

CANADIAN TIRE CORPORATION, LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Q3 2020

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Condensed Interim Consolidated Balance Sheets

As at (C\$ in millions)(unaudited)	September 26, 2020	September 28, 2019	December 28, 2019
ASSETS			
Cash and cash equivalents (Note 15)	\$ 1,302.8	\$ 226.2	\$ 205.5
Short-term investments	402.2	233.3	201.7
Trade and other receivables	917.7	1,004.9	938.3
Loans receivable (Note 6)	4,975.0	5,598.2	5,813.8
Merchandise inventories	2,505.1	2,611.1	2,212.9
Income taxes recoverable	36.0	46.7	33.2
Prepaid expenses and deposits	179.7	165.3	139.3
Assets classified as held for sale	15.6	7.2	10.6
Total current assets	10,334.1	9,892.9	9,555.3
Long-term receivables and other assets	683.1	825.6	807.8
Long-term investments	176.3	116.0	138.9
Goodwill and intangible assets	2,331.3	2,275.6	2,414.3
Investment property	391.1	374.8	389.1
Property and equipment	4,247.1	4,219.8	4,283.3
Right-of-use assets	1,512.4	1,562.9	1,610.4
Deferred income taxes	297.5	347.8	319.2
Total assets	\$ 19,972.9	\$ 19,615.4	\$ 19,518.3
LIABILITIES			
Bank indebtedness (Note 15)	\$ 6.8	\$ 39.6	\$ 10.4
Deposits	966.6	829.8	790.8
Trade and other payables	2,555.6	2,310.6	2,492.4
Provisions	169.3	164.8	190.2
Short-term borrowings	563.9	909.6	450.0
Loans	552.4	659.3	621.5
Current portion of lease liabilities	355.7	316.2	335.3
Income taxes payable	100.2	66.5	72.6
Current portion of long-term debt	150.5	538.4	788.2
Total current liabilities	5,421.0	5,834.8	5,751.4
Long-term provisions	68.3	58.4	61.1
Long-term debt	4,114.8	3,978.8	3,730.2
Long-term deposits	2,282.4	1,666.5	1,653.4
Long-term lease liabilities	1,719.1	1,861.1	1,871.0
Deferred income taxes	121.3	140.7	136.4
Other long-term liabilities	789.6	779.7	810.1
Total liabilities	14,516.5	14,320.0	14,013.6
EQUITY			
Share capital (Note 8)	593.5	588.8	588.0
Contributed surplus	2.9	2.9	2.9
Accumulated other comprehensive (loss)	(203.4)	(138.0)	(129.9)
Retained earnings	3,732.3	3,539.6	3,729.6
Equity attributable to shareholders of Canadian Tire Corporation	4,125.3	3,993.3	4,190.6
Non-controlling interests	1,331.1	1,302.1	1,314.1
Total equity	5,456.4	5,295.4	5,504.7
Total liabilities and equity	\$ 19,972.9	\$ 19,615.4	\$ 19,518.3

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

Condensed Interim Consolidated Statements of Income

For the (C\$ in millions, except share and per share amounts)(unaudited)	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Revenue (Note 10)	\$ 3,986.4	\$ 3,636.7	\$ 9,996.5	\$ 10,217.7
Cost of producing revenue (Note 11)	2,639.6	2,408.1	6,769.8	6,846.9
Gross margin	1,346.8	1,228.6	3,226.7	3,370.8
Other expense (income)	5.6	17.9	29.8	(15.4)
Selling, general and administrative expenses (Note 12)	838.8	832.3	2,545.7	2,493.8
Net finance costs (Note 13)	60.1	71.5	197.7	200.8
Income before income taxes	442.3	306.9	453.5	691.6
Income taxes	116.0	79.2	112.7	162.7
Net income	\$ 326.3	\$ 227.7	\$ 340.8	\$ 528.9
Net income attributable to:				
Shareholders of Canadian Tire Corporation	\$ 296.3	\$ 197.2	\$ 263.0	\$ 444.3
Non-controlling interests	30.0	30.5	77.8	84.6
	\$ 326.3	\$ 227.7	\$ 340.8	\$ 528.9
Basic earnings per share	\$ 4.87	\$ 3.20	\$ 4.32	\$ 7.18
Diluted earnings per share	\$ 4.84	\$ 3.20	\$ 4.30	\$ 7.17
Weighted average number of Common and Class A Non-Voting Shares outstanding:				
Basic	60,808,021	61,619,653	60,928,842	61,861,892
Diluted	61,185,383	61,678,957	61,101,887	61,930,350

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

Condensed Interim Consolidated Statements of Comprehensive Income

For the (C\$ in millions)(unaudited)	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net income	\$ 326.3	\$ 227.7	\$ 340.8	\$ 528.9
Other comprehensive (loss), net of taxes				
Items that may be reclassified subsequently to net income:				
Net fair value (losses) gains on hedging instruments entered into for cash flow hedges not subject to basis adjustment	(1.5)	0.2	(33.2)	(22.3)
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	3.9	(1.7)	(3.6)	(10.3)
Reclassification of losses to income	0.5	0.9	1.0	0.3
Currency translation adjustment	(10.1)	(51.4)	(61.8)	(80.6)
Items that will not be reclassified subsequently to net income:				
Net fair value (losses) gains on hedging instruments entered into for cash flow hedges subject to basis adjustment	(25.8)	20.2	54.4	(36.7)
Other comprehensive (loss)	\$ (33.0)	\$ (31.8)	\$ (43.2)	\$ (149.6)
Other comprehensive (loss) income attributable to:				
Shareholders of Canadian Tire Corporation	\$ (33.5)	\$ (31.8)	\$ (36.0)	\$ (143.3)
Non-controlling interests	0.5	—	(7.2)	(6.3)
	\$ (33.0)	\$ (31.8)	\$ (43.2)	\$ (149.6)
Comprehensive income	\$ 293.3	\$ 195.9	\$ 297.6	\$ 379.3
Comprehensive income attributable to:				
Shareholders of Canadian Tire Corporation	\$ 262.8	\$ 165.4	\$ 227.0	\$ 301.0
Non-controlling interests	30.5	30.5	70.6	78.3
	\$ 293.3	\$ 195.9	\$ 297.6	\$ 379.3

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

Condensed Interim Consolidated Statements of Cash Flows

For the (C\$ in millions)(unaudited)	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Cash (used for) generated from:				
Operating activities				
Net income	\$ 326.3	\$ 227.7	\$ 340.8	\$ 528.9
Adjustments for:				
Depreciation of property and equipment, investment property, assets held for sale and right-of-use assets (Notes 11 and 12)	144.4	136.0	435.1	402.9
Impairment on property and equipment, right-of-use and intangible assets (Note 2)	—	—	27.9	0.6
Income taxes	116.0	79.2	112.7	162.7
Net finance costs (Note 13)	60.1	71.5	197.7	200.8
Amortization of intangible assets (Note 12)	26.9	27.5	84.8	80.9
Loss (gain) on disposal of property and equipment, investment property, assets held for sale and right-of-use assets	2.9	2.4	(5.9)	(27.1)
Total except as noted below	676.6	544.3	1,193.1	1,349.7
Interest paid	(72.7)	(87.8)	(217.3)	(250.7)
Interest received	4.0	13.1	12.4	22.1
Income taxes paid	(64.3)	(29.0)	(69.8)	(276.2)
Change in loans receivable	192.1	(51.7)	934.8	(89.1)
Change in operating working capital and other	(247.5)	(486.0)	(173.0)	(775.0)
Cash generated from (used for) operating activities	488.2	(97.1)	1,680.2	(19.2)
Investing activities				
Additions to property and equipment and investment property	(54.8)	(105.2)	(189.0)	(261.8)
Additions to intangible assets	(55.4)	(46.7)	(103.2)	(160.2)
Total additions	(110.2)	(151.9)	(292.2)	(422.0)
Acquisition of short-term investments	(307.4)	(105.0)	(467.4)	(256.1)
Proceeds from maturity and disposition of short-term investments	106.7	113.2	296.8	252.9
Proceeds on disposition of property and equipment, investment property and assets held for sale	1.9	(0.6)	3.5	17.7
Lease payments for finance subleases (principal portion)	4.2	5.2	12.6	12.8
Acquisition of long-term investments and other	(21.6)	(10.0)	(68.8)	(10.0)
Cash (used for) investing activities	(326.4)	(149.1)	(515.5)	(404.7)
Financing activities				
Dividends paid	(65.4)	(60.7)	(197.4)	(181.8)
Distributions paid to non-controlling interests	(24.2)	(19.9)	(65.5)	(58.9)
Total dividends and distributions paid	(89.6)	(80.6)	(262.9)	(240.7)
Net issuance of short-term borrowings	175.0	340.7	113.9	531.5
Issuance of loans	13.6	76.4	164.7	226.8
Repayment of loans	(73.5)	(82.4)	(233.7)	(222.1)
Issuance of long-term debt	480.0	—	1,198.6	570.9
Repayment of long-term debt	(1,450.1)	(500.1)	(1,450.7)	(500.7)
Payment of lease liabilities (principal portion)	(84.5)	(62.0)	(254.6)	(231.5)
Payment of transaction costs related to long-term debt	(1.9)	(0.5)	(2.2)	(2.6)
Repurchase of share capital	(3.7)	(11.5)	(107.9)	(207.2)
Proceeds on disposal of partial interest in CT REIT	—	142.6	—	142.6
Net proceeds from issue of trust units to non-controlling interests	—	86.3	—	86.3
Payments on financial instruments	(15.6)	(5.4)	(30.4)	(35.3)
Change in deposits	192.7	(51.3)	801.4	22.1
Cash (used for) generated from financing activities	(857.6)	(147.8)	(63.8)	140.1
Cash (used) generated in the period	(695.8)	(394.0)	1,100.9	(283.8)
Cash and cash equivalents, net of bank indebtedness, beginning of period	1,991.8	580.6	195.1	470.4
Cash and cash equivalents, net of bank indebtedness, end of period	\$ 1,296.0	\$ 186.6	\$ 1,296.0	\$ 186.6

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

Condensed Interim Consolidated Statements of Changes in Equity

(C\$ in millions)(unaudited)	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	Cash flow hedges	Currency translation adjustment	Total accumulated other comprehensive income (loss)				
Balance at December 28, 2019	588.0	2.9	(28.3)	(101.6)	(129.9)	3,729.6	4,190.6	1,314.1	5,504.7
Net income	—	—	—	—	—	263.0	263.0	77.8	340.8
Other comprehensive income (loss)	—	—	25.8	(61.8)	(36.0)	—	(36.0)	(7.2)	(43.2)
Total comprehensive income (loss)	—	—	25.8	(61.8)	(36.0)	263.0	227.0	70.6	297.6
Transfers of cash flow hedge (gains) to non-financial assets	—	—	(37.5)	—	(37.5)	—	(37.5)	—	(37.5)
Contributions and distributions to shareholders of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 8)	10.6	—	—	—	—	—	10.6	—	10.6
Repurchase of Class A Non-Voting Shares (Note 8)	(107.1)	—	—	—	—	—	(107.1)	—	(107.1)
Reversal of accrued liability for automatic share purchase plan commitment (Note 8)	3.0	—	—	—	—	46.1	49.1	—	49.1
Excess of purchase price over average cost (Note 8)	99.0	—	—	—	—	(99.0)	—	—	—
Dividends	—	—	—	—	—	(207.4)	(207.4)	—	(207.4)
Contributions and distributions to non-controlling interests									
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	12.1	12.1
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(65.7)	(65.7)
Total contributions and distributions	5.5	—	(37.5)	—	(37.5)	(260.3)	(292.3)	(53.6)	(345.9)
Balance at September 26, 2020	\$ 593.5	\$ 2.9	\$ (40.0)	\$ (163.4)	\$ (203.4)	\$ 3,732.3	\$ 4,125.3	\$ 1,331.1	\$ 5,456.4

(C\$ in millions)(unaudited)	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	Cash flow hedges	Currency translation adjustment	Total accumulated other comprehensive income (loss)				
December 30, 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	—	—	—	—	—	(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 8)	11.0	—	—	—	—	—	11.0	—	11.0
Repurchase of Class A Non-Voting Shares (Note 8)	(200.7)	—	—	—	—	—	(200.7)	—	(200.7)
Excess of purchase price over average cost (Note 8)	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	—	—	—	—	—	—	—	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

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 is comprised of three main business operations, which offer a wide 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 26, 2020 (and comparative results for the 13 and 39 weeks ended September 28, 2019) 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 2019 Consolidated Financial Statements and Notes and have been prepared using the same accounting policies described in Note 3 to the 2019 Consolidated Financial Statements and Notes.

These interim financial statements were authorized for issuance by the Company’s Board of Directors on November 4, 2020.

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.

On March 12, 2020, the World Health Organization declared the outbreak of Coronavirus ("COVID-19") a pandemic. There is significant uncertainty regarding the extent and duration of the impact that the COVID-19 pandemic will have on Company's operations. The extent to which the impacts of COVID-19 pandemic affects the judgments and estimates described in Note 2 to the Company's 2019 Consolidated Financial Statements and Notes depend on future developments, which are highly uncertain and cannot be predicted.

During the second quarter of 2020, indicators of impairment existed for certain banners of the Corporation due to adverse changes in the economic environment related to the COVID-19 pandemic. As a result, Management performed impairment testing of the Company's investment property, right-of-use assets, property and equipment and goodwill and intangible assets for those banners.

IAS 36 – Impairment of Assets requires companies to assess the recoverable amount of assets, being the higher of fair value less cost of disposal and value in use. The key assumptions used in the Company's impairment testing included the weighted-average cost of capital, or discount rates, growth rates, terminal growth rates, and expected changes in cash flows. When the recoverable amount of a cash-generating unit ("CGU") was less than the carrying amount, an impairment loss was recognized.

As a result of these tests in the second quarter of 2020, the Company recognized an impairment charge of \$27.9 million reflecting the broader economic challenges COVID-19 is having on the timing of certain growth strategies, future cash flows and the discount rate related to the Company's Musto sailing brand and select SportChek stores (right-of-use assets and property and equipment). The impairment charge was recorded within Other expense (income) in the Consolidated Interim Statements of Income.

No additional impairment losses were required during the third quarter of 2020. Management will continue to monitor each of its banners for changes in the business environment that could impact the recoverable amounts in future periods. The recoverable amounts are dependent upon the continued growth of revenue and cash flows from business activities and could be impacted by the Company's ability to execute its growth objectives both in Canada and internationally. Examples of events or circumstances that could result in changes to the underlying key assumptions and judgments used in the impairment tests, and therefore impact the recoverable amounts may include but are not limited to: the length, duration and impact of COVID-19 on the economy, including measures adopted by governmental or public authorities in response to the pandemic; adverse macroeconomic conditions; volatility in the equity and debt markets which could result in higher discount rates; current and future competitive conditions and the Company's position in the competitive environment; expectations around the availability of sufficient liquidity; and changes in consumer behaviour. Recoverable amounts for each of our banners are currently expected to be and historically have been, higher than carrying values. However, if assumptions are not realized, it is possible that further impairment charges may need to be recorded in the future. Consistent with its policy, the Company will perform its annual impairment test on investment property, right-of-use assets, property and equipment, goodwill and indefinite-life intangible assets for all CGUs during the fourth quarter of 2020.

COVID-19 also impacted the assumptions and the inputs used to fair value the redeemable financial instrument and the forward-looking information used in the estimate of allowances for credit card loans receivables. The changes in assumptions and inputs did not impact these condensed interim consolidated financial statements, except as it relates to the allowances for credit card loans receivable as described in Note 6.

Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these condensed interim consolidated financial statements, including but not limited to Impairment of Assets and Financial Instruments, Fair Value of Redeemable Financial Instruments and Loans Receivable.

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 condensed interim consolidated financial statements are described in Note 2 to the Company's 2019 Consolidated Financial Statements and Notes.

Standards, Amendments and Interpretations Issued and Adopted

Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)

Effective in the first quarter 2020, the Company adopted "Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7", issued in September 2019. The amendments provide relief during the period of uncertainty arising from the phase out of interest rate benchmarks (e.g. interbank offered rates ["IBORs"]).

The Company enters into interest rate swap contracts to hedge the exposure against interest rate risk on the future interest payments of debt issuances and deposits. The Company also enters into "swaption" derivative financial instruments that provide it with an option to enter into an interest rate swap as part of the Company's strategy to manage its interest rate exposure risk on the future interest payments of debt issuances and deposits. Where hedge accounting can be applied, the Company accounts for these derivatives as cash flow hedges.

The Company's hedging relationships have significant exposure to the Canadian Dollar Offered Rate ("CDOR"). Under IBOR reform, CDOR may be subject to discontinuance, changes in methodology, or become unavailable. The Bank of Canada has established the Canadian Alternative Reference Rate Working Group ("CARR") to identify and seek to develop a new risk-free Canadian dollar interest rate benchmark. The Canadian Overnight Repo Rate ("CORRA") has been recommended as the alternative to CDOR. Already available in the market, CORRA is currently being enhanced and reformed by its administrator, the Bank of Canada. As a result of these developments, uncertainty exists relating to timing and methods of transition for financial instruments affected by these changes, and also in determining whether hedging relationships that hedge the variability of cash flows due to changes in IBORs continue to qualify for hedge accounting. These adopted amendments modify hedge accounting requirements, allowing the Company to assume that the interest rate benchmark on which the cash flows of the hedged item and the hedging instrument are based are not altered as a result of IBOR reform, thereby allowing hedge accounting to continue.

Management is closely monitoring the impacted hedging relationship for possible changes to CDOR and its possible replacement with a new risk-free Canadian dollar interest rate benchmark. If the new or revised risk-free rates differ from the prior benchmark rates, new or revised hedging strategies may be required to better align derivative hedging instruments with hedged items. However, given the market uncertainty, the assessment of the impact on the Company's hedging strategies and its mitigation plans is in the early stages.

Mandatory application of the amendments ends at the earlier of when the uncertainty regarding the timing and amount of interest rate benchmark-based cash flows is no longer present or when the hedging relationship is discontinued.

For aspects of hedge accounting not covered by the amendments and hedges that are not directly impacted by the IBOR reform, the accounting policies as described in Note 3 of the Company's 2019 Consolidated Financial Statements continue to apply.

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 January 2, 2021 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”), which 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. In June 2020, the IASB issued ‘Amendments to IFRS 17’ to address concerns and implementation challenges that were identified after IFRS 17 was published in 2017. The amendment also deferred the effective date for two years to January 1, 2023. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

In January 2020, IASB issued *Classification of Liabilities as Current or Non-current*, which amends IAS 1 – *Presentation of Financial Statements*. The narrow-scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Company is assessing the potential impact of these amendments. In July 2020, due to COVID-19, the IASB deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from the amendments.

Amendment to IFRS 16 Leases – COVID-19-Related Rent Concessions

In May 2020, the IASB issued an amendment to IFRS 16 – *Leases* to make it easier for lessees to account for COVID-19-related rent concessions such as rent holidays and temporary rent reductions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. The Company is assessing the potential impact of this amendment.

Annual Improvements 2018-2020 and Package of Narrow-Scope Amendments

In May 2020, the IASB issued the package of narrow-scope amendments to three Standards (IFRS 3 – *Business Combinations*, IAS 16 – *Property, Plant and Equipment*, and IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*) as well as the IASB’s Annual Improvements 2018-2020, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards. The Company is assessing the potential impact of these narrow-scope amendments. These amendments will be effective for annual periods beginning on or after January 1, 2022.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

In August 2020, upon completion of the IFRS amendments to facilitate the IBOR reform, the IASB issued Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (“Phase 2 Amendments”). In relation to changes in financial instruments that are directly required by the IBOR reform, Phase 2 Amendments mainly provide (i) a practical expedient to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by the IBOR reform by updating the effective interest rate of the financial asset or financial liability; (ii) exceptions to the hedge accounting requirements providing relief from discontinuing hedge relationships because of changes to hedge documentation required by the IBOR reform; and (iii) certain additional disclosures on additional information about the Company’s exposure to risks arising from the IBOR reform and related risk management activities.

IFRS 16 has also been amended to provide a temporary exception addressing situations where lease agreements specifically refer to an IBOR and will need to be amended as a result of the IBOR reform. Lessees are required to remeasure their lease liabilities in a similar fashion to any other change in estimate, rather than as a lease modification. The amount of the remeasurement is recognized as an adjustment to the right-of-use asset.

Phase 2 Amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. 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 Company manages its capital structure over the long term to optimize the balance among capital efficiency, financial flexibility, and risk mitigation. Management calculates credit metrics 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 metrics against the target range for the rating.

The current economic, operating and capital market environment has led to an increased emphasis on liquidity and capital management. Management is focused on ensuring sufficient liquidity, both through maintaining a strong balance sheet and ensuring access to capital.

The Company was in compliance with all financial covenants under its existing debt agreements as at September 26, 2020. The Company believes it has sufficient flexibility in the current COVID-19 environment to support growth in its business, while remaining in compliance with its financial covenants.

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 26, 2020.

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 26, 2020.

In addition, the Company is required to comply with regulatory requirements for capital associated with the operations of Canadian Tire Bank ("CTB" or "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. As at September 26, 2020, CTB complied with all regulatory capital guidelines established by the Office of the Superintendent of Financial Institutions of Canada ("OSFI") and all financial covenants under its bank credit agreement.

4. Liquidity and Financing

During the second quarter of 2020, the Company entered into a one-year committed bank credit facility for \$710 million with five Canadian financial institutions. The new facility expires on March 30, 2021.

As at September 26, 2020, the Company (excluding Helly Hansen) had no borrowings on its committed bank lines of credit and \$210.2 million of C\$ equivalent (\$157 million USD) U.S. Commercial Paper outstanding. Helly Hansen had a total of \$57.0 million of C\$ equivalent borrowings outstanding on its committed bank line of credit (180 million Norwegian Krone ["NOK"]) and its factoring facility (227.6 million NOK). CT REIT had no borrowings under its committed bank line of credit.

As at September 26, 2020, Glacier Credit Card Trust (“GCCT”) had \$296.8 million of asset-backed commercial paper and no notes outstanding on Financial Services’ committed note purchase facilities. CTB had no borrowings outstanding under its committed bank line of credit.

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, Party City in Canada and various SportChek banners. Retail also includes the Dealer Loan Program (the portion [silo] of Franchise Trust that issues loans to Dealers). Non-CT REIT real estate is included in Retail.
- CT REIT is an unincorporated, closed-end real estate investment trust. CT REIT holds a geographically-diversified portfolio of properties mainly comprising 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, tax-free savings accounts (“TFSA”) and guaranteed investment certificate (“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 (C\$ in millions)	13 weeks ended									
	September 26, 2020					September 28, 2019				
	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	\$ 3,684.2	\$ 12.6	\$ 291.4	\$ (1.8)	\$ 3,986.4	\$ 3,295.5	\$ 13.2	\$ 332.1	\$ (4.1)	\$ 3,636.7
Intercompany revenue	0.6	110.6	9.9	(121.1)	—	0.8	108.5	10.9	(120.2)	—
Total revenue	3,684.8	123.2	301.3	(122.9)	3,986.4	3,296.3	121.7	343.0	(124.3)	3,636.7
Cost of producing revenue	2,523.4	—	133.7	(17.5)	2,639.6	2,273.3	—	154.3	(19.5)	2,408.1
Gross margin	1,161.4	123.2	167.6	(105.4)	1,346.8	1,023.0	121.7	188.7	(104.8)	1,228.6
Other (income) expense	(26.2)	—	0.2	31.6	5.6	(13.3)	—	0.9	30.3	17.9
Selling, general and administrative expenses	810.3	28.4	77.5	(77.4)	838.8	802.1	27.2	79.1	(76.1)	832.3
Net finance costs (income)	51.1	26.3	(0.6)	(16.7)	60.1	63.6	27.4	(0.2)	(19.3)	71.5
Fair value loss (gain) on investment properties	—	4.4	—	(4.4)	—	—	(13.0)	—	13.0	—
Income before income taxes	\$ 326.2	\$ 64.1	\$ 90.5	\$ (38.5)	\$ 442.3	\$ 170.6	\$ 80.1	\$ 108.9	\$ (52.7)	\$ 306.9
Items included in the above:										
Depreciation and amortization	\$ 212.5	\$ —	\$ 3.3	\$ (44.5)	\$ 171.3	\$ 203.5	\$ —	\$ 3.3	\$ (43.3)	\$ 163.5
Interest income	20.6	—	255.4	(16.1)	259.9	24.6	0.1	286.1	(17.1)	293.7
Interest expense	69.1	26.3	38.1	(49.3)	84.2	83.0	27.5	36.4	(52.5)	94.4

For the (C\$ in millions)	39 weeks ended									
	September 26, 2020					September 28, 2019				
	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	\$ 9,036.0	\$ 39.8	\$ 927.4	\$ (6.7)	\$ 9,996.5	\$ 9,216.8	\$ 38.2	\$ 972.1	\$ (9.4)	\$ 10,217.7
Intercompany revenue	1.8	335.7	25.7	(363.2)	—	3.8	327.1	29.0	(359.9)	—
Total revenue	9,037.8	375.5	953.1	(369.9)	9,996.5	9,220.6	365.3	1,001.1	(369.3)	10,217.7
Cost of producing revenue	6,309.4	—	514.0	(53.6)	6,769.8	6,449.0	—	450.4	(52.5)	6,846.9
Gross margin	2,728.4	375.5	439.1	(316.3)	3,226.7	2,771.6	365.3	550.7	(316.8)	3,370.8
Other (income) expense	(60.7)	—	0.8	89.7	29.8	(110.5)	—	1.4	93.7	(15.4)
Selling, general and administrative expenses	2,459.1	92.0	227.7	(233.1)	2,545.7	2,403.6	90.0	233.2	(233.0)	2,493.8
Net finance costs (income)	169.6	80.7	(1.1)	(51.5)	197.7	182.3	81.7	(0.7)	(62.5)	200.8
Fair value loss (gain) on investment properties	—	33.5	—	(33.5)	—	—	(36.7)	—	36.7	—
Income before income taxes	\$ 160.4	\$ 169.3	\$ 211.7	\$ (87.9)	\$ 453.5	\$ 296.2	\$ 230.3	\$ 316.8	\$ (151.7)	\$ 691.6
Items included in the above:										
Depreciation and amortization	\$ 642.0	\$ —	\$ 10.0	\$ (132.1)	\$ 519.9	\$ 606.3	\$ —	\$ 9.6	\$ (132.1)	\$ 483.8
Interest income	67.7	0.1	806.3	(50.9)	823.2	79.7	0.2	829.6	(51.4)	858.1
Interest expense	226.4	80.8	109.3	(151.7)	264.8	246.3	81.9	103.0	(157.5)	273.7

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
- intersegment eliminations and adjustments including intercompany rent, property management fees, credit card processing fees and the change in fair value of the redeemable financial instrument.

While the Company primarily operates in Canada, it also operates in foreign jurisdictions through Helly Hansen. Foreign revenue earned by Helly Hansen for the 13 and 39 weeks ended September 26, 2020 amounted to

\$142.6 million (2019 – \$145.9 million) and \$321.8 million (2019 – \$352.0 million), respectively. Property and equipment, intangible assets (brand and goodwill) and right-of-use assets located outside of Canada was \$906.5 million as at September 26, 2020 (2019 – \$1.0 billion).

Capital expenditures by reportable operating segment are as follows:

For the	13 weeks ended							
	September 26, 2020				September 28, 2019			
(C\$ in millions)	Retail	CT REIT	Financial Services	Total	Retail	CT REIT	Financial Services	Total
Capital expenditures ¹	\$ 69.3	\$ 11.0	\$ 0.9	\$ 81.2	\$ 110.7	\$ 19.1	\$ 1.5	\$ 131.3

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.

For the	39 weeks ended							
	September 26, 2020				September 28, 2019			
(C\$ in millions)	Retail	CT REIT	Financial Services	Total	Retail	CT REIT	Financial Services	Total
Capital expenditures ¹	\$ 205.8	\$ 58.6	\$ 2.5	\$ 266.9	\$ 300.5	\$ 56.6	\$ 7.6	\$ 364.7

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.

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

For the	13 weeks ended							
	September 26, 2020				September 28, 2019			
(C\$ in millions)	Retail	CT REIT	Financial Services	Total	Retail	CT REIT	Financial Services	Total
Right-of-use asset additions	\$ 58.8	\$ —	\$ —	\$ 58.8	\$ 20.4	\$ —	\$ —	\$ 20.4

For the	39 weeks ended							
	September 26, 2020				September 28, 2019			
(C\$ in millions)	Retail	CT REIT	Financial Services	Total	Retail	CT REIT	Financial Services	Total
Right-of-use asset additions	\$ 135.9	\$ 3.0	\$ 1.8	\$ 140.7	\$ 176.9	\$ —	\$ —	\$ 176.9

Total assets by reportable operating segment are as follows:

(C\$ in millions)	September 26, 2020			September 28, 2019	December 28, 2019
As at					
Retail	\$ 15,589.5			\$ 16,157.9	\$ 15,995.4
CT REIT		6,139.6		6,001.9	6,024.5
Financial Services			7,034.7	6,370.3	6,606.4
Eliminations and adjustments			(8,790.9)	(8,914.7)	(9,108.0)
Total assets ¹	\$ 19,972.9			\$ 19,615.4	\$ 19,518.3

¹ 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)		September 26, 2020	September 28, 2019	December 28, 2019
As at				
Retail	\$	9,569.6	\$ 10,199.5	\$ 9,870.2
CT REIT		2,755.3	2,715.3	2,690.4
Financial Services		6,016.4	5,381.6	5,589.9
Eliminations and adjustments		(3,824.8)	(3,976.4)	(4,136.9)
Total liabilities ¹	\$	14,516.5	\$ 14,320.0	\$ 14,013.6

¹ 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
- intersegment 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 26, 2020	September 28, 2019	December 28, 2019
Credit card loans ²	\$	4,928.3	\$ 5,574.2	\$ 5,794.1
Dealer loans ³		553.5	661.1	622.5
Total loans receivable		5,481.8	6,235.3	6,416.6
Less: long-term portion ⁴		506.8	637.1	602.8
Current portion of loans receivable	\$	4,975.0	\$ 5,598.2	\$ 5,813.8

¹ Amounts shown are net of allowances for loans receivable.

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 \$505.7 million (September 28, 2019 – \$635.2 million and December 28, 2019 – \$601.6 million).

The Company's allowances for loans receivable increased by \$94.5 million from December 28, 2019 primarily due to the economic uncertainty as a result of COVID-19. This increase in allowances, which occurred in the first and second quarter, was driven by an increase in the Expected Credit Loss ("ECL") model's economic overlay resulting from changes in Management's assumptions on forward-looking economic indicators and from increased probability of cardholder delinquency and default.

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

	2020			
(C\$ in millions)	12-month ECL (Stage 1)	Lifetime ECL – not credit- impaired (Stage 2)	Lifetime ECL – credit- impaired (Stage 3)	Total
Balance at December 28, 2019	\$ 300.5	\$ 192.1	\$ 304.2	\$ 796.8
Increase (decrease) during the period				
Write-offs	(7.8)	(27.3)	(313.5)	(348.6)
Recoveries	—	—	61.6	61.6
New loans originated	7.7	—	—	7.7
Transfers				
to Stage 1	106.2	(66.3)	(39.9)	—
to Stage 2	(14.4)	19.3	(4.9)	—
to Stage 3	(24.8)	(42.6)	67.4	—
Net remeasurements	60.1	95.2	218.5	373.8
Balance at September 26, 2020	\$ 427.5	\$ 170.4	\$ 293.4	\$ 891.3
				2019
(C\$ in millions)	12-month ECL (Stage 1)	Lifetime ECL – not credit- impaired (Stage 2)	Lifetime ECL – 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

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 amounts that were written off during the period, unless the Bank 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 26, 2020			
	Stage 1	Stage 2	Stage 3	Total
Low risk	\$ 2,272.4	\$ 57.0	\$ —	\$ 2,329.4
Moderate risk	1,827.0	103.2	—	1,930.2
High risk	733.5	184.8	641.7	1,560.0
Total gross carrying amount	4,832.9	345.0	641.7	5,819.6
ECL allowance	427.5	170.4	293.4	891.3
Net carrying amount	\$ 4,405.4	\$ 174.6	\$ 348.3	\$ 4,928.3

(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)	December 28, 2019			
	Stage 1	Stage 2	Stage 3	Total
Low risk	\$ 2,536.5	\$ 67.0	\$ —	\$ 2,603.5
Moderate risk	1,982.5	137.0	—	2,119.5
High risk	923.9	325.7	618.3	1,867.9
Total gross carrying amount	5,442.9	529.7	618.3	6,590.9
ECL allowance	300.5	192.1	304.2	796.8
Net carrying amount	\$ 5,142.4	\$ 337.6	\$ 314.1	\$ 5,794.1

During the 13 and 39 weeks ended September 26, 2020, the amount of cash received from interest earned on credit cards and loans was \$244.0 million (2019 – \$261.1 million) and \$773.9 million (2019 – \$764.4 million), respectively.

7. Long-Term Debt

During the second quarter of 2020, CTB pre-emptively raised \$700 million of funding through a draw under its note purchase facility. Pursuant to this transaction, GCCT issued Series 2020-A two-year pre-payable term notes totalling \$700 million to Scotiabank, which were repaid early, in full, during the current quarter.

On July 6, 2020, the Company repaid \$250 million of medium-term notes, which bore interest of 2.646 percent per annum.

On September 20, 2020, GCCT repaid \$500 million of term notes consisting of \$465 million of senior term notes, which bore an interest rate of 2.237 percent per annum as well as \$35 million of subordinated term notes, which bore an interest rate of 3.237 percent per annum.

On September 25, 2020, GCCT issued \$480 million of term notes that have an expected repayment date of September 22, 2025, consisting of \$448.8 million senior notes bearing an interest rate of 1.388 percent per annum and \$31.2 million of subordinated notes that bear an interest rate of 2.438 percent per annum.

8. Share Capital

Share capital consists of the following:

(C\$ in millions)	September 26, 2020	September 28, 2019	December 28, 2019
As at			
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (September 28, 2019 – 3,423,366; December 28, 2019 – 3,423,366)	\$ 0.2	\$ 0.2	\$ 0.2
57,383,757 Class A Non-Voting Shares (September 28, 2019 – 58,177,090; December 28, 2019 – 58,096,958)	593.3	588.6	587.8
	\$ 593.5	\$ 588.8	\$ 588.0

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

During 2020 and 2019, 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.

During the fourth quarter of 2019, the Company entered into an Automatic Share Purchase Plan ("ASPP") to purchase Class A Non-Voting Shares for cancellation under the NCIB during the Company's blackout period. As at December 28, 2019, an obligation to repurchase shares of \$49.1 million was recognized under the ASPP in trade and other payables. In the first quarter of 2020, upon completion of the purchases made pursuant to the notice issued in the fourth quarter of 2019 under the ASPP, the Company reversed the accrual previously recorded. During the third quarter of 2020, the Company did not provide notice to its broker under its ASPP to purchase Class A Non-Voting Shares for cancellation under the NCIB during the Company's blackout period.

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

For the	13 Weeks Ended				39 Weeks Ended			
	September 26, 2020		September 28, 2019		September 26, 2020		September 28, 2019	
(C\$ in millions)	Number	\$	Number	\$	Number	\$	Number	\$
Shares outstanding at beginning of the period	57,383,758	\$ 589.9	58,212,090	\$ 586.0	58,096,958	\$ 587.8	59,478,460	\$ 591.3
Issued under the dividend reinvestment plan and stock option plan	27,214	3.7	24,227	3.2	82,917	10.6	79,032	11.0
Repurchased ¹	(27,215)	(3.7)	(59,227)	(8.0)	(796,118)	(107.1)	(1,380,402)	(200.7)
Reversal of accrued liability for ASPP commitment	—	—	—	—	—	3.0	—	—
Excess of repurchase price over average cost	—	3.4	—	7.4	—	99.0	—	187.0
Shares outstanding at end of the period	57,383,757	\$ 593.3	58,177,090	\$ 588.6	57,383,757	\$ 593.3	58,177,090	\$ 588.6

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 26, 2020, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of \$69.2 million (2019 – \$63.9 million) at a rate of \$1.1375 per share (2019 – \$1.0375 per share).

On November 4, 2020, the Company's Board of Directors declared dividends at a rate of \$1.175 payable on March 1, 2021 to shareholders of record as of January 31, 2021.

9. Share-Based Payments

During the 39 weeks ended September 26, 2020, the Company granted the following share-based payment awards:

Stock options

The Company granted 1,021,688 (2019 – 439,492) 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 an exercise price of \$80.49 (2019 – \$144.35 and \$134.16).

10. Revenue

Revenue by reportable operating segment is as follows:

For the (C\$ in millions)	13 weeks ended									
	September 26, 2020					September 28, 2019				
	Retail	CT REIT	Financial Services	Adjustments	Total	Retail	CT REIT	Financial Services	Adjustments	Total
Sale of goods	\$ 3,532.0	\$ —	\$ —	\$ —	\$ 3,532.0	\$ 3,170.9	\$ —	\$ —	\$ —	\$ 3,170.9
Interest income on loans receivable	2.6	—	254.6	(1.0)	256.2	5.2	—	285.7	(3.4)	287.5
Royalties and licence fees	15.7	—	—	—	15.7	15.4	—	—	—	15.4
Services rendered	5.8	—	36.8	(0.8)	41.8	3.6	—	46.4	—	50.0
Rental income	128.1	12.6	—	—	140.7	100.4	13.2	—	(0.7)	112.9
	\$ 3,684.2	\$ 12.6	\$ 291.4	\$ (1.8)	\$ 3,986.4	\$ 3,295.5	\$ 13.2	\$ 332.1	\$ (4.1)	\$ 3,636.7

For the (C\$ in millions)	39 weeks ended									
	September 26, 2020					September 28, 2019				
	Retail	CT REIT	Financial Services	Adjustments	Total	Retail	CT REIT	Financial Services	Adjustments	Total
Sale of goods	\$ 8,645.8	\$ —	\$ —	\$ —	\$ 8,645.8	\$ 8,849.1	\$ —	\$ —	\$ —	\$ 8,849.1
Interest income on loans receivable	10.9	—	804.5	(4.1)	811.3	15.6	—	828.4	(8.7)	835.3
Royalties and licence fees	34.6	—	—	—	34.6	40.6	—	—	—	40.6
Services rendered	14.7	—	122.9	(2.6)	135.0	11.7	—	143.7	—	155.4
Rental income	330.0	39.8	—	—	369.8	299.8	38.2	—	(0.7)	337.3
	\$ 9,036.0	\$ 39.8	\$ 927.4	\$ (6.7)	\$ 9,996.5	\$ 9,216.8	\$ 38.2	\$ 972.1	\$ (9.4)	\$ 10,217.7

Retail revenue breakdown is as follows:

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Canadian Tire	\$ 2,322.7	\$ 1,813.2	\$ 5,775.5	\$ 5,184.3
SportChek	533.2	543.3	1,210.0	1,416.9
Mark's	286.3	266.6	679.8	798.0
Helly Hansen ¹	155.4	159.5	345.8	378.2
Petroleum	374.6	504.5	1,003.8	1,426.1
Other and intersegment eliminations ¹	12.0	8.4	21.1	13.3
	\$ 3,684.2	\$ 3,295.5	\$ 9,036.0	\$ 9,216.8

¹ Helly Hansen revenue represents external revenue only. The prior period figures have been restated to align with current year presentation.

Major customers

The Company does not rely on any one customer.

11. Cost of Producing Revenue

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Inventory cost of sales ¹	\$ 2,518.8	\$ 2,268.4	\$ 6,300.5	\$ 6,444.8
Net impairment loss on loans receivable	83.3	105.6	367.8	309.4
Finance costs	20.4	16.7	55.2	50.2
Other	17.1	17.4	46.3	42.5
	\$ 2,639.6	\$ 2,408.1	\$ 6,769.8	\$ 6,846.9

¹ Inventory cost of sales includes depreciation for the 13 and 39 weeks ended September 26, 2020 of \$3.4 million (2019 – \$2.6 million) and \$9.7 million (2019 – \$6.9 million), respectively.

Inventory writedowns as a result of net realizable value being lower than cost, recognized in the 13 and 39 weeks ended September 26, 2020 were \$13.6 million (2019 – \$19.0 million) and \$53.4 million (2019 – \$39.2 million), respectively.

Inventory writedowns recognized in prior periods and reversed in the 13 and 39 weeks ended September 26, 2020 were \$2.3 million (2019 – \$1.5 million) and \$5.2 million (2019 – \$4.5 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.

12. Selling, General and Administrative Expenses

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Personnel expenses	\$ 334.1	\$ 335.7	\$ 1,006.0	\$ 981.7
Occupancy	104.0	97.9	320.9	313.7
Marketing and advertising	62.8	64.6	184.5	210.2
Depreciation of property and equipment and investment property ¹	70.5	68.7	214.7	203.5
Depreciation of right-of-use assets	70.5	64.7	210.7	192.5
Amortization of intangible assets	26.9	27.5	84.8	80.9
Information systems	55.0	46.9	156.7	139.2
Other	115.0	126.3	367.4	372.1
	\$ 838.8	\$ 832.3	\$ 2,545.7	\$ 2,493.8

¹ Refer to Note 11 for depreciation included in cost of producing revenue.

13. Net Finance Costs

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Finance (income)	\$ (2.2)	\$ (4.6)	\$ (7.5)	\$ (18.1)
Finance (income) on lease receivables ¹	(1.5)	(1.6)	(4.4)	(4.6)
Finance costs	39.6	51.4	135.0	142.7
Finance costs on lease liabilities	24.2	26.3	74.6	80.8
	\$ 60.1	\$ 71.5	\$ 197.7	\$ 200.8

¹ Relates to properties where the Company is an intermediate lessor in a sublease arrangement classified as a finance sublease under IFRS 16.

14. Income Taxes

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

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net fair value (losses) gains on hedging instruments entered into for cash flow hedges not subject to basis adjustment	\$ (0.6)	\$ 0.3	\$ (12.0)	\$ (7.8)
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	1.4	(0.6)	(1.3)	(3.7)
Reclassification of losses (gains) to income	0.1	0.1	0.3	(0.1)
Net fair value (losses) gains on hedging instruments entered into for cash flow hedges subject to basis adjustment	(9.3)	7.3	19.6	(13.5)
	\$ (8.4)	\$ 7.1	\$ 6.6	\$ (25.1)

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.

There have been no material changes in ongoing audits by tax authorities as disclosed in Note 16 to the 2019 Consolidated Financial Statements and Notes.

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.

15. 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 26, 2020	September 28, 2019	December 28, 2019
As at				
Cash	\$	511.7	\$ 117.8	\$ 117.9
Cash equivalents		779.7	97.9	69.4
Restricted cash and cash equivalents ¹		11.4	10.5	18.2
Total cash and cash equivalents ²		1,302.8	226.2	205.5
Bank indebtedness		(6.8)	(39.6)	(10.4)
Cash and cash equivalents, net of bank indebtedness	\$	1,296.0	\$ 186.6	\$ 195.1

¹ Restricted cash and cash equivalents relates to GCCT and is restricted for the purpose of paying note holders and additional funding costs \$5.8 million (September 28, 2019 – \$5.6 million and December 28, 2019 – \$12.8 million) and other operational items \$5.6 million (September 28, 2019 – \$4.9 million and December 28, 2019 – \$5.4 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 26, 2020 was \$108.3 million (2019 – \$73.2 million) and \$327.9 million (2019 – \$311.1 million), respectively.

Capital Commitments

As at September 26, 2020, the Company had capital commitments for the acquisition of property and equipment, investment property and intangible assets for an aggregate cost of approximately \$237.1 million (2019 – \$235.3 million).

16. Financial Instruments

16.1 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 33 to the Company's 2019 Consolidated Financial Statements and Notes for further information regarding this financial instrument.

16.2 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 26, 2020		September 28, 2019		December 28, 2019	
Balance sheet line	Category	Level		Level		Level	
Trade and other receivables	FVTPL ¹	2	\$ 30.1	2	\$ 16.3	2	\$ 12.1
Trade and other receivables	Effective hedging instruments	2	21.4	2	20.0	2	9.1
Long-term receivables and other assets	FVTPL ¹	2	16.0	2	—	2	—
Long-term receivables and other assets	Effective hedging instruments	2	28.9	2	23.3	2	42.9
Trade and other payables	FVTPL ¹	2	8.2	2	9.4	2	9.2
Trade and other payables	Effective hedging instruments	2	18.3	2	13.3	2	19.1
Redeemable financial instrument	FVTPL	3	567.0	3	567.0	3	567.0
Other long-term liabilities	FVTPL ¹	2	0.7	2	—	2	0.4
Other long-term liabilities	Effective hedging instruments	2	2.3	2	4.0	2	5.2

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 26, 2020 or the 13 and 39 weeks ended September 28, 2019.

16.3 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 33.2 to the Company's 2019 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 26, 2020		September 28, 2019		December 28, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short-term investments	\$ 402.2	\$ 401.6	\$ 233.3	\$ 233.5	\$ 201.7	\$ 201.7
Long-term investments	176.3	176.3	116.0	116.4	138.9	139.5
Debt	4,265.3	4,539.1	4,517.2	4,757.9	4,518.4	4,711.7
Deposits	3,249.0	3,337.1	2,496.3	2,515.7	2,444.2	2,459.0

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.

17. 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. Management has objected to the reassessments and is awaiting a response from the Canada Revenue Agency. Upon receipt of the response, Management will take the necessary steps to add them to the appeal. The Bank is of the view that certain services provided by Credit Card Networks are exempt financial services under the *Excise Tax Act* (Canada). Although the Court has ruled in a proceeding unrelated to the Bank that similar services are subject to Federal and Quebec sales taxes, that decision is currently under appeal to the Federal Court of Appeal. The Bank is of the view it is more likely than not 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 2020 would not be significant.