Canadian Tire Corporation

ANNUAL REPORT 2014

Poenton

For more than 90 years, Canadian Tire Corporation has been providing customers with everything they need for life in Canada. We are a Family of Companies that includes Canadian Tire, FGL Sports (Sport Chek, Hockey Experts, Sports Experts, National Sports, Intersport, Pro Hockey Life and Atmosphere), Mark's, Canadian Tire Financial Services, CT REIT, PartSource, Gas+ and Canadian Tire Jumpstart. We offer a broad range of retail products, home and financial services, a robust web presence as well as in-store and online technologies that keep us connected to our customers. With tens of thousands of employees across the enterprise, we are committed to delivering on our strategic initiatives and creating value for shareholders over the long term.

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On the cover: "Canadian Tire" 2012 acrylic painting by leading contemporary Canadian artist Charles Pachter.

In 1980, Mr. Pachter began painting what is now known as his famous Canadian flag image at his farm near Orillia, Ontario, using a flag he purchased from a local Canadian Tire store as a model. His recent "Canadian Tire" painting is a tribute to our Company's iconic place in Canadian culture.

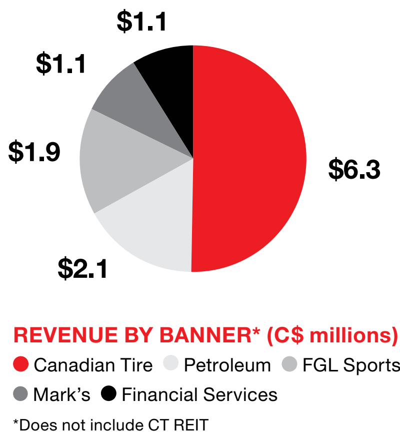
www.cpachter.com

2014 was a banner year for Canadian Tire Corporation, with strong sales growth across all retail businesses and a record year for the Financial Services business.

A full compilation of 2014 business highlights and video messages from the executive team and an overview of our significant community investments can all be found online at 2014.CanadianTireCorporation.ca.

Visit 2014.CanadianTireCorporation.ca for all our 2014 highlights.

- +4.8%: Consolidated retail sales growth for 2014
- $5 billion: Financial Services achieved a record in gross ending accounts receivable
- +9.8%: Diluted earnings per share for the year increased to $7.59



REVENUE BY BANNER* (C$ millions)

Canadian Tire, Petroleum, FGL Sports, Mark's, Financial Services

*Does not include CT REIT

EARNINGS, STOCK PRICE AND DIVIDENDS PER SHARE (C$)

Dividends declared per share, Diluted EPS, Stock price (CTC.A)

Message from the Chairman

Maureen J. Sabia

For 92 years, Canadian Tire has responded to the needs of the times in which it has lived. The Billes brothers responded to the needs of the new motoring public in 1923 when the motor car was just coming into fashion by creating the precursor to the first Canadian Tire store in a tiny garage in downtown Toronto.

Reinventing itself to respond to its customers has become the mantra of Canadian Tire ever since. The journey is never-ending.

We were among the first to introduce the idea of a structured loyalty program with our iconic Canadian Tire 'Money'® and we have continued to reinvent that program with our launch last year of our new digital loyalty program, My Canadian Tire 'Money'™. We have reinvented the in-store experience dozens of times. We have evolved from IBM punch cards in the 1950s to world-class digital signage and RFID technology in 2015. We were among the first to install new "super computers" to digitize our invoicing and inventory management systems in the 1960s and have recently opened our cloud computing centre in Winnipeg and Innovation Lab at Communitech in Waterloo. Indeed, at Canadian Tire, the journey of innovation is never-ending.

In 2009 when he became CEO, Stephen Wetmore began to put in place the building blocks for a very significant transformation of the Company. Focusing on our brand, Stephen made sure that the Company in 2014 was a very different company in both perception and reality than it was in 2009. Canadian Tire is a more nimble, creative, brand-focused, high-performing organization, thanks to the legacy that Stephen has left us. He has positioned the Company for a very exciting and sustainable future, marked by innovation, performance and a highly skilled management.

All of us on the Board, our management, our employees and our shareholders greatly admire the legacy Stephen has left us and we are grateful to him for the superb leadership he has given the Tire.

But the beat goes on as we enter 2015.

Our newly minted CEO, Michael Medline, has some ambitious plans to build on Stephen's foundation which will take the Tire even further into the new digital, data-driven world of retailing. The expectations of our customers are changing rapidly and so must our responses to those expectations. Moreover, the Board of Directors agrees with Michael's commitment to both organic and inorganic growth. The many advantages of scale are obvious and critically important for our future strength and continued success.

Stephen and Michael have put in place a high-performing, highly skilled, younger executive team. Together, they have made Canadian Tire a very attractive place to work for dynamic, high-potential leaders. And that will be a competitive strength for the Company as it continues its long tradition of responding positively and creatively to the challenges of its times.

The Board of Directors must also be responsive to the challenges of 21st century retail. And that is why we are working on Board renewal, with some prudent and carefully thought out changes to it over the next two years. The challenges of the digital, data-driven and social media world require some different skills on our Board, as does the world of risk management.

This year, subject to the approval of the shareholders at our AGM, we will welcome Michael Medline to the Board and also Diana Chant, a respected and experienced Fellow of the Chartered Accountants of Ontario. Diana has had extensive audit experience and has spent many years leading PwC's risk management practice. We have been fortunate in persuading Stephen to continue as a director with the title of Deputy Chairman in recognition of the leadership he will give to some projects both Michael and the Board have asked him to undertake.

This past year has proved to be a very hard-working one for our Board. I cannot tell you how proud I am of the insight, wisdom and commitment shown by the members of the Board this past year. Succession planning and the effective transition of CEOs is an important function of a board of directors, and your Board has done an excellent job. I would be remiss if I did not thank them for the constructive advice and guidance they have given both to management and to me during this challenging time.

After 17 years of committed and valuable service to the Tire, Graham Savage has decided not to stand for re-election to the Board at the AGM. Graham has been a stalwart on the Board and has always been generous with his time and his advice. Similarly, Peter Saunders, who has contributed much to our deliberations, will not stand for re-election. Peter has been a valuable and committed director and we will miss him. His broad and eclectic retail experience has benefited all of us.

Growth, innovation and continued reinvention of Canadian Tire will be our mantra for 2015. We have successfully begun the journey to redefine what Canadian Tire means to Canadians and we will continue on that journey.

Sincerely,

Maureen J. Sabia
Chairman of the Board

Message from the President and CEO

Michael B. Medline

I am fortunate to lead Canadian Tire – especially at a time when we have a brand that is strong and trusted by our customers and we have the financial flexibility as a Company to have choices in where and how we grow.

I believe that the Tire is on a roll – and has more momentum today than at any time in my own 14-year history with the Company. 2014 was a record year for Canadian Tire Corporation on all fronts.

In today's real-time and increasingly digital world, it feels anachronistic to be issuing a paper annual report. By the time you read this letter, we will be a third of the way through 2015. We are a forward-looking Company, but the annual report is – by necessity – backward looking.

I thought it would be useful for me to set out the six priorities that I think about every morning on my way to work:

- *We need to drive results.* We need to be doing everything possible to put the numbers on the board; that lets us drive our other priorities. In 2014, I was proud of the team for posting strong results. In 2015, we are now aiming toward the three years of targets we set out at our Investor Day.
- *Continue to strengthen our brands.* We have made immense progress in connecting with Canadians across all of our brands over the last several years. I believe that much of our overall success is directly attributable to our brand strength. Not only will we maintain the lofty brand heights we have attained, but we are also aiming to continue to grow on that success.
- *Grow our relationship with our Canadian Tire Dealers.* Our Dealers are close to their customers and communities. Decade after decade, they are one of the main reasons we have succeeded where others have failed. We perform better when Dealers and the Corporation work together (as we are now) to excite our customers and hammer the competition. Put plainly, if you don't like our Dealers' method of business, you shouldn't be working at the Tire.
- *Embrace the new world of retail.* We are an innovative organization that has always embraced change and adapted to a shifting retail landscape. I am very proud of our digital achievements to date, especially our core digital infrastructure and technology team, full of top talent, that has been driving change throughout the Company. We are building on this infrastructure with best in class achievements in in-store digital and digital marketing. However, we need to be much better at e-commerce and using an online experience to drive in-store performance. The team is on a 36-month journey to be executing at a world-class level and be an industry leader in digitizing the entire retail business.
- *We need to be more productive and efficient.* We need more of every dollar of sales to drop to the bottom line – which means being smarter about our expenses. Great companies are efficient in order to attain better results and fund key strategic initiatives.
- *Continue to look for inorganic growth opportunities.* We have the assets, competencies and balance sheet to grow inorganically. While our core businesses have performed well, we have added significant shareholder value through such initiatives as the successful acquisitions of the Forzani Group and Mark's Work Wearhouse. At the same time, we have shown a proclivity to return money to shareholders in dividends and share buybacks. I want to be very clear: we will continue to be very picky when it comes to possible acquisitions.

So, that's what I'm thinking about every single day. It is a big list, and we have the talent to accomplish our goals. And when we need to change or supplement our talent to attain our targets, we will do so.

I would like to close by thanking our Chairman, our Board and particularly my predecessor, Stephen Wetmore, for their support in making the transition to my new role so smooth.

Sincerely,

Michael B. Medline
President and Chief Executive Officer,
Canadian Tire Corporation, Limited

Board of Directors (as of March 2015)

Maureen J. Sabia[2]
Toronto, ON, Canada
Non-Executive Chairman of the Board

Iain C. Aitchison[3, 4]
Howell, NJ, USA

Martha G. Billes[2, 3]
Calgary, AB, Canada

Owen G. Billes[4]
St. Catharines, ON, Canada

Pierre Boivin[1, 3]
Montreal, QC, Canada

H. Garfield Emerson, Q.C.[1]
Toronto, ON, Canada

John A.F. Furlong[3,4]
Vancouver, BC, Canada

Ronald E. Goldsberry[1,4]
Bloomfield Hills, MI, USA

James L. Goodfellow[1, 2, 3]
Oakville, ON, Canada

Jonathan Lampe[2, 3]
Toronto, ON, Canada

Claude L'Heureux[4]
Ottawa, ON, Canada

Timothy R. Price[2, 4]
Toronto, ON, Canada

Peter B. Saunders[3]
Naples, FL, USA

Graham W. Savage[1, 2]
Toronto, ON, Canada

George A. Vallance[4]
Vancouver, BC, Canada

Stephen G. Wetmore[4*]
Toronto, ON, Canada
Non-Executive Deputy Chairman
of the Board

1 Audit Committee / Chairman, Graham W. Savage
2 Governance Committee / Chairman, Maureen J. Sabia
3 Management Resources and Compensation Committee / Chairman, James L. Goodfellow
4 Brand and Values Committee / Chairman, Timothy R. Price
* Previously Chief Executive Officer, Canadian Tire Corporation, Limited, until December 1, 2014

Executive Leadership Team (as of March 2015)

Michael B. Medline
President and Chief Executive Officer,
Canadian Tire Corporation, Limited

Dean McCann
Executive Vice-President
and Chief Financial Officer,
Canadian Tire Corporation, Limited

James R. Christie
Executive Vice-President,
Canadian Tire Corporation, Limited

Robyn A. Collver
Senior Vice-President,
Risk and Regulatory Affairs,
Canadian Tire Corporation, Limited

Duncan Fulton
Senior Vice-President, Communications
and Corporate Affairs, Canadian Tire
Corporation, Limited; Chief Marketing
Officer, FGL Sports Ltd. and Mark's

Allan MacDonald
Chief Operating Officer,
Canadian Tire Retail

Chad McKinnon
Chief Operating Officer,
FGL Sports Ltd.

Douglas B. Nathanson
General Counsel,
Chief Human Resources Officer
and Secretary, Canadian Tire
Corporation, Limited

Eugene O. Roman
Senior Vice-President
and Chief Technology Officer,
Canadian Tire Corporation, Limited

Mary L. Turner
President and Chief Executive Officer,
Canadian Tire Bank
and Chief Operating Officer,
Financial Services

Rick White
Chief Operating Officer, Mark's

Mahes Wickramasinghe
Chief Strategy Officer,
Canadian Tire Corporation, Limited

Management's Discussion and Analysis

Canadian Tire Corporation, Limited
Fourth Quarter and Full Year 2014

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1.0 Preface

1.1 Definitions

In this document, the terms "we", "us", "our", "Company", "Canadian Tire Corporation", "CTC" and "Corporation" refer to Canadian Tire Corporation, Limited, on a consolidated basis. This document also refers to the Corporation's three reportable operating segments: the "Retail segment", the "CT REIT segment" and the "Financial Services segment".

The financial results for the Retail segment are delivered by the businesses operated by the Company under the Company's retail banners, which include Canadian Tire, PartSource, Petroleum, Mark's, Sport Chek, Sports Experts, Atmosphere and Pro Hockey Life Sporting Goods Inc. ("PHL").

In this document:

"Canadian Tire" refers to the general merchandise retail and services businesses carried on under the "Canadian Tire" name and trademarks and the business carried on under the "PartSource" name and trademarks.

"Canadian Tire stores" and "Canadian Tire gas bars" refer to stores and gas bars (which may include convenience stores, car washes and propane stations), respectively, operated under the "Canadian Tire" and "Gas +" names and trademarks, and "PartSource stores" refers to stores operated under the "PartSource" name and trademarks. "Petroleum" refers to the retail petroleum business carried out under the "Canadian Tire" and "Gas +" names and trademarks.

"CT REIT" refers to the business carried on by CT Real Estate Investment Trust and its subsidiaries, including CT REIT Limited Partnership ("CT REIT LP").

"Financial Services" refers to the business carried on by the Company's Financial Services subsidiaries, including Canadian Tire Bank ("CTB" or "the Bank") and Glacier Credit Card Trust ("GCCT" or "Glacier").

"FGL Sports" refers to the retail business carried on by FGL Sports Ltd., and "FGL Sports stores" includes stores operated under the "Sport Chek", "Sports Experts", "Atmosphere", and "Pro Hockey Life" names and trademarks.

"Mark's" refers to the retail business carried on by Mark's Work Wearhouse Ltd., and "Mark's stores" includes stores operated under the "Mark's", "Mark's Work Wearhouse", and "L'Équipeur" names and trademarks.

Other terms that are capitalized in this document are defined the first time they are used.

1.2 Forward-looking statements

This Management's Discussion and Analysis ("MD&A") contains statements that are forward-looking. Actual results or events may differ materially from those forecast and from statements of the Company's plans or aspirations that are made in this disclosure because of the risks and uncertainties associated with the Corporation's business and the general economic environment. The Company cannot provide any assurance that any forecast financial or operational performance, plans or financial aspirations will actually be achieved or, if achieved, will result in an increase in the price of the Company's shares. Refer to section 14.0 in this MD&A for a more detailed discussion of the Company's use of forward-looking statements.

1.3 Review and approval by the Board of Directors

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on February 26, 2015.

1.4 Quarterly and annual comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for Q4 2014 (14 weeks ended January 3, 2015) are against results for Q4 2013 (13 weeks ended December 28, 2013) and all comparisons of results for the full year of 2014 (53 weeks ended January 3, 2015) are against results for the full year of 2013 (52 weeks ended December 28, 2013).

1.5 Accounting framework

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), using the accounting policies described in Note 3 to the annual consolidated financial statements.

1.6 Accounting estimates and assumptions

The preparation of consolidated financial statements that conform to IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Refer to section 9.1 in this MD&A for further information.

1.7 Key operating performance measures and additional GAAP and non-GAAP financial measures

The Company has identified several key operating performance measures and non-GAAP financial measures which Management believes are useful in assessing the performance of the Company; however, readers are cautioned that some of these measures may not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies.

Retail sales is one of these key operating performance measures and refers to the point of sale (i.e. cash register) value of all goods and services sold to retail customers at stores operated by Canadian Tire Associate Dealers ("Dealers"), Mark's and FGL Sports franchisees and Petroleum retailers, at corporately-owned stores across all retail banners and through the Company's online sales channels, and in aggregate does not form part of the Company's consolidated financial statements. Revenue, as reported in the Company's consolidated financial statements, is comprised primarily of those activities described in section 2.1 of this MD&A. Management believes that retail sales and relating year-over-year comparisons provide meaningful information to investors and are expected and valued by them to help them assess the size and financial health of the retail network of stores; these measures also serve as an indicator of the strength of the Company's brand, which ultimately impacts its consolidated financial performance. Refer to section 9.3 for additional information on retail sales. In addition, an aspiration with respect to retail sales has been included in our financial aspirations for the five-years ended 2014 and in our financial aspirations for the three-years ending in 2017. Refer to section 5.0 for further information on the Company's financial aspirations.

The Company also evaluates performance based on the effective utilization of its assets. The primary metric used to evaluate the performance of core retail assets is average sales per square foot. Comparison of sales per square foot over several periods will identify whether existing assets are being made more productive by the retail businesses' introduction of new store layouts and merchandising strategies. In addition, Management believes return on invested capital ("ROIC"), analyzed on a rolling 12-month basis, reflects how well the Company is allocating capital toward profitable retail investments. ROIC can be compared to CTC's cost of capital to determine whether invested capital was used effectively. Refer to section 9.3 for a description of changes made to the definition of this metric. In addition, an aspiration with respect to ROIC has been included in our financial aspirations for the five-years ended 2014 and in our financial aspirations for the three-years ending 2017. Refer to section 5.0 for further information on the Company's financial aspirations.

Additionally, the Company considers earnings before interest, tax, depreciation and amortization, and the change in fair value of the redeemable financial instrument ("EBITDA") to be an effective measure of CTC's profitability on an operational basis. EBITDA is a non-GAAP financial metric and is commonly regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses. Refer to section 9.3 for a schedule showing the relationship of the Company's consolidated EBITDA to the most comparable GAAP measure.

In the CT REIT segment, certain income and expense measurements that are recognized under GAAP are supplemented by Management's use of certain non-GAAP financial key operating performance measures when analyzing operating performance. Management believes the non-GAAP financial key operating performance measures provide useful information to both Management and investors in measuring the financial performance and financial condition of CT REIT. These measures include funds from operations ("FFO"), adjusted funds from operations ("AFFO") and net operating income ("NOI"). Refer to section 9.3 for further information and for a reconciliation of these measures to the nearest GAAP measure.

Management calculates and analyzes certain measures to assess the size, profitability and quality of Financial Services' total managed portfolio of receivables. Growth in the total managed portfolio of receivables is measured by growth in the average number of accounts and growth in the average account balance. A key profitability measure the Company tracks is the return on the average total managed portfolio (also referred to as "return on receivables" or "ROR"). Refer to section 9.3 for a definition of ROR. An aspiration with respect to ROR has also been included in our financial aspirations for the five-years ended 2014 and in our financial aspirations for the three-years ending 2017. Refer to section 5.0 for further information on the Company's financial aspirations.

1.8 Rounding and percentages

Rounded numbers are used throughout the MD&A. All year-over-year percentage changes are calculated on whole dollar amounts except in the presentation of basic and diluted earnings per share ("EPS"), in which the year-over-year percentage changes are based on fractional amounts.

2.0 Company and industry overview

2.1 Overview of the business

Canadian Tire Corporation is a family of businesses that includes Canadian Tire, PartSource, Petroleum, FGL Sports, Mark's, a Financial Services division, and CT REIT.

The Company's business model results in several distinct sources of revenue, which primarily comprise:

- shipments to Canadian Tire Dealers and franchisees of FGL Sports and Mark's;
- royalties on sales made by franchisees of FGL Sports and Mark's;
- sales of goods to retail customers of corporate-owned stores and wholesale revenue from sales to business customers;
- franchise rent and Dealer property licence fees;

- sales of gasoline and convenience items at gas bars;
- sales of services through the Home Services business;
- interest income and service charges on credit card loans receivable;
- merchant and interchange fees on credit card transactions;
- revenue from insurance products sold to credit card holders; and
- rental revenue from third-party tenants leasing space at properties owned by the Company.

The Company has three reportable operating segments for financial reporting purposes: Retail, CT REIT and Financial Services.

2.1.1 Retail segment

The Company's retail business results are delivered through the Company's retail banners: Canadian Tire, PartSource, Petroleum, Mark's and the various FGL Sports banners.

Canadian Tire is one of Canada's most shopped general merchandise retailers. For more than 90 years, Canadian Tire has been Canadians' store for life in Canada. Canadian Tire offers products and services in the Living, Playing, Fixing, Automotive, and Seasonal categories. Canadian Tire is best known for the iconic red triangle affixed to every Canadian Tire storefront and also operates the specialty automotive hard parts banner "PartSource". Canadian Tire has established itself as Canada's store and one of the Canadian consumer's most recognized and trusted brands by reconnecting with customers through renewed marketing campaigns such as "We all play for Canada" and "Tested for life in Canada". As part of its evolution, Canadian Tire now offers many of its products and services online for purchase and in-store pick-up across the entire store network. In addition to Canadian Tire's commitment to strengthening its eCommerce platform, there is additional focus on finding ways to use technology to service and connect with today's customers. Examples include in-aisle product locator devices, product selection tools in the Automotive category, and enhancements to the Canadian Tire mobile app. Canadian Tire also offers one of Canada's most beloved loyalty programs, "My Canadian Tire 'Money'™", which now offers customers a choice between paper-based and electronic 'Money'.

The 493 Canadian Tire stores, including close to 5,600 automotive service bays, across Canada are run by third-party operators known as Dealers, who are independent business owners. Dealers buy merchandise from CTC and sell it to consumers in Canadian Tire stores or online. Canadian Tire supports Canadian Tire Dealers with marketing, supply chain management, purchasing, administrative, financial and information services. Each Dealer owns the fixtures, equipment and inventory of, and is responsible for the store staff and operating expenses for, the Canadian Tire store he or she operates. Each Dealer agrees to comply with the policies, marketing plans and operating standards prescribed by Canadian Tire, including purchasing merchandise primarily from Canadian Tire and offering merchandise for sale at prices not exceeding those set by Canadian Tire. In April 2013, the Company and its Dealers signed new contract terms which came into effect on June 30, 2013 and expire on December 31, 2024. Each new contract includes guidelines for gross margin and cost sharing, simplified processes to achieve efficiencies and reduce costs, and guidelines to improve Dealer mobility within the network.

Petroleum is one of Canada's largest independent retailers of gasoline, with a network of 297 retailer-operated gas bars, including 293 convenience stores and 83 car washes. Petroleum operates under the banner "Gas+". The majority of Petroleum sites are co-located with a Canadian Tire store as a strategy to drive traffic to the Company's core retail banner stores. In addition, Petroleum has a contract to build and operate 23 Canadian Tire gas bars in state-of-the-art service centres along major Ontario highways (Highway 400 and Highway 401). The service centres feature a gas bar and an associated convenience store. There were 19 of these locations in operation as at January 3, 2015.

Mark's provides Canadians with apparel and footwear for everyday work and everyday living by focusing its core business on developing durable, high-quality and comfortable items for casual and industrial use. Mark's operates 383 stores nationwide, including 348 corporate and 35 franchise stores that offer industrial wear, men's casual wear, women's casual wear, footwear and accessories. Mark's operates under the banners "Mark's", "Mark's Work Wearhouse" and, in Quebec, "L'Équipeur", and offers products for sale through its website at www.marks.com. Mark's also conducts a business-to-business operation under the name "Imagewear, a Division of Mark's Work Wearhouse".

FGL Sports is a national retailer of sporting goods and active wear in Canada, operating 436 stores including 246 corporate stores and 190 franchise stores from coast to coast. FGL Sports offers a comprehensive assortment of brand-name and private-label products under various banners, with the largest being "Sport Chek", "Sports Experts" and "Atmosphere" (others include "Intersport", "National Sports", "Hockey Experts" and "Pro Hockey Life"). Sport Chek offers products for sale through its website at www.sportchek.ca. FGL Sports also conducts a business-to-business operation under the name "INA".

2.1.2 CT REIT segment

CT REIT has a geographically diversified portfolio of properties which comprises 273 properties located across each of the provinces and two territories of Canada totaling more than 20 million square feet of gross leasable area. The property portfolio includes Canadian Tire stores, retail developments anchored by a Canadian Tire store, Canadian Tire distribution centres (DCs), a mixed-use commercial property, and development lands upon which Canadian Tire retail banner stores may be built. CT REIT's primary business involves owning, developing and leasing income-producing commercial properties. CTC holds an approximate 83.2 per cent effective interest in CT REIT. An initial public offering of units of CT REIT was completed on October 23, 2013. CT REIT did not operate prior to this date.

2.1.3 Financial Services segment

Financial Services markets a range of Canadian Tire-branded credit cards, including the Canadian Tire Options MasterCard, the Cash Advantage MasterCard, the Gas Advantage MasterCard and the Sport Chek MasterCard. Financial Services also markets insurance and warranty products and processes credit card transactions in respect of purchases made in Canadian Tire stores and Petroleum outlets. CTC holds an 80 per cent interest in the Financial Services business, which includes Canadian Tire Bank, a federally regulated financial institution that manages and finances the Company's consumer MasterCard portfolio. The Bank also offers and markets high-interest savings account deposits, tax-free savings account deposits and guaranteed investment certificate deposits, both directly and through third-party brokers. The Financial Services segment also includes a Bermuda-based reinsurance company that reinsures the risk of certain insurance products marketed to Canadian Tire customers, and Glacier, a trust established to purchase co-ownership interests in the Company's credit card loans. Glacier issues debt to third-party investors to fund its purchases.

2.1.4 Foreign operations

The Retail segment has representative offices in the Pacific Rim that perform activities relating to product sourcing, logistics and vendor management. In addition, a United States (U.S.) based subsidiary carries on a factoring business, using some of its funds to purchase Dealer receivables from the Company, with the remainder of its funds being loaned to other subsidiaries within the Company. FGL Sports, through a subsidiary, has wholesale operations based in the U.S., including warehouse facilities in the state of Washington. The Financial Services segment includes a Bermuda-based reinsurance company.

2.2 Competitive landscape

No single retailer competes directly with Canadian Tire across all of its categories of product and service offerings, reflecting Canadian Tire's unique position in the Canadian retail marketplace. Canadian Tire's Living, Playing, Fixing and Seasonal categories compete with mass merchants, home improvement warehouses and specialty retailers across a number of product lines, including kitchen, cleaning, storage and organization and tools.

Canadian Tire's Automotive business, including its auto service centres and hard goods departments, PartSource hard-parts specialty stores and Petroleum retail outlets and gas bars, is one of the Company's core differentiators. The main competition in this category is from independent retailers, national and regional parts and tire specialty shops and automotive dealerships. In recent years, mass merchants and online specialty retailers have become an increasing source of competition, particularly in the tire market.

Mark's offers industrial apparel and footwear as well as men's and women's casual apparel and footwear. Mark's has the highest market share in industrial apparel and footwear and is a leader in men's casual apparel in the Canadian retail marketplace. Mass merchants, department stores and specialty retailers compete with Mark's product lines. Mark's core differentiators are its strong national brands and private-label program with a focus on quality, comfort, durability and functionality, its industrial apparel and footwear offering, and its in-store customer experience.

FGL Sports is a leading national retailer of sporting goods and active wear, offering a comprehensive assortment of brand-name and private-label products through a network of corporate and franchise stores. FGL Sports' stores are located in malls, strip malls and retail power centres. The majority of the stores operate under the Sport Chek and Sports Experts banners; however, each banner is focused on a particular niche and operates in the highly fragmented retail marketplace with competitors including independent specialty shops, mass merchants, U.S.-based retailers, and vendor-direct online and outlet-store sales channels. FGL Sports' core differentiators are its strong brand equity in core brands, including both private-label and elite vendor brands, world-class digital concept and flagship stores, real estate coverage with high-profile locations in major shopping centres, and its strategic sports partnerships and sponsorships.

Canadian Tire, Mark's and FGL Sports also compete with retail businesses that sell products through eCommerce channels. The Company's major retail banners host eCommerce sites, which aim to address this increasing source of competition.

CT REIT's primary business involves owning, developing and leasing income-producing commercial properties located in Canada. Competitors to CT REIT include other investors, managers and owners of commercial properties in the Canadian real estate market. Certain of these competitors may have greater financial and other resources and greater operating flexibility than CT REIT. An increase in the availability of funds for investment or an increase in interest in real estate property investments may increase the competition for attractive real estate property investments, thereby increasing purchase prices and reducing yields.

Financial Services' primary role in the Company is to strengthen and support the core retail businesses. The credit card offering of Financial Services competes with those of the major Canadian banks and other retail companies' financial services arms. In November 2014, Visa and MasterCard submitted voluntary proposals to reduce interchange fees paid by retailers accepting their credit cards as a form of payment for retail sales transactions to an average effective rate of 1.5 per cent for the next five years. The implementation of the reduction is to begin no later than April 2015. The reduction in interchange fees will impact revenue growth for credit card issuers partnered with these associations, including the Company. The Company expects to mitigate the impact on its revenue growth with its strong value proposition and enhanced credit approval and in-store acquisition processes.

In the upcoming years, the Company anticipates that it will face increased competition from new entrants for both sales and retail locations and new opportunities from industry consolidation. These challenges and opportunities include:

- U.S.-based retailers already in Canada (including Walmart, Costco, Home Depot, Cabela's, Bass Pro Shops, Lowe's, and Nordstrom) that are in the process of expansion or are expected to further expand their store networks in Canada;

- new retailers which may enter Canada in the coming years, which could include J.C. Penney, Kohl's and Dick's Sporting Goods;
- vendor-direct online and outlet-store sales channels, including those operated by Under Armour and those under development by Nike;
- non-traditional market entrants and new technologies such as mobile payments impacting the competitive landscape and credit card industry;
- Costco partnering with Capital One to become a MasterCard issuer; and
- U.S. or international retailers that do not have bricks-and-mortar stores in Canada but are capturing sales from Canadian customers through eCommerce sites such as Amazon and those belonging to various apparel retailers.

In addition to the physical and online presence of other competitors in the marketplace, the retail consumer landscape is also changing rapidly, with retailers modifying how they reach out to customers and encourage them to shop in their stores. The changes include:

- technology-savvy and better informed customers, due in part to the breadth of information available online for education on specific items and product features;
- advances in mobile technology allowing retailers to market to customers based on their physical location by sending text and email messages with specific targeted offers as they come within a specific distance of stores;
- a changing Canadian demographic, with customers who have different shopping patterns and needs and little brand loyalty to established retailers; and
- customers who are more price-sensitive and price-compare online before making purchases.

The Company is well positioned in this competitive environment because:

- it has made investments in its store network to revitalize and introduce consumer-responsive designs, such as the Smart Store concept at Canadian Tire, the rebranding initiative at Mark's, and new digitally focused store designs at Sport Chek;
- capabilities from merchandise productivity initiatives have been implemented and embedded into purchasing processes, which are helping to reduce costs and improve margins;
- the FGL Sports store network growth strategy is continuing with a focus on opening new Sport Chek stores featuring an enhanced in-store customer experience; and
- progress on the Company's integrated digital strategy is continuing with the completion of its foundational digital platform and a phased-in approach for key initiatives such as the newly launched Canadian Tire eCommerce platform.

3.0 Core capabilities

Management has identified several core capabilities that differentiate the Company and its businesses and operations from those of its competitors and add value for its customers. These include:

Strong brand equity

The Company is committed to being a "brand-led" organization. In recent years, the Company has invested in a variety of innovative and brand-enhancing awareness programs to reinforce the relevance of its brands for customers today and to support their relevance in the future. Recognizing that the Company's brand is its most valuable asset, the Company established a Brand and Values Committee of the Board, whose mandate includes oversight of the effectiveness of strategies to maintain and enhance the brand.

Canadian Tire is one of the most recognized and trusted names in the Canadian retail landscape. Canadian Tire stores and gas bars as well as many of the products offered by Financial Services all share the Canadian Tire "red triangle" logo, leveraging the loyalty and trust summoned by the Canadian Tire brand. Part of the Company's brand strategy includes the development or acquisition of high-quality private-label brands. In 2014, Canadian Tire launched the FRANK® private-label brand and the CANVAS™ home décor line, re-launched the MasterCraft® MAXIMUM line for tools, and acquired the Woods® brand for camping and outdoor equipment. The Company's private-label and exclusively licensed brands such as Motomaster®, MasterCraft®, Denver Hayes®, WindRiver®, Diadora®, Firefly®, McKINLEY® and Nakamura® have earned a level of credibility that is on par with national brands.

Loyalty program

The Canadian Tire 'Money'® loyalty program was first introduced in 1958 as an innovative customer traffic-builder for Canadian Tire stores and gas bars. Today, Canadian Tire 'Money' is one of Canada's most popular and widely known loyalty programs. In October 2014, the Company completed the national rollout of the evolution of its loyalty program, "My Canadian Tire 'Money'™", which introduces electronic Canadian Tire 'Money' in addition to the traditional paper Canadian Tire 'Money'. In addition, in 2014 the Company launched a co-marketing program that extends the benefits of the SCENE program, enabling members to earn and redeem points for products available at more than 180 Sport Chek locations across Canada. Refer to section 5.2.1 for further information about the evolution of the loyalty program and co-marketing initiatives in 2014.

Innovative products

The Company has built a reputation as an innovator by introducing new or innovative products, programs and services that address the everyday needs of customers. In 2013, Canadian Tire launched its "Tested for life in Canada™" campaign with the launch of the Coleman tent Carwash ad. This was the first of many ads in 2013 where Canadian Tire reinforced its commitment to rigorous testing, including testing by its customers, to bring innovative high-quality

products to its customers. The "Tested for life in Canada™" campaign continued to expand in 2014, with many products being tested with a panel of 15,000 Canadians. TV ads reinforcing Canadian Tire's commitment to rigorous testing and bringing innovative, high-quality products to its customers were featured, including Greenworks Lawnmowers and Chainsaws, MAXIMUM Titanium Drill Bits, and the award-winning Motomaster Eliminator AGM Battery Ice Truck campaign. There will be a continued focus on the "Tested for life in CanadaTM" campaign through 2015 as the broader program officially launches. Sport Chek continues to be a leader in the Canadian marketplace in the integration of technology and sport. In 2014, Sport Chek introduced the 94Fifty's Sensor Basketball, the world's first smart basketball that has internal sensors that measure the strengths and weaknesses of its handler and provides instant feedback.

Customer-friendly and innovative store layouts

Through its retail banners, the Company delivers innovative store designs that help customers find what they need, quickly and easily. The store network is regularly refreshed to reflect the latest assortments, store layout and merchandising concepts in order to enhance the in-store shopping experience. In the last five years, the majority of Canadian Tire stores have been refreshed to the Smart Store format. This concept features a "racetrack" floor plan and incorporates better signage and more logical product adjacencies, added features such as "price lookup" kiosks, customer assistance stations and the latest technology throughout the store. An evolution of this store concept includes an expanded Living category footprint with enhanced assortments, inspirational displays and improved product adjacencies, as well as the Pro Shop (store within a store) concept in Hunting and/or Fishing categories.

At Mark's, the majority of the "Mark's Work Wearhouse" legacy stores have been rebranded as "Mark's" with new and innovative features in many stores as well as improved assortments in both men's and women's casual apparel and footwear. Throughout 2014, customers responded favourably to an improved customer experience due, in part, to clear and consistent navigational signage and better in-store merchandising and assortments across the network.

In 2012, FGL Sports announced its growth strategy and banner rationalization initiative. As part of this strategy, several non-strategic banners were closed and subsequent corporate store growth concentrated primarily on the Sport Chek banner. A focus on enhancing the customer experience has led to improved in-store execution and merchandising, and installation of new digital features in-store to assist customers with making the right purchasing decisions. In 2013, a new-concept "retail lab" location was opened serving as a testing ground for the interactive displays and digital enhancements that may be rolled out to new urban "flagship" Sport Chek stores. The first flagship store opened in Edmonton, Alberta, in January 2014 and includes many enhancements that focus on an improved customer experience both in and out of the store. A second flagship store opened in Burnaby, British Columbia in November 2014.

Real estate expertise

The Company's strong in-house real estate team manages the entire network of owned and leased properties for CTC, and manages CT REIT's portfolio pursuant to a property management agreement. The portfolio represents one of the largest retail networks in the country, comprising 1,700 locations and over 30 million retail square feet. The Company's expertise in real estate enables it to quickly and efficiently identify properties that are ideally situated for future development or redevelopment and to secure high-traffic, sought-after locations for its retail outlets. The Company's real estate management team also has a strong track record of developing commercial and industrial properties.

The Company owns the majority of Canadian Tire store properties either directly or indirectly through its majority interest in CT REIT. The balance of Canadian Tire stores, as well as almost all Mark's and FGL Sports stores, operate in leased locations.

Global supply chain network

The Company's supply chain is responsible for managing the flow of information and goods among its suppliers, supply chain partners and retail network of stores. Supply chain partners include common carrier trucking companies, third-party logistics companies, ocean carriers and railways.

Most of Canadian Tire's products are distributed to stores from four DCs across Canada. The two DCs in Brampton, Ontario ("A.J. Billes" and "Brampton") are operated by the Company and are staffed primarily by Company employees while the DCs in Calgary, Alberta and Montreal, Quebec are operated for the Company by a third-party logistics company. In recent years, the DCs have focused on driving efficiencies when testing and implementing new technologies. Voice-pick technology that has been implemented is designed to enhance shipment quality and reduce errors. The utilization of automated guided vehicle technology at the A.J Billes DC replaces conventional lift vehicles and operators. In 2014, Canadian Tire's supply chain began piloting the use of hydrogen fuel cells to replace conventional lead-acid batteries in mobile equipment in its DCs, which may result in enhanced productivity as well as sustainability benefits.

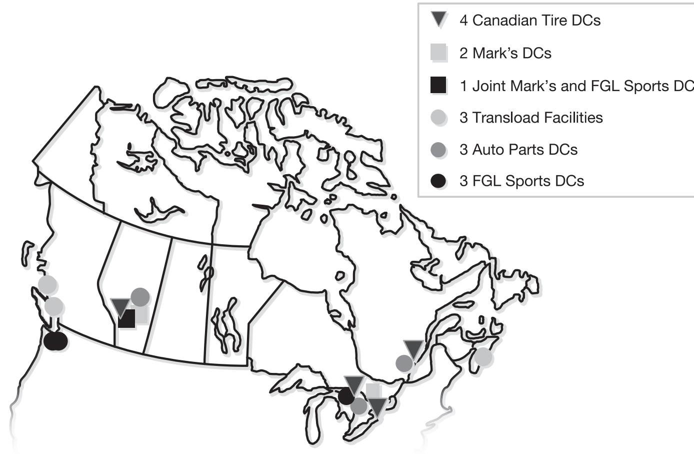
The Company has identified the need to replace the aging Brampton DC. Land in Bolton, Ontario was acquired in 2013 to replace this DC and construction began in 2014.

Mark's partnered with a third-party logistics provider that operates Mark's DC in Calgary, Alberta and Brampton, Ontario pursuant to an outsourcing arrangement. The movement of goods from offshore suppliers to the two DCs is managed by the Company's supply chain through Canadian Tire's third-party overseas consolidator and network of third-party carrier partners. Mark's processes inbound offshore ocean containers through an outsourced transload facility in Vancouver. Mark's utilizes third-party rail and transportation partners to manage transportation to and from its two DCs.

FGL Sports uses third-party logistics companies to transport goods to its franchise and corporate stores from its primary DC in Mississauga, Ontario. This facility uses state-of-the art warehouse management systems, automated conveyor systems and a light-directed packing system to distribute products to both franchise and corporate stores. FGL Sports operates a second facility in Brampton, Ontario for corporate distribution overflow and INA wholesale Canadian distribution operations. INA also has two warehouse facilities in the state of Washington. During 2014 the Company closed PHL's warehouse facility in Laval, Quebec, and integrated PHL's supply chain operations with FGL Sports'.

A new Calgary DC that will service both Mark's and FGL Sports opened in early 2015. This DC replaces Mark's current third-party operated DC in Calgary and provides FGL Sports with new distribution capacity in Western Canada.

The Company's distribution network at a glance:



Prudent credit risk management

Financial Services has more than 25 years of experience managing credit card risk and has a professional team of managers, analysts and statisticians who use sophisticated industry-standard and proprietary credit-scoring models to manage that risk. As a result, the team is able to make an informed assessment of the credit quality of each customer account and tailor products to achieve an appropriate balance of risk and return.

World-class customer contact centres

The Company's commitment to creating lifelong relationships with its customers is reflected in the success of its customer contact centres at Financial Services. The contact centres continue to be recognized for their commitment to customer service excellence, earning four *Contact Centre of the Year* titles and eight *Customer Satisfaction* awards over the past decade.

4.0 Historical performance highlights

4.1 Selected annual consolidated financial trends

The following table provides selected annual consolidated financial and non-financial information for the last three fiscal periods. The financial information has been prepared in accordance with IFRS.

(C$ in millions, except per share amounts and number of retail locations)	2014	2013	2012
Revenue	$ 12,462.9	$ 11,785.6	$ 11,427.2
Net income	639.3	564.4	498.9
Basic earnings per share attributable to owners of Canadian Tire Corporation	7.65	6.96	6.13
Diluted earnings per share attributable to owners of Canadian Tire Corporation	7.59	6.91	6.10
Total assets	14,553.2	13,630.0	13,228.6
Total non-current financial liabilities[1]	5,473.0	4,941.7	5,420.9
Financial Services gross average accounts receivables (total portfolio)	4,684.6	4,374.3	4,096.0
Number of retail locations	1,700	1,687	1,737
Cash dividends declared per share	$ 1.9625	$ 1.4875	$ 1.250
Stock price (CTC.A)[2]	122.22	99.84	69.11

[1] *Includes short and long-term deposits, long-term debt including the current portion, and long-term derivative liabilities included in other long-term liabilities.*

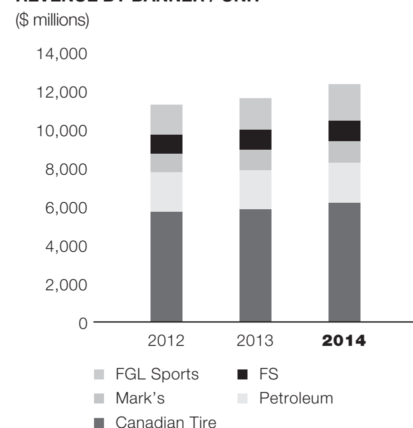
[2] *Closing share price as of the date closest to the Company's fiscal year-end.*

The three-year trend chart highlights changes in revenue by banner between 2012 and 2014. Since 2012, consolidated revenue increased every year due primarily to:

- higher shipments to Dealers relating to same-store sales growth at Canadian Tire and same-store sales growth across the Mark's and FGL Sports banners;
- higher retail sales in Petroleum due to increased volume as new sites were added on the 400/401 highways, increases in the price per litre and increased focus on convenience products;
- increased revenue in Financial Services largely attributable to process enhancements and new product offerings which have led to an increase in the average account balance;
- revenue growth from the acquisition of PHL in August 2013; and
- an incremental week of Retail segment operations in 2014.

REVENUE BY BANNER / UNIT*

($ millions)

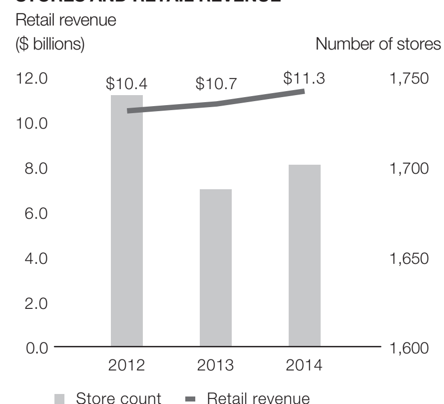


** Excludes CT REIT*

The decrease in store count from 2012 reflects the FGL Sports banner rationalization initiative which, through the net closure of over 100 stores, formed an important initial phase of the FGL Sports growth strategy. This initiative rationalized the FGL Sports corporate stores, with future growth in the network to come primarily from Sport Chek banner stores. Despite the decrease in the number of stores, retail revenue has continued to increase.

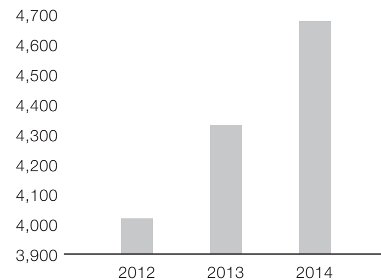
STORES AND RETAIL REVENUE

Retail revenue ($ billions) — Number of stores



Financial Services' gross average accounts receivables ("GAAR") for the total portfolio has increased over the past three years. Ongoing investment in new account acquisition; financing offers, in-store for Canadian Tire, and for services customers; higher average account balances; and continued focus on the optimization of approval and credit limit strategies, allowed Financial Services to continue its trend of strong GAAR growth in 2014.

FINANCIAL SERVICES GROSS AVERAGE ACCOUNTS RECEIVABLE
($ millions)

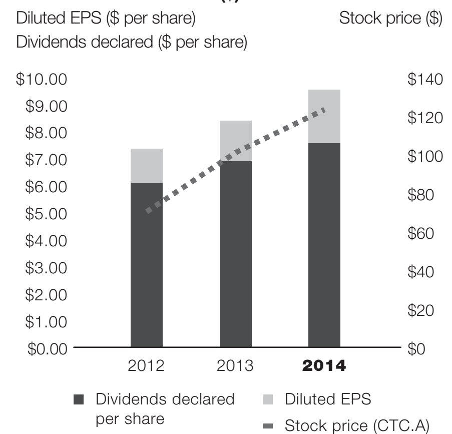


Historical earnings and investment performance

The three year trend chart shows that the Company's diluted EPS, dividends paid per share and stock price have increased since 2012. In 2013, the Company announced several initiatives aimed at surfacing value for shareholders including the formation of CT REIT, its intention to seek a financial partner for its credit card portfolio, an increase in the annual dividend, and a share buy-back program. During 2014, the Company closed a partnership transaction with Scotiabank and the Company's Financial Services business pursuant to a strategic partnership agreement that includes a co-marketing arrangement. The Company also announced further share repurchases in excess of the amount required for anti-dilutive purposes, and an increase in the annual dividend, which were favourably received by the capital markets. The Company's Class A Non-Voting share price increased 22 per cent over the prior year.

The Company has a track record of increasing its annual dividend and, prior to 2013, had established a target payout ratio of 20 to 25 per cent of its prior year's earnings. In Q3 2013, the Company announced an increase in the dividend payout ratio target to 25 to 30 per cent of the prior year's normalized earnings. In 2014, the Company increased its annual dividend to $2.10 per share, and dividends paid per share represented 26.4 per cent of prior year normalized EPS.

EARNINGS, STOCK PRICE AND DIVIDENDS PER SHARE ($)
Diluted EPS ($ per share)
Dividends declared ($ per share)
Stock price ($)



5.0 Financial aspirations and strategic objectives

5.1 2014 Review

5.1.1 Financial aspirations: 2010 to 2014

Over the past five years the Company focused its businesses to support growth and productivity improvements in its effort to achieve the financial aspirations announced as part of its strategic plan in 2010, as listed below. The financial aspirations reflect the Company's aspirations over the life of the strategic plan, which came to a close at the end of fiscal 2014.

Financial Measure	Aspirations over 5-year period to 2014	2014 Performance	Achieved in 2014	2010 to 2014 CAGR[1] Performance	Achieved from 2010 to 2014
Canadian Tire retail sales (POS) annual growth[2]	3% to 5%	4.4%	✓	2.4%	X
Consolidated EPS annual growth	8% to 10%	10.0%	✓	13.3%	✓
Retail return on invested capital[2, 3] (ROIC)	10% +	8.1%	X	8.1%[3]	X
Financial Services return on receivables[2, 3] (ROR)	4.5% to 5.0%	7.4%	✓	7.4%[3]	✓
Total return to shareholders including dividends	10% to 12%	24.3%	✓	17.5%	✓

[1] *Cumulative average growth rate.*

[2] *Key operating performance measures. Refer to section 9.3 in this MD&A for additional details.*

[3] *Retail ROIC and Financial Services ROR are targets intended to be achieved at the end of the outlook period, therefore, have been calculated as at the year-end date.*

Canadian Tire retail sales annual growth

As discussed in the 2013 Annual Report, the financial aspiration relating to Canadian Tire retail sales growth of 3.0 per cent to 5.0 per cent was 2.4 per cent and therefore not achieved over the strategic plan period. The Company believes that a more cautious consumer than expected and economic uncertainty over the plan period resulted in lower Canadian Tire retail sales growth than the aspiration. The Company has seen renewed momentum in the past two years, reflecting customers' positive responses to the initial phases of the Company's Canadian Tire retail growth strategy, including enhanced merchandising and marketing programs and an enhanced online presence.

Consolidated EPS annual growth

The five-year consolidated EPS cumulative annual growth rate (CAGR) was 13.3 per cent, which exceeded the Company's aspirational target. EPS performance over the five-year period was driven by:

- net earnings growth due to strong revenue and margin growth contribution from both the Retail and Financial Services segments;
- successful integration of acquisitions that complement the Company's product and service offering, including FGL Sports and PHL;
- a reduction in the number of Class A Non-Voting shares outstanding due to 3,997,000 of repurchased shares in excess of the amount required for anti-dilutive purposes since 2010;

partially offset by

- the impact of non-controlling interests relating to CT REIT public unitholders, The Bank of Nova Scotia's ("Scotiabank") equity interest in the Company's Financial Services business and a gas-retailing joint venture within the Retail segment, which reduced 2014 full-year EPS by $0.45; and
- the change in the fair value of the redeemable financial instrument arising from the Financial Services strategic partnership transaction, which reduced 2014 full-year EPS by $0.22.

Retail return on invested capital

The financial aspiration relating to ROIC was 8.1 per cent and therefore not achieved by the end of the plan period. Increased capital spending relating to investments in loyalty and digital capabilities, including the Winnipeg Data Centre (WDC), the acquisition of The Forzani Group Ltd. (FGL Sports) and additional distribution capacity resulted in lower than expected ROIC over the plan period. The return on these capital investments is expected to be realized in future years. The Company will continue to invest in its real estate network and supply chain to remain competitive, including completion of the Bolton DC, and expects to allocate a greater proportion of its capital investments toward the foundational elements required for its digital strategy over the next three years.

In addition in Q4 2014, the Company refined the ROIC definition to reflect a pure retail business methodology. On a comparable basis, the retail ROIC metric decreased 3 bps to 8.07 per cent over a restated 2013 Retail ROIC metric of 8.10 per cent. The increase over the 2013 metric is primarily due to the partial-year impact of CT REIT which was formed in Q4 2013 and therefore the 2013 metric does not reflect a full year of its operations. While the one-time increase in the metric changes the Q4 2014 result, it does not impact the Company's longer-term aspiration of achieving a 9 per cent+ ROIC metric by the end of 2017. Refer to section 9.3 in this MD&A for additional information on the Retail ROIC metric.

Financial Services return on receivables (ROR)

Financial Services ROR was 7.4 per cent, which exceeds the Company's aspirational range of 4.5 per cent to 5.0 per cent. This strong performance was driven by:

- strong revenue and margin performance due to higher credit charges relating to gross average accounts receivable growth;
- strong credit risk management; and
- prudent expense management at Financial Services.

Total return to shareholders including dividends

Strong earnings performance enabled the Company to return value to shareholders by increasing its dividend policy to pay 25 to 30 per cent of prior year normalized basic EPS, after giving consideration to the period-end cash position and future cash flow requirements. Through a combination of share price appreciation, reflecting the capital market's perception of the success of the Company's strategy over the plan period, and aforementioned increase in dividends, the total return to shareholders over the five-year period was 17.5 per cent, exceeding the Company's aspirational target.

5.1.2 Strategic objectives and initiatives: 2014 Review

Progress made towards achieving the strategic objectives in 2014, identified in section 5.1.3, was supported by the following major strategic initiatives:

1) Invest in and grow existing retail store networks

Canadian Tire store renewal program

Beginning in 2008, the Company began to roll out its newest Canadian Tire store concept, referred to as the Smart Store. An evolution of this store concept includes an expanded Living category footprint with enhanced assortments, inspirational displays and improved product adjacencies, as well as the Pro Shop (store within a store) concept in Hunting and/or Fishing categories. The Pro Shop concept increases the breadth and depth of seasonally relevant and regionalized assortments and provides an improved merchandising experience with enhanced staff engagement and knowledge, all leading to an enriched customer experience in the stores. During 2014, all Smart Stores included an expanded Living category footprint and/or access to an expanded Living category assortment, and the Hunting and/or Fishing Pro Shop concept had been rolled out to 196 stores as at the end of the year.

The Canadian Tire store is the cornerstone of the business, which can be enhanced through the addition of digital channels and technological solutions to best serve the evolving Canadian Tire customer. It is in this vein that the Company has started to develop and test the next new Canadian Tire store concept, with the aim of creating an interactive shopping experience. The next new Canadian Tire store concept will focus on improving and streamlining the product and service mix, improving the digital and in-store experience, and integrating store and digital channels to maximize sales and return on invested capital.

Mark's network renewal

Mark's growth plan involves capturing an increasing share of overall casual apparel and casual footwear sales while continuing to build on its historical strength in industrial apparel and footwear. Mark's launched its store renewal initiative with the aim of increasing its market share in men's casual apparel, with a specific focus on jeans, outerwear and casual footwear. The renewal includes rebranding stores as "Mark's" from "Mark's Work Wearhouse" and offering a better customer experience in its stores, including wider aisles, cleaner sightlines, brighter interiors and interactive features, as well as greater style and fashion in casual apparel and footwear assortments. In addition to growing its private-label casual brands, Mark's integrated a complementary assortment of national brands into all merchandising divisions to increase variety and appeal in the casual wear offering and rolled out new footwear fixtures to optimize space and capacity to support the casual footwear growth plans. The rebranding renewal includes increased marketing to build awareness of Mark's as a casual apparel and footwear retailer, in addition to the existing awareness of Mark's as an industrial-wear retailer, in order to expand Mark's customer base.

FGL Sports continued network expansion

In May 2012, FGL Sports announced a five-year growth strategy that includes a plan to rationalize its retail banners under the FGL Sports umbrella, closing over 100 retail locations, to focus primarily on expansion of its Sport Chek banner stores. The growth plan includes the addition of approximately 1.4 million square feet of net new retail selling space after considering rationalized banners, over a five-year time period. In particular, new-concept, large, urban flagship Sport Chek stores are being built, the first two of which opened in 2014.

CT REIT growth strategy

The principal objective of CT REIT is to create value for its unitholders over the long term by generating reliable, durable and growing monthly cash distributions on a tax-efficient basis. To achieve this objective, CT REIT's Management focuses on expanding CT REIT's asset base while also increasing its AFFO per Unit.

Growth is expected to be achieved through contractual annual rent escalations over the initial term of the Canadian Tire store leases and through contractual arrangements with the Company whereby CT REIT has a right of first offer on all current and future properties owned by the Company which meet CT REIT's investment criteria and preferential rights, subject to certain exceptions, to participate in the development of, and to acquire, certain new retail properties. CT REIT will seek to use its relationship with the Company to obtain insights into potential real estate acquisitions and development opportunities in markets across Canada.

During 2014, CT REIT completed 13 property acquisitions (including seven purchases from CTC, or "vend-ins"), six intensifications, two development land acquisitions, and two developments, all of which comprise approximately 1.5 million additional square feet of gross leasable area.

2) Invest in technology, digital and loyalty programs

Customers can connect with the Company's leading retail banners through a variety of digital channels including:

- individual banner websites accessible at: www.canadiantire.ca, www.sportchek.ca, and www.marks.com which are among Canada's most visited websites;
- Facebook, Twitter, Pinterest and YouTube; and
- mobile apps available on IOS, Blackberry, and Android smartphones and tablets.

Customers can also purchase products from the Company's retail banners online. Enhancing in-store and online digital experiences continues to be a significant focus of the Company's growth strategy. The following major strategic initiatives were undertaken during 2014 with respect to technology, digital and loyalty programs:

Technology and digital investments

During 2014, the Company completed construction of and opened a new data centre in Winnipeg, (WDC), to provide additional infrastructure support for the Company's operations. The Company also upgraded its computer facility in Brampton to interface with the advanced Cloud Computing Centre at the WDC. The WDC is expected to improve speed to market, reduce long-term technology costs and improve systems redundancy and security. In 2014, the Company partnered with Communitech, a high-tech hub located in Waterloo, giving the Company direct access to talent and technologies for the development of advanced digital experiences for customers across the Company's businesses.

Canadian Tire has also continued to advance its objective to provide an enhanced retail experience by investing in in-store digital integration (the bringing together of in-store and online shopping experiences) and eCommerce. During 2014, Canadian Tire continued to invest in in-store technology to enhance the customer shopping experience. Investments included in-aisle devices for product selection and a pilot program to equip employees with tablets to better service customers. The Company also invested in the revitalization of Canadian Tire's website design and implemented a content management system to support customers' ability to access relevant information to make their purchase decision.

During 2014, FGL Sports invested in the foundational elements required for its digitization of retail, which included the development of a content management system that will be the foundation for storage of all products and video content online, and the evolution of the eCommerce site. During the fourth quarter of 2014, FGL Sports entered into an agreement with The Weather Network to enable targeted marketing based on the current weather. As a result of this agreement, the Company is now equipped to simultaneously digitally market rain-gear to a customer in Toronto and snow boots to a customer in Calgary based on the current weather conditions in those regions.

Loyalty and co-marketing programs

In October 2014, the Company completed the national rollout of the evolution of its loyalty program, "My Canadian Tire 'Money'™". Customers can now collect electronic Canadian Tire 'Money' using the Canadian Tire Mobile App, the My Canadian Tire 'Money' card, or the Canadian Tire Options® MasterCard®, in addition to collecting the traditional Canadian Tire paper 'Money'. The Company expects that the new program will provide an important source of data and enable it to develop customer insights to build retail strategies and personalized relationships with Canadian Tire's loyal customers over the long term.

In conjunction with the launch of the enhanced My Canadian Tire 'Money' loyalty program, Financial Services enhanced the value proposition for its core credit card, the Canadian Tire Options MasterCard. Customers can now earn 10 times Canadian Tire 'Money' on purchases at Canadian Tire stores (including automotive service parts and labour), Canadian Tire Home Services, Sport Chek, Mark's and PartSource when paying with their Canadian Tire Options MasterCard.

In May 2014, the Company announced a strategic business partnership with Scotiabank, including an agreement that the companies would work together on opportunities to enhance customer affinity for their respective brands. Since the announcement of the partnership, the companies have launched joint marketing campaigns including Scotiabank's Start Right program for new Canadians and a partnership with Scene Limited Partnership. In November 2014, the Company launched a co-marketing program that extended the benefits of the SCENE program, enabling members to earn and redeem points for products available at more than 180 Sport Chek locations across Canada.

3) Build a high-performing organization

Scotiabank strategic business partnership

On October 1, 2014, the Company completed its strategic partnership transaction that included Scotiabank acquiring a 20 per cent interest in the Company's Financial Services business for net proceeds of $476.8 million. The transaction provides the Company with additional financial flexibility in the form of an option which provides the Company with the right to sell a further 29 per cent of the Financial Services business to Scotiabank any time within the next 10 years at the then fair market value. In addition, the transaction includes a credit facility from Scotiabank of $2.25 billion, which may be utilized to mitigate the Company's refinancing risk of its credit card portfolio.

Productivity Enhancement Initiative – Enterprise Excellence

During 2014, the Company initiated an enterprise-wide program aimed at improving the operational effectiveness and financial return of the organization. This multi-year initiative, focused on sustainably reducing costs and simplifying business processes, is organized into three phases: 1) procurement of non-merchandise products and services, 2) simplification of back-office and support functions, and 3) revenue and gross margin enhancement through business process redesign.

Sport Partnership Program

In January 2013, the Company entered into an eight-year agreement to be a Premier National Partner of the Canadian Olympic Committee and entered into strategic partnerships with amateur sports organizations and elite athletes. The objective of this program is to inspire customers, employees, and the Company's Dealers and franchisees and to strengthen the brand image of CTC and its family of businesses.

In February 2014, the Company built support in Canada for the 2014 Winter Olympic Games in Sochi, Russia by inspiring and connecting with Canadians through marketing campaigns and licensed merchandise offerings at its retail banners. The program shifted its focus in the remainder of 2014 to planning for the 2016 Summer Olympic Games in Rio de Janeiro, Brazil, executing on partnerships with sports organizations like Maple Leafs Sports and Entertainment, the Montreal Canadiens and the Ottawa Senators, and initiating and signing new partnership agreements.

5.1.3 Performance in 2014

The table below summarizes and reports against the 2014 annual objectives that were identified in the 2013 Annual Report:

1. Invest in and grow existing retail networks		
2014 Objectives	**2014 Key activities**	**Assessment**
Retail segment network expansion and development		
• Complete 40 Smart Store projects	• Completed 122 total Smart Store, Pro Shop and Sport Chek projects including two new Sport Chek flagship stores.	• Achieved
• Complete 50 Pro Shop projects	• See above	• See above
• Complete 20 new Sport Chek stores including two flagship stores	• See above	• See above
• Rebrand all remaining Mark's Work Wearhouse stores to the Mark's format	• Rebranded 97 of the 131 remaining Mark's Work Wearhouse stores, updated the Quebec strategy to rejuvenate the brand in that market.	• In progress, negotiations remain underway with franchisees and landlords of leased properties
• Build on growth across the Company's network of retail banners to support CT REIT's growth agenda	• CT REIT increased its gross leasable area by approximately 1.5 million square feet – refer to section 5.1.2.	• Achieved
• Continue to assess relevant organic and inorganic opportunities to generate sustainable, long-term growth from heritage categories	• Canadian Tire launched new private label brands FRANK and CANVAS and invested in growing and developing existing private-label brands with strong consumer loyalty (Woods, MasterCraft MAXIMUM).	• Achieved
2. Invest in technology, digital and loyalty platforms		
2014 Objectives	**2014 Key activities**	**Assessment**
Digital / eCommerce expansion and rollout		
• Rollout Canadian Tire eCommerce functionality nationally and explore opportunities to further expand eCommerce capabilities	• Majority of Canadian Tire's assortment available for purchase online and pick-up in store by year end. Canadian Tire continues to explore enhancement to eCommerce capabilities.	• National rollout achieved. Further expansion in progress
• Continue to invest in base infrastructure to support future enhancements to Mark's and FGL Sports eCommerce channels	• Optimized the current platform at Mark's and invested in new platform and content management system at FGL Sports.	• Achieved
• Install additional product locator technology in 300 stores including a rollout of an additional 4,000 customer-facing and 4,000 employee-facing devices across the Canadian Tire store network to enhance in-store customer experience and drive sales growth	• Installed Fast Find (product locator) processes and technology in 287 stores, rolled out an additional 750 customer-facing in-aisle tablets to support the Automotive business, rolled out 5,000 video player units to support featured products in stores, and piloted new mobile hand-held devices for store employees in 14 stores.	• In progress; employee facing devices delayed to 2015
• Expand use of digital technologies both in-store and on mobile devices at Sport Chek	• Successfully tested digital flyers nationally, initiated development of the "Hero" store, which incorporates digital aspects of a flagship store in select existing Sport Chek stores, developed mobile friendly eCommerce site and initiated development of mobile payments at Sport Chek.	• Achieved
• Evolve the collection, use and dissemination of customer data and insights to effect marketing and purchasing decisions across all banners and explore additional customer-centric opportunities	• Continued to build customer-insights capabilities through additional data collected under the new loyalty program.	• In progress

3. Build a high-performing organization		
2014 Objectives	**2014 Key activities**	**Assessment**
Optimize organizational performance and execution		
• Continue to evolve CTC into a brand-led organization with a focus on maximizing its investment in its key brand building assets: Olympic and Sports partnerships; community involvement programs; and Canadian Tire JumpStart Charities	• Built support in Canada for the 2014 Winter Olympic Games in Sochi, Russia by inspiring and connecting with Canadians through marketing campaigns and licensed merchandise offerings at its retail banners, initiated new partnerships with amateur sports organizations and athletes, launched "We all Play for Canada" and "ACTIVE AT SCHOOL" campaigns to create a rallying cry for Canadians to get kids more active and bring back play. Throughout the year the company took active steps to attract, retain and develop top talent into its performance culture and was recognized externally by several prestigious awards, including being selected as one of Canada's Best Managed Companies and Top 100 Employers.	• Achieved
• Identify financial partner and complete transaction for Financial Services credit card business to decrease risks associated with funding the credit card portfolio, create growth opportunities for Financial Services and to generate additional financial flexibility for the Company	• Completed strategic partnership transaction agreement with Scotiabank.	• Achieved
• Implement terms of new Dealer contract and focus on improving collaborative relationship to enhance the core Canadian Tire customer experience, increase productivity and to generate overall enterprise value	• Implemented key terms of Dealer contract, achieved efficiencies in Dealer communications and reached agreement on the new loyalty program.	• Achieved
• Identify opportunities to improve productivity within the Company's cost structure to generate additional earnings growth	• Launched Enterprise Excellence program. Refer to section 5.1.2.	• Achieved

5.2 2015 Outlook

5.2.1 Financial aspirations: 2015 to 2017

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

On October 9, 2014, the Company held a meeting for investors, analysts and media to announce its three-year growth strategy, including planned investment in digital technology and store upgrades, with a renewed focus on target customers within each of its core businesses. For further information and a webcast of the presentations from the Investor Day visit the Company's investor relations website at corp.canadiantire.ca/en/investors.

In addition, the Company announced financial aspirations for its businesses for fiscal years 2015 to 2017. The financial aspirations and a discussion of the key assumptions and risks underlying each are outlined below:

1. Annualized retail sales growth of 3+ per cent at Canadian Tire, 5+ per cent at Mark's, and 9+ per cent at FGL Sports

Key assumptions:

- Strong and consistent same-store sales growth across core retail businesses
- Retail square footage growth at Canadian Tire and Mark's in line with recent years
- Continued Sport Chek network expansion of 2 million square feet of retail space
- Growth in eCommerce sales across all retail banners
- Positive customer response to brand-focused marketing, in-store merchandising, category specific tactical growth initiatives, digital strategy execution
- Effective use of loyalty program customer shopping data to create targeted customer offerings and enhance in-store experience

Significant risks:

- Limitations on availability of preferred retail locations due to continued competition and demand for retail space in Canada
- Increased competition due to expanding and new U.S. retailers, new and existing online competitors or a significant change in the Canadian retail landscape
- Decline in economic growth, consumer confidence and household spending

2. Average diluted EPS growth of 8 to 10 per cent over the three-year period
Key assumptions: • Increasing bottom line earnings across all businesses through strong margin management and operating expense growth in line with revenue growth • Realization of cost savings and benefits aimed at improving gross margin and operating expenses, including Dealer contract initiatives and enterprise-wide productivity initiative • Successful integration of sourcing processes across INA and Mark's businesses • Reflects financial impact of Financial Services transaction and announced share buybacks (until the end of 2015)
Significant risks: • Revenue growth not achieved, refer to significant risks associated with retail sales aspirations described above • Increased costs relating to foreign exchange and global sourcing processes impacting the Company's ability to hold or reduce operating and/or supply chain costs • Ability to achieve enhanced purchasing efficiencies and reduce overhead expenses
3. Financial Services return on receivables of 6+ per cent annually
Key assumptions: • Continued gross average accounts receivable growth • Customers respond positively to new marketing initiatives including enhanced loyalty program and strategic partnerships • Higher incremental allowance for future write-offs of the credit card portfolio • Continued prudent expense management
Significant risks: • Decline in economic growth, consumer confidence and household spending • Higher credit or default risk impacts expected incremental allowance for future write-offs
4. Return on invested capital of 9 per cent by the end of 2017
Key assumptions: • Improvement in retail earnings including operating expense growth in line with revenue growth • Continued investments in businesses to achieve organic growth and in projects and initiatives to improve returns • Average annual operating capital expenditures of $575 million over the three-year period
Significant risks: • Revenue growth not achieved, see significant risks associated with retail sales aspirations described above • Increased costs relating to foreign exchange and global sourcing of key products impacting the Company's ability to maintain or reduce operating and/or supply chain costs • Ability to achieve enhanced purchasing efficiencies and reduce overhead expenses

5.2.2 Strategic imperatives and 2015 objectives

The success of any great organization is directly attributable to the quality of its leadership. Underlying the strategic imperatives identified below is the Company's commitment to attracting and retaining world-class talent that will drive growth in the business. The Company believes that meeting its financial aspirations is dependent on having the right team and the right corporate culture in place. Over the three-year strategic plan period, the Company will continue to develop or acquire talent in key areas such as digital retailing, marketing and data analytics in order to drive growth in its core businesses.

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

The five strategic imperatives framing the Company's growth strategy and the 2015 strategic objectives are outlined below:

1) Achieve financial aspirations

The Company is committed to achieving its three-year financial aspirations as outlined in section 5.2.1. In addition to the objectives outlined within the below strategic imperatives, the Company must also execute on enterprise-wide productivity initiatives and operating efficiencies.

2015 Objectives
• Execute strategy for Retail business growth including innovative marketing campaigns, banner network expansion, focusing on core customer segments at Canadian Tire, FGL Sports and Mark's, and continuing with Canadian Tire product category focus on specialty retail operations • Improve supply chain efficiencies and capabilities with construction of new Canadian Tire distribution capacity and replenishment time and in-stock position in Western Canada by integrating FGL and Mark's supply chain and fulfillment to western Canadian stores with the conversion to the new DC in Calgary • Focus on margin management across Retail businesses including transition of Mark's overseas buying operations to INA's wholesale division

- Continue to grow Financial Services through offering new and innovative products and services, integrating with Retail businesses, enhancing loyalty proposition and through new account acquisition
- Continue to support CT REIT's growth agenda

Key assumptions
- Consumers will respond positively to Canadian Tire's marketing campaigns and brand messaging
- Core customers at Canadian Tire, FGL Sports and Mark's will respond positively to new assortments and improved merchandising
- Ability to identify processes within the business that can be redesigned to create a more efficient process and reduce future costs
- Construction of new Canadian Tire distribution capacity will continue to progress as planned and successful transition of supply chain operations between FGL Sports and Mark's DCs in Calgary as planned

Significant risks
- Increased costs relating to global sourcing impacting the Company's ability to hold or reduce operating and/or supply chain costs
- Ability to achieve enhanced purchasing efficiencies and reduce overhead expenses

2) Make balanced capital allocation decisions

The Company is in a strong liquidity position with multiple sources of funding and financial flexibility. In order to support its growth agenda, the Company must actively manage its capital and make wise capital allocation decisions that support the achievement of its financial aspirations, while balancing its objective of returning value to shareholders.

2015 Objectives
- Complete share repurchases during 2015 in order to reach a total of $400 million of Class A Non-Voting Shares repurchased, in excess of the amount required for anti-dilutive purposes, for the period from November 7, 2014 through to the end of fiscal 2015, subject to regulatory approval
- Maintain operating capital expenditures within $600 million to $625 million and capital expenditures for additional distribution capacity within $175 million and $200 million
- CT REIT to gain access to capital markets and demonstrate its ability to raise equity and debt independently

Key assumptions
- Ability of CT REIT to access capital markets
- Continued positive cash flow to support capital expenditures and share repurchases

Significant risks
- Allocation of capital

3) Drive growth in core businesses

The Company will focus on driving growth from within its four core businesses: Canadian Tire, FGL Sports, Mark's and Financial Services. Growth from within the core businesses, both inorganic and organic, will primarily come from the key heritage categories.

2015 Objectives
- Continue to roll out and evolve current Canadian Tire store concepts
- Continue to test and develop a new Canadian Tire store concept
- Continue to remain relevant to target customers, including active families, and reinforce Canadian Tire's place as *Canada's store*
- Continue to rebrand Mark's Work Wearhouse stores to the Mark's format and begin to rejuvenate L'Équipeur stores in Quebec
- Continue to expand FGL Sports' retail footprint with the addition of flagship stores
- Launch the Sport Chek Hero store concept that incorporates digital aspects of flagship stores in select existing Sport Chek stores
- Further integrate Financial Services with Retail businesses by offering additional products and services to customers in-store and online, supporting enhanced loyalty proposition and identifying new growth opportunities as part of the Scotiabank partnership

Key assumptions
- Retail marketplace conditions are assumed to be within normal parameters with respect to prices, margins, product availability and supplier agreements for major product offerings

Significant risks
- Allocation of capital
- Required municipal approvals and construction permits
- Limitations on availability of preferred retail space
- Ensuring that the evolution and rollout of key retail strategies are in keeping with competitive forces in the market and resource allocation

4) Transition from old-world retailing to the new (digitization of retail)

In order to compete on a global basis and continue to be relevant and engaged with its customers, the Company must invest in the future of retailing. The future of retailing, also referred to as the "digitization of retail", requires significant investment in foundational technological platforms in order to successfully transition the Company from the old-world to the new.

2015 Objectives
• Continue to grow and enhance the My Canadian Tire 'Money' loyalty program • Improve the digital experience across each of the Company's major retail banners, including eCommerce • Commence deployment of a new POS system at Mark's and initiate planning for future deployment of new POS system at FGL Sports • Launch the first phase of a mobile wallet pilot
Key assumptions • Loyal customers will continue to respond favourably to eCommerce and digital offerings at CTC's major retail banners
Significant risks • Overcoming the complexity of evolving a relevant and fully integrated loyalty program • Ability of each banner to develop targeted digital offerings relevant to their customers • Effectiveness of customer and employee-facing devices during pilot phase • Small and developing pool of talent in the digital retail field, due to cutting-edge nature of the Company's initiatives • Overcoming the complexity of rolling out a new POS system across Mark's retail store network

5) Strengthen the brands

The Company is committed to being a "brand-led" organization. It believes that the strength and value of its brands are directly correlated to the strength of its business results. Successful achievement of objectives within this strategic imperative will ensure that the Company's brands are supported and enhanced in the eyes of its customers and other key stakeholders.

2015 Objectives
• Continue to focus on being a brand-led organization, with continued investment in key brand building assets, including: Olympic and sports partnerships; community involvement programs; and Canadian Tire JumpStart Charities ("JumpStart") • Continue to build high-quality private-label and exclusive brands • Continue to grow assortment of top national brands at FGL Sports and Mark's • Develop cross-banner co-marketing initiatives internally and under the Company's strategic partnership with Scotiabank
Key assumptions • The Company's major brand-building initiatives will resonate with customers, who will continue to respond favourably and embrace the Company's brands • The Company will continue to attract, retain, and develop the key talent required to drive business results through effective brand management
Significant risks • Unforeseen events due to external factors result in a loss of consumer confidence in the Company's brands • Ability to develop and market private-label brands that compete with national brands and competitors' private brands • Availability of premium national brands to sell at FGL Sports banners and Mark's stores

6.0 Financial performance

6.1 Summary of quarterly results

Over the past two years, the Company's quarterly revenue and earnings have steadily increased with the fourth quarter typically generating the greatest contribution to revenues and earnings, and the first quarter the least. This is largely due to the seasonal nature of some merchandise and the timing of marketing programs in the retail businesses. The following table shows the financial performance of the Company by quarter for the last two years and has been prepared in accordance with IFRS.

(C$ in millions, except per share amounts)	**Q4 2014**	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Revenue	**$ 3,653.8**	$ 3,069.9	$ 3,166.1	$ 2,573.1	$ 3,328.7	$ 2,956.0	$ 3,021.1	$ 2,479.8
Net income	**206.6**	178.2	178.9	75.6	191.0	145.5	154.9	73.0
Basic earnings per share attributable to owners of Canadian Tire Corporation	**2.46**	2.19	2.14	0.88	2.34	1.81	1.92	0.90
Diluted earnings per share attributable to owners of Canadian Tire Corporation	**2.44**	2.17	2.12	0.88	2.32	1.79	1.91	0.90

6.2 Financial performance in 2014 versus 2013

Consolidated business performance

In 2014, the Company produced solid results and strong growth compared with an excellent year in 2013. Revenue and earnings growth in the Retail segment were driven by continued strength in key heritage categories at Canadian Tire, including automotive, living and fixing categories, and a balanced approach to managing promotional pricing. FGL Sports continues to be a key driver of the Retail segment with its enhanced assortments and the execution of its strategy to grow the Sport Chek brand and expand the network in Central Canada. Mark's produced solid results, reflecting customers' positive response to an enhanced assortment of men's casual wear and footwear, including new national brands and jeans assortment. Another strong year of receivables growth, and a reduction in the incremental allowance for future write-offs, contributed to improved earnings in the Financial Services segment.

The results of operations include several non-operational items in the current and prior year. These items include the:

- change in the fair value of the redeemable financial instrument arising from the Financial Services strategic partnership transaction closed during the fourth quarter of 2014;
- premium paid on the early redemption of the Company's medium-term notes in the second quarter of 2014; and
- costs associated with the formation of CT REIT incurred in the third and fourth quarters of 2013.

The table below summarizes the pre-tax amounts for the above listed non-operational items that were included in the Q4 and year-to-date results in the current and prior year:

(C$ in millions) income/(expense)	**Q4 2014**	Q4 2013	**2014**	2013
Financial statement line item:				
Selling, general and administrative expenses	**$ –**	$ (3.4)	**$ –**	$ (11.6)
Net finance costs	**–**	–	**(15.0)**	–
Change in fair value of redeemable financial instrument	**(17.0)**	–	**(17.0)**	–

References to "normalized" earnings and "normalized" diluted EPS attributable to the owners of the Company are made throughout the financial results discussion in sections 6.3 and 6.4 and reflect the results of operations excluding the above items. Normalized results are non-GAAP measures and do not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. For further information and reconciliation to GAAP measures, refer to section 9.3 in this MD&A.

6.3 Consolidated performance

6.3.1 Consolidated key operating performance measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3 in this MD&A for definitions and further information on these measures.

(C$ in millions)	**Q4 2014**	Q4 2013	Change	**2014**	2013	Change
EBITDA[1]	**437.5**	381.0	14.9%	**1,376.4**	1,235.7	11.4%
Selling, general and administrative expenses (excluding depreciation and amortization) as a % of revenue[2]	**21.1%**	20.9%	24bps	**21.6%**	21.1%	49bps
EBITDA[1] as a % of revenue	**12.0%**	11.4%	53bps	**11.0%**	10.5%	56bps

[1] Non-GAAP measure. Refer to section 9.3 in this MD&A for additional information.

[2] Selling, general and administrative expenses exclude depreciation and amortization of $101.7 million in the fourth quarter ($89.7 million for Q4 2013) and $365.3 million for 2014 ($345.3 million for 2013).

6.3.1.1 Consolidated financial results

(C$ in millions, except where noted)	Q4 2014	Q4 2013	Change	2014	2013	Change
Retail sales[1]	$ 4,270.7	$ 3,981.1	7.3%	$ 13,856.6	$ 13,225.3	4.8%
Revenue	$ 3,653.8	$ 3,328.7	9.8%	$ 12,462.9	$ 11,785.6	5.7%
Gross margin dollars	$ 1,213.2	$ 1,082.5	12.1%	$ 4,046.0	$ 3,722.3	8.7%
Gross margin as a % of revenue	33.2%	32.5%	68bps	32.5%	31.6%	88bps
Other (expense) income	(5.6)	(6.2)	8.3%	11.0	(3.0)	NM[2]
Selling, general and administrative expenses	873.8	785.0	11.3%	3,052.9	2,828.9	7.9%
Net finance costs	23.4	25.9	(10.0)%	108.9	105.8	2.9%
Change in fair value of redeemable financial instrument	17.0	–	NM[2]	17.0	–	NM[2]
Income before income taxes	$ 293.4	$ 265.4	10.6%	$ 878.2	$ 784.6	11.9%
Income taxes	86.8	74.4	16.7%	238.9	220.2	8.5%
Effective tax rate	29.6%	28.0%		27.2%	28.1%	
Net income	$ 206.6	$ 191.0	8.2%	$ 639.3	$ 564.4	13.3%
Net income attributable to:						
Owners of Canadian Tire Corporation	$ 191.3	$ 187.8	1.9%	$ 604.0	$ 561.2	7.6%
Non-controlling interests	15.3	3.2	NM[2]	35.3	3.2	NM[2]
	$ 206.6	$ 191.0	8.2%	$ 639.3	$ 564.4	13.3%
Basic earnings per share attributable to owners of Canadian Tire Corporation	$ 2.46	$ 2.34	5.1%	$ 7.65	$ 6.96	10.0%
Diluted earnings per share attributable to owners of Canadian Tire Corporation	$ 2.44	$ 2.32	5.1%	$ 7.59	$ 6.91	9.8%

[1] *Key operating performance measure. Refer to section 9.3 in this MD&A for additional information.*
[2] *Year-over-year change per cent is not meaningful.*

Non-controlling interests

The following table provides further information regarding the Company's non-controlling interests. For additional details, refer to Note 17 to the annual consolidated financial statements.

(C$ in millions)	Q4 2014	Q4 2013	2014	2013
Net income attributable to:				
Non-controlling interests – Financial Services	$ 10.3	$ –	$ 10.3	$ –
Non-controlling interests – CT REIT	5.0	3.2	19.9	3.2
Non-controlling interests – Retail segment subsidiary	–	–	5.1	–
Net income attributable to non-controlling interests	$ 15.3	$ 3.2	$ 35.3	$ 3.2

Consolidated fourth quarter 2014 versus fourth quarter 2013

Earnings summary

Consolidated net income attributable to owners of Canadian Tire Corporation increased 1.9 per cent and diluted EPS were $2.44 in the quarter, an increase of 5.1 per cent over the prior year (consolidated net income attributable to owners increased 9.4 per cent and diluted EPS of $2.65 increased 12.8 per cent after normalizing for the non-operational costs identified in section 6.2 of this MD&A). The earnings performance reflects strong revenue and gross margin contribution from both the Retail and Financial Services segments. Selling, general and administrative expenses increased 11.3 per cent due to increased personnel and occupancy costs for additional stores in the retail network, higher share-based compensation expense driven by share price appreciation, and higher costs to support strategic information technology initiatives. The Retail segment financial results were impacted by an incremental week of Retail segment operations in 2014. In addition, diluted EPS was negatively impacted by $15.3 million, or $0.19 per share, relating to earnings attributable to the Company's non-controlling interests, partially offset by a reduction in the weighted average number of shares outstanding due to share repurchases.

Retail sales

Consolidated retail sales increased 7.3 per cent resulting from:

- higher sales at Canadian Tire, FGL Sports and Mark's due to enhanced assortments and the success of marketing campaigns; and

- the inclusion of an incremental week of Retail segment operations in 2014;

partially offset by

- a decline in Petroleum retail sales driven by the sharp decline in per-litre gasoline prices and lower gasoline sales volume.

Revenue

Revenue growth in the quarter was driven by:

- higher shipments at Canadian Tire, strong sales at FGL Sports and increased sales at Mark's;
- increased credit charges relating to gross average accounts receivable growth at Financial Services; and
- the inclusion of an incremental week of Retail segment operations in 2014;

partially offset by

- lower revenue at Petroleum due to lower retail sales as discussed above.

Gross margin

Gross margin dollar growth reflects increased revenue at Canadian Tire, FGL Sports, Mark's and Financial Services, and the inclusion of an incremental week of Retail segment operations in 2014. Gross margin rate increased 68 basis points due to an improved Retail segment gross margin rate primarily driven by Petroleum, partially offset by a decline in gross margin rate at Financial Services driven by an increase in the net write-off rate.

Selling, general and administrative expenses

Selling, general and administrative expenses increased due to increased personnel and occupancy costs relating to additional stores in the retail network, higher share-based compensation expense driven by share price appreciation, increased headcount to support strategic information technology initiatives, and the inclusion of an incremental week of Retail segment operations in 2014. Financial Services selling, general and administrative expenses were relatively flat compared to the prior year.

Net finance costs

Net finance costs decreased $2.5 million primarily due to lower interest expense on debt as a result of the early redemption of medium-term notes in Q2 2014, and by a year-over-year increase in interest capitalized on qualifying information technology and real estate projects.

Income taxes

The effective tax rate increased 155 basis points to 29.6 percent due primarily to prior years' tax settlements, adjustments to prior year's tax estimates, and the non-deductibility of the $17 million expense relating to the increase in the fair value of the redeemable financial instrument issued in connection with the Financial Services strategic partnership transaction. Refer to section 8.0 in this MD&A for further details.

Consolidated full year 2014 versus full year 2013

Earnings summary

Consolidated full year net income attributable to owners of Canadian Tire Corporation increased 7.6 per cent and diluted EPS increased 9.8 per cent over the prior year (consolidated net income attributable to owners increased 10.9 per cent and diluted EPS of $7.94 increased 13.1 per cent after normalizing for the non-operational costs identified in section 6.2 of this MD&A). These results reflect solid gross margin growth from both the Retail and Financial Services segments, due to strong revenue growth as well as an improvement in gross margin rate in both segments. The increase in selling, general and administrative expenses was primarily due to increased personnel and occupancy costs resulting from incremental headcount and a greater number of corporate stores in the network as well as the impact of share price appreciation on share-based compensation expense, and increased credit card operations costs. The Retail segment financial results were impacted by an incremental week of Retail segment operations in 2014. In addition, diluted EPS was negatively impacted by $35.3 million, or $0.44 per share, relating to earnings attributable to the Company's non-controlling interests, partially offset by a reduction in the weighted average number of shares outstanding due to share repurchases.

Retail sales

Retail sales increased 4.8 percent over the prior year reflecting sales growth at Canadian Tire, FGL Sports and Mark's. Canadian Tire's retail sales grew in both seasonal and non-weather related products due partly to enhanced assortment and new products. The automotive business was a key contributor to Canadian Tire's retail sales growth, posting strong results throughout the year. FGL Sports sales growth was due to strong same-store sales at Sport Chek and the addition of new stores to the network. Mark's sales growth reflects the success of new marketing campaigns to promote its new assortment and national brands in men's casual wear and footwear. Petroleum sales were flat year-over-year due to lower fuel volumes and prices offset by higher non-gas sales.

The Retail segment financial results were impacted by an incremental week of Retail segment operations in 2014.

Revenue

Consolidated revenue increased 5.7 per cent over the prior year, which reflects strong revenue contribution from the Retail segment, led by Canadian Tire and FGL Sports, higher credit charges relating to gross average accounts receivable growth at Financial Services and the inclusion of an incremental week of Retail segment operations in 2014.

Gross margin

Gross margin dollars growth reflects increased revenue at Canadian Tire, FGL Sports, Mark's and Financial Services, and the inclusion of an incremental week of Retail segment operations in 2014. Gross margin rate increased 88 basis points due to improved Retail segment gross margin rate primarily driven by Petroleum, Canadian Tire, and FGL Sports, and improved gross margin rate at Financial Services resulting from a reduction in the incremental allowance for future write-offs. The improved gross margin rate was partially offset by the impact of the deterioration of the Canadian dollar on Retail gross margin.

Selling, general and administrative expenses

Selling, general and administrative expenses increased due to increased personnel and occupancy costs relating to incremental headcount and a greater number of corporate stores in the network as well as the impact of share price appreciation on share-based compensation expense, increased credit card operations costs including a one-time settlement of a contingency based contract at Financial Services, higher costs to support strategic and operational initiatives, and the inclusion of an incremental week of Retail segment operations in 2014.

Net finance costs

Net finance costs increased $3.1 million primarily due to the premium paid on the early redemption of the Company's medium-term notes in Q2 2014, partially offset by lower interest expense on debt as a result of this note redemption and a year-over-year increase in interest capitalized on qualifying information technology and real estate projects.

Income taxes

The effective tax rate decreased 87 basis points to 27.2 percent due primarily to lower non-deductible stock option expense and higher benefits relating to the income attributable to non-controlling interests in flow-through entities, partially offset by the non-deductibility of the $17 million expense relating to the increase in the fair value of the redeemable financial instrument issued in connection with the Financial Services strategic partnership transaction. Refer to section 8.0 in this MD&A for further details.

6.4 Business segment performance

6.4.1 Retail segment key operating performance measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3 in this MD&A for definitions and further information on changes made to performance measures.

(year-over-year percentage change, C$ in millions, except where noted)	Q4 2014	Q4 2013	Change	2014	2013	Change
Retail segment – total						
Retail sales growth	**7.3%**	5.5%		**4.8%**	3.1%	
Revenue[1]	**$ 3,360.8**	$ 3,048.5	10.2%	**$ 11,304.6**	$ 10,691.6	5.7%
Retail ROIC[2]	**8.07%**	8.10%		**n/a**	n/a	
EBITDA[11]	**310.7**	270.4	15.1%	**824.0**	841.2	(2.0)%
Retail segment – by banner						
Canadian Tire						
Retail sales growth[3]	**8.3%**	4.5%		**4.4%**	2.5%	
Same store sales growth [3, 12]	**2.8%**	4.0%		**2.4%**	1.8%	
Sales per square foot[4] (whole $)	**$ 398**	$ 389	2.4%	**n/a**	n/a	
Revenue[1, 5]	**$ 1,826.3**	$ 1,593.4	14.6%	**$ 6,268.6**	$ 5,915.5	6.0%
FGL Sports						
Retail sales growth[6]	**15.0%**	13.3%		**11.5%**	6.8%	
Same store sales growth[6, 12]	**4.9%**	12.5%		**6.9%**	7.7%	
Sales per square foot[7] (whole $)	**$ 291**	$ 285	2.1%	**n/a**	n/a	
Revenue[1]	**$ 618.5**	$ 519.2	19.1%	**$ 1,905.5**	$ 1,656.8	15.0%
Mark's						
Retail sales growth[8]	**5.4%**	5.5%		**4.5%**	4.8%	
Same store sales growth[9, 12]	**1.2%**	5.2%		**3.1%**	4.6%	
Sales per square foot[9] (whole $)	**$ 335**	$ 318	5.1%	**n/a**	n/a	
Revenue[1, 10]	**$ 450.1**	$ 419.3	7.3%	**$ 1,121.6**	$ 1,060.8	5.7%
Petroleum						
Gasoline volume growth in litres	**4.4%**	(0.6)%		**(0.1)%**	0.4%	
Same store gasoline volume growth in litres[12]	**(1.6)%**	(2.6)%		**(2.7)%**	(2.9)%	
Retail sales growth	**(3.6)%**	1.9%		**1.1%**	1.6%	
Revenue[1]	**$ 489.8**	$ 519.8	(5.8)%	**$ 2,079.3**	$ 2,075.0	0.2%
Gross margin dollars	**$ 42.2**	$ 39.4	6.9%	**$ 162.2**	$ 149.8	8.2%

1 *Inter-segment revenue within the retail banners of $23.9 million in the fourth quarter ($3.2 million for Q4 2013) and $70.4 million for 2014 ($15.0 million for 2013) has been eliminated at the Retail segment level. Revenue reported for Canadian Tire, FGL Sports, Mark's and Petroleum includes inter-segment revenue.*

2 *Figures are calculated on a rolling 12 month basis. Retail ROIC has been restated. Refer to section 9.3 in this MD&A for additional information.*

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

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

5 *Includes revenue from Canadian Tire, PartSource and Franchise Trust.*

6 *Retail sales include sales from both corporate and franchise stores.*

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

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

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

10 *Includes sale of goods to Mark's franchise stores and retail sales from Mark's corporate stores and includes ancillary revenue related to embroidery and alteration services.*

11 *Non-GAAP measure. Refer to section 9.3 in this MD&A for additional information.*

12 *13 and 52 weeks comparable.*

6.4.1.1 Retail banner network at a glance

Number of stores and retail square footage	2014	2013
Consolidated store count		
Canadian Tire stores[1]		
Smart stores	337	307
Updated and expanded stores	96	125
Traditional stores	36	36
Small Market stores	22	21
Other	2	2
Total Canadian Tire stores	493	491
PartSource stores	91	90
FGL Sports stores		
Sport Chek	189	171
Sports Experts	73	72
Atmosphere	66	66
Other	108	112
Total FGL Sports stores	436	421
Mark's stores[1]		
Mark's	304	206
Mark's Work Wearhouse	34	131
L'Équipeur	45	47
Work World	–	1
Total Mark's stores	383	385
Canadian Tire gas bar locations	297	300
Total stores	1,700	1,687
Consolidated retail square footage[2] (in millions)		
Canadian Tire	20.5	20.2
PartSource	0.3	0.3
FGL Sports	7.2	6.7
Mark's	3.5	3.5
Total retail square footage[2] (in millions)	31.5	30.7

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

[2] The average retail square footage for Petroleum's convenience stores was 533 square feet per store in Q4 2014 (528 square feet per store in Q4 2013). It is not included in the above.

6.4.1.2 Retail segment financial results

(C$ in millions)	Q4 2014	Q4 2013	Change	2014	2013	Change
Retail sales	$ 4,270.7	$ 3,981.1	7.3%	$ 13,856.6	$ 13,225.3	4.8%
Revenue	$ 3,360.8	$ 3,048.5	10.2%	$ 11,304.6	$ 10,691.6	5.7%
Gross margin dollars	$ 1,025.8	$ 904.9	13.4%	$ 3,270.9	$ 3,011.9	8.6%
Gross margin as a % of revenue	30.5%	29.7%	84bps	28.9%	28.2%	76bps
Other income (expense)	20.0	12.2	63.4%	110.4	15.2	624.4%
Selling, general and administrative expenses	819.5	722.5	13.4%	2,861.7	2,509.4	14.0%
Net finance (income) costs	(8.2)	1.8	547.2%	(11.9)	54.1	122.0%
Income before income taxes	$ 234.5	$ 192.8	21.8%	$ 531.5	$ 463.6	14.7%

Retail segment fourth quarter 2014 versus fourth quarter 2013

Earnings summary

Income before income taxes in the Retail segment of $234.5 million increased $41.7 million or 21.8 per cent compared to the prior year (increased 19.5 per cent after normalizing for the non-operational costs relating to the formation of CT REIT in 2013). Income before income taxes includes the impact of the operations of CT REIT, which includes a shift from bearing depreciation costs to payment of rent expenses at market rates for properties acquired by CT REIT, partially offset by distributions earned.

Retail segment income before income taxes increased as a result of strong sales and revenue growth at Canadian Tire, FGL Sports and Mark's retail banners, partially offset by increased personnel expenses, occupancy costs, and costs to support strategic and operational initiatives.

The Retail segment financial results were impacted by an incremental week of Retail segment operations in 2014.

Retail sales

Retail sales at Canadian Tire increased 8.3 per cent (same-store sales increased 2.8 per cent) over strong prior-year results. Sales increased in all categories, and were led by tires, seasonal, kitchen, and toys. Sales growth reflected an increase in the average transaction value due to sales mix. Both seasonal and non-seasonal sales were strong in the quarter. Seasonal sales growth was led by the tire business, including winter tires, winter wheels and light truck tires, and from strong sales of NOMA Quick-clip lights and the introduction of the CANVAS private-label home décor brand. Non-seasonal sales were driven by living and fixing, led by strong sales of cookware and tools respectively.

At FGL Sports, retail sales increased 15 per cent (same-store sales increased 4.9 per cent), led by strong same-store sales at Sport Chek (increased 9.4 per cent). Sales increased across all merchandise categories, including hard goods (led by fitness and electronics), soft goods (driven by athletic clothing and outerwear), and footwear (led by winter boots, which benefited from a strong digital marketing campaign in the quarter). In addition, FGL Sports opened eight new Sport Chek and Atmosphere stores in the quarter.

Retail sales at Mark's increased 5.4 per cent (same-store sales increased 1.2 per cent) led by strong sales in men's casual wear and footwear due to the success of several marketing campaigns including "Everything in Jeans", launched in August 2014, and "Bring on the Outside", launched in October 2014. The "Bring on the Outside" campaign was Mark's first all-digital marketing campaign, aimed at driving growth in casual footwear, and highlights the new national-brand footwear assortment. Sales increases were partially offset by a sales decline in industrial wear, reflecting the unseasonably warm weather in Western Canada in December compared to more seasonably colder weather the year before.

Petroleum sales decreased 3.6 per due to the sharp decline in per-litre gasoline prices and lower gasoline volume. Same-store gas volume decreased 1.6 per cent.

The Retail segment financial results were impacted by an incremental week of Retail segment operations in 2014.

Revenue

Revenue growth in the quarter was driven by:

- higher shipment volume to Canadian Tire Dealers;
- revenue growth at FGL Sports, due to increased sales at corporate stores driven by same-store sales growth, and increased shipments to franchisees driven mainly by higher shipments to Sports Experts;
- higher retail sales at Mark's; and
- the inclusion of an incremental week of Retail segment operations in 2014;

partially offset by

- sales decline at Petroleum.

Gross margin

Retail segment gross margin dollar growth reflects increased revenue at Canadian Tire, FGL Sports and Mark's, and an incremental week of Retail segment operations in 2014. Retail segment gross margin rate increased 84 basis points. The margin rate increase was driven by Petroleum. Excluding the impact of Petroleum, Retail segment gross margin rate increased 3 basis points due to:

- improved sales mix and promotional pricing at Canadian Tire; and
- favourable mix across the Retail segment banners due to a greater contribution from the higher margin FGL Sports business;

partially offset by

- the impact of the deterioration of the Canadian dollar against the U.S. dollar; and
- a shift in sales mix favouring lower margin hard goods and electronics at FGL Sports.

Other income/expense

Retail segment other income increased $7.8 million to $20 million. The increase is largely attributable to distributions earned on CT REIT Class B LP Units and Units held by the Company, which were $24.7 million in the current year compared to $18.6 million in the prior year. The increase is due to the issuance of additional Class B LP Units in 2014 and a partial quarter of CT REIT operations in the comparable period.

Selling, general and administrative expenses

Selling, general and administrative expenses growth was driven by:

- higher personnel costs due to higher share-based compensation expense resulting from share price appreciation, increased headcount to support information technology initiatives, and a greater number of corporate stores at FGL Sports;
- higher occupancy costs primarily due to an increase in market rent paid on retail properties owned by CT REIT (the current year included a higher number of properties than last year as a result of acquisitions made in 2014 and the prior year included only a partial quarter of CT REIT operations), and a greater number of Sport Chek and Atmosphere corporate stores in the network;
- higher costs to support strategic and operational initiatives; and
- the inclusion of an incremental week of Retail segment operations in 2014.

partially offset by

- lower marketing expenses.

Net finance costs/income

Net finance income increased from costs of $1.8 million to income of $8.2 million, due primarily to increased income earned on the CT REIT Class C LP Units due to new issuances of Class C LP Units in 2014 and a partial quarter of CT REIT operations in the comparable period, lower interest expense on debt as a result of the early redemption of medium-term notes in Q2 2014, and an increase in interest capitalized on qualifying information technology and real estate projects.

Retail segment full year 2014 versus full year 2013

Earnings summary

Retail segment income before income taxes of $531.5 million increased 14.7 per cent from $463.6 million in 2013 (increased 15 per cent after normalizing for the non-operational cost associated with the early redemption of medium-term notes in Q2 2014 and the formation of CT REIT in Q3 2013). This amount includes the impact of the operations of CT REIT, which includes a shift from bearing depreciation costs to payment of rent expenses at market rates for properties acquired by CT REIT, partially offset by distributions earned.

Income before income taxes reflects solid gross margin growth across all retail banners. This growth was partially offset by increased personnel and occupancy costs due to incremental headcount and a greater number of corporate stores in the network as well as the impact of share price appreciation on share-based compensation expense.

The Retail segment financial results were impacted by an incremental week of Retail segment operations in 2014.

Retail sales

Retail sales increased 4.8 percent over the prior year, reflecting sales growth at Canadian Tire, FGL Sports and Mark's retail banners. Canadian Tire's retail sales grew in both seasonal and non-weather related products due partly to enhanced assortment and new products. The automotive business was a key contributor to Canadian Tire's retail sales growth, posting strong results throughout the year. FGL Sports sales growth was due to strong same-store sales at Sport Chek and the addition of new stores to the network. Mark's sales growth reflects the success of new marketing campaigns to promote its new assortment and national brands in men's casual wear and footwear. Petroleum sales were flat year-over-year due to lower fuel volumes and prices offset by higher non-gas sales.

The Retail segment financial results were impacted by an incremental week of Retail segment operations in 2014.

Retail revenue

Retail segment revenue growth of 5.7 per cent was attributable to increased sales referenced above, higher shipment volumes in key seasonal and non-seasonal categories at Canadian Tire and the inclusion of an incremental week of Retail segment operations in 2014.

Gross margin

Retail segment gross margin dollar growth reflects increased revenue at Canadian Tire, FGL Sports and Mark's and the inclusion of an incremental week of Retail segment operations in 2014. Retail segment gross margin rate increased 76 basis points. Excluding Petroleum, Retail segment gross margin rate increased 48 basis points primarily due to:

- improved sales mix and promotional pricing at Canadian Tire; and
- favourable mix across the Retail segment banners due to a greater contribution from the higher margin FGL Sports business;

partially offset by

- the impact of the deterioration of the Canadian dollar against the U.S. dollar.

Other income/expense

Retail segment other income increased $95.2 million to $110.4 million, largely attributable to distributions earned on CT REIT Class B LP Units and Units held by the Company.

Selling, general and administrative expenses

Selling, general and administrative expenses growth was driven by:

- higher occupancy costs primarily relating to market rent paid on retail properties sold to CT REIT and a greater number of corporate stores in the network;
- higher personnel costs due to higher share-based compensation expense resulting from share price appreciation, increased headcount to support information technology initiatives, and a greater number of corporate stores in the network;
- higher costs to support strategic and operational initiatives; and
- the inclusion of an incremental week of Retail segment operations in 2014;

partially offset by

- lower depreciation expense, as properties sold to CT REIT are no longer depreciated in the Retail segment; and
- lower marketing expenses.

Net finance costs/income

Net finance income increased from costs of $54.1 million in 2013 to income of $11.9 million in 2014, due primarily to increased income earned on the CT REIT Class C LP Units resulting from new issuances of Class C LP Units in 2014 and a partial quarter of CT REIT operations in the comparable period.

6.4.1.3 Retail segment business risks

The Retail segment is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. The following are some of the business risks specific to the Retail segment's operations. Refer to section 10.2 of this MD&A for a discussion of some other industry-wide and company-wide risks affecting the business.

Seasonality risk

Canadian Tire derives a significant amount of its revenue from the sale of seasonal merchandise and, accordingly, derives a degree of sales volatility from abnormal weather patterns. Canadian Tire mitigates this risk, to the extent possible, through the breadth of its product mix as well as effective procurement and inventory management practices.

Mark's business remains seasonal, with the fourth quarter typically producing the largest share of sales and annual earnings. Detailed sales reporting and merchandise planning modules assist Mark's in mitigating the risks and uncertainties associated with unseasonable weather and consumer behaviour during the important winter selling season but cannot eliminate such risks completely because inventory orders, especially for a significant portion of merchandise purchased offshore, must be placed well ahead of the season.

FGL Sports is affected by general seasonal trends that are characteristic of the apparel, hard goods and retail industries. FGL Sports strives to minimize the impact of the seasonality of the business by altering its merchandise mix at certain times of the year to reflect consumer demand.

Supply chain disruption risk

A substantial portion of the Company's product assortment is sourced from foreign suppliers, lengthening the supply chain and extending the time between order and delivery to its DCs. Accordingly, the Company is exposed to potential supply chain disruptions due to foreign supplier failures, geopolitical risk, labour disruption or insufficient capacity at ports and risk of delays or loss of inventory in transit. The Company mitigates this risk through the use of advanced tracking systems and visibility tools, effective supplier selection and procurement practices and through strong relationships with transportation companies and port and other shipping authorities, supplemented by marine insurance coverage.

Environmental risk

Environmental risk within Canadian Tire is primarily associated with the handling and recycling of certain materials, such as tires, paint, oil, lawn chemicals and electronics sold in Canadian Tire and PartSource stores. The Company has established and follows comprehensive environmental policies and practices to avoid a negative impact on the environment, to comply with environmental laws and to protect its reputation.

Environmental risk within Petroleum is primarily associated with the handling of gasoline, oil and propane. Environmental contamination, if not prevented or remediated, could result in fines and sanctions and damage the Company's reputation. The Company mitigates its environmental risks through a comprehensive regulatory compliance program, which includes environmental investigations and the remediation of contaminated sites as required. Petroleum also has environmental insurance coverage.

Commodity price and disruption risk

The operating performance of petroleum retailers can be affected by fluctuations in the commodity cost of oil. The wholesale price of gasoline is subject to global oil supply and demand conditions; domestic and foreign political policy; commodity speculation; and potential supply chain disruptions from natural and human-caused disasters. To mitigate this risk to profitability, Petroleum maintains tight controls over its operational costs and enters into long-term gasoline purchase arrangements with integrated gasoline wholesalers. Petroleum also enhances profitability through a comprehensive cross-marketing strategy with other Canadian Tire banners and higher-margin, ancillary businesses such as convenience store and car wash sales.

Market obsolescence risk

Clothing and apparel retailers are exposed, to varying degrees, to ever-changing consumers' fashion preferences. Mark's and FGL Sports mitigate this risk through brand positioning, consumer preference monitoring, demand forecasting and merchandise selection efforts. Mark's specifically targets consumers of durable everyday casual wear and is less exposed to changing fashions than apparel retailers offering high-fashion apparel and accessories. This is especially true for Mark's heritage industrial wear category. FGL Sports offers a comprehensive assortment of brand-name products under its various banners and partners with strong, national branded suppliers which continually evolve their assortments to reflect customer preferences.

Global sourcing risk

Canadian Tire, FGL Sports and Mark's use internal resources and third-party logistics providers to manage supply chain technology and the movement of foreign-sourced goods from suppliers to the Company's Canadian DCs and to their retail stores. Similar to other retailers that source products internationally, there is exposure to risks associated with foreign suppliers which can include, but are not limited to, currency fluctuations, the stability of manufacturing operations in other countries and transportation and port disruptions (see supply chain disruption risk). The Company uses internal resources and third-party quality assurance providers to proactively manage product quality with vendors in the foreign sourcing regions. The Company believes that its business practices are appropriate to mitigate the risks. Further information regarding the Company's exposure to foreign currency risk is provided in section 10.3. Additional information regarding the Company's responsible sourcing practices is provided in section 12.4.

6.4.2 CT REIT segment

6.4.2.1 CT REIT segment key operating performance measures

Readers are reminded that key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3 in this MD&A for definitions and further information on changes made to performance measures.

(C$ in millions)	Q4 2014	Q4 2014 Forecast	Variance	2014	2014 Forecast	Variance
Net operating income[1] (NOI)	**$ 62.1**	$ 57.9	$ 4.2	**$ 239.6**	$ 231.2	$ 8.4
Funds from operations[1] (FFO)	**46.6**	42.3	4.3	**176.9**	169.4	7.5
Adjusted funds from operations[1] (AFFO)	**34.7**	31.6	3.1	**132.9**	126.8	6.1

[1] Non-GAAP measures. Refer to section 9.3 in this MD&A for additional information.

6.4.2.2 CT REIT segment financial results

(C$ in millions)	Q4 2014	Q4 2014 Forecast	Variance	2014	2014 Forecast	Variance
Property revenue	**$ 89.2**	$ 83.1	$ 6.1	**$ 344.8**	$ 333.5	$ 11.3
Property expense	**(19.3)**	(18.2)	(1.1)	**(76.7)**	(74.3)	(2.4)
General and administrative expense	**(2.1)**	(2.0)	(0.1)	**(8.3)**	(8.1)	(0.2)
Interest income	**–**	–	–	**0.3**	–	0.3
Interest and other financing charges	**(21.3)**	(20.6)	(0.7)	**(83.0)**	(81.7)	(1.3)
Fair value adjustment on investment properties	**7.3**	–	7.3	**141.2**	–	141.2
Net income and comprehensive income	**$ 53.8**	$ 42.3	$ 11.5	**$ 318.3**	$ 169.4	$ 148.9

CT REIT segment fourth quarter 2014 versus fourth quarter Forecast

Property revenue

Revenue for the quarter was $89.2 million, of which $86.2 million was received from CTC. Revenue consists of base rent and operating cost and property tax recoveries.

Property revenue increased by $6.1 million compared to the Forecast mainly due to:

- base rent relating to properties acquired since the offering not being included in the Forecast, and higher common area maintenance ("CAM") cost recoveries than in the Forecast;

partially offset by

- lower property tax recoveries than in the Forecast.

Property expense

Property expense for the quarter was $19.3 million, of which the majority of costs are recoverable from tenants. Property expense consists primarily of taxes and costs pursuant to the property management agreement between CT REIT and CTC.

Property expense increased by $1.1 million compared to the Forecast, largely due to expenses relating to acquisitions, partially offset by lower property tax expense for the initial properties transferred to CT REIT by CTC in 2013.

General and administrative expense

General and administrative expenses are primarily related to ongoing operational costs associated with the public entity and outsourced costs which are largely related to the services provided by CTC pursuant to the services agreement between CT REIT and CTC.

General and administrative expenses were higher by $0.1 million for the quarter compared to the Forecast. The increase was mainly driven by higher legal and consulting costs relating to post-closing matters, which were not included in the Forecast, partially offset by income resulting from the recognition of a deferred tax asset, which was not included in the Forecast.

Interest and other financing charges

Interest expense for the quarter is primarily related to distributions on the Class C LP Units held by CTC. Interest expense was $0.7 million higher than the Forecast mainly due to mortgages assumed and draws on CT REIT's bank credit facility.

Net operating income

During the quarter, NOI was $62.1 million which consists of rental revenue less property operating costs. NOI was higher by $4.2 million compared to the Forecast primarily due to acquisitions that were not included in the Forecast. NOI is a non-GAAP measure, refer to section 9.3 for additional information.

Funds from operations and adjusted funds from operations

FFO and AFFO for the quarter were $46.6 million and $34.7 million, respectively. FFO and AFFO were higher than the Forecast by $4.3 million and $3.1 million, respectively, largely due to the impact of the NOI variance discussed above. FFO and AFFO are non-GAAP measures, refer to section 9.3 for additional information.

CT REIT segment full-year 2014 versus full-year Forecast

Revenue was $344.8 million, of which $332.2 million was received from CTC. Property expense was $76.7 million, the majority is recoverable from tenants. NOI was $239.6 million and FFO and AFFO were $176.9 million and $132.9 million, respectively.

Variances between the Forecast and actual amounts were primarily driven by revenues and expenses, including interest expense, relating to properties acquired during the year that were not included in the Forecast, lower property tax expense, and higher legal and consulting costs.

In 2014, CT REIT completed 13 acquisitions (including seven vend-ins), six intensifications, two development properties and two land acquisitions for a total cost of $264.6 million, which were settled with a combination of cash, the issuance of additional Class B LP Units and Class C LP Units to CTC and through the assumption of mortgages and draws on CT REIT's bank credit facility.

6.4.2.3 CT REIT segment business risks

CT REIT is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. The following are some of the business risks specific to the operations of CT REIT. Please refer to section 4 in CT REIT's Annual Information Form ("AIF") and Part X – Enterprise Risk Management in CT REIT's MD&A for the period ended December 31, 2014 for a comprehensive discussion of risks that affect its operations and also to section 10.2 in this MD&A for a discussion of industry-wide and company-wide risks affecting the business.

Financial risks

In the normal course of business, CT REIT is exposed to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives and could materially adversely affect the financial performance of CT REIT, its ability to make distributions to its unitholders and the trading price of its units. Refer to Note 24(b) in CT REIT's annual consolidated financial statements for a comprehensive discussion of financial risk management.

Real property ownership and tenant risks

Real estate ownership is generally subject to numerous factors and risks, including changes in local economic conditions, local real estate conditions, the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space and the ability of the owner to provide adequate maintenance at competitive costs. The properties of CT REIT are well located within their respective markets and provide an attractive platform from which to grow given their stable characteristics, which include high occupancy, staggered lease maturities and strong retailing attributes.

Tax-related risks

Management of CT REIT has developed a compliance program to provide reasonable assurances that CT REIT satisfies the conditions to qualify as a closed-end mutual fund trust by complying with the restrictions in the Income Tax Act as they are interpreted and applied by the Canada Revenue Agency ("CRA"). No assurance can be given that CT REIT will be able to comply with these restrictions at all times. If CT REIT were not to qualify as a mutual fund trust for purposes of the Income Tax Act, the consequences could be material and adverse.

6.4.3 Financial Services segment

6.4.3.1 Financial Services segment key operating performance measures

Readers are reminded that key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3 in this MD&A for definitions and further information on changes made to performance measures.

(year-over-year percentage change, C$ in millions, except where noted)	Q4 2014	Q4 2013	Change	2014	2013	Change
Revenue	$ 266.1	$ 259.6	2.5%	$ 1,075.7	$ 1,025.9	4.8%
Credit card sales growth[1]	2.7%	3.5%		3.5%	3.1%	
Gross average accounts receivable (GAAR)	$ 4,822.0	$ 4,507.0	7.0%	$ 4,684.6	$ 4,374.3	7.1%
Revenue[2] (as a % of GAAR)	22.96%	23.45%		n/a	n/a	
Average number of accounts with a balance[3] (thousands)	1,864	1,811	2.9%	1,837	1,772	3.7%
Average account balance[3] (whole $)	$ 2,584	$ 2,485	4.0%	$ 2,547	$ 2,464	3.3%
Net credit card write-off rate[2,3]	6.05%	5.75%		n/a	n/a	
Past due credit card receivables[3,4] (PD2+)	2.98%	3.03%		n/a	n/a	
Allowance rate[5]	2.27%	2.61%		n/a	n/a	
Operating expenses[2] (as a % of GAAR)	6.42%	6.36%		n/a	n/a	
Return on receivables[2]	7.36%	7.32%		n/a	n/a	

[1] *Credit card sales exclude balance transfers.*

[2] *Figures are calculated on a rolling 12 month basis.*

[3] *Credit card portfolio only.*

[4] *Credit card receivables more than 30 days past due as a percentage of total ending credit card receivables.*

[5] *The allowance rate was calculated on the total managed portfolio of loans receivable.*

6.4.3.2 Financial Services segment financial results

(C$ in millions)	Q4 2014	Q4 2013[1]	Change	2014	2013	Change
Revenue	$ 266.1	$ 259.6	2.5%	$ 1,075.7	$ 1,025.9	4.8%
Gross margin dollars	148.1	145.4	1.8%	640.5	595.4	7.6%
Gross margin (% of revenue)	55.6%	56.0%	(38bps)	59.5%	58.0%	150bps
Other (expense) income	(0.9)	0.2	NM[1]	(1.6)	0.4	NM[1]
Selling, general and administrative expenses	75.8	75.3	0.8%	300.8	278.5	8.1%
Net finance income	0.5	1.3	(55.5)%	6.9	2.7	157.8%
Income before income taxes	$ 71.9	$ 71.6	0.2%	$ 345.0	$ 320.0	7.8%

[1] *Year-over-year change per cent is not meaningful.*

Financial Services segment fourth quarter 2014 versus fourth quarter 2013

Earnings summary

Compared to strong earnings in the fourth quarter of 2013 (2013 income before income taxes was up 16.6 per cent compared to 2012), Financial Services delivered solid results, with income before income taxes increasing 0.2 per cent over the prior year. These results reflected higher credit charges relating to strong GAAR growth that were partially offset by revenue deferral on balance transfers and deferred financing transactions[1], increased net write-offs and decreased interest income on intercompany loans.

Revenue

Financial services revenue increased 2.5 per cent in the quarter compared to the prior year due primarily to higher credit charges relating to GAAR growth of 7 percent, partially offset by revenue deferral relating to balance transfers and deferred financing transactions[1]. GAAR growth was driven by growth in active accounts and increased average account balances.

Gross margin

Financial services gross margin dollars increased 1.8 per cent from the prior year on increased revenue. Gross margin rate declined 38 bps due to an increase in the net write-off rate.

Selling, general and administrative expenses

Financial Services selling, general and administrative expenses were relatively flat in the quarter, increasing 0.8 per cent over the prior year. Higher share-based compensation expense due to share price appreciation and increased costs for credit card operations were offset by lower marketing costs.

Net finance costs

Finance income decreased $0.8 million in the quarter due primarily to lower interest earned on intercompany loans.

Financial Services segment full year 2014 versus full year 2013

Earnings summary

Income before income taxes increased 7.8 per cent compared to the prior year. This reflects increased revenue and a reduction in the incremental allowance for future write-offs. Growth in income before income taxes was partially offset by higher costs relating to credit card operations including a one-time settlement of a contingency based contract.

Revenue

Financial Services revenue increased 4.8 per cent compared to the prior year due to higher credit charges relating to GAAR growth of 7.1 per cent. GAAR growth was driven by active account growth, higher sales on credit cards, and a lower payment rate.

Gross Margin

Financial services gross margin dollars increased 7.6 per cent from the prior year due to increased revenue and gross margin rate. The improvement in gross margin rate was primarily driven by a reduction in the incremental allowance for future write-offs due to Management's assessment of the effect of changes made to the monthly minimum payment requirements implemented in 2012 and an improvement in account aging.

Selling, general and administrative expenses

Financial Services selling, general and administrative expenses increased 8.1 per cent from the prior year due to higher costs relating to credit card operations including a one-time settlement of a contingency based contract.

[1] *In accordance with IFRS, balance transfers, deferred sales and installment sales are recorded at fair value using an effective interest rate. Financial Services records a reduction to revenue when funding these loans, which is amortized back into revenue over the term of the loan.*

Net finance costs

Finance income increased $4.2 million in the year due primarily to higher interest earned on intercompany loans.

6.4.3.3 Financial Services segment business risks

Financial Services is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. The following are some of the business risks specific to Financial Services' operations. Please refer to section 10.2 for a discussion of company-wide risks.

Consumer credit risk

Financial Services grants credit to its customers on Canadian Tire credit cards, which may include varying payment options. With the granting of credit, Financial Services assumes certain risks with respect to the ability and willingness of its customers to repay debt. Financial Services manages credit risk to optimize profitability, within the scope of internal risk policy, by:

- employing sophisticated credit-scoring models to constantly monitor the creditworthiness of customers;
- using the latest technology to make informed credit decisions for each customer account to limit credit risk exposure;
- adopting technology to improve the effectiveness of the collection process; and
- monitoring the macroeconomic environment, especially with respect to consumer debt levels, interest rates, employment levels and income levels.

Liquidity and funding risk

Liquidity and funding risk is the risk that Financial Services will be unable to meet its obligations or obtain funding at a reasonable cost. Financial Services mitigates its liquidity and funding risk by maintaining multiple diversified funding sources that include securitization of receivables, broker GIC deposits, retail deposits and intercompany borrowing. Financial Services also maintains a pool of high-quality marketable securities that can be used as a source of liquidity under a short term stress scenario. Financial Services monitors a number of regulatory metrics including Liquidity Coverage Ratio, Net Cumulative Cash Flow and Net Stable Funding Ratio. Liquidity and funding risk is further mitigated by $2.25 billion of committed funding facilities provided by Scotiabank. Further details on financing sources for Financial Services are included in section 7.3.

Interest rate risk

The Financial Services segment is exposed to interest rate risk to the extent that changes in interest rates impact net interest income and net economic value. A significant proportion of the funding liabilities for Financial Services are fixed rate, which reduces interest rate risk. A one per cent change in interest rates does not materially affect net interest income or net economic value.

Regulatory risk

Regulatory risk is the risk of negative impact to business activities, earnings or capital, regulatory relationships or reputation as a result of failure to comply with or failure to adapt to current and changing regulations or regulatory expectations.

Financial Services' Compliance department is responsible for the development and maintenance of a legislative compliance management system and reports on a quarterly basis to Financial Services' Governance and Conduct Review Committee.

Specific activities that assist the Company in adhering to regulatory standards include communication of regulatory requirements, advice, training, testing, monitoring, reporting and escalation of control deficiencies and regulatory risks.

6.5 Balance sheet and cash flows

6.5.1 Summary balance sheet

Selected line items from the Company's assets, liabilities and shareholders' equity for the years ended January 3, 2015 and December 28, 2013 are noted below.

(C$ in millions)	2014	2013	Change ($)	Change (%)
Assets				
Cash and cash equivalents	$ 662.1	$ 643.2	$ 18.9	2.9%
Short-term investments	289.1	416.6	(127.5)	(30.6)%
Trade and other receivables	880.2	758.5	121.7	16.0%
Loans receivable	4,905.5	4,569.7	335.8	7.3%
Merchandise inventories	1,623.8	1,481.0	142.8	9.6%
Property and equipment	3,743.1	3,516.1	227.0	6.5%
Total assets	$ 14,553.2	$ 13,630.0	$ 923.2	6.8%
Liabilities				
Deposits	$ 950.7	$ 1,178.4	$ (227.7)	(19.3)%
Trade and other payables	1,961.2	1,817.4	143.8	7.9%
Current portion of long-term debt	587.5	272.2	315.3	115.8%
Long-term debt	2,131.6	2,339.1	(207.5)	(8.9)%
Long-term deposits	1,286.2	1,152.0	134.2	11.6%
Other long-term liabilities	787.8	228.3	559.5	245.1%
Total liabilities	$ 8,922.4	$ 8,180.1	$ 742.3	9.1%

The year-over-year increase in total assets of $923.2 million was due primarily to:

- an increase in loans receivable of $335.8 million largely relating to higher average credit card balances and increased average active accounts at Financial Services;
- an increase in property and equipment of $227 million primarily due to acquisitions by CT REIT including Canada Square and Dufferin Place, and investments in new store projects at FGL Sports and refurbishments at Mark's;
- an increase in merchandise inventories across retail banners totaling $142.8 million. Inventory levels were higher at Canadian Tire to mitigate supply chain disruption risk and to take advantage of early purchase opportunities prior to duty and tariff increases. Higher inventory at FGL Sports was to support new stores in the network and sales growth while increases at Mark's were driven by efforts to keep a higher level of inventory to accommodate rebranding initiatives;
- an increase in trade and other receivables of $121.7 million driven by an increase in derivative assets of $70 million as a result of a more favourable valuation of the foreign exchange hedge portfolio;

The year-over-year increase in total liabilities of $742.3 million was due primarily to:

- an increase in long-term liabilities of $559.5 million, largely attributable to the $517 million redeemable financial instrument issued in connection with the Financial Services transaction;
- an increase in trade and other payables of $143.8 million relating to higher inventory levels across retail banners and increased compensation incentive accruals; and
- an increase in term debt of $107.8 million due to the issuance of $500 million of Glacier notes offset by $252 million of matured Glacier notes and assumed mortgages of $58.5 million at CT REIT, partially offset by the early redemption of $200 million medium-term notes;

partially offset by;

- a decrease in net deposits of $93.5 million at Financial Services.

For the complete balance sheet, please refer to the annual consolidated balance sheets in the 2014 Annual Report.

6.5.2 Summary cash flows

Consolidated fourth quarter 2014 versus fourth quarter 2013

The Company's cash and cash equivalents position, net of bank indebtedness, was $647.8 million as at January 3, 2015, an increase of $261.9 million in the quarter compared to $233.0 million in the fourth quarter of 2013.

The increase in cash generated in the quarter of $28.9 million compared to the prior year was primarily due to:

- an improvement in cash generated from operating activities of $166.1 million, due to increased cash generated by the Retail business;

partially offset by

- a $152 million reduction in cash generated from financing activities as the net proceeds from the sale of 20 per cent of the Financial Services business was used to repay short term borrowings and fund the repurchase of the Company's Class A Non-Voting Shares, while in 2013 cash was generated from the CT REIT IPO and Glacier debt issuance, partially offset by a reduction in deposits at Financial Services.

Consolidated full year 2014 versus full year 2013

The Company's cash and cash equivalents position, net of bank indebtedness, increased $73.9 million in the year compared to a use of cash of $355.1 million in 2013.

The increase in cash generated in the year of $429 million was primarily due to:

- the increase in cash generated from financing activities of $550.3 million, as the proceeds from the sale of 20 per cent of the Financial Services business and $500 million of Glacier debt issuance was sufficient to fund the Glacier debt maturity, early redemption of corporate debt, share repurchases and other financing activities, while in 2013 debt maturities, share repurchases and other financing activities exceeded the proceeds received from the CT REIT IPO and Glacier debt issuance; and
- A decrease in cash used for investing activities of $196.9 million primarily due to the sale of marketable investments;

partially offset by

- the Company's investment in working capital, which resulted from a conscious decision to increase inventory across all retail banners to mitigate supply chain disruption risk, take advantage of early purchase opportunities prior to duty and tariff increases, support new stores and sales growth and accommodate rebranding initiatives.

The Company's consolidated statements of cash flows for the quarters and years ended January 3, 2015 and December 28, 2013 are noted below:

(C$ in millions)	Q4 2014	Q4 2013[1]	Change	2014	2013[1]	Change
Cash generated from operating activities before the undernoted items	$ 363.5	$ 278.0	$ 85.5	$ 990.7	$ 896.9	$ 93.8
Change in operating working capital and other	327.4	188.9	138.5	(83.5)	270.2	(353.7)
Change in loans receivable net of impairment loss	(207.0)	(149.1)	(57.9)	(332.4)	(274.1)	(58.3)
Cash generated from operating activities	483.9	317.8	166.1	574.8	893.0	(318.2)
Cash (used for) generated from investing activities before the undernoted items	(164.5)	(235.6)	71.1	99.2	(276.2)	375.4
Additions to property and equipment and investment property	(164.8)	(111.1)	(53.7)	(538.6)	(404.3)	(134.3)
Additions to intangible assets	(59.1)	(56.5)	(2.6)	(150.1)	(105.9)	(44.2)
Cash used for investing activities	(388.4)	(403.2)	14.8	(589.5)	(786.4)	196.9
Cash generated from (used for) financing activities before the undernoted items	125.9	453.5	(327.6)	185.6	(365.5)	551.1
Change in deposits	40.5	(135.1)	175.6	(97.0)	(96.2)	(0.8)
Cash generated from (used for) financing activities	166.4	318.4	(152.0)	88.6	(461.7)	550.3
Cash generated (used) in the period	$ 261.9	$ 233.0	$ 28.9	$ 73.9	$ (355.1)	$ 429.0

[1] *Prior year figures have been restated. Refer to Note 39 of the consolidated financial statements.*

7.0 Liquidity, capital resources and contractual obligations

7.1 Capital management

In order to support its growth agenda and meet the goals highlighted in its strategic objectives, the Company actively manages its capital in the following manner.

7.1.1 Capital management objectives

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.

7.1.2 Capital under management

The definition of capital varies from company to company, from industry to industry and for different purposes. In the process of managing the Company's capital, Management includes the following items in its definition of capital and includes Glacier indebtedness but excludes Franchise Trust indebtedness:

(C$ in millions)	2014	% of total	2013[1]	% of total
Capital components				
Deposits	$ 950.7	9.1%	$ 1,178.4	11.6%
Short-term borrowings	199.8	1.9%	120.3	1.2%
Current portion of long-term debt	587.5	5.6%	272.2	2.6%
Long-term debt	2,131.6	20.4%	2,339.1	23.0%
Long-term deposits	1,286.2	12.3%	1,152.0	11.3%
Total debt	$ 5,155.8	49.3%	$ 5,062.0	49.7%
Redeemable financial instrument	517.0	4.9%	–	0.0%
Share capital	695.5	6.8%	712.9	7.0%
Contributed surplus	2.9	0.0%	2.4	0.0%
Retained earnings	4,075.1	39.0%	4,404.6	43.3%
Total capital under management	$ 10,446.3	100.0%	$ 10,181.9	100.0%

[1] *Refer to Note 3 in the annual consolidated financial statements for details of accounting policy change for share capital.*

The Company monitors its capital structure through measuring various debt-to-capitalization and debt-to-earnings ratios and ensures its ability to service debt and meet other fixed obligations by tracking its interest and other fixed-charge coverage ratios. As part of this process, Management calculates and monitors its consolidated adjusted net debt metric which includes Glacier indebtedness but excludes Franchise Trust indebtedness. A reconciliation of the Company's adjusted net debt as at January 3, 2015 to reported GAAP measures is provided in section 9.3 of this MD&A.

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

In order to maintain or adjust the capital structure, the Company has the flexibility, if desired, to issue or repay debt, issue or purchase its shares, pay a special dividend, engage in additional sale and leaseback transactions of real estate properties, securitize credit card receivables through Glacier, issue deposits through CTB and issue new debt through CT REIT.

The Company has in place various policies that it uses to manage capital, including a leverage and liquidity policy, an interest rate risk management policy and a securities and derivatives policy. As part of the overall management of capital, Management and the Audit Committee of the Board of Directors review the Company's compliance with, and performance against, these policies. In addition, periodic reviews of the policies are performed to ensure consistency with risk tolerances.

Key financial covenants of the existing debt agreements are reviewed by Management on an ongoing basis to monitor compliance with the agreements.

The key covenants are as follows:

- a requirement to maintain, at all times, a specified minimum ratio of consolidated net tangible assets to the outstanding principal amount of all consolidated funded obligations (as defined in the respective debt agreements, which exclude the assets and liabilities of Glacier and Franchise Trust); and
- a limit on the amount available for distribution to shareholders whereby the Company is restricted from distributions (including dividends and redemptions or purchases of shares) exceeding, among other things, its accumulated net income over a defined period.

The Company was in compliance with these key covenants as at January 3, 2015 and December 28, 2013. Under these covenants, the Company currently has sufficient flexibility to fund business growth and maintain or amend dividend rates within its existing dividend policy.

In addition, the Company is required to comply with regulatory requirements for capital associated with the operations of CTB, a federally chartered bank, and other regulatory requirements that have an impact on its business operations as well as with key financial covenants pursuant to its bank credit agreement.

CT REIT's objectives when managing capital are to ensure access to capital and sufficient liquidity is available to support ongoing property operations, developments and acquisitions while generating reliable, durable and growing monthly cash distributions on a tax-efficient basis to maximize long term unitholder value.

CT REIT's strategy and process for managing capital is driven by requirements established under its Declaration of Trust and the syndicated bank credit facility provided by a number of Canadian financial institutions. For further information on CT REIT's capital strategy, refer to Part V of CT REIT's Q4 2014 MD&A.

7.1.3 Canadian Tire Bank's regulatory environment

CTB manages its capital under guidelines established by the Office of the Superintendent of Financial Institutions of Canada ("OSFI"). OSFI's regulatory capital guidelines are based on the international Basel Committee on Banking Supervision ("BCBS") framework Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems ("Basel III"), which came into effect in Canada on January 1, 2014 and measures capital in relation to credit, market and operational risks. CTB has various capital policies and procedures and controls, including an Internal Capital Adequacy Assessment Process ("ICAAP"), which it utilizes to achieve its goals and objectives.

CTB's capital management objectives include maintaining sufficient capital to satisfy regulators and to maintain the confidence of depositors.

OSFI's regulatory capital guidelines under Basel III allow for two tiers of capital. As at December 31, 2014 (CTB's fiscal year-end), Common Equity Tier 1 ("CET1") capital includes common shares, retained earnings and accumulated other comprehensive income. CTB currently does not hold any additional Tier 1 or Tier 2 capital instruments. Therefore, CTB's CET1 is equal to its Tier 1 and Total regulatory capital. Risk-weighted assets ("RWA") include all on-balance-sheet assets weighted for the risk inherent in each type of asset, as well as an operational risk component based on a percentage of average risk-weighted revenues and a market risk component for assets held in the trading book for on and off-balance sheet financial instruments held in a foreign currency. For the purposes of calculating RWA, securitization transactions are considered off-balance-sheet transactions and therefore securitization assets are not included in the RWA calculation. Assets are included in the trading book when they are held either with trading intent or to hedge other elements in the trading book.

During the 12-month periods ended December 31, 2014 and 2013, CTB complied with all regulatory capital guidelines established by OSFI and its internal targets as determined by ICAAP.

7.2 Investing

7.2.1 Capital expenditures

Total capital expenditures for the year are shown in the following table:

(C$ in millions)	2014	2013
Real estate	$ 256.6	$ 238.9
Information technology	153.8	146.5
Other operating	65.6	47.5
Operating capital expenditures	476.0	432.9
CT REIT acquisitions and developments excluding vend-ins from CTC[1]	183.4	9.0
Distribution capacity	62.4	102.2
Total capital expenditures[2]	$ 721.8	$ 544.1

[1] Includes $57.6 million of developments and intensifications performed by CT REIT on properties for lease by the Retail segment.

[2] Capital expenditures are presented on an accrual basis and include software additions, but exclude acquisitions related to business combinations and intellectual properties.

Capital expenditures for 2014 were $721.8 million compared to $544.1 million in 2013. Operating capital expenditures, which excludes spending on additional distribution capacity and CT REIT third-party acquisitions and developments, were $476 million. CT REIT funded development and intensification activities originally planned as operating capital expenditures, including this amount the Company exceeded its stated range for operating capital expenditures of $500 million to $525 million by $8.6 million.

Capital expenditures for additional distribution capacity were $62.4 million, $12.6 million below the Company's stated range of $75 million to $100 million due primarily to weather-related delays in construction and capital spending initially planned for 2014 being deferred to 2015.

In 2014, CT REIT completed six property acquisitions from external parties, six intensifications, two development land acquisitions, two developments, and incurred property maintenance capital expenditures for a total cost of $183.4 million. In addition, CT REIT acquired seven properties from the Retail segment (vend-ins) totaling $98.3 million.

Capital commitments

The Company has commitments of approximately $164.6 million at January 3, 2015 for the acquisition of tangible and intangible assets.

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

In connection with the announcement of the Company's three-year growth strategy on October 9, 2014, the Company announced that it expects average annual operating capital expenditures of approximately $575 million between fiscal 2015 and fiscal 2017, including significant new investments in digital technology and continued investment in the Company's store network. The average annual operating capital expenditures do not include spending relating to new distribution centre capacity or properties CT REIT acquires from third parties.

Operating capital expenditures in 2015 are expected to be higher than the three-year average, within a range of $600 million to $625 million, primarily due to increased spending on the retail network expansion, including the FGL Sports growth strategy, and significant investments in digital and technology initiatives. The Company expects capital expenditures for additional distribution capacity to be in the range of $175 million to $200 million in 2015. This does not include acquisitions of third-party properties by CT REIT as part of its growth strategy.

7.2.2 Business acquisition

As part of its growth strategy, the Company actively pursues acquisition candidates that are a strategic fit with its retail and retail-related businesses. Major acquisitions are only consummated, however, when the acquiree's business complements the Company's major offering of products and services and is expected to be accretive to earnings and strengthen its market position. As a result of its measured approach to acquiring new businesses, the Company has completed two major acquisitions within the past 12 years: Mark's Work Wearhouse Limited in 2002 and The Forzani Group Limited in 2011.

7.2.3 Acquisition of Pro Hockey Life Sporting Goods Inc.

In August 2013, the Company acquired 100 per cent of the issued and outstanding shares of PHL for $58 million. PHL is a Canadian retailer of sporting goods, with 23 urban, high-end hockey stores operating in five provinces under various trade names. The acquisition was a natural extension of the Company's sporting goods business.

The fair value of net identifiable assets acquired and liabilities assumed as at the acquisition date was $10.4 million, which included $14.1 million of intangible assets. Goodwill of $47.6 million was recognized as at the acquisition date. The goodwill was attributable mainly to the expected future growth potential from the expanded customer base of PHL stores, the network of stores and access to the urban high-end customer segment within the hockey equipment market.

7.3 Liquidity and financing

The Company is in a strong liquidity position with the ability to access multiple funding sources. A number of alternative financing sources are available to the Company, CT REIT and CTB to ensure that the appropriate level of liquidity is available to meet the Company's strategic objectives. These sources may be summarized as follows:

Summary of Canadian Tire's financing sources as of January 3, 2015

Financing source	Amount Available	Description
Committed bank lines of credit and commercial paper program	$1.7 billion	Primarily provided by Canadian financial institutions, $1.5 billion of the committed bank lines are for general corporate purposes of the Company and support the corporate and Glacier commercial paper program. Included in the lines is $200 million for general purposes for CT REIT. The Company had no commercial paper outstanding as at January 3, 2015, however Glacier had $121.8 million of commercial paper outstanding as at January 3, 2015. CT REIT had $78 million of borrowings outstanding under its credit facility as at January 3, 2015.
Note purchase facility and unsecured revolving credit facility	$2.25 billion	Provided by Scotiabank to CTB for the purchase of Senior and Subordinated Notes issued by Glacier, available to October 2017.
Medium-term notes (MTN) program	$750 million	A Shelf Prospectus providing the Company with the ability to access the public markets for up to $750 million expires in April 2015. The Company intends to file a new Shelf Prospectus in the second quarter of 2015, which would provide the Company with access to up to $750 million for 25 months from that date.
Securitization of receivables	Transaction-specific	Securitization transactions, in the form of commercial paper, senior notes and subordinated notes issued through Glacier, continue to be a relatively cost-effective form of financing for CTB. Financial Services securitized $500 million of credit card receivables in 2014 as part of the Glacier securitization program.
Broker GIC deposits	No specified limit	Funds continue to be readily available to CTB through broker networks. As at January 3, 2015, Financial Services held $1,534.6 million in broker GIC deposits.
Retail deposits	No specified limit	Retail deposits consist of high interest savings accounts ("HIS") held by CTB and retail GIC deposits, available both within and outside a tax-free savings account "TFSA"). As at January 3, 2015, Financial Services held $702.3 million in retail deposits.
Real estate	Transaction specific	Strategic transactions involving properties not owned by CT REIT.
CT REIT	Various	Additional sources of funding are available to CT REIT as appropriate, including the ability to access equity and debt markets, subject to the terms and conditions of CT REIT's Declaration of Trust and all applicable regulatory requirements.

As indicated in the preceding table, as of January 3, 2015, the Company had $1.7 billion in committed bank lines of credit of which $1.2 billion is available to the Corporation and Glacier through a five-year syndicated credit facility expiring in June 2019 and $300 million in bilateral credit agreements available to the Corporation until late 2015. Each quarter, the Company has the ability to request that the term of each of the bilateral credit agreements be reset to 364 days. The remaining $200 million in bank lines of credit is available to CT REIT under a four-year unsecured, revolving syndicated credit facility expiring in October 2017.

On June 25, 2014, the Company redeemed $200 million of medium-term notes, which were to mature on June 1, 2016, and bore interest at 5.65 per cent. Upon redemption, the Company paid a redemption premium of $15 million, which is included in net finance costs.

The financial markets continue to demonstrate strong investor demand for credit products. CTC participates in the asset-backed security markets through the issuance by Glacier of commercial paper and longer-term debt issuances.

Credit rating

Canadian Tire Corporation is rated by two independent credit rating agencies: Dominion Bond Rating Service ("DBRS") and Standard & Poors ("S&P"), which provide credit ratings of debt securities for commercial entities. A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner with respect to both interest and principal commitments. Rating categories range from highest credit quality (generally "AAA") to default in payment (generally "D").

DBRS and S&P confirmed the Company's credit ratings for various corporate funding programs in Q4 2014. Glacier's ratings remained unchanged.

Credit rating summary	DBRS	S&P
Canadian Tire		
Issuer rating	BBB (high)	BBB+
Commercial paper	R-2 (high)	A-1 (low)
Medium-term notes	BBB (high)	BBB+
Trend or outlook	Stable	Stable
Glacier Credit Card Trust		
Asset-backed commercial paper	R-1 (high) (sf)	–
Asset-backed senior notes	AAA (sf)	AAA (sf)
Asset-backed subordinated notes	A (sf)	A (sf)
Trend or outlook	Stable	Stable
CT REIT		
Issuer rating	BBB (high)	BBB+
Trend or outlook	Stable	Stable

7.3.1 Contractual obligations, guarantees and commitments

7.3.1.1 Contractual obligations

The Company funds capital expenditures, working capital needs, dividend payments and other financing needs, such as debt repayments and Class A Non-Voting Share purchases, under a normal course issuer bid ("NCIB") program, from a combination of sources. The following table shows the Company's contractual obligations required to be paid over the next five-year period and beyond. The Company believes it has sufficient liquidity available to meet its contractual obligations as at January 3, 2015.

Contractual obligations due by period

(C$ in millions)	Total	2015	In years 2016 – 2017	In years 2018 –2019	2020 & beyond
Current and long-term debt[1, 3]	$ 919.9	$ 304.4	$ 7.5	$ 608.0	$ –
Glacier Credit Card Trust debt[2, 3]	1,664.1	264.6	634.9	764.6	–
Finance lease obligations[4]	208.3	29.5	45.7	34.3	98.8
Operating leases	2,081.2	326.4	559.2	431.1	764.5
Purchase obligations	1,036.8	893.9	103.6	28.2	11.1
Financial Services' deposits[3]	2,246.4	960.1	514.3	772.0	–
Other obligations	172.9	46.5	53.5	37.4	35.5
Total contractual obligations	$ 8,329.6	$ 2,825.4	$ 1,918.7	$ 2,675.6	$ 909.9

[1] Excludes senior and subordinated notes at Glacier Credit Card Trust.
[2] Represents senior and subordinated notes.
[3] Excludes interest obligations on debt or deposits.
[4] Includes interest obligations on finance leases.

7.3.1.2 Guarantees and commitments

In the normal course of business, the Company enters into numerous agreements that may contain features that meet the definition of a guarantee and provides other additional indemnification commitments to counterparties in various transactions that require the Company to compensate the counterparties for certain amounts and costs incurred. For a discussion of the Company's significant guarantees and commitments, refer to Note 37 to the annual consolidated financial statements.

The Company's maximum exposure to credit risk with respect to such guarantees and commitments is provided in Note 5 to the annual consolidated financial statements.

7.4 Funding costs

The table below shows the funding costs relating to short-term and long-term debt and excludes deposits held by CTB and Franchise Trust indebtedness.

(C$ in millions)	2014	2013
Interest expense[1]	$ 106.2	$ 102.8
Cost of debt[2]	4.38%	4.18%

[1] Represents the interest expense related to short-term and long-term debt. Short-term debt includes commercial paper and lines of credit. Long-term debt includes medium-term, senior and subordinated notes.
[2] Represents the weighted average cost of short-term and long-term debt during the period. Includes the impact of the early redemption of the Company's medium-term notes in 2014 and redemption premium of $15 million.

For a discussion of the liquidity and credit risks associated with the Company's ability to generate sufficient resources to meet its financial obligations, refer to section 10.3 in this MD&A.

7.5 Equity

Shares outstanding

(C$ in millions)	2014	2013[1]
Authorized		
3,423,366 Common Shares		
100,000,000 Class A Non-Voting Shares		
Issued		
3,423,366 Common Shares (2013 – 3,423,366)	$ 0.2	$ 0.2
74,023,208 Class A Non-Voting Shares (2013 – 76,560,851)	695.3	712.7
	$ 695.5	$ 712.9

[1] *Refer to Note 3 in the annual consolidated financial statements for details of accounting policy change.*

On February 21, 2014, the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to make a NCIB to purchase up to 2.5 million Class A Non-Voting Shares between February 26, 2014 and February 25, 2015.

As at January 3, 2015, the Company had purchased 2,600,000 Class A Non-Voting Shares at a cost of $290.6 million, consisting of:

- 100,000 shares purchased at a cost of $9.8 million under its NCIB which expired on February 25, 2014, and
- 2,500,000 shares purchased at a cost of $280.8 million under its NCIB which expired on February 25, 2015.

During 2014, the Company announced its intention to purchase, before the end of fiscal 2015, a total of $600 million of its Class A Non-Voting Shares in excess of the amount required for anti-dilutive purposes, subject to regulatory approval. As at January 3, 2015, $316.3 million of shares remain to be repurchased during fiscal 2015, subject to regulatory approval. As such, the Company will file a notice of intention with the TSX to make a NCIB to purchase up to 4 million Class A Non-Voting Shares.

7.5.1 Dividends

The Company has declared dividends payable to holders of Class A Non-Voting Shares and Common Shares at a rate of $0.525 per share payable on June 1, 2015 to shareholders of record as of April 30, 2015. The dividend is considered an "eligible dividend" for tax purposes.

7.5.2 Equity derivative contracts

The Company enters into equity derivative contracts to provide a partial offset to its exposure to fluctuations in stock option and performance share unit ("PSU") plan expense. Equity derivatives commonly used by the Company include total return swaps, floating-rate equity forwards and fixed-rate equity forwards.

During the year, a fixed rate equity forward which had hedged 140,000 PSUs settled, resulted in a payment to the Company of $4.4 million. Also during the year, the Company entered into new fixed rate equity forwards to offset its exposure to 140,000 PSUs at a weighted average purchase price of $107.66 and floating-rate equity forwards to offset its exposure to 525,000 stock options at a purchase price of $103.88.

8.0 Tax matters

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

As a result of the Company's investment in and development of certain qualifying information technology Scientific Research and Experimental Development (SR&ED) projects, claims have been filed with the Canada Revenue Agency (CRA) for SR&ED tax credits relating to prior periods (which are currently under audit by CRA). No amounts have been accrued in the Company's annual consolidated financial statements.

With respect to temporary differences relating to and arising from the Company's investment in its subsidiaries, the Company is able to control and has no plans that would result in the realization of the respective temporary differences. Accordingly, the Company has not provided for deferred taxes relating to these respective temporary differences.

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.

Income taxes for the 14 and 53 weeks ended January 3, 2015 increased to $86.8 million (2013 – $74.4 million) and $238.9 million (2013 – $220.2 million), respectively. The effective tax rate for the 14 weeks ended January 3, 2015 increased to 29.6 per cent (2013 – 28 per cent) primarily relating to prior years' tax settlements and adjustments to prior year's tax estimates and the non-deductibility of the change in fair value of the redeemable financial instrument.

The effective tax rate for the 53 weeks ended January 3, 2015 decreased to 27.2 per cent (2013 – 28.1 per cent) primarily due to lower non-deductible stock option expense, higher tax benefits relating to income attributable to non-controlling interests in flow-through entities, partially offset by the non-deductibility of the change in fair value of the redeemable financial instrument.

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

In Q3 2014, the Company announced the effective tax rate for fiscal 2015 was expected to be approximately 27.5 per cent. This estimate includes assumptions relating to the tax provision impact of the non-deductibility of anticipated changes in fair value of the redeemable financial instrument and lower anticipated stock option expense as compared to 2014.

9.0 Accounting policies, estimates and non-GAAP measures

9.1 Critical accounting estimates

The Company estimates certain amounts reflected in its consolidated financial statements using detailed financial models that are based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. In Management's judgment, the accounting policies and estimates detailed in Note 2 and Note 3 of the notes to the Annual Consolidated Financial Statements do not require Management to make assumptions about matters that are highly uncertain and, accordingly, none of the estimates are considered a "critical accounting estimate" as defined in Form 51-102F1 published by the Ontario Securities Commission except as noted below.

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

9.2 Changes in accounting policies

New significant accounting policies

Joint arrangement

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is a contractually agreed sharing of control where decisions regarding relevant activities require unanimous consent of the parties sharing control. A joint arrangement is classified as a joint operation when the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint arrangement is classified as a joint venture when the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A party to a joint operation records its interest in the assets, liabilities, revenue and expenses of the joint operation.

CT REIT acquired a one-third leasehold interest in Canada Square, a mixed-use commercial property in Toronto, pursuant to a co-ownership arrangement (the "Co-ownership"). The Co-ownership is a joint arrangement as the decisions regarding relevant activities require unanimous consent of the co-owners. This joint arrangement is a joint operation as each co-owner has rights to the assets and obligations for the liabilities relating to the Co-ownership. Accordingly, the Company recognizes its proportionate share of the assets, liabilities, revenue and expenses in the consolidated financial statements.

Share capital

During the year, the Company changed its accounting policy relating to share repurchases. Refer to Note 3 of the consolidated financial statements for further detail of this accounting policy change.

New standards implemented

Financial instruments: Asset and liability offsetting

In December 2011, the International Accounting Standard Board ("IASB") amended IAS 32 – *Financial Instruments: Presentation* ("IAS 32") to clarify the requirements which permit offsetting a financial asset and liability in the financial statements. The IAS 32 amendments are effective for annual periods beginning on or after January 1, 2014 and have been applied retrospectively. The implementation of IAS 32 amendments did not have a significant impact on the Company.

Financial Instruments: Novation of derivatives and continuation of hedge accounting

In June 2013, the IASB issued *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*. This amendment to IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") provides an exception to the requirement to discontinue hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly novated to a central counterparty as a consequence of laws

or regulations, or the introduction of laws or regulations. The IAS 39 amendments are effective for annual periods beginning on or after January 1, 2014 and have been applied retrospectively. The implementation of IAS 39 amendments did not have a significant impact on the Company.

Levies

In May 2013, the IASB issued IFRS Interpretations Committee ("IFRIC") 21 – *Levies*, which is an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and has been applied retrospectively. The implementation of IFRIC 21 did not have a significant impact on the Company.

Standards, amendments and interpretations issued and not yet adopted

The following new standards, amendments and interpretations have been issued and are expected to have an impact on the Company, but are not effective for the fiscal year ended January 3, 2015, and, accordingly, have not been applied in preparing the consolidated financial statements.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9"), which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39.

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in other comprehensive income instead of net income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to occur before credit losses are recognized. IFRS 9 also includes new disclosure requirements regarding expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It provides more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 9 will be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15"), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes* ("IFRIC 13"), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

IFRS 15 will be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Disclosure initiative

In December 2014, the IASB issued *Disclosure Initiative Amendments to IAS 1* as part of the IASB's Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements.

These amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

9.3 Key operating performance measures and non-GAAP financial measures

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

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

Key operating performance measures

Retail sales

Retail sales refer to the point of sale (i.e., cash register) value of all goods and services sold to retail customers at Canadian Tire Dealer-operated, Mark's and FGL Sports franchisee-operated, Petroleum retailer-operated and corporately owned stores across the retail banners and for services provided as part of

the Home Services offering as well as through the Company's online sales channels and in aggregate do not form part of the Company's consolidated financial statements. Revenue, as reported in the Company's consolidated financial statements, is comprised primarily of the sale of goods to Canadian Tire Dealers and to Mark's and FGL Sports franchisees, the sale of gasoline through Petroleum agents and the sale of goods to retail customers by Mark's, PartSource and FGL Sports corporately owned stores and their online sales channels.

Sales definitions for the Retail banners can be found in sections 6.4.1 of this MD&A and in the glossary contained in the Company's 2014 Annual Report.

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

Same-store sales

Same-store sales is a metric used by Management and is also commonly used in the retail industry to identify sales growth generated by a Company's existing store network and removes the effect of opening and closing stores. For Canadian Tire stores, the calculation also excludes stores that have been retrofitted, replaced or expanded where the percentage change in square footage exceeds 25 per cent of the original store size, and includes sales from all stores that have been open for a minimum of one year and one week. For Mark's and FGL Sports, same-store sales include sales from all stores that have been open since at least the beginning of the comparative quarter period in the prior year. Additional information on same-store sales definitions for Canadian Tire, Mark's and FGL Sports can be found in section 6.4.1 of this MD&A.

Sales per square foot

Management and investors use comparisons of sales per square foot metrics over several periods to help identify whether existing assets are being made more productive by the Company's introduction of new store layouts and merchandising strategies. Sales per square foot definitions for Canadian Tire, Mark's and FGL Sports can be found in section 6.4.1 of this MD&A.

Retail ROIC

The Company believes ROIC is useful in assessing the return on capital invested in its retail assets. In Q4 2014, Management refined the definition of ROIC to isolate the investments in and effects of CT REIT and Financial Services on the Retail segment, thus ensuring that the Retail ROIC metric reflects a pure retail business number. Retail ROIC is calculated as the rolling 12 months retail earnings divided by average invested retail capital. Retail earnings are defined as Retail segment after-tax earnings excluding interest expense, inter-segment earnings, minimum lease payments and non-controlling interests. Invested capital is defined as Retail segment total assets, including operating leases capitalized at a factor of 8, less Retail segment current liabilities and inter-segment balances. An aspiration with respect to ROIC has been included as one of the Company's financial aspirations. Refer to section 5.1 for additional information regarding the Company's ROIC performance in 2014.

Return on receivables

ROR is used by Management to assess the profitability of the Financial Services total portfolio of receivables. ROR is calculated by dividing income before income tax and gains/losses on disposal of property and equipment by the average total managed portfolio over a 12-month period. An aspiration with respect to ROR has been included as one of the Company's financial aspirations. Refer to section 5.1 in this MD&A for additional information on the Company's ROR performance in 2014.

Non-GAAP financial measures

EBITDA

The following table reconciles consolidated income before income taxes, net finance costs, depreciation and amortization, and change in fair value of redeemable financial instrument to net income which is a GAAP measure reported in the Annual Consolidated Financial Statements for the periods ended January 3, 2015 and December 28, 2013. Management uses EBITDA as a supplementary measure when assessing the performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital expenditures.

(C$ in millions, except where noted)	Q4 2014	Q4 2013	Change	2014	2013	Change
EBITDA	$ 437.5	$ 381.0	14.9%	$ 1,376.4	$ 1,235.7	11.4%
Depreciation and amortization[1]	103.7	89.7	15.8%	372.3	345.3	7.8%
Net finance costs	23.4	25.9	(10.0)%	108.9	105.8	2.9%
Change in fair value of redeemable financial instrument	17.0	–	NM[2]	17.0	–	NM[2]
Income before income taxes	$ 293.4	$ 265.4	10.6%	$ 878.2	$ 784.6	11.9%
Income taxes	86.8	74.4	16.7%	238.9	220.2	8.5%
Effective tax rate	29.6%	28.0%		27.2%	28.1%	
Net income	$ 206.6	$ 191.0	8.2%	$ 639.3	$ 564.4	13.3%

[1] Includes $2.0 million reported in cost of producing revenue in the fourth quarter ($nil for Q4 2013) and $7.0 million for 2014 ($nil for 2013).

[2] Year-over-year change per cent is not meaningful.

The following table reconciles Retail segment EBITDA, to income before income taxes which is a supplementary GAAP measure reported in the notes to the annual consolidated financial statements for the periods ended January 3, 2015 and December 28, 2013.

(C$ in millions, except where noted)	Q4 2014	Q4 2013	Change	2014	2013	Change
EBITDA	$ 310.7	$ 270.4	15.1%	$ 824.0	$ 841.2	(2.0)%
Depreciation and amortization[1]	84.4	75.8	11.6%	304.4	323.5	(5.9)%
Net finance (income) costs	(8.2)	1.8	547.2%	(11.9)	54.1	122.0%
Income before income taxes	$ 234.5	$ 192.8	21.8%	$ 531.5	$ 463.6	14.7%

[1] *Includes $2.0 million reported in cost of producing revenue in the fourth quarter ($nil for Q4 2013) and $7.0 million for 2014 ($nil for 2013).*

Normalized net earnings

During the current and prior year, the Company's results of operations included several non-operational items. Management believes that normalizing GAAP net earnings attributable to owners of the Company and basic net EPS attributable to owners of the Company for these items provides a useful method for assessing the Company's underlying operating performance and assists in making decisions regarding the ongoing operations of its business.

The following is a reconciliation of normalized net earnings attributable to owners of the Company and normalized basic and diluted EPS attributable to owners of the Company to the respective GAAP measures:

(C$ in millions)	Q4 2014	EPS	Q4 2013	EPS	2014	EPS	2013	EPS
Net income/basic EPS attributable to owners of Canadian Tire Corporation	$ 191.3	$ 2.46	$ 187.8	$ 2.34	$ 604.0	$ 7.65	$ 561.2	$ 6.96
Add (deduct) the impact of the following:								
Change in fair value of redeemable financial instrument	17.0	0.22	–	–	17.0	0.22	–	–
Medium-term notes redemption	–	–	–	–	15.0	0.19	–	–
CT REIT one-time costs	–	–	3.4	0.04	–	–	11.6	0.14
Tax adjustment	–	–	(0.8)	(0.01)	(4.0)	(0.05)	(2.8)	(0.03)
Adjusted net income/adjusted basic EPS attributable to owners of Canadian Tire Corporation	$ 208.3	$ 2.68	$ 190.4	$ 2.37	$ 632.0	$ 8.01	$ 570.0	$ 7.07
Adjusted net income/adjusted diluted EPS attributable to owners of Canadian Tire Corporation	$ 208.3	$ 2.65	$ 190.4	$ 2.35	$ 632.0	$ 7.94	$ 570.0	$ 7.02

The change in fair value of redeemable financial instruments relates to the liability arising from the Financial Services transaction with Scotiabank. Refer to Note 35 in the annual consolidated financial statements for further details and accounting treatment. The recurring fair value measurement relating to the redeemable financial instrument is not included in the measure of segmented profit or loss reviewed by the chief operating decision maker and is therefore excluded from the segmented results reported in section 6.4 of this MD&A.

Normalized Retail segment income before income taxes

The following is a reconciliation of normalized Retail segment income before income taxes to the nearest supplementary GAAP measure.

(C$ in millions)	Q4 2014	Q4 2013	Change	2014	2013	Change
Income before income taxes	$ 234.5	$ 192.8	21.8%	$ 531.5	$ 463.6	14.7%
Add (deduct) the impact of the following:						
Medium-term notes redemption	–	–		15.0	–	
CT REIT one-time costs	–	3.4		–	11.6	
Adjusted income before income taxes	$ 234.5	$ 196.2	19.5%	$ 546.5	$ 475.2	15.0%

Adjusted net debt

The following table reconciles adjusted net debt to GAAP measures reported as at the periods ended as indicated. The Company believes that adjusted net debt is relevant in assessing the amount of financial leverage employed.

The Company calculates debt as the sum of short-term debt, long-term debt, short-term deposits, long-term deposits and certain other short-term borrowings. The Company calculates adjusted debt as debt less intercompany debt and liquid assets.

(C$ in millions)	Consolidated Q4 2014	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	$ 14.3	$ 14.3	$ –	$ –
Short-term deposits	950.7	–	–	950.7
Long-term deposits	1,286.2	–	–	1,286.2
Short-term borrowings	199.8	–	78.0	121.8
Current portion of long-term debt	587.5	321.6	1.2	264.7
Long-term debt	2,131.6	680.3	57.2	1,394.1
Debt	5,170.1	1,016.2	136.4	4,017.5
Liquid assets[1]	(1,127.2)	(780.0)	(2.7)	(344.5)
Net debt (cash)	4,042.9	236.2	133.7	3,673.0
Inter-company debt	–	(2,196.9)	1,847.3	349.6
Adjusted net debt (cash)	$ 4,042.9	$ (1,960.7)	$ 1,981.0	$ 4,022.6

[1] *Liquid assets include cash, short-term investments and long-term investments*

(C$ in millions)	Consolidated Q4 2013	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	$ 69.0	$ 69.0	$ –	$ –
Short-term deposits	1,178.4	–	–	1,178.4
Long-term deposits	1,152.0	–	–	1,152.0
Short-term borrowings	120.3	–	–	120.3
Current portion of long-term debt	272.2	18.3	–	253.9
Long-term debt	2,339.1	1,179.4	–	1,159.7
Debt	5,131.0	1,266.7	–	3,864.3
Liquid assets[1]	(1,194.5)	(762.0)	(47.0)	(385.5)
Net debt (cash)	3,936.5	504.7	(47.0)	3,478.8
Inter-company debt	–	(2,185.8)	1,800.0	385.8
Adjusted net debt (cash)	$ 3,936.5	$ (1,681.1)	$ 1,753.0	$ 3,864.6

[1] *Liquid assets include cash, short-term investments and long-term investments*

CT REIT Non-GAAP Financial Measures

Net operating income

NOI is defined as cash rental revenue from investment properties less property operating costs. NOI is used as a key indicator of performance as it represents a measure over which Management has control.

CT REIT evaluates its performance by comparing the performance of the portfolio adjusted for the effects of non-operational items and current-year acquisitions. The following table shows the relationship of NOI to GAAP property revenue and property expense to the Consolidated Statement of Income and Comprehensive Income for the quarter and the year.

(C$ in millions)	Q4 2014	Q4 2014 Forecast	Variance	2014	2014 Forecast	Variance
Property revenue	$ 89.2	$ 83.1	$ 6.1	$ 344.8	$ 333.5	$ 11.3
Less:						
Property expense	(19.3)	(18.2)	(1.1)	(76.7)	(74.3)	(2.4)
Straight-line rent adjustment	(7.9)	(7.0)	(0.9)	(28.7)	(28.1)	(0.6)
Add:						
Straight-line land lease expense adjustment	0.1	–	0.1	0.2	0.1	0.1
Net operating income	$ 62.1	$ 57.9	$ 4.2	$ 239.6	$ 231.2	$ 8.4

Funds from operations

CT REIT calculates its FFO in accordance with the Real Property Association of Canada White Paper on FFO for IFRS issued in April 2014. The purpose of the White Paper was to provide reporting issuers and investors with greater guidance on the definition of FFO and to promote more consistent disclosure from reporting issuers.

Management believes that FFO provides an operating performance measure that, when compared period-over-period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and realty taxes, acquisition activities and interest costs and provides a perspective of the financial performance that is not immediately apparent from net income determined in accordance with IFRS. FFO adds back to net income items that do not arise from operating activities, such as fair value adjustments. FFO, however, still includes non-cash revenues relating to accounting for straight-line rent and makes no deduction for the recurring capital expenditures necessary to sustain the existing earnings stream.

Adjusted funds from operations

AFFO is a supplemental measure of operating performance widely used in the real estate industry to assess an entity's ability to pay distributions. Management believes that AFFO is an effective measure of the cash generated from operations, after providing for operating capital requirements which are referred to as "productive capacity maintenance expenditures".

CT REIT calculates AFFO by adjusting FFO for non-cash income and expense items such as amortization of straight-line rents. FFO is also adjusted for a reserve for maintaining productive capacity required for sustaining property infrastructure and revenue from real estate properties and direct leasing costs. Property capital expenditures do not occur evenly over the fiscal year. The property capital reserve in the AFFO calculation is intended to reflect an average annual spending level.

The following table reconciles FFO and AFFO to GAAP net income and comprehensive income as reported in the Consolidated Statement of Income and Comprehensive Income for the quarter and year.

(C$ in millions)	Q4 2014	Q4 2014 Forecast	Variance	2014	2014 Forecast	Variance
Net income and comprehensive income	**53.8**	42.3	11.5	**318.3**	169.4	148.9
Fair value adjustment of investment property	**(7.3)**	–	(7.3)	**(141.2)**	–	(141.2)
Deferred taxes	**(0.2)**	–	(0.2)	**(0.5)**	–	(0.5)
Fair value of equity awards	**0.3**	–	0.3	**0.3**	–	0.3
Funds from operations	**46.6**	42.3	4.3	**176.9**	169.4	7.5
Properties straight-line rent adjustment	**(7.9)**	(7.0)	(0.9)	**(28.7)**	(28.1)	(0.6)
Land lease straight-line expense adjustment	**0.1**	–	0.1	**0.2**	0.1	0.1
Capital expenditure reserve	**(4.1)**	(3.7)	(0.4)	**(15.5)**	(14.6)	(0.9)
Adjusted funds from operations	**$ 34.7**	$ 31.6	$ 3.1	**$ 132.9**	$ 126.8	$ 6.1

10.0 Enterprise risk management

To preserve and enhance shareholder value and CTC's brand, the Company approaches the management of risk strategically through its enterprise risk management ("ERM Program"). The Company's comprehensive ERM Program addresses risk identification, quantification, monitoring and integration.

The ERM Program provides an integrated approach to the management of risks, supporting the Company's strategies and objectives. The program is:

- enterprise-wide in scope, addressing strategic, financial and operational risks and the potential impacts across the organization;
- cross-functional in its perspective to provide a consistent and disciplined approach to support the effective management of risks;
- designed to help support and optimize risk/reward related decisions;
- integrated into the strategic planning and reporting processes;
- designed to assess and incorporate risk mitigation strategies including avoidance, control, transfer, and acceptance; and
- developed and implemented by Management with Board oversight.

The Company's ERM Program continues to further enhance risk reporting through developing and refining underlying processes and tools aimed at supporting risk identification, risk monitoring and risk integration activities.

10.1 Risk governance

The mandate of the Board of Directors includes overseeing the development of the ERM Program, for which the Board has delegated primary responsibility to the Audit Committee. The Audit Committee is responsible for gaining and maintaining reasonable assurance that Management:

- appropriately identifies and manages risks;
- has in place a policy that accurately sets out the Company's risk philosophy and the expectations and accountabilities for identifying, assessing, monitoring, managing and reporting on risks ("the ERM policy");

- fully implements and sustains the ERM Program in compliance with the ERM policy, and that the ERM policy continues to accurately state the Company's risk philosophy, as well as expectations and accountabilities for managing risks;
- identifies Principal Risks in a timely manner, including those risks relating to or arising from any weaknesses or threats to the Company's business and assumptions underlying the strategic objectives;
- effectively assesses, monitors and manages Principal Risks in compliance with the ERM policy; and
- provides a report addressing the Corporation's Principal Risks on a periodic basis.

The officer in charge of each banner and corporate function is accountable for effectively managing risks relevant to their respective business areas. The Executive Committee oversees the Company's risk profile and the management of Principal Risks and other enterprise-wide risks. The Executive Committee is also responsible for reviewing and approving, for recommendation to the Board of Directors, the ERM policy, program and specific policies addressing each of the Principal Risks. This risk oversight is conducted under the leadership of the Executive Vice-President and Chief Financial Officer ("CFO") with the support of the Vice-President of Internal Audit Services and Enterprise Risk Management.

The Company's Internal Audit Services ("IAS") function also supports the overall risk management program. The primary role of IAS is to assist the Audit Committee in the discharge of its responsibilities relating to risk and uncertainty, financial controls and control deviations, compliance with laws and regulations and compliance with the Company's Code of Business Conduct and Board-approved policies. To this end, IAS is responsible for conducting independent and objective assessments of the effectiveness of risk management, control and governance processes across the Company.

10.2 Principal Risks

A key element of the Company's ERM Program is the periodic review, identification and assessment of Principal Risks. The Company defines a Principal Risk as one that, alone or in combination with other interrelated risks, could have a significant adverse impact on the Company's brand, reputation, financial performance, or ability to service its customers and has, in the absence of controls, a credible probability of occurring. These Principal Risks are enterprise-wide in scope and represent strategic, financial and operational risks. Management has completed its formal annual review of its Principal Risks, which has been presented to the Audit Committee and approved by the Board of Directors. Recent changes include changing the name and/or the underlying definition of some of the existing Principal Risks to better align with identification of the source of the risk. The risk factors associated with CT REIT are incorporated into certain Principal Risks.

The following table provides a high-level perspective on each of the identified 11 Principal Risks and describes the main strategy that the Company has in place to mitigate the potential impacts of these risks on its business objectives. The mitigation and management of Principal Risks is approached holistically with a view to ensuring all risk exposures associated with a Principal Risk are considered.

Protecting and enhancing CTC's brand and reputation is a key consideration in the effective management of each of the Principal Risks.

Principal Risks	Risk Management Strategy
Marketplace Risk due to fluctuations or fundamental changes in the external business environment resulting in financial loss. Fluctuations or fundamental shifts in the Marketplace could include: • economic recession, depression, high inflation impacting consumer spending; • changes in the competitive landscape in the retail, financial services, or real estate sectors impacting the attractiveness of shopping at the Company's businesses and the value of real estate holdings; • changes in the domestic or international political environments (including new legislation) impacting the cost of products and/or ability to do business; • shifts in the demographics of the Canadian population reducing the relevance of the products and services offered by the Company; • changes in the buying behaviour of consumers or weather patterns rendering the Company's products and services less attractive; and • introduction of new "technologies" rendering the Company's products, channels, or services as obsolete, which may result in a negative impact on the Company's revenue, market share, operating margins and/or inability to achieve its strategic objectives.	The Company regularly monitors and analyzes external economic, political, demographic, consumer behaviour and competitive developments in Canada. The Treasury and Financial Planning departments have key roles in these processes. Results are shared with the Company's executives, who are accountable for any necessary amendments to the strategic and operational plans and for ongoing investment decisions in order to respond to evolving market and economic trends. Further information regarding the Company's exposure to each business segment risk is provided in sections 6.4.1.3, 6.4.2.3 and 6.4.3.3.

Principal Risks	Risk Management Strategy
Execution of strategy The Company has a number of key initiatives supporting the achievement of its strategic objectives and financial aspirations. Failure to appropriately identify, plan, communicate, resource, execute and achieve the full benefits of these initiatives while managing effects of change, may result in a negative impact on the Company's revenue, market share, operating margins, or investor confidence.	The Company regularly reviews its financial aspirations, strategic objectives and plans and identifies the key initiatives therein as being vital to its success. On an ongoing basis, the Company identifies and assesses the internal and external risks that may impede the achievement of strategic objectives. Operating plans set out each year's objectives required as part of the successful longer-term execution of these initiatives. Further details are set out in sections 5.2.1 and 5.2.2. The Board of Directors receives reports on progress against the operating plan on a quarterly basis and periodic updates on strategic initiatives. The Board of Directors is also engaged in the annual review of the strategies and plans and influences the agenda of strategic initiatives for the following year.
People Risk associated with the Company not being able: to attract and retain sufficient and appropriately skilled people who have the expertise (focus, commitment and capability) to support the achievement of the Company's strategic objectives; and address external and/or internal human resources related matters.	Various policies and practices address organizational design, employee recruitment programs, succession planning, compensation structures, ongoing training and professional development programs and performance management. The Company's Code of Business Conduct sets out expected ethical behaviour of employees and directors. The Business Conduct Compliance Office offers multiple channels for employees to report breaches, provides interpretations of and training on the Code and monitors investigations and outcomes of potential breaches of the Code.
Technology Technology risks include the failure to: • invest in technology that supports the Company's ability to achieve its strategic objectives; • operate in a manner so as to ensure that systems, infrastructure, and data are available, recoverable and resilient in order to support business operations including customer needs and management requirements; and • secure and protect customer, employee and corporate information from internal/external threats including cyber threats, and unexpected effects of change, which may result in corruption/loss of data, regulatory related issues, litigation, or brand/reputational damage.	The Company supports its key strategic objectives through IT investments in people, process and technology to meet operational and security requirements, and leverage technological advances in the marketplace. The Company maintains policies, processes and procedures to address capabilities, performance, security and availability including resiliency and disaster recovery for systems, infrastructure and data. Security protocols, along with corporate information security policies, address compliance with information security standards, including those relating to information belonging to the Company's customers and employees.
Key business relationships Risks associated with the Company having a wide range of key business relationships, partnerships, and affiliations (with such parties as Dealers, agents, and franchisees as well as a limited number of vendors, suppliers, and other third parties) may result in disruption to business operations and financial loss. The scope, complexity, materiality and/or criticality of these key business relationships can potentially affect customer service, procurement, product and service delivery, and may result in legal disputes having a negative impact to the Company's earnings, cost of operations, or brand/reputation.	The Company regularly assesses the capabilities, strategic fit and other realized benefits of key business relationships in the context of supporting the overall business strategy. Appropriate governance structures, including policies, processes, contracts, service agreements and other management activities, are in place to maintain and strengthen the relationships that are critical to the success of the Company's performance and aligned with its overall strategic needs. A key relationship for the Company is with the Canadian Tire Dealers. Management of the Canadian Tire Dealer relationship is led by officers of the Company with oversight by the Chief Executive Officer ("CEO") and Board of Directors.

<table>
<tr><th>Principal Risks</th><th>Risk Management Strategy</th></tr>
<tr><td>Operations
Risk of failure of the Company's business operations and processes (merchandising, supply chain, store networks, property management and development, and financial services) to support its key business objectives. Failed processes in terms of design, integration, and/or execution may result in incremental financial expenditures, losses, theft or fraud, damages to assets, poor service delivery, negative customer experiences, or regulatory related issues.</td><td>The officer in charge of each banner and corporate function is accountable for providing assurances that policies, processes and procedures are adequately designed and operating effectively to support the Company's strategic and performance objectives.

Operating plans that set out each year's objectives are required as part of the successful longer-term execution of these initiatives. Further details are set out in sections 5.2.1 and 5.2.2</td></tr>
<tr><td>Financial markets
Risk associated with fundamental changes in the economic environment, or significant events or volatility in the financial markets resulting in:
• tight capital and debt markets and/or high cost of capital and debt such that the Company cannot maintain sufficient capital to absorb unexpected losses and/or to economically acquire and maintain the required funding and capital structure necessary to carry out its strategic plan;
• significant volatility in the USD/CAD exchange rate such that there is negative impact on the Company's gross margin and product pricing strategies which may result in reduced revenue, and ultimately in reduced earnings;
• significant volatility in interest rates such that there is a negative impact on the Company's net interest expense; and
• a significant change in interest rates which may impact the value of real estate related investments, and on the Company's share value.

In addition, financial markets risk also includes the risk of market exposures due to inappropriate hedging strategies which may result in a negative impact to the Company's earnings.</td><td>Various policies and processes support the management of capital and funding risks. The Treasurer and CFO provide oversight on policy compliance. Further details are set out in section 7.1.

Various financial risk management policies and processes are employed to manage the Company's hedging activities, which are designed to mitigate the Company's exposure to foreign exchange rate volatility and sensitivity to adverse movements in interest rates and the equity markets. Hedge transactions are executed with highly rated financial institutions and are monitored against policy and counterparty limits. Further details are set out in sections 7.3 and 10.3.</td></tr>
<tr><td>Financial reporting
Risk of restatement and reissuance of the Company's financial statements due to:
• failure to adhere to financial accounting and presentation standards and securities regulations relevant to financial reporting;
• fraudulent activity and/or failure to maintain an effective system of internal controls; and/or
• inadequate explanation of the Company's operating performance, financial condition, and future prospects,

which may result in regulatory related issues or loss in share value.</td><td>Internal controls which include policies, processes and procedures, provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other disclosure documents. This includes monitoring and responding to changing regulations and standards governing accounting and financial presentation. Further details are set out in section 11.0.</td></tr>
<tr><td>Legal
Risk of failure to comply with current and changing laws, regulations, regulatory policies, codes or rules which may adversely affect the Company's business activities, brand equity and earnings, capital, and/or regulatory relationships. Laws, regulations, and regulatory policies referred to include competition, securities (disclosure and securities trading) environmental, employment, occupational health and safety, privacy, product safety, contract management, records retention, and banking.</td><td>A formal Legal Risk Management Governance Framework addresses compliance with applicable laws, regulations and regulatory policies. The Legislative Compliance department provides compliance oversight and guidance to the organization. Each business area has established processes and procedures for complying with the laws and regulations of most significance to their business activities. The Audit Committee has an oversight role in this area.

Further information regarding the Company's exposure to legal risks is provided in section 10.4.</td></tr>
</table>

Principal Risks	Risk Management Strategy
Business continuity Risk of an event or a series of events including natural or human-caused disasters or other unplanned and/or prolonged business interruptions that: • compromise the safety of the Company's employees or customers; • result in the Company not being able to provide products or services to its customers; and/or • limit or prevent the Company from communicating with its customers, employees, stakeholders and shareholders, which may result in a financial loss and/or brand/reputational damage.	The Company maintains an enterprise-wide business continuity program which includes disaster recovery and crisis management components. Policies require all essential business areas to have plans and processes to enable a response to a business interruption or crisis event. Furthermore, information systems are periodically tested through disaster recovery plans. In addition, a comprehensive business interruption insurance program provides related coverage.
Credit Risk of a financial loss to the Company if a customer or counterparty fails to meet its contractual obligations and arises principally from the Company's credit card portfolio, Dealer network, investment securities and/or financial instruments. Failure to effectively manage this risk in a normal market or under stressed economic conditions may negatively impact the Company's earnings.	Various credit risk management policies and processes are employed to manage and mitigate the Company's credit risk exposure and are monitored for compliance with policy and counterparty limits. Further details are set out in sections 7.3 and 10.3. Further information regarding the Company's exposure to consumer lending risk is provided in section 6.4.3.3.

10.3 Financial risks

Financial instrument risk

The Company is exposed to a number of risks associated with financial instruments that have the potential to affect its operating and financial performance. The Company's primary financial instrument risk exposures are allowances for credit losses and liquidity risk. The Company also has financial risk exposures to foreign currency risk, interest rate risk and equity risk, which may be managed through the use of derivative financial instruments. The Company does not use derivative financial instruments for trading or speculative purposes.

The foreign exchange contracts were valued based on the differential between contract rates and year-end spot rates and reflect the time value of money. The equity derivative contracts were valued by a counterparty based on year-end market interest rates, implied counterparty volatility values and the year-end closing share price of the Class A Non-Voting Shares of the Company on the TSX. The Company did not have any interest rate swaps outstanding at January 3, 2015 and December 28, 2013.

Counterparty credit risk

The Company's exposure to concentrations of counterparty credit risk is limited. Accounts receivable are primarily from Dealers and FGL Sports franchisees across Canada who, individually, generally comprise less than one per cent of the total balance outstanding. Similarly, loans receivable generated by Financial Services' credit card, personal loan and line of credit customers are a large and geographically dispersed group. Franchise Trust loan exposure is limited to the credit enhancement provided to the third-party conduit. Credit risk exposure represents the loss that would be incurred if all of the Company's counterparties were to default at the same time.

The Company uses derivative financial instruments as a risk management tool solely to manage its exposure to changes in foreign currency exchange rates and certain future stock-based compensation expenses. To manage the credit and market risks associated with derivative financial instruments, the Company:

- deals only with counterparties that are highly rated financial institutions;
- limits the amount of hedging transactions with any one counterparty;
- limits the term to maturity of hedging transactions; and
- regularly monitors the market value of the hedge portfolios by counterparty.

The Company's credit exposure with respect to derivative financial instruments is spread across a number of primary domestic financial institutions and represents the current replacement value of only those contracts that are in a gain position.

The Company's credit exposure with respect to its investment portfolio is spread across financial institutions, provincial and federal governments and, to a lesser extent, corporate issuers, with limits to credit rating, amount, term to maturity and industry concentration levels.

The Company believes that the risk of all counterparties defaulting at the same time with respect to these instruments is not significant.

Allowance for credit losses

The Company's allowances for receivables are maintained at levels that are considered adequate to provide for future credit losses. A continuity of the Company's allowances for loans receivable[1] is as follows:

(C$ in millions)	2014	2013
Balance, beginning of year	$ 121.4	$ 110.7
Impairments for credit losses, net of recoveries	279.7	267.0
Recoveries	59.8	59.1
Write-offs	(347.7)	(315.4)
Balance, end of year	$ 113.2	$ 121.4

[1] *Loans include credit card loans, personal loans and line of credit loans. No allowances for credit losses have been made with respect to Franchise Trust and FGL Sports loans receivable.*

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and reasonably stressed conditions. The Company has in place a leverage and liquidity policy to manage its exposure to liquidity risk.

For a comprehensive discussion of the Company's liquidity risk, see note 5 in the notes to the annual consolidated financial statements.

Foreign currency risk

The Company has significant demand for U.S. dollars due to its global sourcing activities. To mitigate the impact of fluctuating foreign exchange rates on the cost of globally sourced merchandise and, consequently, earnings, the Company has a comprehensive foreign exchange risk management policy in place that establishes ranges for the proportion of forecast U.S. dollar purchases that must be hedged for various time periods. Consequently, when dramatic swings in foreign currency rates occur, the Company has already hedged a significant portion of its near-term U.S.-dollar-denominated forecast purchases. The foreign currency hedge portfolio has historically allowed the Company to achieve some margin stability. The outcome of the Company's hedge portfolio for 2014 will be dependent on the volatility of the currency markets and the directional move of the Canadian dollar. While the Company may be able to pass on changes in foreign currency exchange rates through pricing, it will be subject to currency rates and competitive conditions.

Interest rate risk

The Company may use interest rate swaps from time to time to manage interest rate risk. The Company has a policy in place whereby a minimum of 75 per cent of its long-term debt (term greater than one year) must be at fixed versus floating interest rates. The Company is in compliance with the policy.

10.4 Legal risk

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

11.0 Controls and procedures

Disclosure controls and procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported, on a timely basis, to senior management, including the Chief Executive Officer and the Chief Financial Officer, so that they can make appropriate decisions regarding public disclosure.

The Company's system of disclosure controls and procedures includes, but is not limited to, its Disclosure Policy, its Code of Business Conduct, the effective functioning of its Disclosure Committee, procedures in place to systematically identify matters warranting consideration of disclosure by the Disclosure Committee, verification processes for individual financial and non-financial metrics and information contained in annual and interim filings, including the consolidated financial statements, MD&As, Annual Information Form and other documents and external communications.

As required by CSA National Instrument 52-109 ("NI 52-109"), Certification of Disclosure in Issuers' Annual and Interim Filings, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was conducted, under the supervision of Management, including the CEO and CFO, as of January 3, 2015. The evaluation included documentation review, enquiries and other procedures considered by Management to be appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the system of disclosure controls and procedures was effective as at January 3, 2015.

Internal control over financial reporting

Management is also responsible for establishing and maintaining appropriate internal controls over financial reporting. The Company's internal controls over financial reporting include, but are not limited to, detailed policies and procedures relating to financial accounting and reporting and controls over systems that process and summarize transactions. The Company's procedures for financial reporting also include the active involvement of qualified financial professionals, senior management and its Audit Committee.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As required by NI 52-109, Management, including the CEO and CFO, evaluated the design and operation of the Company's internal control over financial reporting as defined in NI 52-109 as at January 3, 2015. In making this assessment, Management, including the CEO and CFO, used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). This evaluation included review of the documentation of controls, evaluation of the design and testing the operating effectiveness of controls and a conclusion about this evaluation. Based on their evaluation, the CEO and the CFO concluded that, as at January 3, 2015, the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP.

Changes in internal control over financial reporting

During the quarter and year ended January 3, 2015, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

12.0 Social and environmental responsibility

12.1 Overview

The Company integrates responsible, sustainable business practices into its values, operations and strategy. The following three sections include information regarding selected social and environmental programs, initiatives and policies relating to the Company's business operations.

12.2 Social responsibility

12.2.1 Charitable activities

The Company's charitable efforts are reflected in the work of Canadian Tire Jumpstart Charities ("Canadian Tire Jumpstart" or "the Charity"). Canadian Tire Jumpstart helps children from financially disadvantaged families gain the life benefits associated with participating in organized sports and recreational activities. The Charity assists eligible applicants with the cost of registration, equipment and transportation. Through its 330 active chapters, Canadian Tire Jumpstart has funded the programming costs for over 890,000 children since the launch of the program in 2005.

(C$ in millions)	2014	2013	2012	2011	2010
Amount raised	$ 21	$ 19	$ 15	$ 13	$ 12
Children helped	194,000	155,000	125,000	102,000	98,000

In 2014, Canadian Tire Jumpstart, through the support of the Corporation, its vendors, employees and customers, has raised over $21 million across Canada, helping over 194,000 children participate in sports and recreation programs.

Helping Canadians enjoy life in Canada has always been at the centre of the Company's activities. The Canadian Tire family of companies is proud to support local initiatives across all its banners through community and organizational support, including support of amateur sport, injury prevention programs and disaster relief.

12.2.2 Community activities

Canadian Tire has been part of Canadian communities for over 90 years, and what is important to families is important to the Corporation. Canada's youth are more inactive today than at any time in our country's history. Health experts agree that physical activity plays an important role in the health and well-being of children. To address this wide-spread pandemic, Canadian Tire is playing a leading role in ACTIVE AT SCHOOL, the largest movement in Canadian history to get kids engaged in physical activity.

ACTIVE AT SCHOOL is a broad-based group of more than 80 influential private, public and not-for-profit organizations committed to ensuring that one hour a day of quality physical activity and education is brought back to schools across Canada. With a goal of helping to reverse the trend of inactivity in Canadian kids and youth, ACTIVE AT SCHOOL is focused on using its varied voices to keep the issue top of mind with federal, provincial and municipal government as well as school boards across Canada.

Since its launch in 2013, ACTIVE AT SCHOOL has been working closely with governments to implement the necessary 60 minutes of physical activity in schools across Canada. The provinces of New Brunswick, Prince Edward Island, and Ontario have joined forces with ACTIVE AT SCHOOL and are committing to getting children in their schools one hour of daily exercise. ACTIVE AT SCHOOL has also committed to working with Recreation and Parks Association of Nunavut (RPAN).

12.3 Environmental responsibility: Business sustainability

Strategy and aspirations

The Company's sustainability strategy supports its corporate strategic objectives as outlined in section 5.2. It is an innovation strategy that aims to achieve productivity gains and economic benefits from enhanced environmental and social outcomes by integrating sustainability into business operations. Through its sustainability strategy, the Company aims to serve its customers, communities, employees and shareholders, both now and in the future.

The Company's sustainability strategy has four imperatives:

- optimize productivity: drive product and operations value chain improvements;
- develop innovation: create and reinvent better processes, products and services;
- enhance the brand: protect and enhance banner brands and corporate reputation; and
- drive company engagement: engage employees through integration of sustainability practices into everyday business operations.

Sustainability reporting

The Company reports quarterly on the benefits from sustainability initiatives and annually on the environmental footprint. Beginning in Q1 2014, the Company started reporting on realized benefits achieved over the preceding 12-month period from projects completed in the same quarter of the previous year. This methodology moves the Company's sustainability reporting away from forecast annual benefits to reporting actual results, which will enable the Company to create a foundation for measuring multi-year benefits from initiatives. The Company expects to capture the benefits of all new and ongoing projects which will continue to grow on a cumulative basis over time.

Highlights:

- energy efficiency upgrades to stores and operational buildings across the enterprise, including lighting and equipment retrofits, resulted in approximately $2.8 million in cost avoidance, saved over 160,000 gigajoules of energy and over 7,700 tonnes of greenhouse gas emissions;
- continued optimization of products, packaging and processes to generate efficiencies across the supply chain; together, these initiatives resulted in over $0.8 million in cost avoidance, over 6,000 gigajoules in energy avoidance and over 400 tonnes of avoided greenhouse gas emissions;
- completion of the centralized waste management initiative for corporate sites to integrate practices and reduce costs at over 600 locations, including FGL Sports, Mark's and PartSource stores, Canadian Tire Petroleum retail gas outlets and distribution centre facilities;
- completion of all planned rooftop solar installations across Ontario, which generated over 37,000 gigajoules of renewable energy (enough to meet the electricity needs of over 900 Canadian homes for a year) and avoided over 1,100 tonnes of greenhouse gas emissions in local communities;
- engagement of Trucost, a leading research and information business focused on natural resource economics, to calculate the Product and Packaging footprint (for all banners excluding Petroleum); this represents an improvement on our previous Product and Packaging footprint as the Trucost proprietary Environmental Input-Output Life Cycle Assessment (EIO-LCA) model uses updated economic data as well as region and company specific environmental impact data;
- a four per cent reduction in Canadian Tire's energy and carbon footprint, relative to the 2012 baseline; and
- for the first time, inclusion in CDP's Carbon Disclosure Leadership Index (CDLI) and Dow Jones Sustainability World Index (DJSI), in addition to continued inclusion in a number of key indices.

Sustainability initiatives

Sustainability initiatives are innovation projects that enhance productivity and aim to reduce the Company's environmental footprint, while achieving annual cost avoidance benefits which could then be available to be invested back into the business.

In 2014, the Company realized benefits of approximately $4.6 million for projects completed in 2013. In addition, environmental benefits from these initiatives resulted in energy use improvements of nine per cent, annual waste avoidance of 1,143 tonnes, and water avoidance of 2,100 m^3. The energy use avoidance is equivalent to powering more than 1,600 Canadian homes for a year.

The following table summarizes sustainability projects completed and the benefits realized in the 12 months following their completion.

($C in millions, except where indicated)	Enterprise Cost Avoidance ($M)	Energy Use Avoidance (per cent improvement[1])	GHG Emissions Avoidance (tonnes CO_2e)	Waste Avoidance (tonnes)	Water Avoidance (cubic metres)
Product & Packaging[2]	$ 0.7	1%	435	1,107	–
Product Transport[3]	$ 0.8	49%	524	10	–
Business & Retail Operations[4]	$ 3.1	11%	7,515	26	2,100
Total	$ 4.6	9%	8,474	1,143	2,100

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

[2] Realized reductions in energy use resulting from the transportation of optimized product and packaging as well as waste reductions stemming from reduced packaging, damages and product waste.

[3] Realized reductions in energy use from increased fuel efficiency in transportation modes and vehicles (e.g. use of long-combination vehicles).

[4] Realized reductions in energy use in buildings and their operations through energy efficiency initiatives (e.g. new construction, retrofits and signage optimization) as well as water use reductions (e.g. irrigation system retrofits).

Environmental footprint

The following table presents the Company and its extended value-chain's 2013 environmental footprint and the percentage change relative to the 2012 baseline. The data collection and subsequent review for determining the Company's environmental footprint are rigorous processes that are normally completed after the close of the calendar year. As such, the Company's most recent environmental footprint is for 2013.

Overall, 2013 energy and emissions decreased by 3.7 and 3.9 per cent respectively and total normalized energy and emissions, which are measured on a per unit of revenue basis, decreased by 5.6 and 5.9 per cent respectively. This is mainly due to reductions in energy use and emissions from the product and packaging segment where the overall volume of product received decreased across banners (except for Petroleum) and products acquired were less concentrated in energy and carbon intensive sectors (e.g. fertilizer, pesticide, glass manufacturing).

		Energy Use			GHG emissions		
By segment of the value-chain[1]:		Per cent of total	Gigajoules	Change[2] (B) / W	Per cent of total	tCO_2e	Change[2] (B) / W
Product & Packaging[3]	Raw material acquisition and product manufacturing (Canadian Tire, PartSource, Petroleum, Mark's, FGL Sports)	82.1%	47,183,649	(4.2%)	84.4%	3,637,220	(4.2%)
	Per $1,000 banner revenue		*4.41*	*(7.0%)*		*0.34*	*(7.0%)*
Product Transport[4]	Canadian Tire fleet (Canadian Tire,PartSource) and third-party product transport (Canadian Tire, Petroleum)	9.9%	5,699,634	(2.7%)	9.5%	410,010	(2.6%)
	Per 1,000 tonne-kilometres		*0.51*	*(0.6%)*		*0.04*	*(0.5%)*
Business & Retail Operations[5]	Corporate and non-corporate stores, offices and DC's operations (all banners)	8.0%	4,565,333	0.0%	6.1%	260,976	(2.8%)
	Per square metre		*0.81*	*(0.6%)*		*0.05*	*(3.5%)*
Total	**Corporation & extended value-chain**	**100.0%**	**57,448,616**	**(3.7%)**	**100.0%**	**4,308,206**	**(3.9%)**
	Per $1,000 consolidated revenue		***5.03***	***(5.6%)***		***0.38***	***(5.9%)***

[1] *Produced in accordance with principles from the World Business Council on Sustainable Development and World Resource Institute GHG Protocol and the Company's Environmental Footprint Corporate Directive. The 2012 baseline was restated to reflect changes in the footprint calculation methodology, increased data inclusion, changes in measurement scope, updated emissions factors, and corrections of previous calculations, as described in footnotes 2, 3, and 4. Mark's and FGL Sports product transport, customer use and product end-of-life emissions for all banners are not currently measured due to data unavailability.*

[2] *A negative change indicates a reduction in energy use and/or GHG emissions which is an improvement and indicated as Better (B), versus a positive change which indicates an increase in energy use and/or GHG emissions and is indicated as Worse W.*

[3] *Values embedded in retail products received by DCs, depots, stores, agents or customers' homes and calculated as per a cradle-to-gate analysis which includes raw material acquisition and processing, transport to manufacturing site and manufacture of retail products or refining of fuels. The Product & Packaging footprint excludes Pro Hockey Life. The 2012 Product & Packaging baseline was restated to reflect the adoption of the Trucost EIO-LCA model that uses (1) updated Bureau of Economic Analysis (BEA) economic data (2007), (2) regionally weighted environmental impact factors, and (3) environmental impact data disclosed by CTC vendors. Updates were also made to the model used to calculate the Petroleum Product and Packaging footprint. The restated 2012 energy and GHG footprints for Canadian Tire, Mark's and FGL products are 45 per cent and 31 per cent lower, respectively, than previously reported figures, primarily reflecting the adoption of the Trucost model.*

[4] *Values of product transportation from manufacturing vendors to stores or from refining sites to gas bars. The 2012 Product Transport baseline was restated to reflect revisions to the GHG emissions calculation parameters as well as a narrowing of the data inclusion gap (from 30 per cent to 5 per cent).*

[5] *Values from corporate and third-party operated sites including offices, DCs and corporate, Dealer, agent and franchise retail stores as well as non-product transport vehicles. The 2012 Business and Retail Operations footprint was restated to reflect the addition of Pro Hockey Life (to FGL Sports), corrected energy use figures for certain locations, the addition of missing locations and vehicles, and updated emissions factors and correction of calculation error for transmission and distribution losses.*

Environmental Stewardship Compliance

As an active product steward, Canadian Tire participates in over 60 provincial product stewardship programs that fund the safe disposal or recycling of Canadian Tire products and packaging at end of life. For 2014, Canadian Tire has remitted $23.9 million to provincial product stewardship programs.

For further details, please refer to our Business Sustainability Performance Reports on Making a Difference at:
corp.canadiantire.ca/EN/CorporateCitizenship/BusinessSustainability/Pages/OurProgressReports.aspx

12.4 Responsible Sourcing practices

The Company's Supplier Code of Business Conduct ("the Code") sets out the principles and practices of ethical business conduct that the Company expects of its suppliers of goods and services. The Code addresses bribery, child labour, forced labour, discrimination, freedom of association, wages and benefits, working hours, health and safety and disciplinary actions.

The Company mitigates social compliance risk through a combination of ensuring suppliers have signed the Code as evidence of agreement; internal assessments of suppliers; and third-party audits of suppliers' facilities. Where corrective action plans are required, the Company works with suppliers to continually improve factory performance. The Company reserves the right to terminate its business relationship with any supplier who fails to implement corrective actions or refuses to comply with the Code.

In 2014, 560 suppliers of Canadian Tire, Mark's and INA, a subsidiary of FGL Sports were audited by the Company through industry standard third-party audits. Canadian Tire, Mark's and INA completed 406, 84, and 70 social compliance audits respectively. The Company performs a complete audit of its suppliers with potential for non-compliance at a minimum of once every three years.

For further information and the Company's Supplier Code of Business Conduct visit:
corp.canadiantire.ca/EN/CorporateCitizenship/ResponsibleSourcing/Pages/default.aspx

In July 2014, Canadian Tire celebrated the first anniversary of becoming a founding member of the Alliance for Bangladesh Worker Safety Initiative ("Alliance"). The undertaking is a collaborative effort, with input from a wide variety of stakeholders, including industry, the International Labour Organization, the U.S. State Department and the Bangladeshi government and aims to rapidly create uniform and open standards for fire and building safety that will guide inspections of factories and inform safety training programs for management and workers. Key milestones achieved in 2014 were completion of inspections of all 39 Bangladesh factories for Fire, Electrical and Structural safety, training over 50,000 factory workers on fire safety, plus remediation work was started on many factories' corrective action plans. Additional information on the Alliance can be found at: www.bangladeshworkersafety.org/.

13.0 Transactions between related parties

The Company's majority shareholder is Ms. Martha G. Billes, who controls approximately 61 per cent of the Common Shares of the Company through two privately held companies, Tire 'N' Me Pty. Ltd. and Albikin Management Inc.

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

14.0 Forward-looking statements and other investor communication

Caution regarding forward-looking statements

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

- competitive landscape in section 2.2;
- 2010 to 2014 financial aspirations in subsection 5.1.1;
- 2014 strategic objectives and initiatives in subsection 5.1.2;
- 2015 to 2017 financial aspirations in subsection 5.2.1;
- strategic imperatives and objectives for 2015 in subsection 5.2.2;
- capital management objectives in subsections 7.1.1 and 7.1.3;
- capital expenditures in subsection 7.2.1;
- liquidity and availability of financing in section 7.3;
- the purchase of the Company's Class A Non-Voting Shares under section 7.5;
- tax matters in section 8.0; and
- business sustainability in section 12.3.

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

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

By their very nature, forward-looking statements require Management to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that the Company's assumptions, estimates, analyses, beliefs and opinions may not be correct and that the Company's expectations and plans will not be achieved. Examples of Management's beliefs, which may prove to be incorrect include, but are not limited to, beliefs about the effectiveness of certain performance measures, beliefs about current and future competitive conditions and the Company's position in the competitive environment, beliefs about the Company's core capabilities and beliefs regarding the availability of sufficient liquidity to meet the Company's contractual obligations. Although the Company believes that the forward-looking statements in this document are based on information, assumptions and beliefs that are current, reasonable and complete, these statements are necessarily subject to a number of factors that could cause actual results to differ materially from Management's expectations and plans as set forth in such forward-looking statements. Some of the factors – many of which are beyond the Company's control and the effects of which can be difficult to predict – include: (a) credit, market, currency, operational, liquidity and funding risks, including changes in economic conditions, interest rates or tax rates; (b) the ability of the Company to attract and retain high quality employees for all of its businesses, Dealers, Canadian Tire Petroleum retailers and Mark's and FGL Sports franchisees, as well as the Company's financial arrangements with such parties; (c) the growth of certain business categories and market segments and the willingness of customers to shop at its stores or acquire its financial products and services; (d) the Company's margins and sales and those of its competitors; (e) the changing consumer preferences toward eCommerce, online retailing and the introduction of new technologies; (f) risks and uncertainties relating to information management, technology, cyber threats, property management and development, environmental liabilities, supply chain management, product safety, changes in law, regulation, competition, seasonality, weather patterns, commodity prices and business disruption, the Company's relationships with suppliers, manufacturers, partners and other third parties, changes to existing accounting pronouncements, the risk of damage to the reputation of brands promoted by the Company and the cost of store network expansion and retrofits; (g) the Company's capital structure, funding strategy, cost management programs and share price; and (h) the Company's ability to obtain all necessary regulatory approvals. Management cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect the Company's results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements.

For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, please refer to sections 6.4.1.3 (Retail segment business risks), 6.4.2.3 (CT REIT segment business risks), 6.4.3.3 (Financial Services segment business risks) and 10.0 (Enterprise risk management) and all subsections thereunder of this MD&A. Please also refer to section 2.10 (Risk Factors) of the Company's Annual Information Form for fiscal 2014, as well as the Company's other public filings, available on the SEDAR (System for Electronic Document Analysis and Retrieval) website at www.sedar.com and at www.corp.canadiantire.ca.

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

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

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

Commitment to disclosure and investor communication

The Company strives to maintain a high standard of disclosure and investor communication and has been recognized as a leader in financial reporting practices. Reflecting the Company's commitment to full and transparent disclosure, the Investor Relations section of the Company's website, at: corp.canadiantire.ca/en/investors, includes the following documents and information of interest to investors:

- the Annual Information Form;
- the Management Information Circular;
- quarterly reports;
- quarterly fact sheets;
- reference materials on the Company's reporting changes; and
- conference call webcasts (archived for one year).

The Company's Annual Information Form, Management Information Circular and quarterly reports are also available at www.sedar.com.

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

February 26, 2015

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Management's Responsibility for Financial Statements

The management of Canadian Tire Corporation, Limited is responsible for the accompanying consolidated financial statements. The financial statements have been prepared by management in accordance with International Financial Reporting Standards, which recognize the necessity of relying on some best estimates and informed judgements. All financial information in our Management's Discussion and Analysis is consistent with the consolidated financial statements.

To discharge its responsibilities for financial reporting and safeguarding of assets, management depends on the Company's systems of internal accounting control. These systems are designed to provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Management meets the objectives of internal accounting control on a cost effective basis through the prudent selection and training of personnel, adoption and communication of appropriate policies, and employment of an internal audit program.

The Board of Directors oversees management's responsibilities for the consolidated financial statements primarily through the activities of its Audit Committee, which is composed solely of directors who are neither officers nor employees of the Company. This Committee meets with management and the Company's independent auditors, Deloitte LLP, to review the consolidated financial statements and recommend approval by the Board of Directors. The Audit Committee is also responsible for making recommendations with respect to the appointment of and for approving remuneration and the terms of engagement of the Company's auditors. The Audit Committee also meets with the auditors, without the presence of management, to discuss the results of their audit, their opinion on internal accounting controls, and the quality of financial reporting.

The consolidated financial statements have been audited by Deloitte LLP, who were appointed by shareholder vote at the annual shareholders' meeting. Their report is presented below.

Michael B. Medline
President and Chief Executive Officer

Dean McCann
Executive Vice-President and
Chief Financial Officer

February 26, 2015

Independent Auditor's Report

To the Shareholders of Canadian Tire Corporation, Limited

We have audited the accompanying consolidated financial statements of Canadian Tire Corporation, Limited, which comprise the consolidated balance sheets as at January 3, 2015 and December 28, 2013, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for the years ended January 3, 2015 and December 28, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canadian Tire Corporation, Limited as at January 3, 2015 and December 28, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

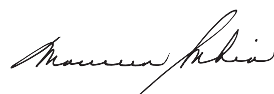
Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

February 26, 2015
Toronto, Ontario

Consolidated Balance Sheets

As at (C$ in millions)	January 3, 2015	December 28, 2013 (Note 3)
ASSETS		
Cash and cash equivalents (Note 8)	**$ 662.1**	$ 643.2
Short-term investments (Note 9)	**289.1**	416.6
Trade and other receivables (Note 10)	**880.2**	758.5
Loans receivable (Note 11)	**4,905.5**	4,569.7
Merchandise inventories	**1,623.8**	1,481.0
Income taxes recoverable	**31.9**	31.5
Prepaid expenses and deposits	**104.5**	68.2
Assets classified as held for sale (Note 12)	**13.1**	9.1
Total current assets	**8,510.2**	7,977.8
Long-term receivables and other assets (Note 13)	**684.2**	686.0
Long-term investments	**176.0**	134.7
Goodwill and intangible assets (Note 14)	**1,251.7**	1,185.5
Investment property (Note 15)	**148.6**	93.5
Property and equipment (Note 16)	**3,743.1**	3,516.1
Deferred income taxes (Note 18)	**39.4**	36.4
Total assets	**$ 14,553.2**	$ 13,630.0
LIABILITIES		
Bank indebtedness (Note 8)	**$ 14.3**	$ 69.0
Deposits (Note 19)	**950.7**	1,178.4
Trade and other payables (Note 20)	**1,961.2**	1,817.4
Provisions (Note 21)	**206.0**	196.1
Short-term borrowings (Note 23)	**199.8**	120.3
Loans payable (Note 24)	**604.4**	611.2
Income taxes payable	**54.9**	57.5
Current portion of long-term debt (Note 25)	**587.5**	272.2
Total current liabilities	**4,578.8**	4,322.1
Long-term provisions (Note 21)	**44.1**	38.2
Long-term debt (Note 25)	**2,131.6**	2,339.1
Long-term deposits (Note 19)	**1,286.2**	1,152.0
Deferred income taxes (Note 18)	**93.9**	100.4
Other long-term liabilities (Note 26)	**787.8**	228.3
Total liabilities	**8,922.4**	8,180.1
EQUITY		
Share capital (Note 28)	**695.5**	712.9
Contributed surplus	**2.9**	2.4
Accumulated other comprehensive income	**82.0**	47.4
Retained earnings	**4,075.1**	4,404.6
Equity attributable to owners of Canadian Tire Corporation	**4,855.5**	5,167.3
Non-controlling interests (Note 17)	**775.3**	282.6
Total equity	**5,630.8**	5,449.9
Total liabilities and equity	**$ 14,553.2**	$ 13,630.0

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



Maureen J. Sabia
Director

Graham W. Savage
Director

Consolidated Statements of Income

For the years ended (C$ in millions, except per share amounts)	January 3, 2015	December 28, 2013
Revenue (Note 30)	$ 12,462.9	$ 11,785.6
Cost of producing revenue (Note 31)	(8,416.9)	(8,063.3)
Gross margin	4,046.0	3,722.3
Other income (expense)	11.0	(3.0)
Selling, general and administrative expenses (Note 32)	(3,052.9)	(2,828.9)
Net finance costs (Note 33)	(108.9)	(105.8)
Change in fair value of redeemable financial instrument (Note 35)	(17.0)	–
Income before income taxes	878.2	784.6
Income taxes (Note 18)	(238.9)	(220.2)
Net income	$ 639.3	$ 564.4
Net income attributable to:		
Owners of Canadian Tire Corporation	$ 604.0	$ 561.2
Non-controlling interests (Note 17)	35.3	3.2
	$ 639.3	$ 564.4
Basic earnings per share attributable to owners of Canadian Tire Corporation	$ 7.65	$ 6.96
Diluted earnings per share attributable to owners of Canadian Tire Corporation	$ 7.59	$ 6.91
Weighted average number of Common and Class A Non-Voting Shares outstanding:		
Basic	78,960,025	80,652,472
Diluted	79,612,957	81,180,863

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

Consolidated Statements of Comprehensive Income

For the years ended (C$ in millions)	January 3, 2015	December 28, 2013
Net income	**$ 639.3**	$ 564.4
Other comprehensive income		
Items that may be reclassified subsequently to net income:		
Cash flow hedges:		
Gains, net of tax of $40.4 (2013 – $30.0)	**114.0**	83.1
Reclassification of gains to non-financial assets, net of tax of $27.2 (2013 – $12.2)	**(77.5)**	(33.7)
Reclassification of gains to income, net of tax of $0.6 (2013 – $0.1)	**(1.5)**	(0.4)
Available-for-sale financial assets:		
(Losses) gains, net of tax of $0.1 (2013 – $nil)	**(0.1)**	0.1
Reclassification of gains to income, net of tax of $nil (2013 – $nil)	**(0.1)**	–
Item that will not be reclassified subsequently to net income:		
Actuarial (losses) gains, net of tax of $4.7 (2013 – $3.6)	**(13.2)**	10.0
Other comprehensive income	**21.6**	59.1
Other comprehensive income attributable to:		
Owners of Canadian Tire Corporation	**$ 21.5**	$ 59.1
Non-controlling interests	**0.1**	–
	$ 21.6	$ 59.1
Comprehensive income	**$ 660.9**	$ 623.5
Comprehensive income attributable to:		
Owners of Canadian Tire Corporation	**$ 625.5**	$ 620.3
Non-controlling interests	**35.4**	3.2
	$ 660.9	$ 623.5

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

Consolidated Statements of Cash Flows

For the years ended (C$ in millions)	January 3, 2015	December 28, 2013
		(Note 39)
Cash generated from (used for):		
Operating activities		
Net income	$ 639.3	$ 564.4
Adjustments for:		
Depreciation on property and equipment and investment property (Notes 31 and 32)	279.2	253.8
Income tax expense	238.9	220.2
Net finance costs	108.9	105.8
Amortization of intangible assets (Note 32)	93.1	91.5
Change in fair value of redeemable financial instrument (Note 35)	17.0	–
Changes in fair value of derivative instruments	(33.9)	(37.9)
Gain on disposal of property and equipment, investment property and assets held for sale	(9.0)	(10.3)
Interest paid	(122.0)	(126.5)
Interest received	10.4	12.0
Income taxes paid	(256.5)	(191.2)
Other	25.3	15.1
	990.7	896.9
Change in operating working capital and other (Note 34)	(83.5)	270.2
Change in loans receivable	(332.4)	(274.1)
Cash generated from operating activities	574.8	893.0
Investing activities		
Additions to property and equipment and investment property	(538.6)	(404.3)
Additions to intangible assets	(150.1)	(105.9)
	(688.7)	(510.2)
Acquisition of short-term investments	(431.6)	(339.2)
Proceeds from the maturity and disposition of short-term investments	665.3	193.8
Acquisition of long-term investments	(155.8)	(55.1)
Proceeds from the disposition of long-term investments	7.6	0.4
Proceeds on disposition of property and equipment, investment property and assets held for sale	21.3	20.6
Long-term receivables and other assets	3.1	(21.5)
Acquisition of Pro Hockey Life Sporting Goods Inc. (Note 7)	–	(58.0)
Other	(10.7)	(17.2)
	99.2	(276.2)
Cash used for investing activities	(589.5)	(786.4)
Financing activities		
Dividends paid	(141.4)	(107.2)
Distributions paid to non-controlling interests	(19.5)	(3.6)
	(160.9)	(110.8)
Net issuance (repayment) of short-term borrowings	79.4	(20.4)
Issuance of loans payable	235.6	235.9
Repayment of loans payable	(242.4)	(248.5)
Issuance of long-term debt	563.7	265.8
Repayment of long-term debt and finance lease liabilities	(474.0)	(659.2)
Payment of transaction costs related to long-term debt	(2.0)	(1.3)
	160.3	(427.7)
Proceeds on sale of ownership interests in the Financial Services business	500.0	–
Transaction costs on sale of ownership interests in the Financial Services business	(23.2)	–
Issuance of trust units to non-controlling interests	–	303.0
Trust unit issue costs	–	(24.1)
Repurchase of share capital (Note 28)	(290.6)	(105.9)
	186.2	173.0
Change in deposits	(97.0)	(96.2)
Cash generated from (used for) financing activities	88.6	(461.7)
Cash generated (used) in the year	73.9	(355.1)
Cash and cash equivalents, net of bank indebtedness, beginning of year	574.2	929.5
Effect of exchange rate fluctuations on cash held	(0.3)	(0.2)
Cash and cash equivalents, net of bank indebtedness, end of year (Note 8)	$ 647.8	$ 574.2

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

Consolidated Statements of Changes in Equity

(C$ in millions)	Share capital	Contributed surplus	Total accumulated other comprehensive income (loss): Cashflow hedges	Fair value changes in available-for-sale financial assets	Total accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to owners of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
	(Note 3)	(Note 3)				(Note 3)			
Balance at December 28, 2013	**$ 712.9**	**$ 2.4**	**$ 47.0**	**$ 0.4**	**$ 47.4**	**$ 4,404.6**	**$ 5,167.3**	**$ 282.6**	**$ 5,449.9**
Net income						**604.0**	**604.0**	**35.3**	**639.3**
Other comprehensive income (loss)	**–**	**–**	**34.8**	**(0.2)**	**34.6**	**(13.1)**	**21.5**	**0.1**	**21.6**
Total comprehensive income (loss)	**–**	**–**	**34.8**	**(0.2)**	**34.6**	**590.9**	**625.5**	**35.4**	**660.9**
Contributions by and distributions to owners of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 28)	**6.9**						**6.9**		**6.9**
Repurchase of Class A Non-Voting Shares (Note 28)	**(290.6)**						**(290.6)**		**(290.6)**
Excess of repurchase price over average cost (Note 28)	**266.3**					**(266.3)**	**–**		**–**
Dividends						**(154.1)**	**(154.1)**		**(154.1)**
Issuance of redeemable financial instrument (Note 35)						**(500.0)**	**(500.0)**		**(500.0)**
Contributed surplus arising on sale of property to CT REIT		**0.5**					**0.5**		**0.5**
Contributions by and distributions to non-controlling interests									
Sale of ownership interests in the Financial Services business, net of transaction costs								**476.8**	**476.8**
Issuance of trust units to non-controlling interests, net of transaction costs								**1.8**	**1.8**
Distributions								**(21.3)**	**(21.3)**
Total contributions and distributions	**(17.4)**	**0.5**	**–**	**–**	**–**	**(920.4)**	**(937.3)**	**457.3**	**(480.0)**
Balance at January 3, 2015	**$ 695.5**	**$ 2.9**	**$ 81.8**	**$ 0.2**	**$ 82.0**	**$ 4,075.1**	**$ 4,855.5**	**$ 775.3**	**$ 5,630.8**
Balance at December 29, 2012	$ 718.5	$ –	$ (2.0)	$ 0.3	$ (1.7)	$ 4,047.5	$ 4,764.3	$ –	$ 4,764.3
Net income						561.2	561.2	3.2	564.4
Other comprehensive income	–	–	49.0	0.1	49.1	10.0	59.1	–	59.1
Total comprehensive income	–	–	49.0	0.1	49.1	571.2	620.3	3.2	623.5
Contributions by and distributions to owners of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 28)	5.8						5.8		5.8
Repurchase of Class A Non-Voting Shares (Note 28)	(105.9)						(105.9)		(105.9)
Excess of repurchase price over average cost (Note 28)	94.5					(94.5)	–		–
Dividends						(119.6)	(119.6)		(119.6)
Contributed surplus arising on sale of property to CT REIT		2.4					2.4		2.4
Contributions by and distributions to non-controlling interests									
Issuance of trust units to non-controlling interests, net of transaction costs								283.0	283.0
Distributions								(3.6)	(3.6)
Total contributions and distributions	(5.6)	2.4	–	–	–	(214.1)	(217.3)	279.4	62.1
Balance at December 28, 2013	$ 712.9	$ 2.4	$ 47.0	$ 0.4	$ 47.4	$ 4,404.6	$ 5,167.3	$ 282.6	$ 5,449.9

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

1. The Company and its operations

Canadian Tire Corporation, Limited is a Canadian public company 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 consolidated financial statements as the "Company". Refer to Note 17 for the Company's major subsidiaries.

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 its three reportable operating segments are provided in Note 6.

2. Basis of preparation

Fiscal year

The fiscal year of the Company consists of a 52 or 53-week period ending on the Saturday closest to December 31. The fiscal years for the consolidated financial statements and notes presented for 2014 and 2013 are the 53-week period ended January 3, 2015 and the 52-week period ended December 28, 2013, respectively.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and using the accounting policies described herein.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on February 26, 2015.

Basis of presentation

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

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

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

Functional and presentation currency

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

Judgments and estimates

The preparation of these consolidated financial statements in accordance with IFRS requires Management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results may differ from estimates made in these consolidated 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. Judgment and estimates are often interrelated. The Company's judgments and estimates are continually re-evaluated to ensure they remain appropriate. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The following are 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 consolidated financial statements.

Impairment of assets

Judgment – The Company uses judgment in determining the grouping of assets to identify its Cash Generating Units ("CGUs") for purposes of testing for impairment of property and equipment and goodwill and intangible assets. The Company has determined that its Retail CGUs comprise individual stores or groups of stores within a geographic market. In testing for impairment, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the business combination. In testing for impairment of intangibles with indefinite lives, these assets are allocated to the CGUs to which they relate. Furthermore, judgment has been used in determining whether there has been an indication of impairment, which would require the completion of an impairment test.

Estimation – The Company's estimate of a CGU's or group of CGUs' recoverable amount based on value in use involves estimating future cash flows before taxes. Future cash flows are estimated based on multi-year extrapolation of the most recent historical actual results or budgets and a terminal value calculated by discounting the final year in perpetuity. The growth rate applied to the terminal value is based on the Bank of Canada's target growth rate or Management's estimate of the growth rate specific to the individual item being tested. The future cash flow estimates are then discounted to their present value using an appropriate pre-tax discount rate that incorporates a risk premium specific to each business. The Company's determination of a CGU's or group of CGUs' recoverable amount based on fair value less cost to sell uses factors such as market rental rates for comparable assets.

Fair value measurement of redeemable financial instrument

Judgment – The Company uses judgment in determining the fair value measurement of the redeemable financial instrument issued in conjunction with the sale of a 20 per cent equity interest in the Company's Financial Services business. The redeemable financial instrument is subsequently remeasured at fair value at each reporting date. In calculating the fair value, judgment is used when determining the discount and growth rates applied to the forecasted earnings in the discounted cash flow valuation. Refer to Note 35 for further information regarding this financial instrument.

Estimation – The inputs to determine the fair value are taken from observable markets where possible, but where they are unavailable, assumptions are required in establishing fair value. The fair value of the redeemable financial instrument is determined based on the Company's best estimate of forecasted normalized earnings attributable to the Financial Services business, adjusted for any undistributed earnings.

Merchandise inventories

Estimation – Merchandise inventories are carried at the lower of cost and net realizable value. The estimation of net realizable value is based on the most reliable evidence available of the amount the merchandise inventories are expected to realize. Additionally, estimation is required for inventory provisions due to shrinkage and obsolescence.

Income and other taxes

Judgment – In calculating current and deferred income and other taxes, the Company uses judgment when interpreting the tax rules in jurisdictions where the Company operates. The Company also uses judgment in classifying transactions and assessing probable outcomes of claimed deductions, which considers expectations of future operating results, the timing and reversal of temporary differences and possible audits of income tax and other tax filings by tax authorities.

Consolidation

Judgment – The Company uses judgment in determining the entities that it controls and accordingly consolidates. An entity is controlled when the Company has power over an entity, exposure, or rights, to variable returns from its involvement with the entity, and is able to use its power over the entity to affect its return from the entity. The Company has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, which are the activities that significantly affect the investee's returns. Since power comes from rights, power can result from contractual arrangements. However, certain contractual arrangements contain rights that are designed to protect the Company's interest without giving it power over the entity.

Loans receivable

Estimation – The Company's estimate of allowances on loans receivable is based on a roll-rate methodology that employs statistical analysis of historical data and experience of delinquency and default to estimate the amount of loans that will eventually be written off as a result of events occurring before the reporting date, with certain adjustments for other relevant circumstances influencing the recoverability of the loans receivable. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate. Future customer behaviour may be affected by a number of factors, including changes in interest and unemployment rates and program design changes.

Post-employment benefits

Estimation – The accounting for the Company's post-employment benefit plan requires the use of assumptions. The accrued benefit liability is calculated using actuarial determined data and the Company's best estimates of future salary escalations, retirement ages of employees, employee turnover, mortality rates, market discount rates and expected health and dental care costs.

Other estimates include determining the useful lives of property and equipment, investment property and intangibles assets for the purposes of depreciation and amortization; in accounting for and measuring items such as customer loyalty, deferred revenue, and provision and purchase price adjustments on business combinations; and in measuring certain fair values, including those related to the valuation of business combinations, share-based payments and financial instruments.

New standards implemented

Financial instruments: Asset and liability offsetting

In December 2011, the International Accounting Standard Board ("IASB") amended International Accounting Standards ("IAS") 32 – *Financial Instruments: Presentation* ("IAS 32") to clarify the requirements which permits offsetting a financial asset and liability in the financial statements. The IAS 32 amendments were effective for annual periods beginning on or after January 1, 2014 and were applied retrospectively. The implementation of IAS 32 amendments did not have a significant impact on the Company.

Financial Instruments: Novation of derivatives and continuation of hedge accounting

In June 2013, the IASB issued *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*. This amendment to IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") provides an exception to the requirement to discontinue hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. The IAS 39 amendments were effective for annual periods beginning on or after January 1, 2014 and were applied retrospectively. The implementation of IAS 39 amendments did not have a significant impact on the Company.

Levies

In May 2013, the IASB issued IFRS Interpretations Committee ("IFRIC") 21 – *Levies*, which is an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* ("IFRIC 21"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 was effective for annual periods beginning on or after January 1, 2014 and was applied retrospectively. The implementation of IFRIC 21 did not have a significant impact on the Company.

Standards, amendments and interpretations issued and not yet adopted

The following new standards, amendments and interpretations have been issued and are expected to have an impact on the Company, but are not effective for the fiscal year ended January 3, 2015, and, accordingly, have not been applied in preparing these consolidated financial statements.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9"), which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39.

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income instead of net income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 9 will be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15"), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes* ("IFRIC 13"), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

IFRS 15 will be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Disclosure initiative

In December 2014, the IASB issued *Disclosure Initiative Amendments to IAS 1* as part of the IASB's Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements.

These amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently throughout the Company.

Basis of consolidation

These consolidated financial statements include the accounts of Canadian Tire Corporation, Limited and entities it controls. An entity is controlled when the Company has the ability to direct the relevant activities of the entity, has exposure, or rights, to variable returns from its involvement with the entity, and is able to use its power over the entity to affect its returns from the entity.

The results of certain subsidiaries that have different year-ends have been included in these consolidated financial statements for the 53-weeks ended January 3, 2015 and 52-weeks ended December 28, 2013. The year-end of CTFS Holdings Limited and its subsidiaries, Franchise Trust and CT Real Estate Investment Trust ("CT REIT") is December 31.

Income or loss and each component of Other Comprehensive Income ("OCI") are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance on consolidation.

Business combinations

The Company applies the acquisition method in accounting for business combinations.

The Company measures goodwill as the difference between the fair value of the consideration transferred, including the recognized amount of any non-controlling interests in the acquiree, and the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair value of the assets transferred (including cash), liabilities incurred by the Company on behalf of the acquiree, the fair value of any contingent consideration and equity interests issued by the Company.

Where a business combination is achieved in stages, previously held interests in the acquired entity are remeasured to fair value at the acquisition date, which is the date control is obtained, and the resulting gain or loss, if any, is recognized in net income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in OCI are reclassified to net income.

The fair values of property and equipment recognized as a result of a business combination is based on either the cost approach or market approaches, as applicable. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each act knowledgeably and willingly. For the cost approach, the current replacement cost or reproduction cost for each major asset is calculated.

The fair values of banners and trademarks acquired in a business combination are determined using an income approach. The "relief from royalty" method has been applied to forecast revenue using an appropriate royalty rate. This results in an estimate of the value of the intangible assets acquired by the Company.

The fair values of franchise agreements and other intangibles, such as customer relationships, are determined using an income approach or multi-period excess earnings approach. This method is based on the discounted cash flows expected to be derived from ownership of the assets. The present value of the cash flows represents the value of the intangible asset. The fair value of off-market leases acquired in a business combination is determined based on the present value of the difference between market rates and rates in the existing leases.

The fair values of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Transaction costs that the Company incurs in connection with a business combination are expensed immediately.

Joint arrangement

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control whereby decisions about relevant activities require unanimous consent of the parties sharing control. A joint arrangement is classified as a joint operation when the parties that has joint control of the arrangement have rights to the assets and obligations for the liabilities related to the arrangement.

Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars at rates in effect at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the closing exchange rate at the balance sheet date. Non-monetary items that are measured in terms of historical cost are translated into Canadian dollars at the exchange rate at the date of the original transaction. Exchange gains or losses arising from translation are recorded in other income or cost of producing revenue as applicable in the consolidated statements of income.

Financial instruments

Recognition and measurement

Financial assets and financial liabilities, including derivatives, are recognized in the consolidated balance sheets when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are required to be measured at fair value on initial recognition. Subsequent measurement of these assets and liabilities is based on either fair value or amortized cost using the effective interest method, depending upon their classification.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as fair value through profit or loss ["FVTPL"]) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net income.

The Company classifies financial instruments, at the time of initial recognition, according to their characteristics and Management's choices and intentions related thereto for the purposes of ongoing measurement. Classification choices for financial assets include a) FVTPL, b) held to maturity, c) available for sale, and d) loans and receivables. Classification choices for financial liabilities include a) FVTPL and b) other liabilities.

The Company's financial assets and financial liabilities are generally classified and measured as follows:

Asset/Liability	Category	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Short-term investments[1]	Available for sale	Fair value
Trade and other receivables[2]	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Deposits (recorded in prepaid expenses and deposits)	Loans and receivables	Amortized cost
Long-term receivables and other assets[2]	Loans and receivables	Amortized cost
Long-term investments[3]	Available for sale	Fair value
Bank indebtness	Other liabilities	Amortized cost
Deposits	Other liabilities	Amortized cost
Trade and other payables[2]	Other liabilities	Amortized cost
Short-term borrowings	Other liabilities	Amortized cost
Loans payable	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost
Redeemable financial instrument (recorded in other long-term liabilities)	FVTPL	Fair value

[1] *Certain short-term investments are classified as FVTPL and measured at fair value.*

[2] *Includes derivatives that are classified as FVTPL or are effective hedging instruments, and measured at fair value .*

[3] *Certain long-term investments are classified as FVTPL, and measured at fair value.*

Financial instruments at fair value through profit or loss (FVTPL)

Financial instruments are classified as FVTPL when the financial instrument is either held for trading or designated as such upon initial recognition. Financial instruments are classified as held for trading if acquired principally for the purpose of selling in the near future or if part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-making. Derivatives are classified as FVTPL unless they are designated as effective hedging instruments.

Financial instruments classified as FVTPL are measured at fair value, with changes in fair value recorded in net income in the period in which they arise.

Available for sale

Financial assets classified as available for sale are measured at fair value with changes in fair value recognized in OCI until realized through disposal or other than temporary impairment, at which point the change in fair value is recognized in net income. Dividend income from available-for-sale financial assets is recognized in net income when the Company's right to receive payments is established. Interest income on available-for-sale financial assets, calculated using the effective interest method, is recognized in net income.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired.

Other liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method with gains and losses recognized in net income in the period that the liability is derecognized.

Derecognition of financial instruments

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the asset. Any interest in transferred financial assets created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

Derivative financial instruments

The Company enters into various derivative financial instruments as part of the Company's strategy to manage its foreign currency and interest rate exposures. The Company also enters into equity derivative contracts to hedge certain future share-based payment expenses. The Company does not hold or issue derivative financial instruments for trading purposes.

All derivative financial instruments, including derivatives embedded in financial or non-financial contracts that are not closely related to the host contracts, are measured at fair value. The gain or loss that results from remeasurement at each reporting period is recognized in net income immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in net income depends on the nature of the hedge relationship.

Embedded derivatives

Embedded derivatives (elements of contracts whose cash flows move independently from the host contract) are required to be separated and measured at their respective fair values unless certain criteria are met. The Company does not have any significant embedded derivatives in contracts that require separate accounting and disclosure.

Hedge accounting

Where hedge accounting can be applied, certain criteria are documented at the inception of the hedge and updated at each reporting date.

Fair-value hedges

For fair-value hedges, the carrying amount of the hedged item is adjusted for changes in fair value attributable to the hedged risk, and this adjustment is recognized in net income immediately. Changes in the fair value of the hedged item, to the extent that the hedging relationship is effective, are offset by changes in the fair value of the hedging derivative, which are also included in net income. When hedge accounting is discontinued, the carrying amount of the hedged item is no longer adjusted and the cumulative fair-value adjustments to the carrying amount of the hedged item are amortized to net income over the remaining term of the hedged item using the effective interest method.

Cash flow hedges

For cash flow hedges, the effective portion of the changes in the fair value of the hedging derivative, net of taxes, is recognized in OCI, while the ineffective and unhedged portions are recognized immediately in net income. Amounts recorded in Accumulated Other Comprehensive Income ("AOCI") are reclassified to net income in the periods when the hedged item affects net income. However, when a forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously recognized in AOCI are reclassified from AOCI and included in the initial measurement of the cost of the non-financial asset or liability.

When hedge accounting is discontinued, the amounts previously recognized in AOCI are reclassified to net income during the periods when the variability in the cash flows of the hedged item affects net income. Gains and losses on derivatives are reclassified immediately to net income when the hedged item is sold or terminated early. If hedge accounting is discontinued due to the hedged item no longer being expected to occur, the amount previously recognized in AOCI is reclassified immediately to net income.

The Company enters into foreign currency contracts to hedge the exposure against foreign currency risk on the future payment of foreign-currency-denominated inventory purchases and certain expenses. The changes in fair value of these contracts are included in OCI to the extent the hedges continue to be effective, excluding the time value component of foreign exchange options, which is included in net income. Once the inventory is received, the Company reclassifies the related AOCI amount to merchandise inventories and subsequent changes in the fair value of the foreign currency contracts are recorded in net income as they occur. When the expenses are incurred, the Company reclassifies the AOCI amount to the expense.

Cash and cash equivalents

Cash and cash equivalents are defined as cash plus highly liquid and rated certificates of deposit or commercial paper with an original term to maturity of three months or less.

Short-term investments

Short-term investments are investments in highly liquid and rated certificates of deposit, commercial paper or other securities, primarily Canadian and United States government securities and notes of other creditworthy parties, with an original term to maturity of more than three months and remaining term to maturity of less than one year.

Trade and other receivables

The allowance for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in selling, general and administrative expenses in the consolidated statements of income. When a trade receivable is deemed uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized as a recovery in selling, general and administrative expenses in the consolidated statements of income.

Loans receivable

Credit card, personal and line of credit loans

Credit card, personal and line of credit loans are recognized when cash is advanced to a borrower. They are derecognized when the borrower repays its obligations, the loans are sold or written off or substantially all of the risks and rewards of ownership are transferred.

Losses for impaired loans are recognized when there is objective evidence that impairment of the loans has occurred. Impairment allowances are calculated on individual loans and on groups of loans assessed collectively. Impairment losses are recorded in cost of producing revenue in the consolidated statements of income. The carrying amount of impaired loans in the consolidated balance sheets is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognized.

All individually significant loans receivable are assessed for specific impairment. All individually significant loans receivable found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans receivable that are not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

The Company uses a roll-rate methodology to calculate allowances for loans' receivables. This methodology employs statistical analysis of historical data and experience of delinquency and default to estimate the amount of loans that will eventually be written off as a result of events occurring before the reporting date, with certain adjustments for other relevant circumstances influencing the recoverability of the loans receivable. The estimated loss is the difference between the present value of the expected future cash flows, discounted at the original effective interest rate of the portfolio, and the carrying amount of the portfolio. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Dealer loans

Loans to Associate Dealers ("Dealers"), independent third-party operators of Canadian Tire Retail stores, are initially measured at fair value plus directly attributable transaction costs and are subsequently measured at their amortized cost using the effective interest method, less an allowance for impairment, if any.

Merchandise inventories

Merchandise inventories are carried at the lower of cost and net realizable value.

Cash consideration received from vendors is recognized as a reduction to the cost of related inventory unless the cash consideration received is either a reimbursement of incremental costs incurred by the Company or a payment for assets or services delivered to the vendor.

The cost of merchandise inventories is determined based on weighted average cost and includes costs incurred in bringing the merchandise inventories to their present location and condition. All inventories are finished goods.

Net realizable value is the estimated selling price of inventory during the normal course of business less estimated selling expenses.

Long-term investments

Investments in highly liquid and rated certificates of deposit, commercial paper or other securities with a remaining term to maturity of greater than one year are classified as long-term investments. The Company's exposure to credit, currency and interest rate risks related to other investments is disclosed in Note 5.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the identifiable assets acquired and liabilities assumed in a business combination. Goodwill is measured at cost less any accumulated impairment and is not amortized.

Intangible assets

Intangible assets with finite useful lives are measured at cost and are amortized on a straight-line basis over their estimated useful lives, generally for a period of two to seven years. The estimated useful lives and amortization methods are reviewed annually with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are measured at cost less any accumulated impairment and are not amortized.

Expenditures on research activities are expensed as incurred.

Investment property

Investment property is property held to earn rental income or for appreciation of capital or both. The Company has determined that properties it provides to its Dealers, franchisees and agents are not investment property as these relate to the Company's operating activities. This was determined based on certain criteria such as whether the Company provides significant ancillary services to the lessees of the property. The Company includes property that it leases to third parties (other than Dealers, franchisees or agents) in investment property.

Investment property is measured and depreciated in the same manner as property and equipment.

Property and equipment

Property and equipment is measured at cost less accumulated depreciation and any accumulated impairment. Land is measured at cost less any accumulated impairment. Properties in the course of construction are measured at cost less any accumulated impairment. The cost of an item of property or equipment comprises costs that can be directly attributed to its acquisition and initial estimates of the cost of dismantling and removing the item and restoring the site on which it is located.

Buildings, fixtures and equipment are depreciated using a declining balance method to their estimated residual value over their estimated useful lives. The estimated useful lives, amortization method and residual values are reviewed annually with the effect of any changes in estimate being accounted for on a prospective basis.

Leasehold improvements and lease inducements are amortized on a straight-line basis over the terms of the respective leases or useful life, if shorter.

Assets held under finance leases are depreciated on the same basis as owned assets. If there is no reasonable certainty that the Company will obtain ownership, by the end of the lease term, the asset is depreciated over the shorter of lease term and its useful life.

Depreciation and amortization rates are as follows:

Asset Category	Depreciation rate/term
Buildings	4-20%
Fixtures and equipment	5-40%
Leasehold improvements	Shorter of term of lease or useful life
Assets under finance lease	Shorter of term of lease or useful life

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lessor

When the Company is the lessor in an operating lease, rental income and licence fees are recognized in net income on a straight-line basis over the term of the lease.

Lessee

When the Company is the lessee in an operating lease, rent payments are charged to net income on a straight-line basis over the term of the lease.

Assets under finance leases are recognized as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the consolidated balance sheets as a finance lease obligation. Lease payments are apportioned between finance costs and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability.

Sale and leaseback

The accounting treatment of a sale and leaseback transaction is assessed based upon the substance of the transaction and whether the sale is made at the asset's fair value.

For sale and finance leasebacks, any gain or loss from the sale is deferred and amortized over the lease term. For sale and operating leasebacks, the assets are sold at fair value and, accordingly, the gain or loss from the sale is recognized immediately in net income.

Impairment of assets

The carrying amounts of property and equipment, investment property and intangible assets with finite useful lives are reviewed at the end of each reporting period to determine whether there are any indicators of impairment. If any such indicators exist, then the recoverable amount of the asset is estimated. Goodwill and intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortized but are tested for impairment at least annually or whenever there is an indicator that the asset may be impaired.

Cash generating units

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. The CGUs correspond to the smallest identifiable group of assets whose continuing use generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill acquired in a business combination is allocated to each of the CGUs (or groups of CGUs) expected to benefit from the synergies of the combination. Intangible assets with indefinite useful lives are allocated to the CGU to which they relate.

Determining the recoverable amount

An impairment loss is recognized when the carrying amount of an asset, or of the CGU to which it belongs, exceeds the recoverable amount. The recoverable amount of an asset or CGU is defined as the higher of its fair value less costs to sell ("FVLCS") and its value in use ("VIU").

In assessing VIU, the estimated future cash flows are discounted to their present value. Cash flows are discounted using a pre-tax discount rate that includes a risk premium specific to each line of business. The Company estimates cash flows before taxes based on the most recent actual results or budgets. Cash flows are then extrapolated over a period of up to five years, taking into account a terminal value calculated by discounting the final year in perpetuity. The growth rate applied to the terminal values is based on the Bank of Canada's target growth rate or a growth rate specific to the individual item being tested based on Management's estimate.

Recording impairments and reversal of impairments

Impairments and reversals of impairments are recognized in other income in the consolidated statements of income. Any impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU. Impairments of goodwill cannot be reversed. Impairments of other assets recognized in prior periods are assessed at the end of each reporting period to determine if the indicators of impairment have reversed or no longer exist. An impairment is reversed if the estimated recoverable amount exceeds the carrying amount. The increased carrying amount of an asset attributable to a reversal of impairment may not exceed the carrying amount that would have been determined had no impairment been recognized in prior periods.

Assets classified as held for sale

Non-current assets and disposal groups are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, and it should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets (and disposal groups) classified as held for sale are measured at the lower of the carrying amount or FVLCS. The fair value measurement of assets held for sale is categorized within Level 2 of fair value hierarchy (see Note 35.4 for definition of levels).

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized. Qualifying assets are those that require a minimum of three months to prepare for their intended use. All other borrowing costs are recognized in cost of producing revenue or in net finance costs in the consolidated statements of income in the period in which they occur.

Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The Company recognizes a liability and an expense for short-term benefits such as bonuses, profit-sharing and employee stock purchases if the Company has a present legal obligation or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reasonably.

Post-employment benefits

The Company provides certain health care, dental care, life insurance and other benefits but not pensions for certain retired employees pursuant to Company policy. The Company accrues the cost of these employee benefits over the periods in which the employees earn the benefits. The cost of employee benefits earned by employees is actuarially determined using the projected benefit method pro-rated on length of service and Management's best estimate of salary escalation, retirement ages of employees, employee turnover, life expectancy, and expected health and dental care costs. The costs are discounted at a rate that is based on market rates as at the measurement date. Actuarial gains and losses are immediately recorded in OCI.

The Company also provides post-employment benefits with respect to contributions to a Deferred Profit Sharing Plan ("DPSP").

Other long-term employee benefits include:

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes a provision for termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Share-based payments

Stock options with tandem stock appreciation rights ("stock options") are granted with a feature that enables the employee to exercise the stock option or receive a cash payment equal to the difference between the market price of the Company's Class A Non-Voting Shares as at the exercise date and the exercise price of the stock option. These stock options are considered to be compound instruments. The fair value of compound instruments is measured at each reporting date, taking into account the terms and conditions on which the rights to cash or equity instruments are granted. As the fair value of the settlement in cash is the same as the fair value of the settlement as a traditional stock option, the fair value of the stock option is the same as the fair value of the debt component. The corresponding expense and liability are recognized over the respective vesting period.

The fair value of the amount payable to employees with respect to share unit plans and trust unit plans, which are settled in cash, is recorded as a liability over the period that the employees unconditionally become entitled to payment. The fair value of the liability is remeasured at each reporting date with the change in the liability being recognized in selling, general and administrative expenses in the consolidated statements of income.

Insurance reserve

Included in trade and other payables is an insurance reserve that consists of an amount determined from loss reports and individual cases and an amount, based on past experience, for losses incurred but not reported. These estimates are continually reviewed and are subject to the impact of future changes in

such factors as claim severity and frequency. While Management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided, and any adjustment will be reflected in net income the periods in which they become known.

The Company uses actuarial valuations in determining its reserve for outstanding losses and loss-related expenses using an appropriate reserving methodology for each line of business. The Company does not discount its liabilities for unpaid claims.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainty of cash flows. Where the effect of discounting is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Sales and warranty returns

The provision for sales and warranty returns relates to the Company's obligation for defective goods in current store inventories and defective goods sold to customers that have yet to be returned, as well as after sales service for replacement parts. Accruals for sales and warranty returns are estimated on the basis of historical returns and are recorded so as to allocate them to the same period the corresponding revenue is recognized. These accruals are reviewed regularly and updated to reflect Management's best estimate; however, actual returns could vary from these estimates.

Site restoration and decommissioning

Legal or constructive obligations associated with the removal of underground fuel storage tanks and site remediation costs on the retirement of certain property and equipment and with the termination of certain lease agreements are recognized in the period in which they are incurred when it is probable that an outflow of resources embodying economic benefits will be required and a reasonable estimate of the amount of the obligation can be made. The obligations are initially measured at the Company's best estimate, using an expected value approach, and are discounted to present value.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected net cost of continuing with the contract.

Customer loyalty

An obligation arises from the My Canadian Tire 'Money' customer loyalty program when the Company issues e-Canadian Tire 'Money' and when the Dealers pay the Company to acquire paper-based Canadian Tire 'Money', as the Dealers retain the right to return paper-based Canadian Tire Money to the Company for refund in cash. These obligations are measured at fair value by reference to the fair value of the awards for which they could be redeemed and based on the estimated probability of their redemption. The expense is recorded in selling, general and administrative expense in the consolidated statements of the income.

Debt

Debt is classified as current when the Company expects to settle the liability in its normal operating cycle, it holds the liability primarily for the purpose of trading, the liability is due to be settled within 12 months after the date of the consolidated balance sheets or it does not have an unconditional right to defer settlement of the liability for at least 12 months after the date of the consolidated balance sheets.

Share capital

Shares issued by the Company are recorded at the value of proceeds received. Repurchased shares are removed from equity. No gain or loss is recognized in net income on the purchase, sale, issue or cancellation of the Company's shares.

During the year, the Company changed its accounting policy relating to share repurchases, which resulted in the financial statements providing more reliable and relevant information. Under the new policy, 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. Previously, share repurchases were recorded as a reduction to share capital. As a result of this accounting policy change, equity was restated as follows:

	Increase (decrease)	
(C$ in millions)	2013	2012
Share capital	$ 125.9	30.5
Contributed surplus	(3.8)	(2.9)
Retained earnings	(122.1)	(27.6)

Dividends

Dividend distributions to the Company's shareholders are recognized as a liability in the consolidated balance sheets in the period in which the dividends are approved by the Company's Board of Directors.

Distributions

Distributions to non-controlling interests are recognized as a liability in the consolidated balance sheets in the period in which the distributions are declared.

Revenue

The Company recognizes revenue when the amount can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

Sale of goods

Revenue from the sale of goods includes merchandise sold to Dealers and Mark's Work Wearhouse Ltd. ("Mark's") and FGL Sports Ltd. ("FGL Sports") franchisees, the sale of gasoline through agents, and the sale of goods by Mark's, PartSource and FGL Sports corporate-owned stores to the general public. This revenue is recognized when the goods are delivered, less an estimate for the sales and warranty returns. Revenue from the sale of goods is measured at the fair value of the consideration received less an appropriate deduction for actual and expected returns, discounts, rebates and warranty and loyalty program costs, net of sales taxes.

Sales and warranty returns

If there is any uncertainty regarding the right of a customer to return goods, no revenue is recognized until the uncertainty is resolved. However, in the case of warranties, if warranty claims can be reasonably estimated, revenue is then recorded for the net amount.

Customer loyalty programs

Loyalty award credits issued as part of a sales transaction relating to the Company's Gas Advantage, Cash Advantage and Sport Chek MasterCard Rewards credit card programs result in revenue being deferred until the loyalty award is redeemed by the customer. The portion of the revenue that is deferred is the fair value of the award. The fair value of the award takes into account the amount for which the award credits could be sold separately, less the proportion of the award credits that are not expected to be redeemed by customers.

Interest income on loans receivable

Interest income includes interest charged on loans receivable and fees that are an integral part of the effective interest rate on financial instruments, such as annual credit card fees. Interest income on financial assets that are classified as loans and receivables is determined using the effective interest method.

Services rendered

Service revenue includes Roadside Assistance Club membership revenue; Home Services revenue; insurance premiums and reinsurance revenue; extended warranty contract fees; merchant, interchange and processing fees; cash advance fees; foreign exchange fees; and service charges on the loans receivable of the Financial Services operating segment, as well as Mark's clothing alteration revenue. Service revenue is recognized according to the contractual provisions of the arrangement, which is generally when the service is provided or over the contractual period.

Merchant, interchange and processing fees, cash advance fees and foreign exchange fees on credit card transactions are recognized as revenue at the time transactions are completed. Revenue from separately priced extended warranty contracts is recorded on a straight-line basis over the term of the contracts. Revenue from Home Services is recognized when the work order is complete.

Reinsurance premiums are recorded on an accrual basis and are included in net income on a pro rata basis over the life of the insurance contract, with the unearned portion deferred in the consolidated balance sheets. Premiums that are subject to adjustment are estimated based on available information. Any variances from the estimates are recorded in the periods in which they become known.

Royalties and licence fees

Royalties and licence fees include licence fees from petroleum agents and Dealers and royalties from Mark's and FGL Sports franchisees. Royalties and licence fee revenues are recognized as they are earned in accordance with the substance of the relevant agreement and are measured on an accrual basis.

Rental income

Rental income from operating leases where the Company is the lessor is recognized on a straight-line basis over the terms of the respective leases.

Vendor rebates

The Company records cash consideration received from vendors as a reduction in the price of vendors' products and recognizes it as a reduction to the cost of related inventory or, if the related inventory has been sold, to the cost of producing revenue. Certain exceptions apply where the cash consideration received is either a reimbursement of incremental selling costs incurred by the Company or a payment for assets or services delivered to the vendor, in which case the cost is reflected as a reduction in selling, general and administrative expenses.

The Company recognizes rebates that are at the vendor's discretion when the vendor either pays the rebates or agrees to pay them and payment is considered probable and is reasonably estimable.

Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets). Interest income is recognized as it accrues using the effective interest method.

Finance costs comprises interest expense on borrowings (including borrowings relating to the Dealer Loan Program), unwinding of the discount on provisions and impairment recognized on financial assets. Interest on deposits is recorded in cost of producing revenue in the consolidated statements of income.

Income taxes

The income tax expense for the year comprises current and deferred income tax. Income tax expense is recognized in net income except to the extent that it relates to items recognized either in OCI or directly in equity. In this case, the income tax expense is recognized in OCI or in equity, respectively.

The income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the date of the consolidated balance sheets in the countries where the Company operates and generates taxable income.

Deferred income taxes is recognized using the liability method on unused tax losses, unused tax benefits and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these consolidated financial statements. However, deferred income taxes is not accounted for if it arises from initial recognition of goodwill or initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income taxes is determined using tax rates (and laws) that have been enacted or substantively enacted at the date of the consolidated balance sheets and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Earnings per share attributable to owners of Canadian Tire Corporation

Basic earnings per share attributable to owners of the Company is calculated by dividing the net income attributable to owners of the Company by the weighted average number of Common and Class A Non-Voting shares outstanding during the reporting period. Diluted earnings per share attributable to the owners of the Company are calculated by adjusting the net income attributable to owners of the Company and the weighted average number of shares outstanding for the effects of all potentially dilutive equity instruments, which comprise employee stock options. Net income attributable to owners of the Company is the same for both the basic and diluted earnings per share calculations.

Non-controlling interests

When the proportion of the equity held by non-controlling interests changes, the Company adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interest in the subsidiary. The Company recognizes directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the Company.

Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other operations, and for which discrete financial information is available. Segment operating results are reviewed regularly by the Company's Chief Operating Decision Maker ("CODM") to make decisions about resources allocated to the segment and to assess the segment's performance.

4. Capital management

The Company's objectives when managing capital are:

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

The definition of capital varies from company to company, industry to industry and for different purposes. In the process of managing the Company's capital, Management includes the following items in its definition of capital, which includes Glacier Credit Card Trust ("GCCT") indebtedness but excludes Franchise Trust indebtedness:

(C$ in millions)	2014	% of total	2013[1]	% of total
Capital components				
Deposits	$ 950.7	9.1%	$ 1,178.4	11.6%
Short-term borrowings	199.8	1.9%	120.3	1.2%
Current portion of long-term debt	587.5	5.6%	272.2	2.6%
Long-term debt	2,131.6	20.4%	2,339.1	23.0%
Long-term deposits	1,286.2	12.3%	1,152.0	11.3%
Total debt	$ 5,155.8	49.3%	$ 5,062.0	49.7%
Redeemable financial instrument	517.0	4.9%	–	0.0%
Share capital	695.5	6.8%	712.9	7.0%
Contributed surplus	2.9	0.0%	2.4	0.0%
Retained earnings	4,075.1	39.0%	4,404.6	43.3%
Total capital under management	**$ 10,446.3**	**100.0%**	$ 10,181.9	100.0%

[1] *Refer to Note 3 for details of accounting policy change relating to Share capital.*

The Company monitors its capital structure through measuring various debt-to-capitalization and debt-to-earnings ratios and ensures its ability to service debt and meet other fixed obligations by tracking its interest and other fixed-charge coverage ratios.

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

In order to maintain or adjust the capital structure, the Company has the flexibility to adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to a normal course issuer bid program ("NCIB"), issue new shares, repay debt, issue new debt, issue new debt with different characteristics to replace existing debt, engage in additional sale and leaseback transactions of real estate properties and increase or decrease the amount of sales of co-ownership interests in loans receivable to GCCT.

The Company has in place various policies to manage capital, including a leverage and liquidity policy, an interest rate risk management policy and a securities and derivatives policy. As part of the overall management of capital, Management and the Audit Committee of the Board of Directors review the Company's compliance with, and performance against, these policies. In addition, periodic reviews of the policies are performed to ensure consistency with the risk tolerances.

Key financial covenants of the existing debt agreements are reviewed by Management on an ongoing basis to monitor compliance with the agreements.

The key covenants are as follows:

- a requirement to maintain, at all times, a specified minimum ratio of consolidated net tangible assets to the outstanding principal amount of all consolidated funded obligations (as defined in the respective debt agreements, which exclude the assets and liabilities of GCCT and Franchise Trust); and
- a limit on the amount available for distribution to shareholders whereby the Company is restricted from distributions (including dividends and redemptions or purchases of shares) exceeding, among other things, its accumulated net income over a defined period.

The Company was in compliance with these key covenants as at January 3, 2015 and December 28, 2013. Under these covenants, the Company currently has sufficient flexibility to fund business growth and maintain or amend dividend rates within its existing dividend policy.

In addition, the Company is required to comply with regulatory requirements for capital associated with the operations of Canadian Tire Bank ("Bank"), a federally chartered bank, and other regulatory requirements that have an impact on its business operations.

The Bank manages its capital under guidelines established by the Office of the Superintendent of Financial Institutions of Canada ("OSFI"). OSFI's regulatory capital guidelines are based on the international Basel Committee on Banking Supervision ("BCBS") framework entitled Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems ("Basel III"), which came into effect in Canada on January 1, 2013, and measures capital in relation to credit, market and operational risks. The Bank has various capital policies and procedures and controls, including an Internal Capital Adequacy Assessment Process ("ICAAP"), which it utilizes to achieve its goals and objectives.

The Bank's objectives include:

- providing sufficient capital to maintain the confidence of investors and depositors; and
- being an appropriately capitalized institution, as measured internally, defined by regulatory authorities and compared with the Bank's peers.

OSFI's regulatory capital guidelines under Basel III allow for two tiers of capital. As at December 31, 2014 (the Bank's fiscal year-end), Common Equity Tier 1 ("CET1") capital includes common shares, retained earnings and accumulated other comprehensive income. The Bank currently does not hold any additional Tier 1 or Tier 2 capital instruments. Therefore, the Bank's CET1 is equal to its Tier 1 and total regulatory capital. Risk-weighted assets ("RWA") include all on-balance-sheet assets weighted for the risk inherent in each type of asset, as well as an operational risk component based on a percentage of average risk-weighted revenues, and a market risk component for assets held in the trading book for on and off-balance sheet financial instruments held in a foreign currency. For the purposes of calculating RWA, securitization transactions are considered off-balance-sheet transactions and therefore securitization assets are not included in the RWA calculation. Assets are included in the trading book when they are held either with trading intent or to hedge other elements in the trading book.

During the 12 months ended December 31, 2014 and 2013, the Bank complied with all regulatory capital guidelines established by OSFI and its internal targets as determined by its ICAAP.

5. Financial risk management

5.1 Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including foreign currency and interest rate risk).

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements and notes thereto.

5.2 Risk management framework

The Company's financial risk management policies are established to identify and analyze the risks faced by the Company, to set acceptable risk tolerance limits and controls and to monitor risks and adherence to limits. The financial risk management policies and systems are reviewed regularly to ensure they remain consistent with the objectives and risk tolerance acceptable to the Company and current market trends and conditions. The Company, through its training and management standards and procedures, aims to uphold a disciplined and constructive control environment in which all employees understand their roles and obligations.

5.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's credit card customers, Dealer network, investment securities and financial derivative instrument counterparties.

The Company's maximum exposure to credit risk, over and above amounts recognized in the consolidated balance sheets, include the following:

(C$ in millions)	2014	2013
Undrawn loan commitments	$ 9,463.7	$ 10,556.8
Guarantees	605.2	600.4
Total	$ 10,068.9	$ 11,157.2

Refer to Note 11 for information on the credit quality and performance of loans receivables.

5.3.1 Securities and derivatives

The Company has a Securities and Derivatives Policy in place for management of the various risks (including counterparty risk) related to investment activity and use of financial derivatives. The Company's credit exposure of its investment portfolio is spread across financial institutions, provincial and federal governments and, to a lesser extent, corporate issuers, with limitations as to the amount, term to maturity and industry concentration levels.

The Company limits its exposure to credit risk by investing only in highly liquid and rated certificates of deposit, commercial paper or other approved securities and only with counterparties that are dual rated and have a credit rating in the "A" category or better.

The Company limits its credit exposure to financial derivatives by transacting only with highly rated counterparties and managing within specific limits for credit exposure, notional amounts and term to maturity.

5.3.2 Credit enhancement and guarantees provided

The Company may be required to provide credit enhancement for individual Dealer's borrowings in the form of standby letters of credit (the "LCs") or guarantees of third-party bank debt agreements in respect of the financing programs available to the Dealers (Note 37).

5.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and reasonably stressed conditions. The Company has in place a leverage and liquidity policy to manage its exposure to liquidity risk.

In addition to the leverage and liquidity policy, the Company has in place an Asset Liability Management Board policy specific to the Bank. It is the Bank's objective to ensure the availability of adequate funds by maintaining a strong liquidity management framework and to satisfy all applicable regulatory and statutory requirements. The Company uses a detailed consolidated cash flow forecast model to regularly monitor its near-term and longer-term cash flow requirements, which assists in optimizing its short-term cash and bank indebtedness position and evaluating longer-term funding strategies.

As at January 3, 2015, the Company had $3.9 billion in committed bank lines of credit of which $1.2 billion is available to the Company under a five-year syndicated credit facility maturing July 2019, $300 million is available pursuant to 365-day bilateral credit agreements maturing December 2015, $2.25 billion is available to CT Bank through a credit card funding facility maturing October 2017, and $200 million is available to CT REIT under a four-year syndicated revolving credit facility maturing October 2017.

In addition to the bank lines of credit, the Company has access to additional funding sources. A commercial paper program and medium-term notes program for the issuance of $750 million is available to the Company to April 2015. Assets of the Bank are funded through securitization of credit card receivables through GCCT, broker guaranteed investment certificate ("GIC"), retail GIC deposits and high-interest savings ("HIS") account deposits.

The following table summarizes the Company's contractual maturity for its financial liabilities, including both principal and interest payments:

(C$ in millions)	2015	2016	2017	2018	2019	Thereafter	Total
Non-derivative financial liabilities							
Bank indebtedness	$ 14.3	$ –	$ –	$ –	$ –	$ –	$ 14.3
Deposits[1]	960.0	192.0	322.3	357.9	414.0	–	2,246.2
Trade and other payables	1,834.9	–	–	–	–	–	1,834.9
Short-term borrowings	199.8	–	–	–	–	–	199.8
Loans payable	604.4	–	–	–	–	–	604.4
Long-term debt	565.8	–	634.9	264.6	500.0	550.0	2,515.3
Finance lease obligations	20.7	17.0	14.0	12.1	10.5	78.7	153.0
Mortgages	1.2	1.2	1.2	17.1	37.6	–	58.3
Interest payments[2]	132.3	113.6	97.4	76.0	54.8	461.8	935.9
Total	$ 4,333.4	$ 323.8	$ 1,069.8	$ 727.7	$ 1,016.9	$ 1,090.5	$ 8,562.1

[1] *Deposits exclude the GIC broker fee discount of $9.3 million.*

[2] *Includes interest payments on deposits, short-term borrowings, loans payable, long-term debt and finance lease obligations.*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts except for deposits. The cash flows from deposits are not expected to vary significantly provided the expected cash flows from customers maintain a stable or increasing balance.

5.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters while optimizing the return. The Company has in place foreign exchange, interest rate and equity risk management policies to manage its exposure to market risk. These policies establish guidelines on how the Company is to manage the market risk inherent to the business and provide mechanisms to ensure business transactions are executed in accordance with established limits, processes and procedures.

All such transactions are carried out within the guidelines established in the respective financial risk management policies as approved by the Board of Directors. Generally, the Company seeks to apply hedge accounting in order to manage volatility in its net income.

5.5.1 Foreign currency risk

The Company has significant demand for foreign currencies, primarily United States ("U.S.") dollars, due to its global sourcing activities. The Company's exposure to foreign exchange rate risk is managed through a comprehensive Foreign Exchange Risk Management Policy that sets forth specific guidelines and parameters, including monthly hedge percentage guidelines, for entering into foreign exchange hedge transactions for anticipated U.S.dollar-denominated purchases. The Company enters into foreign exchange contracts, primarily in U.S. dollars, to hedge future purchases of foreign-currency-denominated goods and services. The Company's exposure to a sustained movement in the currency markets is affected by competitive forces and future prevailing market conditions.

5.5.2 Interest rate risk

The Company has a policy in place whereby a minimum of 75 per cent of its long-term debt (term greater than one year) and lease obligations must be at fixed interest rates. The Company is in compliance with this policy. The Company may enter into interest rate swap contracts to manage its current and anticipated exposure to interest rate price risk. The Company had no interest rate swap contracts outstanding at January 3, 2015.

A one per cent change in interest rates would not materially affect the Company's net income or equity as the Company has minimal floating interest rate exposure as the indebtedness of the Company is predominantly at fixed rates. The Company's exposure to interest rate changes is predominantly driven by the Financial Services business to the extent that the interest rates on future GIC deposits, HIS account deposits, tax free savings account ("TFSA") deposits and securitization transactions are market-dependent. Partially offsetting this will be rates charged on credit cards and future liquidity pool investment rates available to the Bank.

6. 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 in each of the Company's reportable segments:

- Retail comprises the Living, Playing, Fixing, Automotive, Seasonal, Apparel and Sporting Goods categories. The retail business is conducted through a number of banners, including Canadian Tire, Canadian Tire Gas ("Petroleum"), Mark's, PartSource, and various FGL Sports banners. Retail also includes the Dealer Loan Program (the portion [silo] of Franchise Trust that issues loans to Dealers), a financing program established to provide an efficient and cost-effective way for Dealers to access the majority of the financing required for their store operations. 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 comprised largely of Canadian Tire banner stores, Canadian Tire anchored retail developments, a mixed use commercial development and two distribution centres.
- Financial Services markets a range of Canadian Tire-branded credit cards, including the Canadian Tire Options MasterCard, the Cash Advantage MasterCard, the Gas Advantage MasterCard and the Sport Chek MasterCard. Financial Services also markets insurance and warranty products and processes credit card transactions with respect to purchases made in Canadian Tire associate stores and petroleum outlets. Financial Services includes Canadian Tire Bank, a federally regulated financial institution that manages and finances the Company's consumer MasterCard, Visa and retail credit card portfolios, as well as an existing block of Canadian Tire-branded personal loan and line of credit portfolios. The Bank also offers and markets HIS account deposits, TFSA deposits and GIC deposits, both directly and through third-party brokers. Financial Services also includes GCCT, a financing program established to purchase co-ownership interests in the Company's credit card loans. GCCT issues debt to third-party investors to fund its purchases.

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

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

					2014
(C$ in millions)	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	$ 11,298.9	$ 12.6	$ 1,059.6	$ 91.8	$ 12,462.9
Intercompany revenue	5.7	332.2	16.1	(354.0)	–
Total revenue	11,304.6	344.8	1,075.7	(262.2)	12,462.9
Cost of producing revenue	8,033.7	–	435.2	(52.0)	8,416.9
Gross margin	3,270.9	344.8	640.5	(210.2)	4,046.0
Other income (expense)	110.4	–	(1.6)	(97.8)	11.0
Selling, general and administrative expenses	2,861.7	85.0	300.8	(194.6)	3,052.9
Net finance (income) costs	(11.9)	82.7	(6.9)	45.0	108.9
Change in fair value of redeemable financial instrument	–	–	–	(17.0)	(17.0)
Fair value adjustment on investment properties	–	141.2	–	(141.2)	–
Income before income taxes	$ 531.5	$ 318.3	$ 345.0	(316.6)	$ 878.2
Items included in the above:					
Depreciation and amortization	$ 304.4	$ –	$ 8.8	$ 59.1	$ 372.3
Interest income	116.9	0.3	783.6	(97.3)	803.5
Interest expense	90.6	83.0	109.8	(98.0)	185.4

(C$ in millions)	Retail	CT REIT	Financial Services	Eliminations and adjustments	2013 Total
External revenue	$ 10,690.2	$ 1.7	$ 1,010.4	$ 83.3	$ 11,785.6
Intercompany revenue	1.4	61.3	15.5	(78.2)	–
Total revenue	10,691.6	63.0	1,025.9	5.1	11,785.6
Cost of producing revenue	7,679.7	–	430.5	(46.9)	8,063.3
Gross margin	3,011.9	63.0	595.4	52.0	3,722.3
Other income (expense)	15.2	–	0.4	(18.6)	(3.0)
Selling, general and administrative expenses	2,509.4	16.1	278.5	24.9	2,828.9
Net finance costs (income)	54.1	15.4	(2.7)	39.0	105.8
Fair value adjustment on investment properties	–	(0.5)	–	0.5	–
Income before income taxes	$ 463.6	$ 31.0	$ 320.0	$ (30.0)	$ 784.6
Items included in the above:					
Depreciation and amortization	$ 323.5	$ –	$ 10.3	$ 11.5	$ 345.3
Interest income	53.2	0.1	740.1	(19.2)	774.2
Interest expense	82.4	15.5	112.4	(19.2)	191.1

The eliminations and adjustments include the following items:

- reclassifications of certain revenues and costs in the Financial Services segment to finance income and finance costs;
- reclassifications of revenues and operating expenses to reflect loyalty program accounting in accordance with IFRIC 13 for the Company's Canadian Tire Money programs;
- 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 intercompany rent, property management fees, credit card processing fees and the change in fair value of the redeemable financial instrument.

Capital expenditures by reportable operating segment are as follows:

(C$ in millions)	Retail	CT REIT	Financial Services	2014 Total
Capital expenditures[1]	$ 524.5	$ 183.4	$ 13.9	$ 721.8

[1] *Capital expenditures are presented on an accrual basis and include software additions, but exclude acquisitions related to business combinations of $6.6 million and intellectual properties of $21.4 million.*

(C$ in millions)	Retail	CT REIT	Financial Services	2013 Total
Capital expenditures[1]	$ 528.2	$ 9.0	$ 6.9	$ 544.1

[1] *Capital expenditures are presented on an accrual basis and include software additions, but exclude acquisitions related to business combinations and intellectual properties of $82.7 million.*

Total assets by reporting operating segment are as follows:

(C$ in millions)	2014	2013[2]
Retail	$ 11,066.5	$ 10,509.0
CT REIT	4,017.4	3,603.2
Financial Services	5,553.6	5,384.6
Eliminations and adjustments	(6,084.3)	(5,866.8)
Total assets[1]	$ 14,553.2	$ 13,630.0

[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.*

[2] *The prior year's figures have been reclassified to correspond with current year's presentation.*

Total liabilities by reporting operating segment are as follows:

(C$ in millions)	2014	2013[2]
Retail	$ 4,137.1	$ 4,322.1
CT REIT	2,015.3	1,822.9
Financial Services	4,576.3	4,408.3
Eliminations and adjustments	(1,806.3)	(2,373.2)
Total liabilities[1]	$ 8,922.4	$ 8,180.1

[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.

[2] The prior year's figures have been reclassified to correspond with current year's presentation.

The eliminations and adjustments include the following items:

- CT REIT uses the fair value for its investment properties. The adjustment to convert to the Company's cost model is included in eliminations and adjustments; and
- inter-segment eliminations.

7. Joint arrangement and business combinations

7.1 Joint arrangement of Canada Square

On July 17, 2014, CT REIT acquired a one-third interest in Canada Square, a mixed-use commercial development in Toronto, pursuant to a co-ownership arrangement (the "Co-ownership"). The Co-ownership is a joint arrangement as the material decisions about relevant activities require unanimous consent of the co-owners. This joint arrangement is a joint operation as each co-owner has rights to the assets and obligations relating to the Co-ownership. Accordingly, CT REIT recognizes its proportionate share of the assets, liabilities, revenue and expenses of the Co-ownership in its financial statements.

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

In August 2013, the Company acquired 100 per cent of the issued and outstanding shares of PHL, for total consideration of $58 million. PHL is a Canadian retailer of sporting goods, with 23 urban, high-end hockey stores operating in five provinces across Canada under various trade names. The acquisition was a natural extension of the Company's sporting goods business.

The fair value of net identifiable assets acquired and liabilities assumed as at the acquisition date were $10.4 million, which included $14.1 million of intangible assets. Goodwill of $47.6 million was recognized as at the acquisition date. The goodwill was attributable mainly to the expected growth potential of the expanded customer base of PHL stores, the network of stores and access to the urban high-end customer segment within the hockey equipment market.

7.3 Other business combinations

During the year ended January 3, 2015, the Company acquired various franchise operations for total consideration of $7.3 million, of which $1 million was payable at January 3, 2015. The fair value of the net assets acquired was $3.3 million, resulting in goodwill recognized of $4 million.

During the year ended December 28, 2013, the Company acquired various franchise operations for total consideration of $32.8 million, of which $15.5 million was payable at December 28, 2013. The fair value of the net assets acquired was $24.4 million, resulting in goodwill recognized of $8.4 million.

8. Cash and cash equivalents

Cash and cash equivalents comprise the following:

(C$ in millions)	2014	2013
Cash	$ 134.5	$ 91.5
Cash equivalents	521.0	546.1
Restricted cash and cash equivalents[1]	6.6	5.6
Total cash and cash equivalents[2]	662.1	643.2
Bank indebtedness	(14.3)	(69.0)
Cash and cash equivalents, net of bank indebtedness	$ 647.8	$ 574.2

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

[2] Included in cash and cash equivalents are amounts held in reserve in support of Financial Services' liquidity and regulatory requirements. See Note 34.1.

9. Short-term investments

(C$ in millions)	2014	2013
Short-term investments[1]	$ 287.5	$ 415.0
Restricted short-term investments[2]	1.6	1.6
	$ 289.1	$ 416.6

[1] *Included in short-term investments are amounts held in reserve in support of Financial Services' liquidity and regulatory requirements. See Note 34.1.*

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

10. Trade receivables and other

(C$ in millions)	2014	2013
Trade receivables and other	$ 736.6	$ 685.5
Derivatives	143.4	72.9
Total financial assets	880.0	758.4
Other	0.2	0.1
	$ 880.2	$ 758.5

Trade receivables are primarily from Dealers and franchisees, a large and geographically dispersed group whose receivables, individually, generally comprise less than one per cent of the total balance outstanding.

Receivables from Dealers are in the normal course of business, and include cost-sharing and financing arrangements. The net average credit period on sale of goods is between one and 120 days. Interest (ranging from 0 per cent to prime plus 5 per cent) is charged on amounts past due.

11. Loans receivable

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

	Total principal amount of receivables		Average balance[1]	
(C$ in millions)	2014	2013	2014	2013
Credit card loans	$ 4,862.9	$ 4,522.7	$ 4,563.4	$ 4,253.3
Line of credit loans	5.5	6.5	5.9	7.0
Personal loans[2]	0.3	0.1	0.2	0.2
Total Financial Services' loans receivable	4,868.7	4,529.3	$ 4,569.5	$ 4,260.5
Dealer loans[3]	604.4	611.2		
Other loans	5.5	6.4		
Total loans receivable	5,478.6	5,146.9		
Less: long-term portion[4]	573.1	577.2		
Current portion of loans receivable	$ 4,905.5	$ 4,569.7		

[1] *Amounts shown are net of allowance for loan impairment.*

[2] *Personal loans are unsecured loans that are provided to qualified existing credit card holders for terms of one to five years. Personal loans have fixed monthly payments of principal and interest; however, the personal loans can be repaid at any time without penalty.*

[3] *Dealer loans issued by Franchise Trust (Note 24)*

[4] *The long-term portion of loans receivable is included in long-term receivables and other assets and includes Dealer Loans of $568.2 million (2013 – $571.6 million)*

For the year ended January 3, 2015, cash received from interest earned on credit cards and loans was $732.4 million (2013 – $690.1 million).

The carrying amount of loans includes loans to Dealers that are secured by the assets of the respective Dealer corporations. The Company's exposure to loans receivable credit risk resides at Franchise Trust and at the Bank. Credit risk at the Bank is influenced mainly by the individual characteristics of each credit card customer. The Bank uses sophisticated credit scoring models, monitoring technology and collection modelling techniques to implement and manage strategies, policies and limits that are designed to control risk. Loans receivable are generated by a large and geographically-dispersed group of customers. Current credit exposure is limited to the loss that would be incurred if all of the Bank's counterparties were to default at the same time.

A continuity schedule of the Company's allowances for loans receivable[1] is as follows:

(C$ in millions)	2014	2013
Balance, beginning of year	$ 121.4	$ 110.7
Impairments for credit losses, net of recoveries	279.7	267.0
Recoveries	59.8	59.1
Write-offs	(347.7)	(315.4)
Balance, end of year	$ 113.2	$ 121.4

[1] *Loans include credit card loans, personal loans and line of credit loans. No allowances for credit losses have been made with respect to Franchise Trust.*

The Company's allowances for credit losses are maintained at levels that are considered adequate to absorb future credit losses.

The Company's aging of the loans receivable that are past due, but not impaired, is as follows:

			2014			2013
(C$ in millions)	1-90 days	> 90 days	Total	1-90 days	> 90 days	Total
Loans receivable[1]	$ 342.9	$ 60.4	$ 403.3	$ 308.9	$ 58.0	$ 366.9

[1] *No past due loans for Franchise Trust and FGL Sports.*

A loan is considered past due when the counterparty has not made a payment by the contractual due date. Credit card and line of credit loan balances are written off when a payment is 180 days in arrears. Line of credit loans are considered impaired when a payment is over 90 days in arrears and are written off when a payment is 180 days in arrears. Personal loans are considered impaired when a payment is over 90 days in arrears and are written off when a payment is 365 days in arrears. No collateral is held against loans receivable, except for loans to Dealers, as discussed above.

Transfers of financial assets

Glacier Credit Card Trust

GCCT is a special purpose entity that was created to securitize credit card loans receivable. As at January 3, 2015, the Bank has transferred co-ownership interest in credit card loans receivable to GCCT but has retained substantially all of the credit risk associated with the transferred assets. Due to the retention of substantially all of the risks and rewards on these assets, the Bank continues to recognize these assets within loans receivable, and the transfers are accounted for as secured financing transactions. The associated liability as at January 3, 2015, secured by these assets, includes the commercial paper and term notes on the consolidated balance sheets and is carried at amortized cost. The Bank is exposed to the majority of ownership risks and rewards of GCCT and, hence, it is consolidated. The carrying amount of the assets approximates their fair value. The difference between the credit card loans receivable transferred and the associated liabilities is shown below:

		2014		2013
(C$ in millions)	Carrying amount	Fair value	Carrying amount	Fair value
Credit card loans receivable transferred[1]	$ 1,785.6	$ 1,785.6	$ 1,535.5	$ 1,535.5
Associated liabilities	1,780.4	1,819.6	1,532.4	1,546.1
Net position	$ 5.2	$ (34.0)	$ 3.1	$ (10.6)

[1] *The fair value measurement of credit card loans receivable is categorized within Level 2 of the fair value hierarchy (see Note 35.4 for definition of levels).*

For legal purposes, the co-ownership interests in the Bank's receivables owned by GCCT have been sold at law to GCCT and are not available to the creditors of the Bank.

The Bank has not identified any factors arising from current market circumstances that could lead to a need for the Bank to extend liquidity and/or credit support to GCCT over and above the existing arrangements or that could otherwise change the substance of the Bank's relationship with GCCT. There have been no changes in the capital structure of GCCT since the Bank's assessment for consolidation.

Franchise Trust

The consolidated financial statements include a portion (silo) of Franchise Trust, a legal entity sponsored by a third-party bank that originates and services loans to Dealers for their purchases of inventory and fixed assets (the "Dealer loans"). The Company has arranged for several major Canadian banks to provide standby LCs to Franchise Trust as credit support for the Dealer loans. Franchise Trust has sold all of its rights in the LCs and outstanding Dealer loans to other independent trusts set up by major Canadian banks (the "Co-owner Trusts") that raise funds in the capital markets to finance their purchase of these undivided co-ownership interests. Due to the retention of substantially all of the risks and rewards relating to these Dealer loans, the transfers are accounted for as secured financing transactions and, accordingly, the Company continues to recognize the current portion of these assets in loans receivable and the long-term portion in long-term receivables and other assets and records the associated liability secured by these assets as loans payable, being the loans that Franchise Trust has incurred to fund the Dealer loans. The Dealer loans and loans payable are initially recorded at fair value and subsequently carried at amortized cost.

(C$ in millions)	2014 Carrying amount	2014 Fair value	2013 Carrying amount	2013 Fair value
Dealer loans[1]	**$ 604.4**	**$ 604.4**	$ 611.2	$ 611.2
Associated liabilities	**604.4**	**604.4**	611.2	611.1
Net position	**$ –**	**$ –**	$ –	$ 0.1

[1] The fair value measurement of dealer loans is categorized within Level 2 of the fair value hierarchy (see Note 35.4 for definition of levels).

The Dealer loans have been sold at law and are not available to the creditors of the Company. Loans payable are not legal liabilities of the Company.

In the event that a Dealer defaults on a loan, the Company has the right to purchase such loan from the Co-owner Trusts, at which time the Co-owner Trusts will assign such Dealer's debt instrument and related security documentation to the Company. The assignment of this documentation provides the Company with first-priority security rights over all of such Dealer's assets, subject to certain prior ranking statutory claims.

In most cases, the Company would expect to recover any payments made to purchase a defaulted loan, including any associated expenses. In the event the Company does not choose to purchase a defaulted Dealer loan, the Co-owner Trusts may draw against the LCs.

The Co-owner Trusts may also draw against the LCs to cover any shortfalls in certain related fees owing to them. In any case where a draw is made against the LCs, the Company has agreed to reimburse the bank issuing the LCs for the amount so drawn. Refer to Note 37 for further information.

12. Assets classified as held for sale

Land and buildings are transferred to assets classified as held for sale from property and equipment and investment property when they meet the criteria to be assets classified as held for sale as per the Company's accounting policy. Land and buildings previously included in assets classified as held for sale are transferred to property and equipment, investment property or goodwill and intangibles, as appropriate, when it is determined that they no longer meet the criteria to be assets classified as held for sale.

As at January 3, 2015, land, buildings and investment properties classified as held for sale were $3.2 million (2013 – $1.6 million), $4.3 million (2013 – $3.3 million) and $5.6 million (2013 – $0.5 million), respectively.

In addition, franchise agreements and buildings in the amounts of $3.4 million and $0.3 million respectively, that were acquired and classified as held for sale in the 2013 PHL acquisition, were sold to franchisees in 2014.

Land and buildings classified as assets held for sale generally relate to former stores in the Retail segment that have been relocated to newer sites. The Company is actively marketing these properties to third parties and they will be sold when terms and conditions acceptable to the Company are reached.

During the year ended January 3, 2015, the Company recorded impairment of $nil (2013 – $0.1 million) as in the current year it was determined that the recoverable amount was greater than the carrying amount for all held for sale assets. During the year ended January 3, 2015, the Company recorded reversal of impairment of $nil (2013 – $nil). Impairment and reversal of impairments are recorded in the Company's Retail operating segment, and reported in other income in the consolidated statements of income.

During the year ended January 3, 2015, the Company sold assets held for sale and recorded a gain of $8.2 million (2013 – $12.9 million), which is reported in other income in the consolidated statements of income.

13. Long-term receivables and other assets

(C$ in millions)	2014	2013
Loans receivable (Note 11)	**$ 573.1**	$ 577.2
Mortgages receivable	**32.5**	53.1
Derivatives	**58.3**	40.3
Other receivables[1]	**4.8**	3.4
Total financial assets	**668.7**	674.0
Other [1]	**15.5**	12.0
	$ 684.2	$ 686.0

[1] The prior year's figures have been reclassified to correspond to current year's presentation.

14. Goodwill and intangible assets

The following table presents the changes in cost and accumulated amortization and impairment of the Company's intangible assets:

						2014
	Indefinite-life intangible assets and goodwill			Finite-life intangible assets		
(C$ in millions)	Goodwill	Banners and trademarks	Franchise agreements and other intangibles	Software	Other intangibles	Total
Cost						
Balance, beginning of year	$ 434.5	$ 245.2	$ 154.3	$ 1,027.1	$ 23.1	$ 1,884.2
Additions internally developed	–	–	–	134.2	–	134.2
Additions related to business combinations	4.0	–	2.5	–	–	6.6
Other additions	–	21.4	–	–	–	21.4
Disposals/retirements	–	–	–	(2.6)	–	(2.6)
Other movements and transfers	–	–	–	(0.6)	–	(0.6)
Balance, end of year	$ 438.5	$ 266.6	$ 156.8	$ 1,158.1	$ 23.1	$ 2,043.2
Accumulated amortization and impairment						
Balance, beginning of year	$ (1.6)	$ –	$ –	$ (686.9)	$ (10.2)	$ (698.7)
Amortization for the year	–	–	–	(90.9)	(2.2)	(93.1)
Impairment	(0.3)	–	–	–	–	(0.3)
Disposals/retirements	–	–	–	2.5	–	2.5
Other movements and transfers	–	–	–	–	(1.9)	(1.9)
Balance, end of year	$ (1.9)	$ –	$ –	$ (775.3)	$ (14.2)	$ (791.5)
Net carrying amount, end of year	$ 436.6	$ 266.6	$ 156.8	$ 382.8	$ 8.9	$ 1,251.7

						2013
	Indefinite-life intangible assets and goodwill			Finite-life intangible assets		
(C$ in millions)	Goodwill	Banners and trademarks	Franchise agreements and other intangibles	Software	Other intangibles	Total
Cost						
Balance, beginning of year	$ 378.5	$ 242.2	$ 142.8	$ 910.1	$ 22.5	$ 1,696.1
Additions internally developed	–	–	–	117.6	–	117.6
Additions related to business combinations	56.0	3.0	11.5	–	0.6	71.1
Other additions	–	–	–	0.2	–	0.2
Disposals/retirements	–	–	–	(2.3)	–	(2.3)
Other movements and transfers	–	–	–	1.5	–	1.5
Balance, end of year	$ 434.5	$ 245.2	$ 154.3	$ 1,027.1	$ 23.1	$ 1,884.2
Accumulated amortization and impairment						
Balance, beginning of year	$ (1.6)	$ –	$ –	$ (598.8)	$ (5.8)	$ (606.2)
Amortization for the year	–	–	–	(89.3)	(2.2)	(91.5)
Disposals/retirements	–	–	–	1.2	–	1.2
Other movements and transfers	–	–	–	–	(2.2)	(2.2)
Balance, end of year	$ (1.6)	$ –	$ –	$ (686.9)	$ (10.2)	$ (698.7)
Net carrying amount, end of year	$ 432.9	$ 245.2	$ 154.3	$ 340.2	$ 12.9	$ 1,185.5

The following table presents the details of the Company's goodwill:

(C$ in millions)	2014	2013
FGL Sports	$ 356.9	$ 356.9
Mark's	56.3	52.3
Canadian Tire	23.4	23.7
Total	$ 436.6	$ 432.9

Banners and trademarks includes FGL Sports and Mark's store banners, which represent legal trademarks of the Company with expiry dates ranging from 2016 to 2025. In addition, banners and trademarks includes FGL Sports and Mark's private-label brands that have legal expiry dates. The Company

currently has no approved plans to change its store banners and intends to continue to renew all trademarks and private-label brands at each expiry date indefinitely. The Company expects these assets to generate cash flows in perpetuity. Therefore, these intangible assets are considered to have indefinite useful lives.

Franchise agreements have expiry dates with options to renew or have indefinite lives. The Company's intention is to renew these agreements at each renewal date indefinitely, and the Company expects the franchise agreements and franchise locations will generate cash flows in perpetuity. Therefore, these assets are considered to have indefinite useful lives.

Other finite-life intangible assets include FGL Sports customer relationships, certain private-label brands and off-market leases that the Company has assessed as having limited life terms. These assets are amortized over a term of two to seven years. Off-market leases are amortized over the term of the lease to which they relate.

The amount of borrowing costs capitalized in 2014 was $3.2 million (2013 – $1.7 million). The capitalization rate used to determine the amount of borrowing costs capitalized during the year was 5.7 per cent (2013 – 5.7 per cent).

The amount of research and development expenditures recognized as an expense in 2014 was $2.5 million (2013 – $4.1 million).

Amortization expense of software and other finite-life intangible assets is included in selling, general and administrative expenses in the consolidated statements of income.

Impairment of intangible assets and subsequent reversal

The Company performed its annual impairment test on goodwill and indefinite-life intangible assets for all CGUs based on VIU using pre-tax discount rates ranging from 9.5 to 14.4 per cent and growth rates ranging from 1.7 to 2.0 per cent per annum.

The amount of impairment of intangible assets in 2014 was $0.3 million (2013 – $nil). There was no reversal of impairments in 2014 or 2013. The impairment on goodwill pertains to the Company's Retail operating segment and is reported in other (expense) income in the consolidated statements of income.

For all goodwill and intangible assets, the estimated recoverable amount is based on VIU exceeded the carrying amount. There is no reasonable possible change in assumptions that would cause the carrying amount to exceed the estimated recoverable amount.

15. Investment property

The following table presents changes in the cost and accumulated depreciation and impairment on the Company's investment property:

(C$ in millions)	2014	2013
Cost		
Balance, beginning of year	$ 123.9	$ 126.0
Additions	32.9	3.9
Disposals/retirements	(3.7)	–
Reclassified to/from held for sale	(3.3)	(6.6)
Other movements and transfers	29.0	0.6
Balance, end of year	$ 178.8	$ 123.9
Accumulated depreciation and impairment		
Balance, beginning of year	$ (30.4)	$ (30.9)
Depreciation for the year	(3.5)	(2.7)
Impairment	(1.6)	(1.4)
Reversal of impairment	–	0.2
Disposals/retirements	2.3	–
Reclassified to/from held for sale	5.1	4.3
Other movements and transfers	(2.1)	0.1
Balance, end of year	$ (30.2)	$ (30.4)
Net carrying amount, end of year	$ 148.6	$ 93.5

The investment properties generated rental income of $16.9 million (2013 – $10.7 million).

Direct operating expenses (including repairs and maintenance) arising from investment property recognized in net income were $8.8 million (2013 – $5.4 million).

The estimated fair value of investment property was $230.7 million (2013 – $173 million). This recurring fair value measurement is categorized within Level 3 of the fair value hierarchy (see Note 35.4 for definition of levels). The Company determines the fair value of investment property by applying a pre-tax capitalization rate to the annual rental income for the current leases. The capitalization rate ranged from 5.8 per cent to 11 per cent (2013 – 5.8 per cent to 11 per cent). The cash flows are for a term of five years, including a terminal value. The Company has real estate management expertise that is used to perform the valuation of investment property. As such, a valuation has not been performed by an independent valuation specialist.

Impairment of investment property and subsequent reversal

Any impairment or reversals of impairment are reported in other (expense) income in the consolidated statements of income.

16. Property and equipment

The following table presents the changes in the cost and accumulated depreciation and impairment on the Company's property and equipment:

							2014
(C$ in millions)	Land	Buildings	Fixtures and equipment	Leasehold improvements	Assets under finance lease	Construction in progress	Total
Cost							
Balance, beginning of year	$ 815.0	$ 2,750.8	$ 938.8	$ 882.3	$ 276.6	$ 179.1	$ 5,842.6
Additions	49.8	141.2	139.8	145.2	19.4	59.3	554.7
Disposals/retirements	–	(4.8)	(35.2)	(23.4)	(10.5)	–	(73.9)
Reclassified to/from held for sale	(3.2)	(15.9)	(0.5)	(2.5)	–	–	(22.1)
Other movements and transfers	(0.6)	(13.6)	29.0	(0.5)	(29.0)	(14.1)	(28.8)
Balance, end of year	$ 861.0	$ 2,857.7	$ 1,071.9	$ 1,001.1	$ 256.5	$ 224.3	$ 6,272.5
Accumulated depreciation and impairment							
Balance, beginning of year	$ (0.3)	$ (1,201.0)	$ (641.3)	$ (316.5)	$ (167.4)	$ –	$ (2,326.5)
Depreciation for the year	–	(102.4)	(80.1)	(74.9)	(18.3)	–	(275.7)
Impairment	(4.1)	(0.6)	(0.2)	–	(0.1)	–	(5.0)
Disposals/retirements	–	3.8	27.0	23.2	10.5	–	64.5
Reclassified to/from held for sale	–	8.3	0.3	2.5	–	–	11.1
Other movements and transfers	–	2.1	(17.7)	–	17.8	–	2.2
Balance, end of year	$ (4.4)	$ (1,289.8)	$ (712.0)	$ (365.7)	$ (157.5)	$ –	$ (2,529.4)
Net carrying amount, end of year	$ 856.6	$ 1,567.9	$ 359.9	$ 635.4	$ 99.0	$ 224.3	$ 3,743.1

							2013
(C$ in millions)	Land	Buildings	Fixtures and equipment	Leasehold improvements	Assets under finance lease	Construction in progress	Total
Cost							
Balance, beginning of year	$ 744.3	$ 2,683.7	$ 880.4	$ 778.2	$ 273.2	$ 102.3	$ 5,462.1
Additions	84.4	56.7	70.3	123.7	8.4	78.4	421.9
Additions related to business combinations	–	–	12.1	–	–	–	12.1
Disposals/retirements	–	(2.5)	(23.9)	(13.8)	(5.1)	–	(45.3)
Reclassified to/from held for sale	(2.3)	(4.4)	–	0.6	–	–	(6.1)
Other movements and transfers	(11.4)	17.3	(0.1)	(6.4)	0.1	(1.6)	(2.1)
Balance, end of year	$ 815.0	$ 2,750.8	$ 938.8	$ 882.3	$ 276.6	$ 179.1	$ 5,842.6
Accumulated depreciation and impairment							
Balance, beginning of year	$ (0.1)	$ (1,102.9)	$ (591.4)	$ (271.5)	$ (152.7)	$ –	$ (2,118.6)
Depreciation for the year	–	(100.0)	(71.5)	(60.0)	(19.6)	–	(251.1)
Impairment	–	–	(0.1)	–	–	–	(0.1)
Reversal of Impairment	0.1	–	–	0.1	–	–	0.2
Disposals/retirements	(2.0)	3.7	21.6	13.0	4.9	–	41.2
Reclassified to/from held for sale	–	1.0	–	(0.6)	–	–	0.4
Other movements and transfers	1.7	(2.8)	0.1	2.5	–	–	1.5
Balance, end of year	$ (0.3)	$ (1,201.0)	$ (641.3)	$ (316.5)	$ (167.4)	$ –	$ (2,326.5)
Net carrying amount, end of year	$ 814.7	$ 1,549.8	$ 297.5	$ 565.8	$ 109.2	$ 179.1	$ 3,516.1

The Company capitalized borrowing costs of $7.7 million (2013 – $2.1 million) on indebtedness related to property and equipment under construction. The rate used to determine the amount of borrowing costs capitalized during the year was 5.7 per cent (2013 – 5.7 per cent).

The carrying amount of assets under finance leases at January 3, 2015, comprises $44.9 million (2013 – $51.5 million) in buildings and $54.1 million (2013 – $57.7 million) in fixtures and equipment.

Impairment of property and equipment and subsequent reversal

The impairment of property and equipment pertain to the Company's Retail operating segment. Any impairment or reversal of impairment is reported in other (expense) income in the consolidated statements of income.

17. Subsidiaries

17.1 Control of subsidiaries and composition of the Company

These consolidated financial statements include entities controlled by Canadian Tire Corporation, Limited. Control exists when Canadian Tire Corporation, Limited has the ability to direct the relevant activities and the returns of an entity. The financial statements of entities are included in these consolidated financial statements from the date that control commences until the date that control ceases.

Details of Canadian Tire Corporation, Limited's significant entities are as follows:

			Ownership interest	
Name of subsidiary	Principal activity	Country of incorporation and operation	2014	2013
CTFS Holdings Limited[1]	Marketing of insurance products, processing credit card transactions at Canadian Tire stores, banking and reinsurance	Canada	80.0%	N/A
Canadian Tire Real Estate Limited	Real estate	Canada	100.0%	100.0%
CT Real Estate Investment Trust	Real estate	Canada	83.2%	83.1%
FGL Sports Ltd.	Retailer of sporting equipment, apparel and footwear	Canada	100.0%	100.0%
Franchise Trust[2]	Canadian Tire Dealer loan program	Canada	0.0%	0.0%
Glacier Credit Card Trust[3]	Financing program to purchase co-ownership interest in Canadian Tire Bank's credit card loans	Canada	0.0%	0.0%
Mark's Work Wearhouse Ltd.	Retailer of clothing and footwear	Canada	100.0%	100.0%

[1] *Legal entity CTFS Holdings Limited, incorporated in 2014, is the parent company of Canadian Tire Bank and CTFS Bermuda Holdings Limited. Canadian Tire Bank's principal activity is banking, marketing of insurance products, and processing credit card transactions at Canadian Tire stores. CTFS Bermuda Holdings Limited owns 100 per cent of CTFS Bermuda Ltd., whose principal activity is reinsurance. In 2013, the Company owned 100 per cent of these companies.*

[2] *Franchise Trust is a legal entity sponsored by third-party banks that originates loans to Dealers. The Company does not have any share ownership in Franchise Trust. However, the Company has determined that it has the ability to direct the relevant activities and returns of the portion (silo of assets and liabilities) of Franchise Trust that issues loans to Dealers under the Dealer loan program and related credit enhancement funds and hedging activities. The Company has control over the silo of assets and liabilities of Franchise Trust, and is therefore consolidated in these financial statements.*

[3] *GCCT was formed to meet specific business needs of the Company, namely to buy co-ownership interests in the Company's credit card loans. GCCT issues debt to third-party investors to fund its purchases. The Company does not have any share ownership in GCCT. However, the Company has determined that it has the ability to direct the relevant activities and returns of GCCT and has control over GCCT. GCCT is consolidated in these financial statements*

17.2 Details of non-wholly owned subsidiaries that have non-controlling interest:

The portion of net assets and income attributable to third parties is reported as non-controlling interests and net income attributable to non-controlling interests in the consolidated balance sheet and statements of income, respectively. The non-controlling interests of CT REIT and CTFS Holdings Limited were initially measured at fair value on the date of acquisition.

The following table summarizes the information relating to non-controlling interests:

				2014	2013
(C$ in millions)	CT REIT[1]	CTFS Holdings Limited[2]	Other[3]	Total	CT REIT
Non-controlling interests percentage	16.8%	20.0%	50.0%		16.9%
Current assets	$ 15.1	$ 5,326.1	$ 9.0	$ 5,350.2	$ 54.8
Non-current assets	4,002.3	222.9	34.1	4,259.3	3,548.4
Current liabilities	(310.2)	(1,846.9)	(2.8)	(2,159.9)	(22.6)
Non-current liabilities	(1,705.1)	(2,699.5)	(26.7)	(4,431.3)	(1,800.3)
Net assets	2,002.2	1,002.6	13.6	3,018.4	1,780.3
Revenue	$ 344.8	241.6	187.8	774.2	$ 63.0
Net income	318.3	58.6	8.5	385.4	30.9
Net income attributable to non-controlling interests	$ 19.9	10.3	5.1	35.3	$ 3.2
Equity attributable to non-controlling interests	284.4	487.3	3.6	775.3	282.6
Distributions to non-controlling interests	(19.8)	–	(1.5)	(21.3)	(3.6)

[1] *Net income attributable to non-controlling interests is based on net income of CT REIT adjusted to convert to the Company's cost method, including recording of depreciation.*

[2] *Net income attributable to non-controlling interests is based on the net income of CTFS Holdings Limited adjusted for contractual requirements as stipulated in the Universal Shareholder agreement.*

[3] *Net income attributable to non-controlling interests is based on net income of the subsidiary adjusted for contractual requirements as stipulated in the ownership agreement.*

17.3 Continuity of non-controlling interests:

(C$ in millions)	2014	2013
Balance at beginning of year	$ 282.6	$ –
Sale of ownership interests, net of transaction costs	476.8	–
Comprehensive income attributable to non-controlling interests for the year[1]	35.4	3.2
Issuance of trust units to non-controlling interests, net of transaction costs	1.8	283.0
Distributions	(21.3)	(3.6)
Balance at end of year	$ 775.3	$ 282.6

[1] *Includes $0.1 million included in the consolidated statement of other comprehensive income.*

18. Income taxes

18.1 Deferred income tax assets and liabilities

The amount of deferred tax assets or liabilities recognized in the consolidated balance sheet and the corresponding movement recognized in consolidated statement of income, consolidated statement of changes in equity or resulting from a business combination is as follows:

						2014
(C$ in millions)	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Acquired in Business Combination	Balance, end of year
Reserves and deferred income	$ 119.9	$ 15.3	$ –	$ –	$ –	$ 135.2
Property and equipment	(57.0)	(2.9)	–	–	–	(59.9)
Intangible assets	(146.3)	4.0	–	–	–	(142.3)
Employee benefits	30.5	1.2	4.7	–	–	36.4
Financial instruments	(17.0)	–	(12.5)	–	–	(29.5)
Finance lease assets and obligations	10.8	3.1	–	–	–	13.9
Site restoration and decommissioning	3.6	0.5	–	–	–	4.1
Deferred items	(13.4)	(7.4)	–	–	–	(20.8)
Inventory	0.1	0.9	–	–	–	1.0
Non-capital loss	1.7	1.8	–	–	–	3.5
Transaction costs	3.8	(1.3)	–	0.5	–	3.0
Minimum tax credit	1.2	–	–	–	–	1.2
Other	(1.9)	1.6	–	–	–	(0.3)
Net deferred tax asset (liability)[1]	$ (64.0)	$ 16.8	$ (7.8)	$ 0.5	$ –	$ (54.5)

[1] *Includes the net amount of deferred tax asset of $39.4 million and deferred tax liabilities of $93.9 million.*

						2013
(C$ in millions)	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Acquired in business combination	Balance, end of year
Reserves and deferred income	$ 104.3	$ 16.0	$ –	$ –	$ (0.4)	$ 119.9
Property and equipment	(55.8)	(3.7)	–	2.2	0.3	(57.0)
Intangible assets	(142.3)	(2.4)	–	–	(1.6)	(146.3)
Employee benefits	33.1	1.2	(3.6)	(0.2)	–	30.5
Financial instruments	0.7	–	(17.7)	–	–	(17.0)
Finance lease assets and obligations	11.8	(1.0)	–	–	–	10.8
Site restoration and decommissioning	3.1	0.5	–	–	–	3.6
Deferred items	0.1	(10.6)	–	–	(2.9)	(13.4)
Inventory	0.2	0.6	–	–	(0.7)	0.1
Non-capital loss	7.9	(6.2)	–	–	–	1.7
Transaction costs	–	(0.4)	–	4.2	–	3.8
Other	(0.7)	–	–	–	–	(0.7)
Net deferred tax asset (liability)[1]	$ (37.6)	$ (6.0)	$ (21.3)	$ 6.2	$ (5.3)	$ (64.0)

[1] *Includes the net amount of deferred tax asset of $36.4 million and deferred tax liabilities of $100.4 million.*

No deferred tax is recognized on the amount of temporary differences arising from the difference between the carrying amount of the investment in subsidiaries, branches and associates, and interests in joint arrangements accounted for in the financial statements and the cost amount for tax purposes of the investment. The Company is able to control the timing of the reversal of these temporary differences and believes it is probable that they will not reverse in the foreseeable future. The amount of these taxable temporary differences was approximately $2.5 billion at January 3, 2015 (2013 – $2.1 billion).

18.2 Income tax expense

The following are the major components of the income tax expense:

(C$ in millions)	2014	2013
Current tax expense		
Current period	$ 248.5	$ 216.8
Adjustments in respect of prior years	7.2	(2.6)
	$ 255.7	$ 214.2
Deferred tax (benefit) expense		
Deferred income tax (benefit) expense relating to the origination and reversal of temporary differences	$ (7.9)	$ 6.0
Deferred income tax (benefit) adjustments in respect of prior years	(8.9)	–
	(16.8)	6.0
Total Income tax expense	$ 238.9	$ 220.2

Reconciliation of income tax expense

Income taxes in the consolidated statements of income vary from amounts that would be computed by applying the statutory income tax rate for the following reasons:

(C$ in millions)	2014	2013
Income before tax	$ 878.2	$ 784.6
Income taxes based on the applicable statutory tax rate of 26.50% (2013–26.49%)	$ 232.7	$ 207.8
Adjustment to income taxes resulting from:		
Non-deductibility of stock option expense	10.5	15.0
Prior years' tax settlements	(7.6)	–
Income attributable to non-controlling interest in flow-through entities	(6.6)	(0.9)
Adjustments of prior years' tax estimates	5.9	(2.6)
Non-deductibility of change in fair value of redeemable financial instrument	4.5	–
Lower income tax rates on earnings of foreign subsidiaries	(0.5)	(0.8)
Other	–	1.7
Income tax expense	$ 238.9	$ 220.2

The applicable statutory tax rate is the aggregate of the Canadian federal income tax rate of 15 per cent (2013 – 15 per cent) and Canadian provincial income tax rate of 11.50 per cent (2013 – 11.49 per cent).

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.

As a result of the Company's investment in and development of certain information technology Scientific Research and Experimental Development (SR&ED) projects, claims have been filed with the Canada Revenue Agency (CRA) for SR&ED tax credits relating to prior periods (which are currently under audit by the CRA).

No amounts were accrued during the year in the Company's financial statements with respect to the claim for SR&ED tax credits. The 2014 tax expense has been reduced by $7.6 million (2013 – $nil) due to prior years' tax settlements and increased by $5.9 million (2013 – decreased by $2.6 million) due to adjustments to priors years' tax estimates.

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

19. Deposits

Deposits consist of broker deposits and retail deposits.

Cash from broker deposits is raised through sales of GICs through brokers rather than directly to the retail customer. Broker deposits are offered for varying terms ranging from 30 days to five years and all issued broker GICs are non-redeemable prior to maturity (except in certain rare circumstances). Total short-term and long-term broker deposits outstanding at January 3, 2015, were $1,534.6 million (2013 – $1,537.9 million).

Retail deposits consist of HIS deposits, retail GICs and TFSA deposits. Total retail deposits outstanding at January 3, 2015, were $702.3 million (2013 – $792.5 million).

For repayment requirements of deposits see Note 5.4.

The following are the effective rates of interest:

	2014	2013
GIC deposits	3.00%	3.51%
HIS account deposits	1.53%	1.60%

20. Trade and other payables

(C$ in millions)	2014	2013[1]
Trade payables and accrued liabilities[2]	$ 1,834.9	$ 1,697.8
Deferred revenue	39.3	43.2
Insurance reserve	16.8	16.7
Other	70.2	59.7
	$ 1,961.2	$ 1,817.4

[1] *The prior year's figures have been reclassified to correspond to current year's presentation.*
[2] *Financial liabilities*

Deferred revenue consists mainly of unearned insurance premiums, unearned roadside assistance revenue, unearned home services revenue and unearned revenue related to gift cards.

Other consists primarily of sales taxes payable.

The credit range period on trade payables is four to 120 days (2013 – five to 120 days).

21. Provisions

The following table presents the changes to the Company's provisions:

						2014
(C$ in millions)	Sales and warranty returns	Site restoration and decommissioning	Onerous contracts	Customer loyalty	Other	Total
Balance, beginning of year	$ 109.5	$ 32.4	$ 3.2	$ 71.2	$ 18.0	$ 234.3
Charges, net of reversals	252.5	5.7	1.1	123.8	14.0	397.1
Utilizations	(247.4)	(5.8)	(3.4)	(115.1)	(16.9)	(388.6)
Unwinding of discount	1.0	0.6	0.2	–	–	1.8
Change in discount rate	–	5.5	–	–	–	5.5
Balance, end of year	$ 115.6	$ 38.4	$ 1.1	$ 79.9	$ 15.1	$ 250.1
Current provisions	112.2	6.0	0.7	79.9	7.2	206.0
Long-term provisions	$ 3.4	$ 32.4	$ 0.4	$ –	$ 7.9	$ 44.1

22. Contingencies

Legal and regulatory 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.

23. Short-term borrowings

Short-term borrowings include commercial paper notes and bank line of credit borrowings. Short-term borrowings may bear interest payable at maturity or be sold at a discount and mature at face value.

The commercial paper notes are short-term notes issued with varying original maturities of one year or fewer, typically 90 days or fewer, at interest rates fixed at the time of each renewal and are recorded at amortized cost. As at January 3, 2015, $121.8 million of commercial paper notes were issued by the Company.

As at January 3, 2015, $78 million of bank line of credit borrowings had been drawn on CT REIT's Bank Credit Facility.

24. Loans payable

Franchise Trust, an Special Purpose Entity ("SPE"), is a legal entity sponsored by a third-party bank that originates loans to Dealers. Loans payable are the loans that Franchise Trust incurs to fund loans to Dealers. These loans are not direct legal liabilities of the Company but have been consolidated in the accounts of the Company as the Company effectively controls the silo of Franchise Trust containing the Dealer loan program.

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

25. Long-term debt

Long-term debt includes the following:

(C$ in millions)	2014 Face value	2014 Carrying amount	2013 Face value	2013 Carrying amount
Senior notes[1]				
Series 2006-2, 4.405%, May 20, 2014	$ –	$ –	$ 238.7	$ 238.6
Series 2010-1, 3.158%, November 20, 2015	250.0	249.7	250.0	249.3
Series 2012-1, 2.807%, May 20, 2017	200.0	199.4	200.0	199.2
Series 2012-2, 2.394%, October 20, 2017	400.0	398.7	400.0	398.4
Series 2013-1, 2.755%, November 20, 2018	250.0	248.9	250.0	248.6
Series 2014-1, 2.567%, September 20, 2019	472.5	470.2	–	–
Subordinated notes[1]				
Series 2006-2, 4.765%, May 20, 2014	–	–	13.9	13.9
Series 2010-1, 4.128%, November 20, 2015	14.6	14.6	14.6	14.6
Series 2012-1, 3.827%, May 20, 2017	11.6	11.6	11.6	11.6
Series 2012-2, 3.174%, October 20, 2017	23.3	23.3	23.3	23.3
Series 2013-1, 3.275%, November 20, 2018	14.6	14.6	14.6	14.6
Series 2014-1, 3.068%, September 20, 2019	27.5	27.5	–	–
Medium-term notes				
4.95% due June 1, 2015	300.0	299.3	300.0	299.7
5.65% due June 1, 2016	–	–	200.0	199.2
6.25% due April 13, 2028	150.0	149.6	150.0	149.5
6.32% due February 24, 2034	200.0	199.5	200.0	199.2
5.61% due September 4, 2035	200.0	199.5	200.0	199.2
Finance lease obligations	153.0	153.0	151.3	151.3
Mortgages	58.3	58.5	–	–
Promissory note	1.2	1.2	1.1	1.1
Total debt	$ 2,726.6	$ 2,719.1	$ 2,619.1	$ 2,611.3
Current	$ 587.5	$ 587.5	$ 272.2	$ 272.2
Non-current	2,139.1	2,131.6	2,346.9	2,339.1
Total debt	$ 2,726.6	$ 2,719.1	$ 2,619.1	$ 2,611.3

[1] *Senior and subordinated notes are those of GCCT.*

The carrying amount of long-term debt is net of debt issuance costs of $7.5 million (2013 – $7.2 million) and the benefit on the effective portion of the cash flow hedges of $nil (2013 – $0.6 million).

Senior and subordinated notes

Asset-backed series senior and subordinated notes issued by the Company are recorded at amortized cost using the effective interest method.

Subject to the payment of certain priority amounts, the series senior notes have recourse on a priority basis to the related series ownership interest. The series subordinated notes have recourse to the related series ownership interests on a subordinated basis to the series senior notes in terms of the priority of payment of principal and, in some circumstances, interest. The series notes, together with certain other permitted obligations of GCCT, are secured by the assets of GCCT. The entitlement of note holders and other parties to such assets is governed by the priority and payment provisions set forth in the GCCT Indenture and the related series supplements under which these series of notes were issued.

Repayment of the principal of the series 2010-1, 2012-1, 2012-2, 2013-1 and 2014-1 notes is scheduled to commence and be completed on the expected repayment dates indicated in the preceding table. Subsequent to repayment, collections distributed to GCCT with respect to the related ownership interest will be applied to pay principal owing. This process is applied to principal owing for series subordinated notes and in some circumstances interest for the series senior notes.

Principal repayments may commence earlier than these scheduled commencement dates if certain events occur including:

- the Bank failing to make required distributions to GCCT or failing to meet covenant or other contractual terms;
- the performance of the receivables failing to achieve set criteria; and
- insufficient receivables in the pool.

None of these events occurred in the year ended January 3, 2015.

Medium-term notes

Medium-term notes are unsecured and are redeemable by the Company, in whole or in part, at any time, at the greater of par or a formula price based upon interest rates at the time of redemption.

On June 25, 2014, the Company redeemed $200 million of medium-term notes, which were to mature on June 1, 2016 and bore interest at 5.65 per cent. Upon redemption, the Company paid a redemption premium of $15 million, which is included in net finance costs.

Finance lease obligations

Finance leases relate to distribution centres, fixtures and equipment. The Company generally has the option to renew such leases or purchase the leased assets at the conclusion of the lease term. During 2014, interest rates on finance leases ranged from 0.81 per cent to 8.92 per cent. Remaining terms at January 3, 2015, were four to 145 months.

Finance lease obligations are payable as follows:

			2014			2013
(C$ in millions)	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**	Future minimum lease payments	Interest	Present value of minimum lease payments
Due in less than one year	**$ 29.7**	**$ 9.0**	**$ 20.7**	$ 27.9	$ 9.1	$ 18.8
Due between one year and two years	**25.0**	**8.0**	**17.0**	25.4	8.2	17.2
Due between two years and three years	**21.0**	**7.0**	**14.0**	21.0	7.3	13.7
Due between three years and four years	**18.4**	**6.3**	**12.1**	17.3	6.6	10.7
Due between four years and five years	**16.1**	**5.6**	**10.5**	15.4	6.0	9.4
More than five years	**98.8**	**20.1**	**78.7**	106.3	24.8	81.5
	$ 209.0	**$ 56.0**	**$ 153.0**	$ 213.3	$ 62.0	$ 151.3

Mortgages

During the year, the Company assumed secured mortgages with a fair value of $59.2 million upon the purchase of certain properties. These mortgages bear interest rates ranging from 2.95 per cent to 3.60 per cent and have maturity dates ranging from January 2018 to December 2019.

Promissory notes

Promissory notes were issued as part of franchise acquisitions (Note 7.3). These notes are non-interest-bearing.

Debt covenants

The Company has provided covenants to certain of its lenders. The Company was in compliance with all of its covenants as at January 3, 2015.

26. Other long-term liabilities

(C$ in millions)	**2014**	2013
Redeemable financial instrument[1]	**$ 517.0**	$ –
Employee benefits (Note 27)	**137.5**	115.4
Deferred gains	**18.1**	21.3
Deferred revenue	**13.2**	14.3
Other	**102.0**	77.3
	$ 787.8	$ 228.3

[1] *Financial liabilities.*

Deferred gains relate to the sale and leaseback of certain distribution centres. The deferred gains are amortized over the terms of the leases.

Other includes long-term portion of incentive and stock option liabilities, unearned insurance premiums, unearned roadside assistance revenue, deferred lease inducements and off-market leases.

27. Post-employment benefits

Profit-sharing plan

The Company has a profit-sharing plan for certain employees. The amount awarded to employees is contingent on the Company's profitability. A portion of the award ("Base Award") is contributed to a DPSP for the benefit of the employees. The maximum amount of the Company's Base Award contribution to the DPSP per employee per year is subject to limits set by the Income Tax Act. Each participating employee is required to invest and maintain 10 per cent of the Base Award in a Company share fund of the DPSP. The share fund holds both Common Shares and Class A Non-Voting Shares. The Company's contributions to the DPSP in respect of each employee vest 20 per cent after one year of continuous service and 100 per cent after two years of continuous service.

In 2014, the Company contributed $20.5 million (2013 – $19.8 million) under the terms of the DPSP.

Defined benefit plan

The Company provides certain health care, dental care, life insurance and other benefits for certain retired employees pursuant to Company policy. The Company does not have a pension plan. Information about the Company's defined benefit plan is as follows:

(C$ in millions)	**2014**	2013
Change in the present value of defined benefit obligation		
Defined benefit obligation, beginning of year	**$ 115.4**	$ 124.9
Current service cost	**1.9**	2.2
Interest cost	**5.6**	4.9
Actuarial (gain) loss arising from changes in demographic assumptions	**(0.3)**	4.1
Actuarial loss (gain) arising from changes in financial assumptions	**18.6**	(17.4)
Actuarial gain arising from experience adjustments	**(0.4)**	(0.3)
Benefits paid	**(3.3)**	(3.0)
Defined benefit obligation, end of year[1]	**$ 137.5**	$ 115.4

[1] *The accrued benefit obligation is not funded because funding is provided when benefits are paid. Accordingly, there are no plan assets.*

(C$ in millions)	**2014**	2013
Components of non-pension post-retirement benefit cost		
Amounts recognized in net income:		
Current service cost	**$ 1.9**	$ 2.2
Interest cost	**5.6**	4.9
Total recognized in net income	**$ 7.5**	$ 7.1
Amount recognized in other comprehensive income:		
Actuarial gain (loss) arising from changes in demographic assumptions	**$ 0.3**	$ (4.1)
Actuarial (loss) gain arising from changes in financial assumptions	**(18.6)**	17.4
Actuarial gain arising from experience adjustments	**0.4**	0.3
Total recognized in other comprehensive income	**$ (17.9)**	$ 13.6

Significant actuarial assumptions used:

	2014	2013
Defined benefit obligation, end of year:		
Discount rate	**4.00%**	4.90%
Net benefit plan expense for the year:		
Discount rate	**4.90%**	4.00%

For measurement purposes, a 6.12 per cent weighted average health care cost trend rate is assumed for 2014 (2013 – 6.20 per cent). The rate is assumed to decrease gradually to 4.50 per cent for 2032 (2013 – decrease gradually to 4.50 per cent for 2032) and remain at that level thereafter.

The most recent actuarial valuation of the obligation was performed as of December 31, 2012. The next required valuation will be as of December 31, 2015.

The cumulative amount of actuarial losses before tax recognized in equity at January 3, 2015, was $45.1 million (2013 – $27.2 million).

Sensitivity analysis:

The following tables provide the sensitivity of the defined benefit obligation and defined benefit cost relating to post-employment benefits provided by the Company to the health care cost trend rate, the discount rate, and the life expectancy assumptions. For each sensitivity test, the impact of a reasonably possible change in a single factor is shown with other assumptions left unchanged.

(C$ in millions)				2014
Sensitivity analysis	Total of current service and interest cost		Accrued benefit obligation	
	Increase	Decrease	Increase	Decrease
A one-percentage-point change in assumed health care cost trend rates	$ 0.5	$ (0.4)	$ 9.6	$ (8.0)
A fifty basis point change in assumed discount rates	(0.1)	0.1	(10.8)	12.3
A one year change in assumed life expectancy	0.2	(0.2)	3.2	(3.2)

The weighted average duration of the defined benefit plan obligation at January 3, 2015 is 17.5 years (2013 – 16.5 years).

28. Share capital

(C$ in millions)	2014	2013[1]
Authorized		
3,423,366 Common Shares		
100,000,000 Class A Non-Voting Shares		
Issued		
3,423,366 Common Shares (2013 – 3,423,366)	$ 0.2	$ 0.2
74,023,208 Class A Non-Voting Shares (2013 – 76,560,851)	695.3	712.7
	$ 695.5	$ 712.9

[1] *Refer to Note 3 for details of accounting policy change.*

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

During 2014 and 2013, the Company issued and repurchased Class A Non-Voting Shares. 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 remaining allocated to retained earnings.

The following transactions occurred with respect to Class A Non-Voting Shares during 2014 and 2013:

	2014		2013[1]	
(C$ in millions)	Number	$	Number	$
Shares outstanding at beginning of the year	76,560,851	$ 712.7	77,720,401	$ 718.3
Issued				
Dividend reinvestment plan	62,357	6.9	63,903	5.4
Stock option plan	–	–	5,217	0.4
Repurchased[2]	(2,600,000)	(290.6)	(1,228,670)	(105.9)
Excess of repurchase price over average cost	–	266.3	–	94.5
Shares outstanding at end of the year	74,023,208	$ 695.3	76,560,851	$ 712.7

[1] *Refer to Note 3 for details of accounting policy change.*

[2] *Repurchased shares have been restored to the status of authorized but unissued shares. The Company records shares repurchased on a transaction date basis.*

Conditions of Class A Non-Voting Shares and Common Shares

The holders of Class A Non-Voting Shares are entitled to receive a fixed cumulative preferential dividend at the rate of $0.01 per share per annum. After payment of fixed cumulative preferential dividends at the rate of $0.01 per share per annum on each of the Class A Non-Voting Shares with respect to the current year and each preceding year and payment of a non-cumulative dividend on each of the Common Shares with respect to the current year at the

same rate, the holders of the Class A Non-Voting Shares and the Common Shares are entitled to further dividends declared and paid in equal amounts per share without preference or distinction or priority of one share over another.

In the event of the liquidation, dissolution or winding-up of the Company, all of the property of the Company available for distribution to the holders of the Class A Non-Voting Shares and the Common Shares shall be paid or distributed equally, share for share, to the holders of the Class A Non-Voting Shares and to the holders of the Common Shares without preference or distinction or priority of one share over another.

The holders of Class A Non-Voting Shares are entitled to receive notice of and to attend all meetings of the shareholders; however, except as provided by the *Business Corporations Act* (Ontario) and as hereinafter noted, they are not entitled to vote at those meetings. Holders of Class A Non-Voting Shares, voting separately as a class, are entitled to elect the greater of (i) three Directors or (ii) one-fifth of the total number of the Company's Directors.

The holders of Common Shares are entitled to receive notice of, to attend and to have one vote for each Common Share held at all meetings of holders of Common Shares, subject only to the restriction on the right to elect those directors who are elected by the holders of Class A Non-Voting Shares as set out above.

Common Shares can be converted, at any time and at the option of each holder of Common Shares, into Class A Non-Voting Shares on a share-for-share basis. The authorized number of shares of either class cannot be increased without the approval of the holders of at least two-thirds of the shares of each class represented and voted at a meeting of the shareholders called for the purpose of considering such an increase. Neither the Class A Non-Voting Shares nor the Common Shares can be changed in any manner whatsoever whether by way of subdivision, consolidation, reclassification, exchange or otherwise unless at the same time the other class of shares is also changed in the same manner and in the same proportion.

Should an offer to purchase Common Shares be made to all or substantially all of the holders of Common Shares or be required by applicable securities legislation or by the Toronto Stock Exchange to be made to all holders of Common Shares in Ontario (other than an offer to purchase both Class A Non-Voting Shares and Common Shares at the same price per share and on the same terms and conditions) and should a majority of the Common Shares then issued and outstanding be tendered and taken up pursuant to such offer, the Class A Non-Voting Shares shall thereupon and thereafter be entitled to one vote per share at all meetings of the shareholders and thereafter the Class A Non-Voting Shares shall be designated as Class A Shares.

The foregoing is a summary of certain conditions attached to the Class A Non-Voting Shares of the Company and reference should be made to the Company's articles of amendment dated December 15, 1983 for a full statement of such conditions.

As of January 3, 2015, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $40.7 million (2013 – $35 million) at a rate of $0.525 per share (2013 – $0.4375 per share).

On February 26, 2015 the Company's Board of Directors declared a dividend of $0.525 per share payable on June 1, 2015 to shareholders of record as of April 30, 2015.

Dividends per share declared were $1.9625 in 2014 (2013 – $1.4875).

Dilutive effect of employee stock options is 652,932 (2013 – 528,391).

29. Share-based payments

The fair value of employee stock options and performance share units is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected based on publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The Company's share-based payment plans are described below. There were no cancellations or significant modifications to any of the plans during 2014.

Stock options

The Company has granted stock options to certain employees that enable such employees to exercise their stock options and subscribe for Class A Non-Voting Shares or receive a cash payment equal to the difference between the daily weighted average share price of the Company's Class A Non-Voting Shares on the exercise date and the exercise price of the stock option. The exercise price of each option equals the weighted average closing price of Class A Non-Voting Shares on the Toronto Stock Exchange for the 10-day period preceding the date of grant. Stock options granted from 2008 to 2011 generally vested on the third anniversary of their grant and were exercisable over a term of seven years. Stock options granted from 2012 to 2014 generally vest on a graduated basis over a three-year period and are exercisable over a term of seven years. At January 3, 2015, the aggregate number of Class A Non-Voting Shares that were authorized for issuance under the stock option plan was 3.4 million.

Compensation expense, net of hedging arrangements, recorded for stock options for the year ended January 3, 2015, was $10.7 million (2013 – $15.4 million).

Stock option transactions during 2014 and 2013 were as follows:

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	**1,986,354**	**$ 64.26**	2,406,383	$ 60.62
Granted	**330,879**	**99.81**	737,209	69.13
Exercised	**(747,768)**	**63.17**	(1,012,039)	58.91
Forfeited	**(35,810)**	**74.90**	(121,631)	66.36
Expired	**(7,312)**	**71.90**	(23,568)	63.71
Outstanding at end of year	**1,526,343**	**$ 72.21**	1,986,354	$ 64.26
Stock options exercisable at end of year	**538,667**		479,363	

[1] *The weighted average market price of the Company's shares when the options were exercised in 2014 was $105.37 (2013 – $83.50).*

The following table summarizes information about stock options outstanding and exercisable at January 3, 2015:

	Options outstanding			Options exercisable	
Range of exercise prices	**Number of outstanding options**	**Weighted average remaining contractual life[1]**	**Weighted average exercise price**	**Number exercisable at January 3, 2015**	**Weighted average exercise price**
$ 84.53 to 103.61	**325,321**	**6.18**	**$ 99.64**	**–**	**–**
66.73 to 69.01	**562,105**	**5.17**	**68.99**	**106,004**	**69.01**
63.67 to 66.04	**378,788**	**4.16**	**63.68**	**172,534**	**63.69**
62.30 to 63.42	**152,551**	**2.61**	**62.50**	**152,551**	**62.50**
40.04 to 53.67	**107,578**	**1.84**	**49.92**	**107,578**	**49.92**
$ 40.04 to 103.61	**1,526,343**	**4.64**	**$ 72.21**	**538,667**	**$ 61.65**

[1] *Weighted average remaining contractual life is expressed in years.*

Performance share unit and performance unit plans

The Company grants performance share units ("PSUs") to certain of its employees. Each PSU entitles the participant to receive a cash payment equal to the weighted average price of Class A Non-Voting Shares of the Company traded on the Toronto Stock Exchange during the 10 calendar-day period commencing on the first business day after the last day of the performance period, multiplied by a factor determined by specific performance-based criteria, as set out in the performance share unit plan. The performance period of each PSU award is approximately three years from the date of issuance. Compensation expense, net of hedging arrangements, recorded for these PSUs for the year ended January 3, 2015, was $51.2 million (2013 – $27 million).

CT REIT grants Performance Units ("PUs") to its executives. Each PU entitles the executive to receive a cash payment equal to the weighted average price of Units of CT REIT traded on the Toronto Stock Exchange during the 10 calendar day period commencing on the first business day following the end of the performance period, multiplied by a factor determined by specific performance-based criteria, as set out in the performance unit plan. The performance period of each PU award is approximately three years from the date of issuance. Compensation expense recorded for the year ended January 3, 2015 for PUs granted to executive officers was $0.2 million (2013 – $nil).

Deferred share unit and deferred unit plans

The Company offers a Deferred Share Unit Plan ("DSUP") for members of its Board of Directors. Under this plan, directors may elect to receive all or a portion of their annual compensation, which is paid quarterly, in deferred share units ("DSUs"). The number of DSUs to be issued is determined by dividing the quarterly compensation amount the director has elected to receive in DSUs by the weighted average price at which Class A Non-Voting Shares of the Company trade on the Toronto Stock Exchange during the 10-calendar day period prior to and including the last business day before the end of the calendar quarter. The DSU account of each director includes the value of dividends, if any, which are reinvested in additional DSUs. Directors are not permitted to convert DSUs into cash until their departure from the Board. The value of DSUs when converted to cash will be equivalent to the market value of the Class A Non-Voting Shares at the time the conversion takes place pursuant to the terms of the DSUP. Compensation expense recorded for the year ended January 3, 2015, was $2.2 million (2013 – $2.4 million).

The Company also offers a DSUP for certain of its executives. Under this plan, executives may elect to receive all or a portion of their annual bonus in DSUs. The number of DSUs to be issued is determined by dividing the annual bonus amount the executive has elected to receive in DSUs by the volume weighted average price at which Class A Non-Voting Shares of the Company trade on the Toronto Stock Exchange during the five business days immediately prior to the 10th business day following the release of the Company's financial statements for the year in respect of which the annual bonus was earned. The DSU account for each employee includes the value of dividends, if any, which are reinvested in additional DSUs. The executive is not permitted to convert DSUs

into cash until his or her departure from the Company. The value of DSUs when converted to cash will be equivalent to the market value of the Class A Non-Voting Shares at the time the conversion takes place pursuant to the terms of the DSUP. Compensation expense recorded for the year ended January 3, 2015, was $0.5 million (2013 – $0.6 million).

CT REIT offers a Deferred Unit Plan (“DUP”) for members of its Board of Trustees who are not employees or Officers of CT REIT or its affiliates. Under this plan, trustees may elect to receive all or a portion of their annual compensation, which is paid quarterly, in Deferred Units (“DUs”). The number of DUs to be issued is determined by dividing the quarterly compensation amount the trustee has elected to receive in DUs by the weighted average price at which Units of CT REIT trade on the Toronto Stock Exchange during the five trading days immediately preceding the end of the calendar quarter. The DU account of each trustee includes the value of distributions, if any, which are reinvested in additional DUs. DUs represent the right to receive an equivalent number of Units issued by CT REIT or, at the trustee’s election, the cash equivalent thereof, upon the trustee’s departure from the Board. DUs that are converted to cash will be equivalent to the market value of Units of CT REIT at the time the conversion takes place pursuant to the terms of the DUP.

The fair value of a DU is equal to the traded price of a CT REIT Unit. Compensation expense recorded for the year ended January 3, 2015, was $0.1 million (2013 – $nil).

Restricted Unit Plan

CT REIT offers a Restricted Unit Plan (“RUP”) for its executives. Under this plan, executives of CT REIT may elect to receive all or a portion of their annual bonus in restricted units (“RUs”) which entitle the executive to receive an equivalent number of Units issued by CT REIT or, at the executive’s election, the cash equivalent thereof, at the end of the vesting period which is generally five years from the annual bonus payment date. The number of RUs to be issued is determined by dividing the annual bonus amount the executive has elected to receive in RUs by the volume weighted average price at which Units of CT REIT trade on the Toronto Stock Exchange during the five business days immediately prior to the tenth business day following the release of CT REIT’s financial statements for the year in which the annual bonus was earned. The RUP also provides for discretionary grants of RUs which entitle the executive to receive an equivalent number of Units of CT REIT issued by CT REIT or, at the executive’s election, the cash equivalent thereof, at the end of the vesting period which is generally three years from the date of issuance. RUs that are converted to cash will be equivalent to the market value of Units of CT REIT on the conversion date pursuant to the terms of the RUP. The RU account for each executive includes the value of distributions, if any, which are reinvested in additional RUs.

The fair value of a RU is equal to the traded price of a CT REIT Unit. Compensation expense recorded for the year ended January 3, 2015 for RUs issued to executives was $0.1 million (2013 – $0.3 million).

The fair value of stock options and PSUs at the end of the year was determined using the Black-Scholes option pricing model with the following inputs:

	2014		2013	
	Stock options	PSUs	Stock options	PSUs
Share price at end of year (C$)	$ 122.22	$ 122.22	$ 99.84	$ 99.84
Weighted average exercise price[1] (C$)	$ 71.89	N/A	$ 64.18	N/A
Expected remaining life (years)	3.7	1.0	4.7	1.2
Expected dividends	1.7%	2.3%	1.8%	2.2%
Expected volatility[2]	24.5%	17.7%	26.9%	21.8%
Risk-free interest rate	1.6%	1.4%	2.0%	1.3%

[1] *Reflects expected forfeitures.*

[2] *Reflects historical volatility over a period of time similar to the remaining life of the stock options, which may not necessarily be the actual outcome.*

Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The expense recognized for share-based compensation is summarized as follows:

(C$ in millions)	2014	2013
Expense arising from share-based payment transactions	$ 103.8	$ 99.6
Effect of hedging arrangements	(38.8)	(54.2)
Total expense included in net income	$ 65.0	$ 45.4

The total carrying amount of liabilities for share-based payment transactions at January 3, 2015, was $170.3 million (2013 – $122.2 million).

The intrinsic value of the liability for vested benefits at January 3, 2015, was $51.3 million (2013 – $29.4 million).

30. Revenue

(C$ in millions)	2014	2013[1]
Sale of goods	$ 10,890.6	$ 10,270.9
Interest income on loans receivable	784.6	754.1
Services rendered	372.2	362.6
Royalties and licence fees	363.2	349.4
Rental income	52.3	48.6
	$ 12,462.9	$ 11,785.6

[1] *The prior year's figures have been reclassified to correspond to current year's presentation.*

Major customers

The Company does not rely on any one customer.

31. Cost of producing revenue

(C$ in millions)	2014	2013
Inventory cost of sales[1]	$ 8,033.2	$ 7,678.0
Net impairment loss on loans receivable	274.7	262.2
Finance costs on deposits	57.6	65.2
Other	51.4	57.9
	$ 8,416.9	$ 8,063.3

[1] *Inventory cost of sales includes depreciation and amortization for the year ended January 3, 2015 of $7 million (2013 – $nil).*

Inventory writedowns as a result of net realizable value being lower than cost, recognized in the year ended January 3, 2015, were $40.2 million (2013 – $76.9 million).

Inventory writedowns recognized in previous periods and reversed in the year ended January 3, 2015, were $14.5 million (2013 – $21.2 million). 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.

32. Selling, general and administrative expenses

(C$ in millions)	2014	2013
Personnel expenses	$ 1,140.7	$ 1,019.9
Occupancy	625.1	589.8
Marketing and advertising	381.4	378.1
Depreciation of property and equipment and investment property[1]	272.2	253.8
Amortization of intangible assets	93.1	91.5
Other	540.4	495.8
	$ 3,052.9	$ 2,828.9

[1] *Refer to Note 31 for depreciation and amortization on inventory cost of sales.*

33. Finance income and finance costs

(C$ in millions)	2014	2013
Finance income		
Tax instalments	$ 0.1	$ 0.1
Mortgages	7.9	7.7
Short- and long-term investments	10.4	10.7
Other	0.5	1.6
Total finance income	**$ 18.9**	$ 20.1
Finance costs		
Subordinated and senior notes	$ 40.0	$ 41.3
Medium-term notes	69.3	59.2
Loans payable	12.2	13.2
Finance leases	9.4	9.9
Short-term borrowings	1.3	1.4
Other[1]	6.8	4.7
	139.0	129.7
Less: Capitalized borrowing costs	11.2	3.8
Total finance costs	**$ 127.8**	$ 125.9
Net finance costs	**$ 108.9**	$ 105.8

[1] *Includes $2.1 million of amortization of debt issuance costs (2013 – $1.7 million).*

34. Notes to the consolidated statements of cash flows

Changes in operating working capital and other comprise the following:

(C$ in millions)	2014	2013
Changes in operating working capital		
Trade and other receivables	$ (38.1)	$ 68.4
Merchandise inventories	(146.6)	80.3
Income taxes	(1.9)	(1.8)
Prepaid expenses and deposits	(36.1)	(27.7)
Trade and other payables	86.9	147.8
Total	(135.8)	267.0
Change in other		
Provisions	17.1	8.8
Long-term provisions	(3.2)	(14.0)
Other long-term liabilities	38.4	8.4
Total	52.3	3.2
Changes in operating working capital and other	$ (83.5)	$ 270.2

34.1 Cash and marketable investments held in reserve

Cash and marketable investments includes reserves held by the Financial Services segment in support of its liquidity and regulatory requirements. As at January 3, 2015, reserves held by Financial Services totalled $344.5 million (2013 – $385.5 million) and includes restricted cash and short-term investments disclosed in Notes 8 and 9.

34.2 Supplementary information

During the year ended January 3, 2015, the Company acquired property and equipment and investment property at an aggregate cost of $587.6 million (2013 – $426.3 million). During the year ended January 3, 2015, intangible assets were internally developed or acquired at an aggregate cost of $155.6 million (2013 – $117.8 million).

The amount related to property and equipment and investment property acquired that is included in trade and other payables at January 3, 2015, is $71.7 million (2013 – $60 million). The amount related to intangible assets that is included in trade and other payables at January 3, 2015, is $22.8 million (2013 – $17.3 million).

During the year ended January 3, 2015, the Company also included in the property and equipment, investment property and intangible assets acquired non-cash items relating to finance leases, asset retirement obligations and capitalized interest in the amount of $37.3 million (2013 – $9.6 million).

35. Financial instruments

35.1 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 approximates their fair value either because the interest rates applied to measure their carrying amount approximate current market interest 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 equity and debt securities

The fair values of financial assets at FVTPL, held-to-maturity investments and available-for-sale financial assets that are 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. The fair values of loans and receivables and held-to-maturity investments are determined for disclosure purposes only.

Derivatives

The fair value of a forward exchange 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 is based on counterparty confirmations tested for reasonableness by discounting estimated future cash flows derived from the terms and maturity of each contract using market interest rates for a similar instrument at the measurement date.

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

On October 1, 2014, The Bank of Nova Scotia ("Scotiabank") acquired a 20 per cent interest in the Financial Services business from the Company for proceeds of $476.8 million net of $23.2 million in transaction costs. In conjunction with the transaction Scotiabank was provided an option to sell and require the Company to purchase all of the interest owned by Scotiabank at any time during the six-month period following the 10th anniversary of the transaction. This obligation gives rise to a liability for the Company (the "redeemable financial instrument") and is recorded on the Company's Consolidated Balance Sheet in Other long-term liabilities. The purchase price will be based on the fair value of the Financial Services business and Scotiabank's proportionate interest in the Financial Services business, at that time.

The redeemable financial instrument was initially recorded at $500 million and is subsequently measured at fair value with changes in fair value recorded in net income for the period in which they arise. The subsequent fair value measurements of the redeemable financial instrument are calculated based on a discounted cash flow analysis using normalized earnings attributable to the Financial Services business, adjusted for any undistributed earnings and Scotiabank's proportionate interest in the business. The Company estimates future normalized earnings based on the most recent actual results. The earnings are then forecast over a period of five years, taking into account a terminal value calculated by discounting the final year in perpetuity. The growth rate applied to the terminal value is based on an industry based estimate for the Financial Services business, with reference to growth rates in the industry. The discount rate reflects the cost of equity of the Financial Services business and is based on expected market rates adjusted to reflect the risk profile of the Business. The fair value measurement is performed quarterly using internal estimates and judgment supplemented by periodic input from a third party. This recurring fair value measurement is categorized within Level 3 of the fair value hierarchy (see Note 35.4).

35.2 Fair value measurement of debt and deposits

The fair value measurement of debt and deposits is categorized within Level 2 of the fair value hierarchy (see Note 35.4). The fair values of the Company's debt and deposits compared to the carrying amounts are as follows:

	January 3, 2015		December 28, 2013	
(C$ in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities carried at amortized cost				
Debt	$ 2,719.1	$ 2,900.8	$ 2,611.3	$ 2,707.4
Deposits	$ 2,236.9	$ 2,255.4	$ 2,330.4	$ 2,341.4

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

35.3 Items of income, expense, gains or losses

The following table presents certain amounts of income, expense, gains or losses arising from financial instruments that were recognized in net income or equity:

(C$ in millions)	2014	2013
Net gain (loss) on:		
Financial instruments designated at FVTPL	$ 0.2	$ 0.7
Financial instruments classified as FVTPL[1]	18.3	36.6
(Loss)/gain on AFS financial assets recognized in other comprehensive income	(0.2)	0.1
Gain on AFS financial assets reclassified to net income	0.1	–
Interest income (expense):		
Total interest income calculated using effective interest method for financial instruments that are not at FVTPL	799.3	772.3
Total interest expense calculated using effective interest method for financial instruments that are not at FVTPL	(169.6)	(191.8)
Fee expense arising from financial instruments that are not at FVTPL:		
Other fee expense	(24.6)	(11.3)

[1] *Excludes gains (losses) on foreign exchange contracts.*

35.4 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 levels of which are:

Level 1 – Inputs are unadjusted quoted prices of identical instruments in active markets.
Level 2 – Inputs are other than quoted prices included in Level 1 but are observable for the asset or liability, either directly or indirectly.
Level 3 – Inputs are not based on observable market data.

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

(C$ in millions)		2014		2013	
Balance sheet line	**Category**	**Level**		Level	
Short-term investments	FVTPL	2	$ 115.1	2	$ 211.9
Short-term investments	Available for sale	2	174.0	2	204.7
Long-term investments	FVTPL	2	–	2	7.6
Long-term investments	Available for sale	2	176.0	2	127.1
Trade and other receivables	FVTPL[1]	2	15.1	2	8.2
Trade and other receivables	Effective hedging instruments	2	128.3	2	64.7
Long-term receivables and other assets	FVTPL[1]	2	58.3	2	40.3
Redeemable financial instrument	FVTPL	3	517.0	3	–

[1] *Includes derivatives that are classified as held for trading.*

Changes in fair value measurement for instruments categorized in Level 3

Level 3 financial instruments include a redeemable financial instrument.

As of January 3, 2015, the fair value of the redeemable financial instrument is estimated to be $517 million. The determination of the fair value of the redeemable financial instrument requires significant judgment on the part of Management.

The following table presents the changes in fair value measurements for these instruments:

(C$ in millions)	2014	2013
Balance, beginning of year	$ –	$ –
Fair value at inception	500.0	–
Unrealized fair value gains, net of losses, recognized in net income	17.0	–
Balance, end of year	$ 517.0	$ –

There were no transfers in either direction between categories in 2014.

36. Operating leases

The Company as lessee

The Company leases a number of retail stores, distribution centres, petroleum sites, facilities and office equipment under operating leases with termination dates extending to 2060. Generally, the leases have renewal options, primarily at the Company's option.

The annual lease payments for property and equipment under operating leases are as follows:

(C$ in millions)	2014	2013
Less than one year	$ 326.4	$ 322.9
Between one and five years	990.2	992.8
More than five years	764.5	862.4
	$ 2,081.1	$ 2,178.1

The amounts recognized as an expense are as follows:

(C$ in millions)	2014	2013
Minimum lease payments	$ 312.4	$ 309.5
Contingent rent	3.3	3.5
Sublease payments received	(35.9)	(36.0)
	$ 279.8	$ 277.0

Due to the redevelopment or replacement of existing properties, certain leased properties are no longer needed for business operations. Where possible, the Company subleases these properties to third parties, receiving sublease payments to reduce costs. In addition, the Company has certain premises where it is on the head lease and subleases the property to franchisees. The total future minimum sublease payments expected under these non-cancellable subleases were $88.8 million as at January 3, 2015 (2013 – $99.8 million). The Company has recognized a provision of $1.1 million (2013 – $3.1 million) with respect to these leases.

The Company as lessor

The Company leases out a number of its investment properties, and has certain sublease arrangements, under operating leases (Note 15), with lease terms between one to 20 years with the majority having an option to renew after the expiry date.

The lessee does not have an option to purchase the property at the expiry of the lease period.

The future annual lease payments receivable from lessees under non-cancellable leases are as follows:

(C$ in millions)	2014	2013
Less than one year	$ 23.1	$ 26.9
Between one and five years	68.5	92.3
More than five years	10.5	46.3
	$ 102.1	$ 165.5

37. Guarantees and commitments

Guarantees

In the normal course of business, the Company enters into numerous agreements that may contain features that meet the definition of a guarantee. A guarantee is defined to be a contract (including an indemnity) that contingently requires the Company to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable that is related to an asset, a liability or an equity security of the counterparty; (ii) failure of another party to perform under an obligating agreement; or (iii) failure of a third party to pay its indebtedness when due.

The Company has provided the following significant guarantees and other commitments to third parties:

Standby letters of credit

Franchise Trust, a legal entity sponsored by a third-party bank, originates loans to Dealers for their purchase of inventory and fixed assets. While Franchise Trust is consolidated as part of these financial statements, the Company has arranged for several major Canadian banks to provide standby LCs to Franchise Trust to support the credit quality of the Dealer loan portfolio. The banks may also draw against the LCs to cover any shortfalls in certain related fees owing to it. In any case where a draw is made against the LCs, the Company has agreed to reimburse the banks issuing the standby LCs for the

amount so drawn. The Company has not recorded any liability for these amounts due to the credit quality of the Dealer Loans and to the nature of the underlying collateral represented by the inventory and fixed assets of the borrowing Dealers. In the unlikely event that all the LCs had been fully drawn simultaneously, the maximum payment by the Company under this reimbursement obligation would have been $144.6 million at January 3, 2015, (2013 – $170.4 million).

Business and property dispositions

In connection with agreements for the sale of all or part of a business or property and in addition to indemnifications relating to failure to perform covenants and breach of representations and warranties, the Company has agreed to indemnify the purchasers against claims from its past conduct, including environmental remediation. Typically, the term and amount of such indemnification will be determined by the parties in the agreements. The nature of these indemnification agreements prevents the Company from estimating the maximum potential liability it would be required to pay to counterparties. Historically, the Company has not made any significant indemnification payments under such agreements, and no amount has been accrued in the consolidated financial statements with respect to these indemnification agreements.

Lease agreements

The Company has entered into agreements with certain of its lessors that guarantee the lease payments of certain sublessees of its facilities to lessors. Generally, these lease agreements relate to facilities the Company has vacated prior to the end of the term of its lease. These lease agreements require the Company to make lease payments throughout the lease term if the sublessee fails to make the scheduled payments. These lease agreements have expiration dates through March 2016. The Company has also guaranteed leases on certain franchise stores in the event the franchisees are unable to meet their remaining lease commitments. These lease agreements have expiration dates through March 2016. The maximum amount that the Company may be required to pay under these agreements was $6.4 million (2013 – $9.4 million). In addition, the Company could be required to make payments for percentage rents, realty taxes and common area costs. No amount has been accrued in the consolidated financial statements with respect to these lease agreements.

Third-party financial guarantees

The Company has guaranteed the debts of certain Dealers. These third-party financial guarantees require the Company to make payments if the Dealer fails to make scheduled debt payments. The majority of these third-party financial guarantees have expiration dates extending up to and including July 4, 2015. The maximum amount that the Company may be required to pay under these debt agreements was $50 million (2013 – $50 million), of which $38.5 million (2013 – $38.3 million) was issued at January 3, 2015. No amount has been accrued in the consolidated financial statements with respect to these debt agreements.

The Company has entered into agreements to buy back franchise-owned merchandise inventory should the banks foreclose on any of the franchisees. The terms of the guarantees range from less than a year to the lifetime of the particular underlying franchise agreement. The Company's maximum exposure as at January 3, 2015, was $70 million (2013 –$68.5 million).

Indemnification of lenders and agents under credit facilities

In the ordinary course of business, the Company has agreed to indemnify its lenders under various credit facilities against costs or losses resulting from changes in laws and regulations that would increase the lenders' costs and from any legal action brought against the lenders related to the use of the loan proceeds. These indemnifications generally extend for the term of the credit facilities and do not provide any limit on the maximum potential liability. Historically, the Company has not made any significant indemnification payments under such agreements, and no amount has been accrued in the consolidated financial statements with respect to these indemnification agreements.

Other indemnification commitments

In the ordinary course of business, the Company provides other additional indemnification commitments to counterparties in transactions such as leasing transactions, service arrangements, investment banking agreements, securitization agreements, indemnification of trustees under indentures for outstanding public debt, director and officer indemnification agreements, escrow agreements, price escalation clauses, sales of assets (other than dispositions of businesses discussed above) and the arrangements with Franchise Trust discussed above. These additional indemnification agreements require the Company to compensate the counterparties for certain amounts and costs incurred, including costs resulting from changes in laws and regulations (including tax legislation) or as a result of litigation claims or statutory sanctions that may be suffered by a counterparty as a consequence of the transaction.

The terms of these additional indemnification agreements vary based on the contract and do not provide any limit on the maximum potential liability. Historically, the Company has not made any significant payments under such additional indemnifications, and no amount has been accrued in the consolidated financial statements with respect to these additional indemnification commitments.

The Company's exposure to credit risks related to the above noted guarantees and commitments are disclosed in Note 5.

Capital commitments

During the year ended January 3, 2015, the Company had capital commitments for the acquisition of property and equipment, investment property and intangible assets for an aggregate cost of approximately $164.6 million (2013 – $17.1 million).

38. Related parties

The Company's majority shareholder is Ms. Martha G. Billes, who controls approximately 61 per cent of the Common Shares of the Company through two privately held companies, Tire 'N' Me Pty. Ltd. and Albikin Management Inc.

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

Key management personnel compensation, including Directors' fees recorded comprises:

(C$ in millions)	2014	2013
Salaries and short-term employee benefits	$ 12.4	$ 12.8
Share-based payments	41.3	37.2
Other long-term benefits	2.9	1.9
	$ 56.6	$ 51.9

39. Comparative figures

Certain of the prior year figures within the consolidated statement of cash flows have been reclassified to align with Management's view of the Company's operations.

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2014 Quarterly Information

(C$ in millions, except where noted)	First Quarter (December 29, 2013 to March 29, 2014)	Second Quarter (March 30, 2014 to June 28, 2014)	Third Quarter (June 29, 2014 to September 27, 2014)	Fourth Quarter (September 28, 2014 to January 3, 2015)	Total
(Store numbers are cumulative at end of period)					
Retail segment					
Revenue	$ 2,293.1	$ 2,879.5	$ 2,771.2	$ 3,360.8	$ 11,304.6
Income before income taxes	16.6	149.6	130.8	234.5	531.5
CT REIT segment					
Revenue	82.7	83.4	89.5	89.2	344.8
Net income and comprehensive income	169.7	45.7	49.1	53.8	318.3
Financial Services segment					
Revenue	264.6	267.7	277.3	266.1	1,075.7
Income before income taxes	82.2	92.3	98.6	71.9	345.0
Total					
Revenue	$ 2,573.1	$ 3,166.1	$ 3,069.9	$ 3,653.8	$ 12,462.9
Cost of producing revenue	(1,737.8)	(2,153.2)	(2,085.3)	(2,440.6)	(8,416.9)
Other (expense) income	(1.5)	18.1	–	(5.6)	11.0
Selling, general and administrative expenses	(706.1)	(744.3)	(728.7)	(873.8)	(3,052.9)
Net finance costs	(24.1)	(40.0)	(21.4)	(23.4)	(108.9)
Change in fair value of redeemable financial instrument	–	–	–	(17.0)	(17.0)
Income taxes	(28.0)	(67.8)	(56.3)	(86.8)	(238.9)
Net income	75.6	178.9	178.2	206.6	639.3
Net income attributable to non-controlling interests	5.0	9.0	6.0	15.3	35.3
Net income attributable to owners of Canadian Tire Corporation	70.6	169.9	172.2	191.3	604.0
Basic earnings per share attributable to owners of Canadian Tire Corporation[1]	0.88	2.14	2.19	2.46	7.65
Diluted earnings per share attributable to owners of Canadian Tire Corporation[1]	0.88	2.12	2.17	2.44	7.59
Canadian Tire					
Retail sales growth	0.0%	3.4%	3.7%	8.3%	4.4%
Same store sales growth	(0.5)%	2.8%	3.2%	2.8%	2.4%
Number of Canadian Tire stores	492	493	493	493	
Number of PartSource stores	91	91	91	91	
FGL Sports					
Retail sales growth[2]	1.7%	13.7%	13.0%	15.0%	11.5%
Same store sales growth[2]	6.4%	8.2%	8.5%	4.9%	6.9%
Number of FGL Sports stores	417	427	429	436	
Canadian Tire Petroleum					
Number of gas bars	301	300	300	297	
Number of car washes	82	82	82	83	
Number of convenience stores	296	295	295	293	
Mark's					
Retail sales growth	2.7%	2.6%	6.5%	5.4%	4.5%
Same store sales growth	2.9%	3.2%	6.8%	1.2%	3.1%
Number of Mark's stores	382	382	383	383	
Financial Services Segment					
Average number of accounts with a balance[3] (thousands)	1,797	1,829	1,858	1,864	1,837
Average account balance[3] ($)	2,524	2,528	2,550	2,584	2,547
Gross average accounts receivable[4] (millions)	4,542.1	4,629.9	4,744.3	4,822.0	4,684.6

(C$ in millions, except where noted)	First Quarter (December 29, 2013 to March 29, 2014)	Second Quarter (March 30, 2014 to June 28, 2014)	Third Quarter (June 29, 2014 to September 27, 2014)	Fourth Quarter (September 28, 2014 to January 3, 2015)	Total
Class A Non-Voting Shares					
High	$ 104.34	$ 111.59	$ 117.44	$ 130.36	$ 130.36
Low	93.20	100.01	101.26	112.10	93.20
Close	103.82	102.29	113.66	122.22	122.22
Volume (thousands of shares)	10,728	10,674	21,352	23,407	66,161
Common Shares					
High	$ 164.55	$ 148.00	$ 195.00	$ 265.00	$ 265.00
Low	118.50	135.50	140.01	176.05	118.50
Close	142.50	146.58	189.90	225.01	225.01
Volume (thousands of shares)	58	22	43	38	161

[1] *Basic earnings per share attributable to owners of Canadian Tire Corporation is calculated by dividing the net income attributable to owners of Canadian Tire Corporation by the weighted average number of Common and Class A Non-Voting shares outstanding during the reporting period. Diluted earnings per share attributable to owners of Canadian Tire Corporation is calculated by dividing the net income attributable to owners of Canadian Tire Corporation by the weighted average number of shares outstanding adjusted for the effects of all dilutive potential equity instruments, which comprise employee stock options.*

[2] *Retail sales include sales from both corporate and franchise stores.*

[3] *Credit card portfolio only.*

[4] *Total portfolio of loans receivable.*

2013 Quarterly Information

(C$ in millions, except where noted)	First Quarter (December 30, 2012 to March 30, 2013)	Second Quarter (March 31, 2013 to June 29, 2013)	Third Quarter (June 30, 2013 to September 28, 2013)	Fourth Quarter (September 29, 2013 to December 28, 2013)	Total
(Store numbers are cumulative at end of period)					
Retail segment					
Revenue	$ 2,216.9	$ 2,749.6	$ 2,676.6	$ 3,048.5	$ 10,691.6
Income before income taxes	22.9	121.8	126.1	192.8	463.6
CT REIT segment					
Revenue	–	–	–	63.0	63.0
Net income and comprehensive income	–	–	–	31.0	31.0
Financial Services segment					
Revenue	250.0	254.2	262.1	259.6	1,025.9
Income before income taxes	77.4	91.0	80.0	71.6	320.0
Total					
Revenue	$ 2,479.8	$ 3,021.1	$ 2,956.0	$ 3,328.7	$ 11,785.6
Cost of producing revenue	(1,713.1)	(2,077.1)	(2,026.9)	(2,246.2)	(8,063.3)
Other income (expense)	7.7	(3.7)	(0.8)	(6.2)	(3.0)
Selling, general and administrative expenses	(645.4)	(701.4)	(697.1)	(785.0)	(2,828.9)
Net finance costs	(28.7)	(26.1)	(25.1)	(25.9)	(105.8)
Income taxes	(27.3)	(57.9)	(60.6)	(74.4)	(220.2)
Net income	73.0	154.9	145.5	191.0	564.4
Net income attributable to non-controlling interests	–	–	–	3.2	3.2
Net income attributable to owners of Canadian Tire Corporation	73.0	154.9	145.5	187.8	561.2
Basic earnings per share attributable to owners of Canadian Tire Corporation[1]	0.90	1.92	1.81	2.34	6.96
Diluted earnings per share attributable to owners of Canadian Tire Corporation[1]	0.90	1.91	1.79	2.32	6.91
Canadian Tire					
Retail sales growth	(1.6)%	2.9%	2.8%	4.5%	2.5%
Same store sales growth	(2.4)%	2.0%	2.0%	4.0%	1.8%
Number of Canadian Tire stores	490	490	491	491	
Number of PartSource stores	87	87	88	90	
FGL Sports					
Retail sales growth[2]	5.7%	1.5%	4.2%	13.3%	6.8%
Same store sales growth[2]	9.1%	7.4%	6.3%	12.5%	7.7%
Number of FGL Sports stores[5]	388	395	415	421	
Canadian Tire Petroleum					
Number of gas bars	299	300	300	300	
Number of car washes	81	81	82	82	
Number of convenience stores	294	295	295	295	
Mark's					
Retail sales growth	1.6%	6.5%	4.7%	5.5%	4.8%
Same store sales growth	1.5%	6.4%	4.3%	5.2%	4.6%
Number of Mark's stores	386	385	386	385	
Financial Services Segment					
Average number of accounts with a balance[3] (thousands)	1,736	1,754	1,787	1,811	1,772
Average account balance[3] ($)	2,444	2,452	2,476	2,485	2,464
Gross average accounts receivable[4] (millions)	4,251.1	4,309.1	4,429.7	4,507.0	4,374.3

(C$ in millions, except where noted)	First Quarter (December 30, 2012 to March 30, 2013)	Second Quarter (March 31, 2013 to June 29, 2013)	Third Quarter (June 30, 2013 to September 28, 2013)	Fourth Quarter (September 29, 2013 to December 28, 2013)	Total
Class A Non-Voting Shares					
High	$ 73.53	$ 87.45	$ 94.93	$ 101.05	$ 101.05
Low	66.49	70.03	78.85	90.46	66.49
Close	73.31	79.18	92.13	99.84	99.84
Volume (thousands of shares)	13,856	17,097	11,395	12,134	54,482
Common Shares					
High	$ 86.00	$ 98.99	$ 128.00	$ 128.00	$ 128.00
Low	78.30	85.71	92.50	117.00	78.30
Close	86.00	92.54	126.72	123.50	123.50
Volume (thousands of shares)	31	34	32	35	133

[1] *Basic earnings per share attributable to owners of Canadian Tire Corporation is calculated by dividing the net income attributable to owners of Canadian Tire Corporation by the weighted average number of Common and Class A Non-Voting shares outstanding during the reporting period. Diluted earnings per share attributable to owners of Canadian Tire Corporation is calculated by dividing the net income attributable to owners of Canadian Tire Corporation by the weighted average number of shares outstanding adjusted for the effects of all dilutive potential equity instruments, which comprise employee stock options.*

[2] *Retail sales include sales from both corporate and franchise stores and beginning in Q3 2013 includes sales from PHL for the period from August 12th 2013 to September 28, 2013. Prior year metric has been restated to align FGL Sport's weekly sales calendar with that of Canadian Tire and Mark's.*

[3] *Credit card portfolio only.*

[4] *Total portfolio of loans receivable.*

[5] *FGL Sports store count restated for Q1 and Q2 to exclude Buying Members.*

Ten-Year Financial Review

(C$ in millions, except per share amounts)	2014[1]	2013
Consolidated Statements of Income		
Revenue	$ 12,462.9	$ 11,785.6
Earnings before interest, income taxes, depreciation & amortization, fair value adjustment and non-controlling interests	1,376.4	1,235.7
Income before income taxes	878.2	784.6
Income taxes	238.9	220.2
Net income	639.3	564.4
Net income attributable to non-controlling interests	35.3	3.2
Net income attributable to owners of Canadian Tire Corporation	604.0	561.2
Cash generated from operations (before changes in operating working capital and other and changes in loans receivable)[3]	990.7	896.9
Cash generated from operating activities[3]	574.8	893.0
Dividends declared	154.1	119.6
Capital expenditures[4]	721.8	544.1
Consolidated Balance Sheets		
Current assets	$ 8,510.2	$ 7,977.8
Long-term assets[5]	2,151.3	2,042.6
Property and equipment and investment property	3,891.7	3,609.6
Total assets	14,553.2	13,630.0
Current liabilities	4,578.8	4,322.1
Long-term debt (excludes current portion)	2,131.6	2,339.1
Long-term deposits (excludes current portion)	1,286.2	1,152.0
Other long-term liabilities[6]	925.8	366.9
Total liabilities	8,922.4	8,180.1
Equity attributable to non-controlling interests	775.3	282.6
Equity attributable to owners of Canadian Tire Corporation	4,855.5	5,167.3
Consolidated per Share		
Basic earnings per share attributable to owners of Canadian Tire Corporation	$ 7.65	$ 6.96
Diluted earnings per share attributable to owners of Canadian Tire Corporation	7.59	6.91
Cash generated from operations (before changes in operating working capital and other and changes in loans receivable)[3,7]	12.79	11.21
Cash generated from operating activities[3,7]	7.42	9.96
Dividends declared per share	1.9625	1.4875
Equity attributable to owners of Canadian Tire Corporation[7]	62.69	64.60
Statistics at Year End		
Number of Canadian Tire stores	493	491
Number of PartSource stores	91	90
Number of gas bars	297	300
Number of car washes	83	82
Number of Mark's stores	383	385
Number of FGL Sports stores[8]	436	421

[1] 53-week period.

[2] Results reported under the previous Canadian GAAP.

[3] The 2013 figures have been restated to correspond with the current year's presentation.

[4] Capital expenditures are presented on an accrual basis and include software additions, but exclude acquisitions related to business combinations and intellectual properties.

[5] Includes long-term receivables and other assets, long-term investments, goodwill and intangible assets and deferred income taxes.

[6] Includes long-term provisions, deferred income taxes and other long-term liabilities.

[7] Per share numbers are calculated using total shares outstanding as at the Company's year-end date.

[8] FGL Sports was acquired on August 18, 2011.

2012	2011	2010	2009[2]	2008[1,2]	2007[2]	2006[2]	2005[2]
$ 11,427.2	$ 10,387.1	$ 9,213.1	$ 8,686.5	$ 9,121.3	$ 8,606.1	$ 8,252.9	$ 7,713.9
1,138.1	1,058.2	996.6	873.7	891.8	881.2	809.0	789.1
676.8	629.9	586.8	479.2	543.0	611.2	557.8	527.7
177.9	162.9	142.6	144.2	167.6	199.5	200.8	190.0
498.9	467.0	444.2	335.0	375.4	411.7	357.0	337.7
–	–	–	–	–	–	2.4	7.6
498.9	467.0	444.2	335.0	375.4	411.7	354.6	330.1
1,467.5	1,400.1	1,337.9	694.7	588.4	528.7	410.1	700.7
743.0	1,405.5	729.5	418.8	181.5	61.6	395.3	413.5
101.7	91.7	73.8	68.7	68.4	60.4	53.8	47.4
334.8	364.7	339.8	273.1	471.9	592.7	557.4	391.1
$ 7,796.1	$ 6,956.6	$ 6,549.2	$ 5,196.2	$ 3,979.0	$ 3,138.2	$ 2,541.0	$ 2,973.1
1,993.9	1,943.9	1,198.7	495.9	605.9	343.0	382.3	238.6
3,438.6	3,438.3	3,300.6	3,180.4	3,198.9	3,283.6	2,881.3	2,743.9
13,228.6	12,338.8	11,048.5	8,872.5	7,783.8	6,764.8	5,804.6	5,955.6
4,671.6	4,153.0	3,251.5	2,647.8	1,999.7	2,113.7	1,663.6	1,821.0
2,336.0	2,347.7	2,365.4	1,101.2	1,373.5	1,341.8	1,168.4	1,171.3
1,111.8	1,102.2	1,264.5	1,196.9	598.7	3.8	–	–
344.9	326.9	162.2	238.7	246.9	197.4	187.4	152.2
8,464.3	7,929.8	7,043.6	5,184.6	4,218.8	3,656.7	3,019.4	3,144.5
–	–	–	–	–	–	–	300.0
4,764.3	4,409.0	4,004.9	3,687.9	3,565.0	3,108.1	2,785.2	2,511.1
$ 6.13	$ 5.73	$ 5.45	$ 4.10	$ 4.60	$ 5.05	$ 4.35	$ 4.04
6.10	5.71	5.42	4.10	4.60	5.05	4.31	3.98
18.09	17.19	16.43	8.51	7.21	6.49	5.03	8.57
9.16	17.26	8.96	5.13	2.22	0.76	4.85	5.06
1.250	1.125	0.905	0.840	0.840	0.740	0.660	0.580
58.71	54.14	49.17	45.19	43.69	38.15	34.19	30.83
490	488	485	479	475	473	468	462
87	87	87	87	86	71	63	57
299	289	287	272	273	266	260	259
80	76	76	73	74	74	74	67
386	385	383	378	372	358	339	334
475	534	–	–	–	–	–	–

Adjusted funds from operations (AFFO)

A non-GAAP financial performance measure primarily used in the analysis of real-estate income trusts (REITs). CT REIT defines AFFO as funds from operations (FFO) subject to certain adjustments to (a) remove the impact of: (i) adjusting for any differences resulting from recognizing property rental revenues or expenses on a straight-line basis, and (ii) initial one-time costs to establish the REIT; and (b) deduct a reserve for normalized maintenance capital expenditures, tenant inducements and leasing commissions.

Associate Dealers (Dealers)

The independent business owners who operate Canadian Tire retail stores.

Basic earnings per share

Basic earnings per share attributable to the owners of Canadian Tire Corporation is calculated by dividing net income attributable to the owners of Canadian Tire Corporation by the weighted average number of Common and Class A Non-Voting shares outstanding during the reporting period.

Basis point (bps)

One hundredth of a percentage point.

Broker deposits

Cash deposits raised through the sale of guaranteed investment certificates through broker networks that are offered in 30-day to five-year terms and are non-redeemable prior to maturity, except under rare circumstances.

Carbon and energy footprint

The energy use and greenhouse gas emissions from CTC operations and some external activities from its extended value-chain such as raw material acquisition, product manufacturing, product transportation and buildings operations.

Comprehensive income

Comprehensive income comprises net income and other comprehensive income (see also other comprehensive income).

Core retail

The Company's core retail business covers various categories including solutions for Living, Playing and Fixing, Automotive, Seasonal, Apparel and Sporting Goods.

Credit risk

The potential for loss due to the failure of a borrower to meet their financial obligation.

Cumulative annual growth rate (CAGR)

CAGR is the year-over-year percentage growth rate over a given period of time.

Debt covenants

Restrictions on the activities of a debtor written into bank loan agreements or bond indenture agreements that prohibit the debtor from taking actions that may not be in the best interests of the lenders or bondholders.

Derivative

A financial instrument whose value depends upon the values of underlying assets, interest rates, currency exchange rates, or indices.

Digital

Refers to the entire ecosystem that supports the transformational business capabilities and customer experiences, and comprises eCommerce, digital marketing, search and social media, digital content, in-store digital, and technology.

Diluted earnings per share

Diluted earnings per share attributable to owners of Canadian Tire Corporation are calculated by dividing the net income attributable to owners of Canadian Tire Corporation by the adjusted weighted average number of shares outstanding for the effects of all potentially dilutive equity instruments, which comprise employee stock options.

Earnings before interest, tax, depreciation and amortization, and change in the fair value of the redeemable financial instrument (EBITDA)

EBITDA is known to be an effective measure of the Retail segment's profitability on an operational basis. EBITDA is also commonly regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses.

eCommerce

The experience of buying and selling goods and services through a retailer's digital channels (web, mobile, and in-store digital).

Fair value

The price that would be received to sell an asset or paid to transfer a liability in an arm's length transaction between market participants at the measurement date.

Financial instrument

Any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

Flagship store

Generally refers to the Company's new concept large stores with advanced in-store digital technologies.

Foreign exchange contract

An agreement between parties to exchange stipulated amounts of one currency for another currency.

Franchise Trust

A financing program established to provide an efficient and cost-effective way for Dealers to access the majority of the financing required for their store operations. The portion (silo) of Franchise Trust that issues loans to the Dealers is included in the consolidated financial statements.

Funds from operations (FFO)

A non-GAAP measure used by REITs to define the cash flow from their operations. FFO is calculated as net income in accordance with GAAP, adjusted by removing the impact of (i) fair value adjustments on investment properties; (ii) other fair value adjustments; (iii) gains and losses on the sale of investment properties; (iv) change in fair value of non-cash compensation incentive plans; and (v) amortization of tenant incentives.

Generally accepted accounting principles (GAAP)

The common set of accounting principles, standards and procedures that companies use to compile their financial statements. The standards adopted by Canadian Tire Corporation are IFRS (see also International Financial Reporting Standards).

Gigajoules (GJ)

A unit of measurement for energy use.

Greenhouse gas (GHG) emissions

Gases that absorb and emit radiation, contributing to the greenhouse gas effect by trapping heat in the atmosphere. The Company recognizes the harmful nature of greenhouse gases to the environment and strives to reduce emissions from business operations through its sustainability initiatives. Gases include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), sulphur hexafluoride (SF_6) hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs).

Gross average accounts receivable (GAAR)

GAAR is the average of the loans receivable outstanding.

Gross leasable area (GLA)

The area for which tenants pay rent and produce income for the landlord.

Hedge

A risk management technique used to neutralize/manage interest rate, foreign currency exchange or other exposures arising from regular business transactions.

Hero store

A Sport Chek store that incorporates some of the industry-leading technologies and enhanced experiences that are being introduced in Sport Chek Flagship stores.

High interest savings account (HIS)

A form of savings deposit which pays higher interest than a traditional chequing or saving account.

Initial Public Offering (IPO)

A public offering where shares of stock are sold to the general public, on a securities exchange, for the first time. This occurs when a private company transforms into a public company or when a new company is formed.

International Financial Reporting Standards (IFRS)

IFRS are issued by the International Accounting Standards Board (IASB) and adopted by the Accounting Standards Board in Part I of the Chartered Professional Accountants Canada Handbook – Accounting.

Intensification

The development of a property, site or area at a higher density than currently exists, through development, redevelopment, infill and expansion or conversion of existing buildings.

Interest rate risk

The potential impact on the Company's earnings and economic value due to changes in interest rates.

Interest rate swap

A contractual agreement between two parties to exchange fixed and floating rate interest payments based on a notional value in a single currency.

Medium-term note (MTN)

A debt instrument that can be offered by the Company during the term of a short form base shelf prospectus.

Net operating income (NOI)

A non-GAAP measure of the REIT's portfolio performance adjusted for the effects of one-time items and current year acquisitions. NOI is calculated as rental revenue from investment properties less property operating costs (including property management fees).

Non-controlling interests (NCI)

Equity in a subsidiary not attributable, directly or indirectly, to the Company.

Other comprehensive income (OCI)

OCI comprises items of income and expense (including reclassification and adjustments) that are not recognized in profit or loss as required or permitted by IFRSs and includes unrealized gains and losses on financial assets classified as available-for-sale, changes in the fair value of the effective portion of cash flow hedging instruments and actuarial gains and losses.

Prospectus

A formal legal document, which is required by and filed with the Canadian securities regulatory authority that provides details about an investment offering for sale to the public.

Real Estate Investment Trust (REIT)

A trust that owns and in most cases, operates income-producing real estate.

Redeemable financial instrument

On October 1, 2014, Scotiabank acquired a 20 per cent interest in the Financial Services business from the Company. In conjunction with the transaction Scotiabank was provided an option to sell and require the Company to purchase all of the interest owned by Scotiabank at any time during the six-month period following the 10th anniversary of the transaction. This obligation gives rise to a liability for the Company (the "redeemable financial instrument").

Return on invested capital (ROIC)

ROIC is calculated as the rolling 12 months retail earnings divided by average invested retail capital. Retail earnings are defined as Retail segment after-tax earnings excluding interest expense, inter-segment earnings, minimum lease payments and non-controlling interests. Invested capital is defined as Retail segment total assets, including operating leases capitalized at a factor of eight, less Retail segment current liabilities and inter-segment balances.

Retail sales

Retail sales refers to the point of sale (i.e., cash register) value of all goods and services sold to retail customers at Canadian Tire Dealer-operated, Mark's and FGL Sports franchisee-operated, Petroleum retailer-operated and corporately owned stores across the retail banners and through its online sales channels. In aggregate, does not form part of the Company's consolidated financial statements. Retail sales are different from the Company's reported revenue. Refer to the definition of revenue for additional information.

Return on receivables (ROR)

ROR is calculated by dividing income before income tax and gains/losses on disposal of property and equipment by GAAR over a 12-month period.

Securitization

Securitization is the process by which financial assets are sold to a third party. At Financial Services, credit card loan receivables are routinely financed through a co-ownership interest sold to Glacier Credit Card Trust. Franchise Trust's loans to Dealers are financed through co-ownership interests sold to other independent trusts.

Same-store sales

The same-store sales metric is used by Management and is common throughout the retail industry. This metric identifies sales growth generated by the existing store network and removes the effect of opening and closing stores. The calculation excludes stores that have been retrofitted, replaced or expanded where the percentage change in square footage exceeds 25% of the original store size. For Canadian Tire, same-store sales include sales from all stores that have been open for a minimum of one year and one week. For Mark's and FGL Sports, same-store sales include sales from all stores that have been open since at least the beginning of the comparative period in the prior year.

Sales per square foot

Sales per square foot is a metric used by Management to evaluate the effective utilization of its assets. The metric is calculated using sales on a rolling 52-week basis in each year (Mark's and FGL Sports use a rolling 12-month basis) for those stores that have been open for a minimum of one fiscal year as at the end of the current quarter. The calculation excludes stores that have been retrofitted, replaced or expanded where the percentage change in square footage exceeds 25% of the original store size.

Smart store

Introduced in 2008, this Canadian Tire retail store format replaces the updated and expanded stores. This store format focuses on growth and improving productivity and is less capital intensive than the former store concepts. The Smart store may include a Mark's store.

Sustainability (or business sustainability)

An innovation strategy that aims to achieve productivity gains and economic benefits from enhanced social and environmental outcomes by integrating sustainability into business operations. Through its Business Sustainability strategy, the Company aims to serve its customers, communities, employees and shareholders.

Tonne-kilometres

Distance travelled from vendor to stores in kilometres multiplied by weight of products and related equipment in metric tonnes. This measure is used in the calculation of the product transport carbon and energy footprint.

Tonnes of carbon dioxide equivalents (tCO_2e)

Expresses all greenhouse gases in the measurement of carbon dioxide by adjusting other types of greenhouse gases – methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons, and perfluorocarbons – to their carbon dioxide equivalent based on their relative Global Warming Potential (GWP).

Total managed portfolio

The total value, before allowances, of the loans receivable portfolio, which includes credit card, personal and line of credit loans.

Total return to shareholders

Total return to shareholders is used to compare the performance of different companies' stocks and shares over time. It combines share price appreciation and dividends paid to show the total return to the shareholder.

Trading book

A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book.

Traditional store

A Canadian Tire store that is not an "updated and expanded" or Smart store. Traditional stores were built prior to the introduction of new-format stores in 1994.

Transload facility

A facility that is used to change the mode of transportation as product is being delivered from the vendor to its destination. For example, a product that is brought from the east is transported in 40' foot ocean containers on vessels. Once the product reaches the port, it is removed from the 40' foot ocean containers and placed in 53' foot domestic rail CTC containers and then transported by rail or by highway to its destination.

Total debt-to-total capital ratio

A ratio that measures total debt (which includes current and long-term debt and deposits and short term borrowings relating capital items only) divided by total capital under management (which includes total debt, the redeemable financial instrument, share capital, contributed surplus and retained earnings).

Updated and expanded stores

A single term used to describe Canadian Tire retail stores that have been updated and expanded from traditional stores, including a mix of previous store concepts such as the 20/20, Next Generation, and Class of Stores. The updated and expanded stores were introduced between 1994 and 2008, prior to the Smart store concept.

Vend-ins

Refers to the purchase and sale of properties between CTC and CT REIT Limited Partnership.

Weighted average number of shares

The number of shares determined by relating the portion of time within the reporting period the shares have been outstanding to the total time in that period.

Shareholder and Corporate Information

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MEDIA CONTACT

SANDRA BUCKLER
Vice-President, Communications
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ANNUAL MEETING OF SHAREHOLDERS

MaRS COLLABORATION CENTRE
101 College Street
Toronto, Ontario
Thursday, May 14, 2015
10:00 a.m. (EDT)

BANKERS

Bank of Montreal
BNP Paribas (Canada)
Caisse Central Desjardins
Canadian Imperial Bank of Commerce
HSBC Bank Canada
National Bank of Canada
Royal Bank of Canada
The Bank of Nova Scotia
The Toronto-Dominion Bank

REGISTRAR AND TRANSFER AGENT

COMPUTERSHARE TRUST COMPANY OF CANADA
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Canada
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Telephone (Global): 514-982-7122
Fax (Canada and U.S.) 1-866-249-7775
Fax (Global): 416-263-9524
Email: service@computershare.com

To change your address, eliminate multiple mailings, transfer shares of the Company, inquire about our Dividend Reinvestment Program or for other shareholder account inquiries, please contact the principal offices of Computershare Trust Company of Canada in Halifax, Montreal, Toronto, Calgary or Vancouver.

DISCLOSURE DOCUMENTS

Corporate governance disclosure and other investor information are available online from the investor relations pages of the Company's website at http://corp.canadiantire.ca/en/investors.

Additional copies of the Annual Report and other disclosure documents, such as the Company's Management Information Circular, the Annual Information Form and quarterly reports can be downloaded or requested in print form from the same website.

Certain brands mentioned in this report are the trade-marks of Canadian Tire Corporation, Limited, Mark's and FGL Sports Ltd. Others are the property of their respective owners.

VERSION FRANÇAISE DU RAPPORT

Pour télécharger la version française du rapport annuel de La Société Canadian Tire Limitée ou en demander un exemplaire, veuillez consulter le site Web de la Société, à l'adresse http://corp.canadiantire.ca/fr/investors.

EXCHANGE LISTINGS

THE TORONTO STOCK EXCHANGE
Common Shares (CTC)
Class A Non-Voting Shares (CTC.A)

AUDITORS

DELOITTE LLP
Chartered Accountants

2014 DIVIDENDS DECLARED

Date of Declaration	Record Date	Date Payable	Amount Payable Per Share
06-Nov-14	31-Jan-15	01-Mar-15	0.525
07-Aug-14	31-Oct-14	01-Dec-14	0.50
08-May-14	31-Jul-14	01-Sep-14	0.50
13-Feb-14	30-Apr-14	01-Jun-14	0.4375

Notes

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