.9)	3,473.8
Non-controlling interest	1,048.8	(0.1)	1,048.7

Upon adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which have previously been classified as operating leases under the principles of IAS 17. These liabilities are measured at the present value of the remaining fixed lease payments, discounted using the lessee's incremental borrowing rate as of December 30, 2018. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the consolidated balance sheet on December 30, 2018 was 4.88 percent.

The following table reconciles the operating lease commitments as at December 29, 2018 to the opening balance of lease liabilities as at December 30, 2018:

(C\$ in millions)	
Operating lease commitments as at December 29, 2018 ¹	\$ 2,621.7
Add: finance lease liabilities recognized as at December 29, 2018	108.0
Add: adjustments as a result of a different treatment for extension and termination options	402.6
Effect of discounting using the lessee's incremental borrowing rate	(505.8)
Less: leases committed not yet commenced	(244.2)
Less: short-term, low-value asset leases and others	(36.0)
Lease liabilities recognized as at December 30, 2018	\$ 2,346.3

¹ Includes operating lease commitments of \$128.4 million relating to properties where the Company is an intermediate lessor in sublease arrangements.

The associated right-of-use assets were primarily measured as if the standard had been applied since the commencement date of the lease, but discounted using the lessee's incremental borrowing rate at the date of initial application. Certain right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the balance sheet as at December 30, 2018.

In applying IFRS 16 for the first time, the Company used the practical expedients permitted by the standard as described in Note 2 of the first quarter 2019 Condensed Interim Consolidated Financial Statements.

As a result of adopting IFRS 16, the Company updated its lease accounting policies as described in Note 2 of the first quarter 2019 Condensed Interim Consolidated Financial Statements.

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending December 28, 2019 and, accordingly, have not been applied in preparing these interim financial statements.

Insurance Contracts

In May 2017, the International Accounting Standards Board (“IASB”) issued IFRS 17 - *Insurance Contracts* (“IFRS 17”), that replaces IFRS 4 - *Insurance Contracts* and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021; however, based on recent IASB meetings, an upcoming amendment to IFRS 17 and a deferral of the transition date by one year is anticipated. Early adoption is permitted. The Company is assessing the potential impact of this standard.

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 Company manages its capital structure over the long term to optimize the balance among capital efficiency, financial flexibility, and risk mitigation. Management calculates its ratios to approximate the methodologies of credit rating agencies and other market participants on a current and prospective basis. To assess its effectiveness in managing capital, Management monitors these ratios against targeted ranges.

The Company was in compliance with all financial covenants under its existing debt agreements as at September 28, 2019. Under these covenants, the Company has sufficient flexibility to support business growth.

Helly Hansen is required to comply with covenants established under its bank credit agreements and was in compliance with all financial covenants thereunder as at September 28, 2019.

CT Real Estate Investment Trust (“CT REIT”) is required to comply with covenants established under its Trust Indenture, bank credit agreement and the Declaration of Trust and was in compliance with all financial covenants thereunder as at September 28, 2019.

In addition, the Company is required to comply with regulatory requirements for capital associated with the operations of Canadian Tire Bank (“CTB” or “the Bank”), a federally chartered bank, and other regulatory requirements that have an impact on its business operations and certain covenants established under its bank credit agreement and note purchase facilities. As at September 28, 2019, CTB was in compliance with all external regulatory capital requirements and all financial covenants under its bank credit agreement and note purchase facilities.

4. Liquidity and Financing

During the second quarter of 2019, the Company entered into a US dollar-denominated commercial paper program that allows it to issue up to a maximum aggregate principal amount of US\$1.0 billion of short-term promissory notes in the United States. Funds can be borrowed under this program with terms to maturity ranging from one to 270 days. Any issuances made under the program will be issued at a discount and the notes will rank equally in right of payment with all other present and future unsecured and unsubordinated obligations to creditors of the Company.

As at September 28, 2019, the Company had US\$410.0 million (C\$ equivalent \$542.9 million) of commercial paper notes outstanding.

During the current quarter, the term of CTC's committed bank line of credit totalling \$1.975 billion was extended to August 2024 and the term of the Glacier Credit Card Trust ("GCCT") \$300.0 million liquidity facility, which provides backstop protection to its Series 1997-1 asset-backed commercial paper program, was extended to August 2022.

As at September 28, 2019, GCCT had \$295.3 million of asset-backed commercial paper notes outstanding.

As at September 28, 2019, the Company (excluding Helly Hansen and CT REIT) had no borrowings outstanding under its committed bank line of credit. Helly Hansen had a total of \$71.4 million of C\$ equivalent borrowings outstanding on its committed bank line of credit (180.0 million Norwegian Krone ["NOK"]) and its factoring facility (309.4 million NOK), CT REIT had no borrowings under its committed bank line of credit and CTB had no borrowings outstanding under either of its committed bank line of credit or note purchase facilities.

Subsequent to September 28, 2019, CTB extended the term of its committed bank line of credit totalling \$250.0 million to October 2022 and extended the terms of its committed note purchase facilities, for purchase of up to \$2.0 billion of senior and subordinated notes issued by GCCT, to October 2022.

5. Operating Segments

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

- The retail business is conducted under a number of banners including Canadian Tire, Canadian Tire Gas ("Petroleum"), Mark's, PartSource, Helly Hansen, and various SportChek banners. Retail also includes the Dealer Loan Program (the portion [silos] of Franchise Trust that issues loans to Dealers). Non-CT REIT real estate is included in Retail.
- CTREIT is an unincorporated, closed-end real estate investment trust. CTREIT holds a geographically-diversified portfolio of properties comprised largely of Canadian Tire banner stores, Canadian Tire anchored retail developments, mixed-use commercial property, and distribution centres.
- Financial Services issues Canadian Tire's Triangle branded credit cards, including Triangle Mastercard, Triangle World Mastercard and Triangle World Elite Mastercard. Financial Services also offers Cash Advantage Mastercard and Gas Advantage Mastercard products, markets insurance and warranty products, and provides settlement services to the Company's affiliates. Financial Services includes CTB, a federally-regulated financial institution that manages and finances the Company's consumer Mastercard and retail credit card portfolios, as well as an existing block of Canadian Tire branded line of credit loans. CTB also offers high-interest savings deposit accounts, TFSAs and GIC deposits, both directly and through third-party brokers. Financial Services includes GCCT, a structured entity established to purchase co-ownership interests in the Company's credit card loans. GCCT issues debt to third-party investors to fund its purchases.

Performance is measured based on segment income before income taxes, as included in internal management reports. Management has determined that this measure is the most relevant in evaluating segment results and allocating resources. Information regarding the results of each reportable operating segment is as follows:

For the	13 weeks ended									
	September 28, 2019					September 29, 2018 ¹				
(C\$ in millions)	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	\$ 3,295.5	\$ 13.2	\$ 332.1	\$ (4.1)	\$ 3,636.7	\$ 3,307.1	\$ 11.3	\$ 315.3	\$ (2.4)	\$ 3,631.3
Inter-company revenue	0.8	108.5	10.9	(120.2)	—	2.8	106.4	10.3	(119.5)	—
Total revenue	3,296.3	121.7	343.0	(124.3)	3,636.7	3,309.9	117.7	325.6	(121.9)	3,631.3
Cost of producing revenue	2,273.3	—	154.3	(19.5)	2,408.1	2,307.8	—	115.8	(15.1)	2,408.5
Gross margin	1,023.0	121.7	188.7	(104.8)	1,228.6	1,002.1	117.7	209.8	(106.8)	1,222.8
Other (income) expense	(13.3)	—	0.9	30.3	17.9	(38.1)	—	(0.1)	33.5	(4.7)
Selling, general and administrative expenses	802.1	27.2	79.1	(76.1)	832.3	868.6	29.1	78.3	(105.1)	870.9
Net finance costs (income)	63.6	27.4	(0.2)	(19.3)	71.5	4.9	26.3	(0.3)	12.5	43.4
Fair value (gain) loss on investment properties	—	(13.0)	—	13.0	—	—	(16.8)	—	16.8	—
Income before income taxes	\$ 170.6	\$ 80.1	\$ 108.9	\$ (52.7)	\$ 306.9	\$ 166.7	\$ 79.1	\$ 131.9	\$ (64.5)	\$ 313.2
Items included in the above:										
Depreciation and amortization	\$ 203.5	\$ —	\$ 3.3	\$ (43.3)	\$ 163.5	\$ 83.6	\$ —	\$ 2.5	\$ 14.4	\$ 100.5
Interest income	24.6	0.1	286.1	(17.1)	293.7	21.4	—	264.9	(17.1)	269.2
Interest expense	83.0	27.5	36.4	(52.5)	94.4	21.6	26.3	31.2	(17.5)	61.6

¹ Certain prior period figures are not comparable due to the adoption of IFRS 16 (refer to Note 2).

For the	39 weeks ended									
	September 28, 2019					September 29, 2018 ¹				
(C\$ in millions)	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	\$ 9,216.8	\$ 38.2	\$ 972.1	\$ (9.4)	\$ 10,217.7	\$ 8,990.8	\$ 34.1	\$ 907.8	\$ (5.7)	\$ 9,927.0
Inter-company revenue	3.8	327.1	29.0	(359.9)	—	5.8	319.1	29.3	(354.2)	—
Total revenue	9,220.6	365.3	1,001.1	(369.3)	10,217.7	8,996.6	353.2	937.1	(359.9)	9,927.0
Cost of producing revenue	6,449.0	—	450.4	(52.5)	6,846.9	6,285.9	—	390.6	(42.8)	6,633.7
Gross margin	2,771.6	365.3	550.7	(316.8)	3,370.8	2,710.7	353.2	546.5	(317.1)	3,293.3
Other (income) expense	(110.5)	—	1.4	93.7	(15.4)	(122.0)	—	(0.9)	99.4	(23.5)
Selling, general and administrative expenses	2,403.6	90.0	233.2	(233.0)	2,493.8	2,500.2	90.6	247.8	(309.9)	2,528.7
Net finance costs (income)	182.3	81.7	(0.7)	(62.5)	200.8	(7.1)	78.3	(0.8)	36.4	106.8
Fair value (gain) loss on investment properties	—	(36.7)	—	36.7	—	—	(42.1)	—	42.1	—
Income before income taxes	\$ 296.2	\$ 230.3	\$ 316.8	\$ (151.7)	\$ 691.6	\$ 339.6	\$ 226.4	\$ 300.4	\$ (185.1)	\$ 681.3
Items included in the above:										
Depreciation and amortization	\$ 606.3	\$ —	\$ 9.6	\$ (132.1)	\$ 483.8	\$ 270.1	\$ —	\$ 7.7	\$ 43.7	\$ 321.5
Interest income	79.7	0.2	829.6	(51.4)	858.1	69.4	0.1	759.0	(55.0)	773.5
Interest expense	246.3	81.9	103.0	(157.5)	273.7	48.6	78.4	88.6	(55.9)	159.7

¹ Certain prior period figures are not comparable due to the adoption of IFRS 16 (refer to Note 2).

The eliminations and adjustments include the following items:

- reclassifications of certain revenues and costs in the Financial Services segment to net finance (income) costs;
- conversion from CT REIT's fair value investment property valuation policy to the Company's cost model, including the recording of depreciation; and
- inter-segment eliminations and adjustments including inter-company leases, property management fees, and credit card processing fees.

While the Company primarily operates in Canada, following the acquisition of Helly Hansen, it also operates in foreign jurisdictions. Foreign revenue earned by Helly Hansen for the 13 and 39 weeks ended September 28, 2019 amounted to \$145.9 million (2018 - \$156.5 million) and \$352.0 million (2018 - \$156.5 million), respectively. Property and equipment, intangible assets (brand and goodwill) and right-of-use assets located outside of Canada was \$1.0 billion as at September 28, 2019 (2018 - \$1.0 billion).

Capital expenditures by reportable operating segment are as follows:

For the (C\$ in millions)	13 weeks ended September 28, 2019				September 29, 2018 ²			
	Retail	CT REIT	Financial Services	Total	Retail	CT REIT	Financial Services	Total
Capital expenditures ¹	\$ 110.7	\$ 19.1	\$ 1.5	\$ 131.3	\$ 137.6	\$ 17.1	\$ 2.5	\$ 157.2

¹ Capital expenditures are presented on an accrual basis and include software additions, but exclude right-of-use asset additions, acquisitions relating to business combinations, intellectual property additions and tenant allowances received.

² Prior year figures includes investments in finance lease assets.

For the (C\$ in millions)	39 weeks ended September 28, 2019				September 29, 2018 ²			
	Retail	CT REIT	Financial Services	Total	Retail	CT REIT	Financial Services	Total
Capital expenditures ¹	\$ 300.5	\$ 56.6	\$ 7.6	\$ 364.7	\$ 281.0	\$ 93.6	\$ 5.7	\$ 380.3

¹ Capital expenditures are presented on an accrual basis and include software additions, but exclude right-of-use asset additions, acquisitions relating to business combinations, intellectual property additions and tenant allowances received.

² Prior year figures includes investments in finance lease assets.

Right-of-use asset additions by reportable operating segment are as follows:

For the (C\$ in millions)	13 weeks ended September 28, 2019				September 29, 2018			
	Retail	CT REIT	Financial Services	Total	Retail	CT REIT	Financial Services	Total
Right-of-use asset additions ¹	\$ 20.4	\$ —	\$ —	\$ 20.4	\$ —	\$ —	\$ —	\$ —

¹ Not applicable for the prior year due to the initial application of IFRS 16 in 2019 (refer to Note 2).

For the (C\$ in millions)	39 weeks ended September 28, 2019				September 29, 2018			
	Retail	CT REIT	Financial Services	Total	Retail	CT REIT	Financial Services	Total
Right-of-use asset additions ¹	\$ 176.9	\$ —	\$ —	\$ 176.9	\$ —	\$ —	\$ —	\$ —

¹ Not applicable for the prior year due to the initial application of IFRS 16 in 2019 (refer to Note 2)

Total assets by reportable operating segment are as follows:

(C\$ in millions)				
As at	September 28, 2019	September 29, 2018 ¹	December 29, 2018 ¹	
Retail	\$ 16,157.9	\$ 12,149.5	\$ 11,894.3	
CT REIT	6,001.9	5,676.7	5,708.7	
Financial Services	6,370.3	6,255.4	6,345.6	
Eliminations and adjustments	(8,914.7)	(6,608.4)	(6,661.8)	
Total assets²	\$ 19,615.4	\$ 17,473.2	\$ 17,286.8	

¹ Prior period figures are not comparable due to the adoption of IFRS 16 in 2019 (refer to Note 2).

² The Company employs a shared-services model for several of its back-office functions including Finance, Information Technology, Human Resources, and Legal. As a result, expenses relating to these functions are allocated on a systematic and rational basis to the reportable operating segments. The associated assets and liabilities are not allocated among segments in the presented measures of segmented assets and liabilities.

Total liabilities by reportable operating segment are as follows:

(C\$ in millions)				
As at	September 28, 2019	September 29, 2018 ¹	December 29, 2018 ¹	
Retail	\$ 10,199.5	\$ 5,660.2	\$ 5,239.3	
CT REIT	2,715.3	2,689.2	2,623.8	
Financial Services	5,381.6	5,280.4	5,407.1	
Eliminations and adjustments	(3,976.4)	(1,251.0)	(1,398.4)	
Total liabilities²	\$ 14,320.0	\$ 12,378.8	\$ 11,871.8	

¹ Prior period figures are not comparable due to the adoption of IFRS 16 in 2019 (refer to Note 2).

² The Company employs a shared-services model for several of its back-office functions including Finance, Information Technology, Human Resources, and Legal. As a result, expenses relating to these functions are allocated on a systematic and rational basis to the reportable operating segments. The associated assets and liabilities are not allocated among segments in the presented measures of segmented assets and liabilities.

The eliminations and adjustments include the following items:

- conversion from CT REIT's fair value investment property valuation policy to the Company's cost model, including the recording of depreciation; and
- inter-segment eliminations.

6. Loans Receivable

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

(C\$ in millions)	Total principal amount of receivables ¹		
As at	September 28, 2019	September 29, 2018	December 29, 2018
Credit card loans ²	\$ 5,574.2	\$ 5,244.0	\$ 5,484.2
Dealer loans ³	661.1	655.5	662.0
Total loans receivable	6,235.3	5,899.5	6,146.2
Less: long-term portion ⁴	637.1	621.8	634.9
Current portion of loans receivable	\$ 5,598.2	\$ 5,277.7	\$ 5,511.3

¹ Amounts shown are net of allowance for loan impairment.

² Includes line of credit loans.

³ Dealer loans primarily relates to 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 \$635.2 million (September 29, 2018 – \$617.0 million and December 29, 2018 – \$633.7 million).

A continuity of the Company's allowances for loans receivable is as follows:

(C\$ in millions)	2019			
	12-month ECL ¹ (Stage 1)	Lifetime ECL ¹ - not credit-impaired (Stage 2)	Lifetime ECL ¹ - credit-impaired (Stage 3)	Total
Balance at December 29, 2018	\$ 253.0	\$ 186.1	\$ 325.5	\$ 764.6
Increase (decrease) during the period				
Write-offs	(9.1)	(22.8)	(322.2)	(354.1)
Recoveries	—	—	62.0	62.0
New loans originated	15.4	—	—	15.4
Transfers				
to Stage 1	136.6	(94.7)	(41.9)	—
to Stage 2	(26.3)	34.5	(8.2)	—
to Stage 3	(20.3)	(29.1)	49.4	—
Net remeasurements	(47.8)	124.7	231.9	308.8
Balance at September 28, 2019	\$ 301.5	\$ 198.7	\$ 296.5	\$ 796.7

¹ Expected Credit Loss ("ECL") model.

(C\$ in millions)	2018			
	12-month ECL ¹ (Stage 1)	Lifetime ECL ¹ - not credit-impaired (Stage 2)	Lifetime ECL ¹ - credit-impaired (Stage 3)	Total
Balance at December 30, 2017	\$ —	\$ —	\$ —	\$ 111.0
IFRS 9 adjustment				584.0
Balance at December 31, 2017	227.0	182.3	285.7	695.0
Increase (decrease) during the period				
Write-offs	(7.7)	(20.2)	(253.0)	(280.9)
Recoveries	—	—	55.1	55.1
New loans originated	36.4	—	—	36.4
Transfers				
to Stage 1	65.7	(50.3)	(15.4)	—
to Stage 2	(28.8)	31.9	(3.1)	—
to Stage 3	(21.4)	(27.1)	48.5	—
Net remeasurements	(30.6)	69.9	199.1	238.4
Balance at September 29, 2018	\$ 240.6	\$ 186.5	\$ 316.9	\$ 744.0

¹ Expected Credit Loss ("ECL") model.

Credit card loans are considered impaired when a payment is 90 days past due or there is sufficient doubt regarding the collectability of the outstanding balance. No collateral is held against loans receivable, except for loans to Dealers. The Bank continues to seek recovery on the majority of amounts that were written off during the period. The Bank pursues recovery unless it no longer has the right to collect, the receivable has been sold to a third party, or all reasonable efforts to collect have been exhausted.

The following table sets out information about the credit risk exposure of loans receivable:

(C\$ in millions)	September 28, 2019			
	Stage 1	Stage 2	Stage 3	Total
Low risk	\$ 2,401.5	\$ 67.8	\$ —	\$ 2,469.3
Moderate risk	1,929.7	138.2	—	2,067.9
High risk	897.2	332.2	604.3	1,833.7
Total gross carrying amount	5,228.4	538.2	604.3	6,370.9
ECL allowance	301.5	198.7	296.5	796.7
Net carrying amount	\$ 4,926.9	\$ 339.5	\$ 307.8	\$ 5,574.2

(C\$ in millions)	September 29, 2018			
	Stage 1	Stage 2	Stage 3	Total
Low risk	\$ 1,985.5	\$ 206.4	\$ —	\$ 2,191.9
Moderate risk	1,784.9	252.5	—	2,037.4
High risk	782.7	307.7	668.3	1,758.7
Total gross carrying amount	4,553.1	766.6	668.3	5,988.0
ECL allowance	240.6	186.5	316.9	744.0
Net carrying amount	\$ 4,312.5	\$ 580.1	\$ 351.4	\$ 5,244.0

(C\$ in millions)	December 29, 2018			
	Stage 1	Stage 2	Stage 3	Total
Low risk	\$ 2,119.3	\$ 210.6	\$ —	\$ 2,329.9
Moderate risk	1,864.4	251.9	—	2,116.3
High risk	836.6	290.4	675.6	1,802.6
Total gross carrying amount	4,820.3	752.9	675.6	6,248.8
ECL allowance	253.0	186.1	325.5	764.6
Net carrying amount	\$ 4,567.3	\$ 566.8	\$ 350.1	\$ 5,484.2

During the 13 and 39 weeks ended September 28, 2019, the amount of cash received from interest earned on credit cards and loans was \$261.1 million (2018 – \$243.5 million) and \$764.4 million (2018 - \$709.0 million), respectively.

7. Property and Equipment

During the second quarter of 2019, the Company sold surplus property located in Ontario to a third party for \$18.3 million, which consisted of \$4.6 million in cash at closing and a vendor-take-back mortgage of \$13.7 million due in two years.

8. Long-Term Debt

During the second quarter of 2019, GCCT completed the issuance of \$560.0 million term notes that have an expected repayment date of June 6, 2024, consisting of \$523.6 million principal amount of senior notes that bear an interest rate of 2.28 percent per annum and \$36.4 million principal amount of subordinated notes that bear an interest rate of 3.43 percent per annum.

During the quarter, GCCT repaid \$472.5 million of senior notes, which bore an interest rate of 2.568 percent per annum as well as \$27.5 million of subordinated notes, which bore an interest rate of 3.068 percent per annum.

9. Share Capital

Share capital consists of the following:

(C\$ in millions)	September 28, 2019	September 29, 2018	December 29, 2018
As at			
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (September 29, 2018 – 3,423,366; December 29, 2018 – 3,423,366)	\$ 0.2	\$ 0.2	\$ 0.2
58,177,090 Class A Non-Voting Shares (September 29, 2018 – 60,725,958; December 29, 2018 – 59,478,460)	588.6	601.0	591.3
	\$ 588.8	\$ 601.2	\$ 591.5

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

During 2019 and 2018, the Company issued and repurchased Class A Non-Voting Shares. The Company's share repurchases were made pursuant to its normal course issuer bid ("NCIB") program. Share repurchases are charged to share capital at the average cost per share outstanding and the excess between the repurchase price and the average cost is first allocated to contributed surplus, with any remainder allocated to retained earnings.

The following transactions occurred with respect to Class A Non-Voting Shares:

For the	13 Weeks Ended				39 Weeks Ended			
	September 28, 2019		September 29, 2018		September 28, 2019		September 29, 2018	
(C\$ in millions)	Number	\$	Number	\$	Number	\$	Number	\$
Shares outstanding at beginning of the period	58,212,090	\$ 586.0	61,416,558	\$ 605.1	59,478,460	\$ 591.3	63,066,561	\$ 615.5
Issued under the dividend reinvestment plan and stock option plan	24,227	3.2	17,800	2.9	79,032	11.0	53,794	9.0
Repurchased ¹	(59,227)	(8.0)	(708,400)	(117.0)	(1,380,402)	(200.7)	(2,394,397)	(402.1)
Excess of repurchase price over average cost	—	7.4	—	110.0	—	187.0	—	378.6
Shares outstanding at end of the period	58,177,090	\$ 588.6	60,725,958	\$ 601.0	58,177,090	\$ 588.6	60,725,958	\$ 601.0

¹ Repurchased shares, pursuant to the Company's NCIB program, have been restored to the status of authorized but unissued shares. The Company records shares repurchased on a transaction date basis.

As of September 28, 2019, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of \$63.9 million (2018 – \$57.7 million) at a rate of \$1.0375 per share (2018 – \$0.900 per share).

On November 6, 2019, the Company's Board of Directors declared dividends payable on March 1, 2020 to shareholders of record as of January 31, 2020.

10. Share-Based Payments

During the 39 weeks ended September 28, 2019, the Company granted the following share-based payment awards:

Stock options

The Company granted 439,492 (2018 - 302,160) stock options to certain employees. These stock options vest on a graduated basis over a three-year period, are exercisable over a term of seven years and have exercise prices of \$144.35 and \$134.16 (2018 - \$177.09).

11. Revenue

Revenue by reportable operating segment is as follows:

For the (C\$ in millions)	13 weeks ended									
	September 28, 2019					September 29, 2018 ¹				
	Retail	CT REIT	Financial Services	Adjustments	Total	Retail	CT REIT	Financial Services	Adjustments	Total
Sale of goods	\$ 3,170.9	\$ —	\$ —	\$ —	\$ 3,170.9	\$ 3,179.1	\$ —	\$ —	\$ —	\$ 3,179.1
Interest income on loans receivable	5.2	—	285.7	(3.4)	287.5	4.8	—	264.6	(2.4)	267.0
Royalties and licence fees	15.4	—	—	—	15.4	15.6	—	—	—	15.6
Services rendered	3.6	—	46.4	—	50.0	4.1	—	50.7	—	54.8
Rental income	100.4	13.2	—	(0.7)	112.9	103.5	11.3	—	—	114.8
	\$ 3,295.5	\$ 13.2	\$ 332.1	\$ (4.1)	\$ 3,636.7	\$ 3,307.1	\$ 11.3	\$ 315.3	\$ (2.4)	\$ 3,631.3

¹ Certain prior period figures have been reclassified to align with current year presentation.

For the (C\$ in millions)	39 weeks ended									
	September 28, 2019					September 29, 2018 ¹				
	Retail	CT REIT	Financial Services	Adjustments	Total	Retail	CT REIT	Financial Services	Adjustments	Total
Sale of goods	\$ 8,849.1	\$ —	\$ —	\$ —	\$ 8,849.1	\$ 8,610.8	\$ —	\$ —	\$ —	\$ 8,610.8
Interest income on loans receivable	15.6	—	828.4	(8.7)	835.3	13.8	—	758.1	(5.7)	766.2
Royalties and licence fees	40.6	—	—	—	40.6	41.9	—	—	—	41.9
Services rendered	11.7	—	143.7	—	155.4	12.2	—	149.7	—	161.9
Rental income	299.8	38.2	—	(0.7)	337.3	312.1	34.1	—	—	346.2
	\$ 9,216.8	\$ 38.2	\$ 972.1	\$ (9.4)	\$10,217.7	\$ 8,990.8	\$ 34.1	\$ 907.8	\$ (5.7)	\$ 9,927.0

¹ Certain prior period figures have been reclassified to align with current year presentation.

Retail revenue breakdown is as follows:

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Canadian Tire	\$ 1,813.2	\$ 1,781.8	\$ 5,184.3	\$ 5,087.3
SportChek	543.3	528.5	1,416.9	1,390.9
Mark's	266.6	265.5	798.0	778.2
Helly Hansen	211.7	181.7	451.1	181.7
Petroleum	504.5	550.8	1,426.1	1,547.9
Other and intersegment eliminations	(43.8)	(1.2)	(59.6)	4.8
	\$ 3,295.5	\$ 3,307.1	\$ 9,216.8	\$ 8,990.8

Major customers

The Company does not rely on any one customer.

12. Cost of Producing Revenue

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Inventory cost of sales ¹	\$ 2,268.4	\$ 2,305.1	\$ 6,444.8	\$ 6,288.6
Net impairment loss on loans receivable	105.6	69.9	309.4	257.9
Finance costs	16.7	16.2	50.2	45.7
Other	17.4	17.3	42.5	41.5
	\$ 2,408.1	\$ 2,408.5	\$ 6,846.9	\$ 6,633.7

¹ Inventory cost of sales includes depreciation for the 13 and 39 weeks ended September 28, 2019 of \$2.6 million (2018 – \$1.7 million) and \$6.9 million (2018 - \$4.8 million), respectively.

Inventory writedowns as a result of net realizable value being lower than cost, recognized in the 13 and 39 weeks ended September 28, 2019, were \$19.0 million (2018 – \$15.2 million) and \$39.2 million (2018 - \$31.9 million), respectively.

Inventory writedowns recognized in prior periods and reversed in the 13 and 39 weeks ended September 28, 2019 were \$1.5 million (2018 – \$1.4 million) and \$4.5 million (2018 - \$3.6 million), respectively. The reversal of writedowns was the result of actual losses being lower than previously estimated.

The writedowns and reversals are included in inventory cost of sales.

13. Selling, General and Administrative Expenses

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Personnel expenses	\$ 335.7	\$ 339.4	\$ 981.7	\$ 947.3
Occupancy ¹	97.9	185.9	313.7	554.8
Marketing and advertising	64.6	67.8	210.2	208.6
Depreciation of property and equipment and investment property ^{2,3}	68.7	69.5	203.5	221.1
Depreciation of right-of-use assets	64.7	—	192.5	—
Amortization of intangible assets	27.5	29.3	80.9	95.6
Information systems	46.9	44.8	139.2	125.6
Other	126.3	134.2	372.1	375.7
	\$ 832.3	\$ 870.9	\$ 2,493.8	\$ 2,528.7

¹ Prior period figures are not comparable due to the adoption of IFRS 16 (refer to Note 2). Lease payments previously recorded as occupancy cost are now reflected as depreciation of right-of-use-assets (disclosed in this note) and finance costs on lease liabilities (Note 12).

² Refer to Note 12 for depreciation included in cost of producing revenue.

³ Prior period includes depreciation on finance leases for the 13 and 39 weeks ended September 29, 2018 of \$2.3 million and \$7.3 million respectively, now reflected as depreciation of right-of-use assets in the current period due to the adoption of IFRS 16 (refer to Note 2).

14. Net Finance Costs

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Finance (income)	\$ (4.6)	\$ (2.0)	\$ (18.1)	\$ (7.2)
Finance (income) on lease receivables ¹	(1.6)	—	(4.6)	—
Finance costs ²	51.4	45.4	142.7	114.0
Finance costs on lease liabilities ³	26.3	—	80.8	—
	\$ 71.5	\$ 43.4	\$ 200.8	\$ 106.8

¹ Prior period figures are not comparable due to the adoption of IFRS 16 (refer to Note 2). Relates to properties where the Company is an intermediate lessor in a sublease arrangement classified as a finance sublease under IFRS 16.

² Prior period includes interest on finance leases for the 13 and 39 weeks ended September 29, 2018 of \$1.7 million and \$5.4 million respectively, now reflected as finance costs on lease liabilities in the current period due to the adoption of IFRS 16 (refer to Note 2).

³ Prior period figures are not comparable due to the adoption of IFRS 16 (refer to Note 2).

15. Income Taxes

Income tax expense (benefit) recognized in other comprehensive income is as follows:

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges not subject to basis adjustment	\$ 0.3	\$ 1.0	\$ (7.8)	\$ 2.7
Deferred cost of hedging not subject to basis adjustment - Changes in fair value of the time value of an option in relation to time-period related hedged items	(0.6)	(0.3)	(3.7)	(0.7)
Reclassification of gains (losses) to income	0.1	1.0	(0.1)	1.6
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges subject to basis adjustment	7.3	(8.7)	(13.5)	18.5
	\$ 7.1	\$ (7.0)	\$ (25.1)	\$ 22.1

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

During the second quarter, the Company reached an agreement with the Ontario Ministry of Finance relating to the tax treatment of income earned by a foreign affiliate of the Company for the 2004 and 2005 taxation years. As a result of the settlement, the Company recorded an income tax recovery of \$3.3 million (2018 - nil) and pre-tax interest income earned on the overpayment of taxes of \$6.9 million (2018 - nil).

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

16. Notes to the Condensed Interim Consolidated Statements of Cash Flows

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

(C\$ in millions)	September 28, 2019	September 29, 2018	December 29, 2018
As at			
Cash	\$ 117.8	\$ 75.6	\$ 125.2
Cash equivalents	97.9	361.4	324.8
Restricted cash and cash equivalents ¹	10.5	9.4	20.4
Total cash and cash equivalents ²	226.2	446.4	470.4
Bank indebtedness	(39.6)	(23.0)	—
Cash and cash equivalents, net of bank indebtedness	\$ 186.6	\$ 423.4	\$ 470.4

¹ Restricted cash and cash equivalents relates to GCCT - restricted for the purpose of paying note holders and additional funding costs \$5.6 million (September 29, 2018 - \$5.9 million and December 29, 2018 - \$16.2 million) and other operational items \$4.9 million (September 29, 2018 - \$3.5 million and December 29, 2018 - \$4.2 million).

² Included in cash and cash equivalents are amounts held in reserve in support of Financial Services' liquidity and regulatory requirements.

The total cash outflow for leases during the 13 and 39 weeks ended September 28, 2019 was \$73.2 million and \$311.1 million respectively.

Capital Commitments

As at September 28, 2019, the Company had capital commitments for the acquisition of property and equipment, investment property and intangible assets for an aggregate cost of approximately \$235.3 million (2018 – \$205.4 million).

17. Financial Instruments

17.1 Fair Value of Financial Instruments

Fair values have been determined for measurement and/or disclosure purposes based on the following:

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

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

Fair values of financial instruments reflect the credit risk of the Company and counterparties when appropriate.

Investments in Debt Securities

The fair values of financial assets traded in active markets are determined by reference to their quoted closing bid price or dealer price quotations at the reporting date. For investments that are not traded in active markets, the Company determines fair values using a combination of discounted cash flow models, comparison to similar instruments for which market-observable prices exist and other valuation models.

Derivatives

The fair value of a foreign exchange forward contract is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps and swaptions reflects the estimated amounts the Company would receive or pay if it were to settle the contracts at the measurement date and is determined by an external service provider using valuation techniques based on observable market input data.

The fair value of equity derivatives is determined by reference to share price movement, adjusted for interest, using market interest rates specific to the terms of the underlying derivative contracts.

Redeemable Financial Instrument

The fair value of the redeemable financial instrument is calculated based on a discounted cash flow model using normalized earnings attributable to the Financial Services business, adjusted for any undistributed earnings and Scotiabank's proportionate interest in the Financial Services business. This recurring fair value measurement is categorized within Level 3 of the fair value hierarchy. Refer to Note 3 and Note 32 to the Company's 2018 Consolidated Financial Statements and Notes for further information regarding this financial instrument.

17.2 Fair Value of Financial Assets and Financial Liabilities Classified Using the Fair Value Hierarchy

The Company uses a fair value hierarchy to categorize the inputs used to measure the fair value of financial assets and financial liabilities.

The following table presents the financial instruments measured at fair value classified by the fair value hierarchy:

(C\$ in millions)

As at		September 28, 2019	September 29, 2018	December 29, 2018
Balance sheet line	Category	Level	Level	Level
Trade and other receivables	FVTPL ¹	2 \$ 16.3	2 \$ 11.2	2 \$ 25.1
Trade and other receivables	Effective hedging instruments	2 20.0	2 45.6	2 121.8
Long-term receivables and other assets	FVTPL ¹	2 —	2 11.3	2 7.7
Long-term receivables and other assets	Effective hedging instruments	2 23.3	2 22.9	2 37.1
Trade and other payables	FVTPL ¹	2 9.4	2 13.8	2 16.7
Trade and other payables	Effective hedging instruments	2 13.3	2 6.8	2 4.7
Redeemable financial instrument	FVTPL	3 567.0	3 517.0	3 567.0
Other long-term liabilities	Effective hedging instruments	2 4.0	2 3.1	2 5.0

¹ Relates to derivatives not designated as hedging instruments.

There were no transfers in either direction among categories during the 13 and 39 weeks ended September 28, 2019 or the 13 and 39 weeks ended September 29, 2018.

17.3 Fair Value Measurement of Investments, Debt and Deposits

The fair value measurement of investments, debt, and deposits is categorized within Level 2 of the fair value hierarchy described in Note 32.2 to the Company's 2018 Consolidated Financial Statements and Notes. The fair values of the Company's investments, debt and deposits compared to the carrying amounts are as follows:

As at (C\$ in millions)	September 28, 2019		September 29, 2018		December 29, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short-term investments	\$ 233.3	\$ 233.5	\$ 151.3	\$ 151.4	\$ 183.7	\$ 183.7
Long-term investments	116.0	116.4	175.3	176.3	152.7	153.4
Debt	4,517.2	4,757.9	4,825.4	4,887.1	4,553.9	4,603.9
Deposits	2,496.3	2,515.7	2,339.2	2,316.5	2,471.2	2,450.4

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

18. Contingencies**Legal Matters**

The Company is party to a number of legal and regulatory proceedings. The Company has determined that each such proceeding constitutes a routine 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's commodity tax assessments for the years 2011 through 2015 have been appealed to the Tax Court of Canada. In addition, the 2016 and 2017 tax years have also been reassessed and Management is taking the necessary steps to add them to the appeal. The Bank is of the view that certain credit card processing services are exempt financial services under the *Excise Tax Act* (Canada). Although the Court has recently ruled in a proceeding unrelated to the Bank that similar processing services are subject to Federal and Quebec sales taxes, that decision is currently under appeal and the Bank is of the view that there is a more likely than not chance that its position will be accepted by the Courts and the services will be viewed as exempt financial services. Accordingly, no provision has been made for amounts that would be payable in the event of an adverse outcome. If the Court rules against the Bank, the total aggregate exposure as of the third quarter of 2019 would not be significant.

19. Subsidiaries

Change in the Company's Ownership Interest in a Subsidiary

During the quarter, the Company reduced its interest in CT REIT from 76.1% to 69.3% and CT REIT completed a treasury unit offering, for gross proceeds of approximately \$150.1 million and \$90.0 million and net transaction costs of \$7.4 million and \$3.8 million, respectively. As a result, \$228.9 million has been transferred to non-controlling interests.

20. Subsequent Events

On October 1, 2019, the Company acquired the brand, store network and employee base, leaseholds, and fixed assets of Party City in Canada for \$174.4 million. Party City is a leading, one-stop shopping destination for party supplies, and an expert in seasonal and micro-seasonal celebrations, with 65 Canadian retail stores in seven provinces.

Given the transaction closed on October 1, 2019, as at the date of the condensed interim consolidated financial statements, the Company does not have sufficient information to complete the purchase price accounting and pro-forma revenue and profit or loss disclosures.

The Company has incurred acquisition-related costs of \$2.3 million for the quarter relating to external legal, consulting fees and due diligence costs. These costs have been included in selling, general and administrative expenses in the condensed interim consolidated statements of income.