Management's Discussion and Analysis

Canadian Tire Corporation, Limited
Fourth Quarter and Full-Year 2021

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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 "Financial Services segment", and the "CT REIT 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, Gas+, Party City, Mark's, Helly Hansen, SportChek, Sports Experts, Atmosphere, Pro Hockey Life ("PHL"), Sports Rousseau, and Hockey Experts.

In this document:

"Canadian Tire" refers to the general merchandise retail and services businesses carried on under the Canadian Tire, PartSource, PHL, and Party City names 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) that operate 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, namely Canadian Tire Bank ("CTB" or the Bank") and CTFS Bermuda Ltd. ("CTFS Bermuda"), a Bermuda reinsurance company.

"Franchise Trust" refers to a legal entity sponsored by a third-party bank that originates and services loans to certain Dealers for their purchases of inventory and fixed assets ("Dealer loans").

"Helly Hansen" refers to the international wholesale and retail businesses that operate under the Helly Hansen and Musto brands.

"Jumpstart" refers to Canadian Tire Jumpstart Charities.

"Mark's" refers to the retail and commercial wholesale businesses carried on by Mark's Work Wearhouse Ltd., and "Mark's stores" including stores that operate under the Mark's and L'Équipeur names and trademarks.

"Owned Brands" refers to brands owned by the Company and are managed by the consumer brands division of the Retail segment.

"PartSource stores" refers to stores that operate under the PartSource name and trademarks.

"Party City" refers to the party supply business that operates under the Party City name and trademarks in Canada.

"Petroleum" refers to the retail petroleum business carried on under the Canadian Tire and Gas+ names and trademarks.

"SportChek" refers to the retail business carried on by FGL Sports Ltd., including stores that operate under the SportChek, Sports Experts, Atmosphere, Sports Rousseau, and Hockey Experts names and trademarks.

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

This document contains trade names, trademarks, and service marks of CTC and other organizations, all of which are the property of their respective owners. Solely for convenience, the trade names, trademarks, and service marks referred to herein appear without the ® or TM symbol.

1.2 Forward-Looking Information

This Management's Discussion and Analysis ("MD&A") contains statements that are forward-looking and may constitute "forward-looking information" within the meaning of applicable securities legislation. 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 MD&A because of the risks and uncertainties associated with the Corporation's businesses and the general economic environment. The Company cannot provide any assurance that any forecast financial or operational performance, plans, or aspirations will actually be achieved or, if achieved, will result in an increase in the Company's share price. Refer to section 13.0 in this MD&A for a more detailed discussion of the Company's use of forward-looking information.

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 16, 2022.

1.4 Quarterly and Annual Comparisons in the MD&A

Unless otherwise indicated, all comparisons of results for Q4 2021 (13 weeks ended January 1, 2022) are compared against results for Q4 2020 (14 weeks ended January 2, 2021) and all comparisons of results for the full-year 2021 (52 weeks ended January 1, 2022) are compared against results for the full-year 2020 (53 weeks ended January 2, 2021).

Comparison of results for Q4 and full-year 2021 is also made against Q4 and full-year 2019 in certain sections of the MD&A so as to provide a more meaningful comparison of results against the last comparable quarter prior to the onset of the COVID-19 pandemic.

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 of the annual consolidated financial statements.

1.6 Accounting Estimates and Assumptions

The preparation of the Company's consolidated financial statements that conforms 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 8.1 in this MD&A for further information.

1.7 Key Performance Measures

The Company uses certain key performance measures which provide useful information to both Management and investors in measuring the financial performance and financial condition of the Company. These measures are classified as GAAP measures, non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures, as well as non-financial measures. Readers are cautioned that the non-GAAP financial measures have no standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.2 for additional information on these metrics. Many of the non-GAAP financial measures in this document are adjusted to normalize the results for certain activities Management does not believe reflect the ongoing business. Unless otherwise noted, analysis of changes in normalized results applies equally to changes in the reported results.

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 year-over-year percentage changes are based on fractional amounts.

2.0 Company and Industry Overview

Canadian Tire Corporation, Limited (TSX: CTC.A) (TSX: CTC) and its subsidiaries, are a group of companies that include a Retail segment, a Financial Services segment and CT REIT. Our retail business is led by Canadian Tire, which was founded in 1922 and provides Canadians with products for life in Canada across its Automotive, Fixing, Living, Playing and Seasonal & Gardening divisions. PartSource, Gas+, Party City and Pro Hockey Life are key parts of the Canadian Tire network. The Retail segment also includes Mark's, a leading source for casual and industrial wear; and SportChek, Hockey Experts, Sports Experts and Atmosphere, which offer the best activewear brands. The approximately 1,711 retail and gasoline outlets are supported and strengthened by our Financial Services segment and the tens of thousands of people employed across Canada and around the world by the Company and its Canadian Tire Associate Dealers ("Dealers"), franchisees and petroleum retailers. In addition, Canadian Tire Corporation owns Helly Hansen, a leading global brand in sportswear and workwear based in Oslo, Norway, whose results are included in the Retail segment. A description of the Company's business and select core capabilities can be found in the Company's 2021 Annual Information Form ("2021 AIF"), including section 2 "Description of the Business" and on the Company's Corporate (https://corp.canadiantire.ca/English/home/default.aspx) and Investor Relations (https://corp.canadiantire.ca/English/investors/default.aspx) websites.

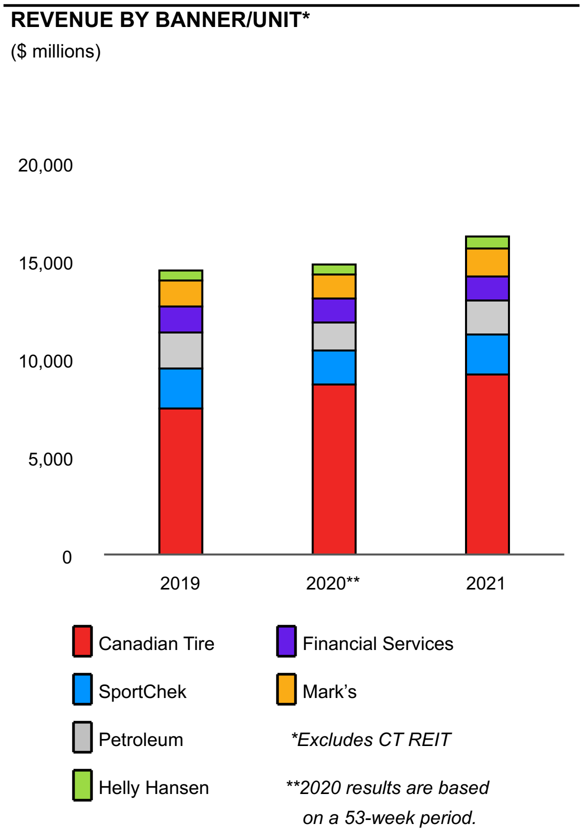
3.0 Historical Performance Highlights

3.1 Select Annual Consolidated Financial Trends

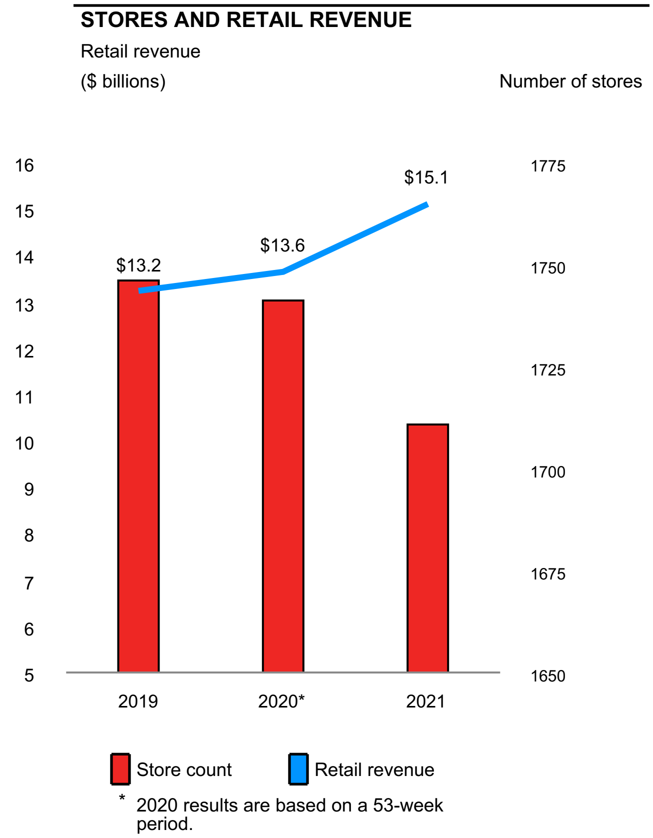
The following table provides selected annual consolidated financial and non-financial information for the last three fiscal periods. The financial information has been prepared in accordance with IFRS. As a result of COVID-19, consolidated earnings and EPS were impacted by a number of items in 2020. Refer to section 4.1.1 in this MD&A for further information regarding the events that impacted the Company in 2020. The fourth quarter and full-year 2020 results include one additional week of retail operations compared to the fourth quarter and full-year 2021 results.

(C$ in millions, except per share amounts and number of retail locations)	**2021**	2020[1]	2019
Consolidated Comparable sales growth[2, 3]	**8.2 %**	9.5%	3.6%
Retail sales, excluding Petroleum[3]	**$ 16,194.0**	$ 15,172.7	$ 13,669.0
Revenue	**16,292.1**	14,871.0	14,534.4
Net income	**1,260.7**	862.6	894.8
Normalized[4] net income[5]	**1,290.8**	904.9	923.3
Basic EPS	**18.56**	12.35	12.60
Diluted EPS	**18.38**	12.31	12.58
Normalized[4] diluted EPS[5]	**18.91**	13.00	13.04
Total assets	**21,802.2**	20,377.1	19,518.3
Total non-current financial liabilities	**8,749.7**	8,353.3	7,535.3
Financial Services gross average accounts receivable[3] (total portfolio)	**5,876.4**	6,008.6	6,253.5
Number of retail locations	**1,711**	1,741	1,746
Cash dividends declared per share	**$ 4.8250**	$ 4.5875	$ 4.2500
Stock price (CTC.A)[6]	**181.44**	167.33	140.63

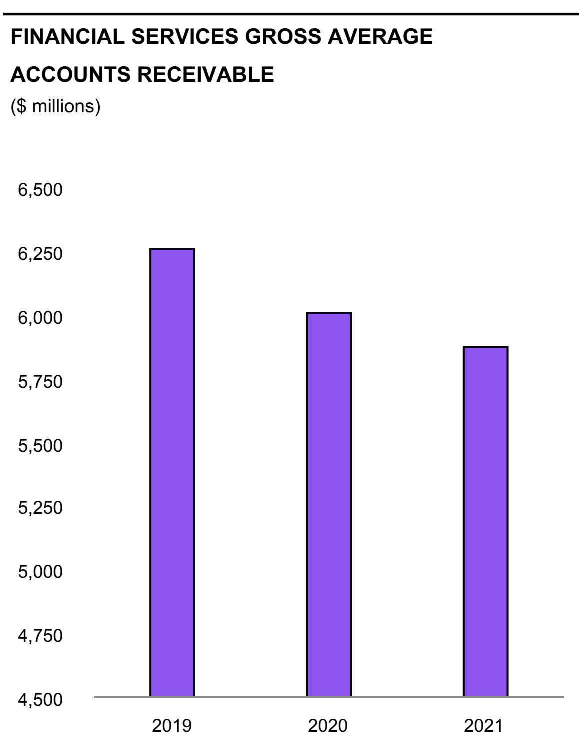
1 The full-year 2020 results include one additional week of retail operations compared to the full-year 2021.
2 Does not include Helly Hansen.
3 For further information about this measure see section 9.3 of this MD&A.
4 Refer to section 4.1.1 in this MD&A for a description of normalizing items.
5 This is a non-GAAP financial measure. For further information and a detailed reconciliation see section 9.2 of this MD&A.
6 Closing share price as of the date closest to the Company's fiscal year end.



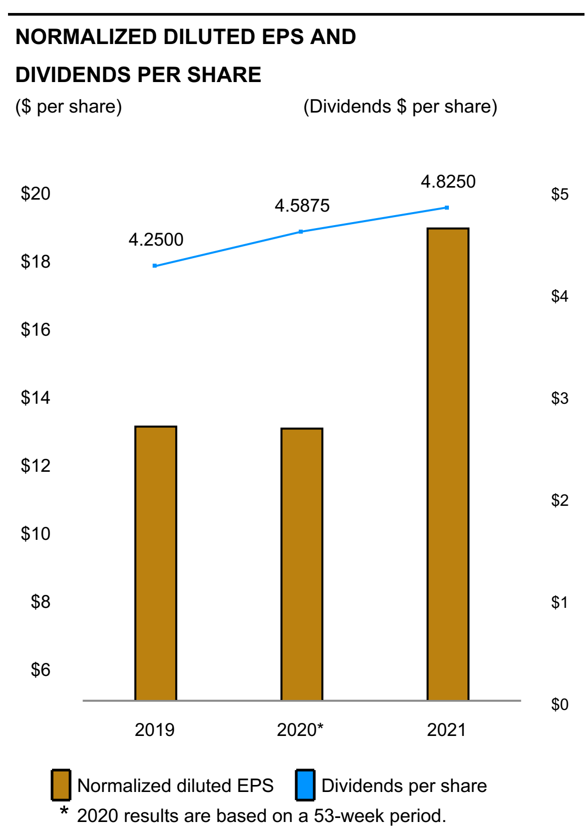
REVENUE BY BANNER/UNIT*
($ millions)
20,000
15,000
10,000
5,000
0
2019
2020**
2021
Canadian Tire
Financial Services
SportChek
Mark's
Petroleum
*Excludes CT REIT
Helly Hansen
**2020 results are based on a 53-week period.



STORES AND RETAIL REVENUE
Retail revenue
($ billions)
Number of stores
16
15
14
13
12
11
10
9
8
7
6
5
1775
1750
1725
1700
1675
1650
$13.2
$13.6
$15.1
2019
2020*
2021
Store count
Retail revenue
* 2020 results are based on a 53-week period.



FINANCIAL SERVICES GROSS AVERAGE ACCOUNTS RECEIVABLE
($ millions)
6,500
6,250
6,000
5,750
5,500
5,250
5,000
4,750
4,500
2019
2020
2021



NORMALIZED DILUTED EPS AND DIVIDENDS PER SHARE
($ per share)
(Dividends $ per share)
$20
$18
$16
$14
$12
$10
$8
$6
$5
$4
$3
$2
$1
$0
4.2500
4.5875
4.8250
2019
2020*
2021
Normalized diluted EPS
Dividends per share
* 2020 results are based on a 53-week period.

4.0 Financial Performance

4.1 Consolidated Financial Performance

4.1.1 Consolidated Financial Results

(C$ in millions, except where noted)	Q4 2021	Q4 2020	Change	2021	2020	Change
Retail sales[1]	**$ 5,661.0**	$ 5,317.2	6.5 %	**$ 18,264.6**	$ 16,864.4	8.3 %
Revenue	**$ 5,137.6**	$ 4,874.5	5.4 %	**$ 16,292.1**	$ 14,871.0	9.6 %
Gross margin dollars	**$ 1,946.7**	$ 1,849.9	5.2 %	**$ 5,835.2**	$ 5,076.6	14.9 %
Gross margin rate[1]	**37.9 %**	37.9 %	(6) bps	**35.8 %**	34.1 %	168 bps
Other expense (income)	**$ 5.2**	$ 18.9	NM[2]	**$ (23.5)**	$ 48.7	NM[2]
Selling, general and administrative expenses	**1,167.4**	1,053.6	10.8 %	**3,934.3**	3,599.3	9.3 %
Net finance costs	**54.1**	58.8	(8.1) %	**222.5**	256.5	(13.3) %
Income before income taxes	**$ 720.0**	$ 718.6	0.2 %	**$ 1,701.9**	$ 1,172.1	45.2 %
Income tax expense	**184.3**	196.8	(6.4) %	**441.2**	309.5	42.6 %
Effective tax rate[1]	**25.6 %**	27.4 %		**25.9 %**	26.4 %	
Net income	**$ 535.7**	$ 521.8	2.7 %	**$ 1,260.7**	$ 862.6	46.1 %
Net income attributable to:						
Shareholders of Canadian Tire Corporation	**$ 508.5**	$ 488.8	4.0 %	**$ 1,127.6**	$ 751.8	50.0 %
Non-controlling interests	**27.2**	33.0	(17.4) %	**133.1**	110.8	20.1 %
	$ 535.7	$ 521.8	2.7 %	**$ 1,260.7**	$ 862.6	46.1 %
Basic EPS	**$ 8.40**	$ 8.04	4.5 %	**$ 18.56**	$ 12.35	50.3 %
Diluted EPS	**$ 8.34**	$ 7.97	4.6 %	**$ 18.38**	$ 12.31	49.3 %
Weighted average number of Common and Class A Non-Voting Shares outstanding:						
Basic	**60,553,762**	60,807,577	NM[2]	**60,744,440**	60,896,809	NM[2]
Diluted	**61,008,556**	61,358,623	NM[2]	**61,345,072**	61,090,111	NM[2]

[1] *For further information about this measure see section 9.3 of this MD&A.*
[2] *Not meaningful.*

Non-Controlling Interests

The following table outlines the net income attributable to the Company's non-controlling interests. For additional details, refer to Note 15 to the Company's 2021 Consolidated Financial Statements.

(C$ in millions)	Q4 2021	Q4 2020	2021	2020
Financial Services Non-controlling interest 20.0% (2020 – 20.0%)	**$ 9.0**	$ 16.7	**$ 62.7**	$ 47.2
CT REIT Non-controlling interest 31.0% (2020 – 30.8%)	**16.7**	15.7	**66.6**	62.4
Retail segment subsidiary Non-controlling interest 50.0% (2020 – 50.0%)	**1.5**	0.6	**3.8**	1.2
Net income attributable to non-controlling interests	**$ 27.2**	$ 33.0	**$ 133.1**	$ 110.8

Operational Efficiency program

Since launching the Company's Operational Efficiency program in the fall of 2019, the Company has eliminated redundancies, simplified processes, captured enterprise-wide efficiencies, and changed the way it operates to enable the Company's strategy through the implementation of over 150 separate initiatives. As a result of our sustained focus, we were able to achieve our previously announced annualized run rate savings target of $200+ million at the end of Q3 2021, one quarter ahead of schedule. The program has contributed to an overall improvement in the 2021 Retail segment selling, general and administrative expenses ("SG&A") as a percent of revenue (excluding Petroleum) by over 100 bps compared to 2019.

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

The Company continues to execute on more than 100 initiatives to improve efficiency and enable capabilities to deliver value to our customers and key stakeholders through its Operational Efficiency program. The Company announced in Q3 2021 that it increased its Operational Efficiency target by $100 million to $300+ million, which we expect to achieve in annualized run rate by the end of 2022.

Normalizing Items

The results of operations in 2021 and 2020 include costs relating to the Company's Operational Efficiency program which were considered as normalizing items. During the year, non-recurring costs relating to severance, consulting, IT projects, and the continued wind down of non-core businesses amounted to $40.9 million. These costs are included in cost of producing revenue, SG&A and other income (expense) in the consolidated statements of income.

(C$ in millions)	**Q4 2021**	Q4 2020	**2021**	2020
Operational Efficiency program	**$ 6.5**	$ 35.3	**$ 40.9**	$ 56.7

Selected Normalized Metrics – Consolidated

(C$ in millions, except where noted)	Q4 2021	Normalizing Items[1]	Normalized Q4 2021[2]	Q4 2020	Normalizing Items[1]	Normalized Q4 2020[2]	Change[3]
Revenue	**$ 5,137.6**	**$ —**	**$ 5,137.6**	$ 4,874.5	$ —	$ 4,874.5	5.4 %
Cost of producing revenue	**3,190.9**	**0.4**	**3,191.3**	3,024.6	(9.5)	3,015.1	5.8 %
Gross margin	**$ 1,946.7**	**$ (0.4)**	**$ 1,946.3**	$ 1,849.9	$ 9.5	$ 1,859.4	4.7 %
Gross margin rate[4]	**37.9 %**	**—**	**37.9 %**	37.9 %	20 bps	38.1 %	(26) bps
Other expense	**$ 5.2**	**$ (0.1)**	**$ 5.1**	$ 18.9	$ (17.2)	$ 1.7	NM[5]
Selling, general and administrative expenses	**1,167.4**	**(6.8)**	**1,160.6**	1,053.6	(8.6)	1,045.0	11.1 %
Net finance costs	**54.1**	**—**	**54.1**	58.8	—	58.8	(8.1) %
Income before income taxes	**$ 720.0**	**$ 6.5**	**$ 726.5**	$ 718.6	$ 35.3	$ 753.9	(3.6) %
Income tax expense	**184.3**	**1.7**	**186.0**	196.8	8.7	205.5	(9.5) %
Net income	**$ 535.7**	**$ 4.8**	**$ 540.5**	$ 521.8	$ 26.6	$ 548.4	(1.4) %
Net income attributable to shareholders of CTC	**508.5**	**4.8**	**513.3**	488.8	26.6	515.4	(0.4) %
Diluted EPS	**$ 8.34**	**$ 0.08**	**$ 8.42**	$ 7.97	$ 0.43	$ 8.40	0.2 %

1 Refer to Normalizing Items table in this section for more details.
2 These normalized measures (excluding revenue and net finance costs) are non-GAAP financial measures. For further information and a detailed reconciliation see section 9.2 of this MD&A.
3 Change is between normalized results, if any.
4 For further information about this measure see section 9.3 of this MD&A.
5 Not meaningful.

(C$ in millions, except where noted)	2021	Normalizing Items[1]	Normalized 2021[2]	2020	Normalizing Items[1]	Normalized 2020[2]	Change[3]
Revenue	**$16,292.1**	**$ —**	**$ 16,292.1**	$14,871.0	$ —	$ 14,871.0	9.6 %
Cost of producing revenue	**10,456.9**	**(1.4)**	**10,455.5**	9,794.4	(9.5)	9,784.9	6.9 %
Gross margin	**$ 5,835.2**	**$ 1.4**	**$ 5,836.6**	$ 5,076.6	$ 9.5	$ 5,086.1	14.8 %
Gross margin rate[4]	**35.8 %**	**1 bps**	**35.8 %**	34.1 %	6 bps	34.2 %	162 bps
Other (income) expense	**$ (23.5)**	**$ (1.0)**	**$ (24.5)**	$ 48.7	$ (17.2)	$ 31.5	NM[5]
Selling, general and administrative expenses	**3,934.3**	**(38.5)**	**3,895.8**	3,599.3	(30.0)	3,569.3	9.1 %
Net finance costs	**222.5**	**—**	**222.5**	256.5	—	256.5	(13.3) %
Income before income taxes	**$ 1,701.9**	**$ 40.9**	**$ 1,742.8**	$ 1,172.1	$ 56.7	$ 1,228.8	41.8 %
Income tax expense	**441.2**	**10.8**	**452.0**	309.5	14.4	323.9	39.5 %
Net income	**$ 1,260.7**	**$ 30.1**	**$ 1,290.8**	$ 862.6	$ 42.3	$ 904.9	42.6 %
Net income attributable to shareholders of CTC	**1,127.6**	**30.1**	**1,157.7**	751.8	42.3	794.1	45.8 %
Diluted EPS	**$ 18.38**	**$ 0.53**	**$ 18.91**	$ 12.31	$ 0.69	$ 13.00	45.5 %

1 Refer to Normalizing Items table in this section for more details.
2 These normalized measures (excluding revenue and net finance costs) are non-GAAP financial measures. For further information and a detailed reconciliation see section 9.2 of this MD&A.
3 Change is between normalized results, if any.
4 For further information about this measure see section 9.3 of this MD&A.
5 Not meaningful.

Consolidated Results Commentary

2021 versus 2020

Diluted EPS for the fourth quarter of 2021 was $8.34 per share, $0.37 higher compared to the prior year. Normalized diluted EPS[1] was $8.42, up slightly compared to the prior year. Earnings from strong sales and gross margin rate improvement within the Retail segment of $60.2 million more than offset one fewer week of operations compared to 2020 and a decline in Financial Services income. The Financial Services segment income decreased $52.6 million driven by a $29.8 million increase in the expected credit loss ("ECL") allowance for loans receivable compared to a $27.3 million allowance reduction in the prior year and increased investment in new accounts.

The Company experienced less in-store shopping capacity restrictions this quarter compared to the prior year when there were temporary store closures and restrictions in certain provinces in December 2020.

For the full year, Diluted EPS was $18.38, an increase of $6.07, or 49.3 percent from the prior year. The increase in earnings was driven by higher earnings in both the Retail and Financial Services businesses.

As disclosed in the Q4 2020 MD&A, the Company's consolidated financial results for the full year 2020, were negatively impacted by net expenses of $137.6 million, or $1.60 EPS, due to the impact of COVID-19 related market disruptions. A description of the primary drivers of the impact are outlined below:

In the Retail segment:

- $59.5 million of additional operating expenses directly attributable to the Company's COVID-19 efforts, including a special support payment for active front-line employees and enhanced safety protocols for employees and customers was included in SG&A expenses; and
- $27.9 million of impairment costs in Q2 2020 related to the impact that the macro-economic environment was expected to have on the timing and execution of certain growth strategies related to the Company's Musto sailing brand and on future cash flows for select SportChek stores was included in other (income) expense.

In the Financial Services segment:

- $44.9 million related to an increase in the ECL allowance resulting from forward looking economic assumption changes at the onset of the pandemic in Q1 2020.

In 2021, the impact of these disruptions have been absorbed into the day-to-day operations of the Company.

2021 versus 2019

2021 marked a second consecutive year of significant growth in sales (including exceptional growth in eCommerce) and margin rates across all Retail banners, which drove a significant increase in earnings relative to 2019.

Fourth quarter Diluted EPS increased from $5.42 in 2019 to $8.34 in 2021, growing 53.9 percent. Full-year Diluted EPS increased from $12.58 in 2019 to $18.38 in 2021, growing 46.1 percent.

[1] *This measure is a non-GAAP financial measure or a non-GAAP ratio. For further information and a detailed reconciliation see section 9.2 of this MD&A.*

Consolidated Results Commentary *(continued)*

	Q4 2021	Full Year
Consolidated Results Summary	▲ **Diluted EPS: $0.37 per share**	▲ **Diluted EPS: $6.07 per share**
	• Consolidated revenue for the quarter was $5,137.6 million, an increase of $263.1 million, or 5.4 percent. Consolidated revenue excluding Petroleum[1] was $4,647.9 million, an increase of 2.8 percent compared to the prior year, mainly attributable to revenue growth in the Retail segment due to strong sales performance across all banners. Revenue also increased within the Financial Services segment due to higher credit charges from strong receivables growth and higher fee income from strong receivables growth and credit card sales[1], respectively, compared to the prior year.	• Consolidated revenue was $16,292.1 million, an increase of $1,421.1 million, or 9.6 percent. Consolidated revenue excluding Petroleum was $14,554.9 million, an increase of 7.7 percent primarily driven by revenue growth in the Retail segment, partially offset by a decline in revenue in the Financial Services segment. The Retail segment revenue increase was driven by strong growth across all banners led by Canadian Tire. The revenue decline in the Financial Services segment was mainly attributable to lower credit charges resulting from lower receivable volumes compared to the prior year.
	• Consolidated gross margin dollars were $1,946.7 million, an increase of $96.8 million, or 5.2 percent, compared to the prior year. The increase in gross margin dollars was primarily attributable to the Retail segment driven by strong revenue and gross margin rate growth across all banners, partially offset by lower margin in the Financial Services segment due to an increase in the ECL allowance for loans receivable of $29.8 million, versus a reduction of $27.3 million in 2020.	• Consolidated gross margin dollars were $5,835.2 million an increase of $758.6 million, or 14.9 percent, which was primarily attributable to the increase in the Retail segment driven by strong growth across all banners led by Canadian Tire. The Financial Services segment also contributed to the increase in gross margin dollars, largely due to a decrease in the ECL allowance of $22.5 million compared to an increase of $67.2 million in prior year and lower net write-offs.
	• Other expense was $5.2 million, a decrease of $13.7 million from the prior year primarily due to lower impairment charges and non-operational foreign exchange gains compared to a loss in the prior year, partially offset by higher real estate related gains in the prior year. After normalizing adjustments, other expense was higher by $3.4 million.	• Other income was $23.5 million, an increase of $72.2 million, from an expense of $48.7 million in the prior year. Normalized Other income was $24.5 million, an increase of $56.0 million, from an expense of $31.5 million in the prior year. Compared to the prior year, the increase was mainly attributable to the Retail segment, relating to an impairment charge of $27.9 million in the prior year as well as non-operational foreign exchange gains compared to losses in the prior year.
	• Consolidated SG&A expenses were $1,167.4 million, an increase of $113.8 million or 10.8 percent compared to the prior year. The increase in SG&A was mainly in the Retail segment due to higher personnel costs relating to variable compensation expense, and higher volume-related and sales support costs including marketing spend, supply chain volume-related costs and IT costs, partially offset by savings from the Operational Efficiency program. SG&A expenses also increased within the Financial Services segment, mainly due to higher credit card acquisition costs and related marketing spend.	• Consolidated SG&A expenses were $3,934.3 million, an increase of $335.0 million or 9.3 percent. Normalized consolidated SG&A expenses were $3,895.8 million, an increase of $326.5 million or 9.1 percent. This increase was mainly attributable to higher SG&A expenses in the Retail segment due to higher personnel costs relating to variable compensation expenses, and higher volume-related and sales support costs including marketing spend, supply chain volume-related costs, and IT costs, partially offset by COVID-19 related costs in the prior year that were not included in the current year and additional savings from the Operational Efficiency program. SG&A expenses also increased within the Financial Services segment, mainly due to higher credit card acquisition costs and related marketing spend.
	• Net finance costs during the quarter were $54.1 million, which were lower by 8.1 percent, primarily due to lower lease related costs, lower medium-term and short-term borrowings and lower rates compared to the prior year.	• Net finance costs were $222.5 million, which were lower by 13.3 percent, primarily due to lower lease related costs, and lower long-term and short-term borrowings compared to the prior year.

[1] *For further information about this measure see section 9.3 of this MD&A.*

Consolidated Results Commentary *(continued)*

Q4 2021	Full Year
• Income taxes for the quarter were $184.3 million, compared to $196.8 million in the prior year due to a decrease in the effective tax rate for the quarter, primarily due to lower non-deductible stock option expense in the quarter.	• Income taxes for the period were $441.2 million compared to $309.5 million, an increase of $131.7 million compared to the prior year due to higher income. There was a decrease in the effective tax rate during this year, primarily due to lower non-deductible stock option expense in the year.
• Diluted EPS in the quarter was $8.34, an increase of $0.37 or 4.6 percent. The increase in earnings was primarily attributable to strong sales and growth in gross margin rate within the Retail segment, despite one fewer week of operations compared to the prior year, partially offset by an increase in the ECL allowance in the Financial Services segment compared to a decrease in the prior year.	• Diluted EPS was $18.38, an increase of $6.07 or 49.3 percent. The increase in earnings was due to strong growth in the Retail segment, higher earnings growth in the Financial Services segment, higher other income as well as savings from the Operational Efficiency program.

4.1.2 Consolidated Key Performance Measures, Excluding Petroleum

(C$ in millions) increase/(decrease)		**Q4 2021**		Q4 2020		Change
Selling, general and administrative expenses	**$**	**1,167.4**	$	1,053.6	$	113.8
Normalized[1] SG&A expenses adjusted for rent expense[2] (excluding depreciation and amortization[3]) as a percentage of revenue excluding Petroleum[4, 5]		**23.3 %**		21.4 %		192 bps
Income before income taxes	**$**	**720.0**	$	718.6	$	1.4
Normalized[1] EBITDA[6] adjusted for rent expense[2] as a percentage of revenue excluding Petroleum [4, 5]		**17.4 %**		18.7 %		(126) bps

[1] Refer to section 4.1.1 in this MD&A for a description of normalizing items.
[2] Adjustments to SG&A include an addition of depreciation on right-of-use assets and net finance costs relating to lease liability as an estimate for rent expense.
[3] Depreciation and amortization excluded amounted to $98.1 million (2020 - $100.3 million).
[4] Revenue excludes Petroleum revenue, EBITDA excludes Petroleum gross margin.
[5] This is a non-GAAP ratio. For further information and a detailed reconciliation see section 9.2 of this MD&A.
[6] Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA").

(C$ in millions) increase/(decrease)		**2021**		2020		Change
Selling, general and administrative expenses	**$**	**3,934.3**	$	3,599.3	$	335.0
Normalized[1] SG&A expenses adjusted for rent expense[2] (excluding depreciation and amortization[3]) as a percentage of revenue excluding Petroleum[4, 5]		**24.7 %**		24.1 %		52 bps
Income before income taxes	**$**	**1,701.9**	$	1,172.1	$	529.8
Normalized[1] EBITDA adjusted for rent expense[2] as a percentage of revenue excluding Petroleum[4, 5]		**14.4 %**		12.1 %		232 bps

[1] Refer to section 4.1.1 in this MD&A for a description of normalizing items.
[2] Adjustments to SG&A include an addition of depreciation on right-of-use assets and net finance costs relating to lease liability as an estimate for rent expense.
[3] Depreciation and amortization excluded amounted to $391.1 million (2020 - $399.8 million).
[4] Revenue excludes Petroleum revenue, EBITDA excludes Petroleum gross margin.
[5] This is a non-GAAP ratio. For further information and a detailed reconciliation see section 9.2 of this MD&A.

Key Performance Measures Commentary

	Q4 2021	Full Year
Normalized SG&A expenses adjusted for rent expense (excluding depreciation and amortization) as a percentage of revenue excluding Petroleum	▲ **192 bps** ▲ **$113.8 or 10.8% reported SG&A** • Normalized SG&A expenses adjusted for rent (excluding depreciation and amortization) as a percentage of revenue excluding Petroleum, was 23.3 percent, an increase of 192 bps compared to prior year. The increase in rate was primarily impacted by higher SG&A expenses partially offset by an increase in revenue. The increase in the related SG&A expenses is discussed under the Consolidated Results commentary in the charts above. Contributions from both Retail and Financial Services segments to Consolidated Normalized SG&A expenses adjusted for rent (excluding depreciation and amortization) as a percentage of revenue excluding Petroleum, were up compared to the prior year mainly driven by higher SG&A expenses.	▲ **52 bps** ▲ **$335.0 or 9.3% reported SG&A** • Normalized SG&A expenses adjusted for rent (excluding depreciation and amortization) as a percentage of revenue excluding Petroleum, increased 52 bps compared to the prior year. The increase in rate was mainly attributable to higher SG&A expenses partially offset by an increase in revenue. The increase in the related SG&A expenses is discussed under the Consolidated Results commentary in the charts above. Retail Normalized SG&A expenses adjusted for rent (excluding depreciation and amortization) as a percentage of revenue excluding Petroleum, was relatively flat compared to the prior year. Financial Services' contribution to the Consolidated Normalized SG&A expenses adjusted for rent (excluding depreciation and amortization), as a percentage of revenue, was up compared to the prior year due to an increase in marketing costs related to higher credit card acquisitions.
Income before income taxes	▲ **$1.4 million** The increase in earnings was primarily attributable to strong sales and growth in gross margin rate within the Retail segment, partially offset by higher SG&A expenses as well as an increase in the ECL allowance in the Financial Services segment compared to a decrease in the prior year.	▲ **$529.8 million** The increase in earnings was due to strong growth in the Retail segment, higher earnings growth in the Financial Services segment, as well as higher other income partially offset by higher SG&A expenses.
Normalized EBITDA adjusted for rent expense, as a percentage of revenue excluding Petroleum	▼ **126 bps** • Normalized EBITDA adjusted for rent expense as a percentage of revenue, excluding Petroleum, was 17.4 percent, a decrease of 126 bps compared to the prior year. The decrease in rate was mainly due to the decline in Financial Services earnings driven by the increase in the ECL allowance.	▲ **232 bps** • Normalized EBITDA adjusted for rent expense as a percentage of revenue, excluding Petroleum, increased 232 bps compared to the prior year. The increase in rate was mainly due to an increase in gross margin driven by strong growth in the Retail segment across all banners, in particular Canadian Tire, and due to an overall decrease in the ECL allowance at Financial Services as well as higher other income. This was partially offset by an increase in SG&A for the reasons described above.

4.1.3 Seasonal Trend Analysis

The following table shows the consolidated financial performance of the Company by quarter for the last two years.

(C$ in millions, except per share amounts)	**Q4 2021**	Q3 2021	Q2 2021	Q1 2021	**Q4 2020**	Q3 2020	Q2 2020	Q1 2020	**Q4 2019**
Revenue	**$5,137.6**	$3,913.1	$3,918.5	$3,322.9	**$4,874.5**	$3,986.4	$3,161.8	$2,848.3	**$4,316.7**
Net income	**535.7**	279.5	259.1	186.4	**521.8**	326.3	2.3	12.2	**365.9**
Diluted EPS	**8.34**	3.97	3.64	2.47	**7.97**	4.84	(0.33)	(0.22)	**5.42**

4.2 Retail Segment Performance

4.2.1 Retail Segment Financial Results

(C$ in millions, except where noted)	**Q4 2021**	Q4 2020	Change	**2021**	2020	Change
Retail sales[1]	**$ 5,661.0**	$ 5,317.2	6.5 %	**$ 18,264.6**	$ 16,864.4	8.3 %
Revenue	**$ 4,830.0**	$ 4,582.2	5.4 %	**$ 15,083.1**	$ 13,620.0	10.7 %
Gross margin dollars	**$ 1,764.7**	$ 1,630.3	8.2 %	**$ 4,984.8**	$ 4,358.7	14.4 %
Gross margin rate[1]	**36.5 %**	35.6 %	96 bps	**33.0 %**	32.0 %	105 bps
Other (income)	**$ (32.9)**	$ (10.1)	223.3 %	**$ (165.4)**	$ (70.8)	133.5 %
Selling, general and administrative expenses	**1,115.9**	1,011.9	10.3 %	**3,787.1**	3,471.0	9.1 %
Net finance costs	**43.6**	50.6	(13.9) %	**187.4**	220.2	(14.9) %
Income before income taxes	**$ 638.1**	$ 577.9	10.4 %	**$ 1,175.7**	$ 738.3	59.2 %

[1] For further information about this measure see section 9.3 of this MD&A.

Selected Normalized Metrics – Retail

(C$ in millions, except where noted)	**Q4 2021**	**Normalizing Items[1]**	**Normalized Q4 2021[2]**	Q4 2020	Normalizing Items[1]	Normalized Q4 2020[2]	Change[3]
Revenue	**$ 4,830.0**	**$ —**	**$ 4,830.0**	$ 4,582.2	$ —	$ 4,582.2	5.4 %
Cost of producing revenue	**3,065.3**	**0.4**	**3,065.7**	2,951.9	(9.5)	2,942.4	4.2 %
Gross margin	**$ 1,764.7**	**$ (0.4)**	**$ 1,764.3**	$ 1,630.3	$ 9.5	$ 1,639.8	7.6 %
Gross margin rate[4]	**36.5 %**	**—**	**36.5 %**	35.6 %	20 bps	35.8 %	76 bps
Other (income)	**$ (32.9)**	**$ (0.1)**	**$ (33.0)**	$ (10.1)	$ (17.2)	$ (27.3)	20.9 %
Selling, general and administrative expenses	**1,115.9**	**(6.8)**	**1,109.1**	1,011.9	(8.6)	1,003.3	10.5 %
Net finance costs	**43.6**	**—**	**43.6**	50.6	—	50.6	(13.9) %
Income before income taxes	**$ 638.1**	**$ 6.5**	**$ 644.6**	$ 577.9	$ 35.3	$ 613.2	5.1 %

[1] Refer to section 4.1.1 in this MD&A for a description of normalizing items.
[2] These normalized measures (excluding revenue and net finance costs) are non-GAAP financial measures. For further information and a detailed reconciliation see section 9.2 of this MD&A.
[3] Change is between normalized results, if any.
[4] For further information about this measure see section 9.3 of this MD&A.

(C$ in millions, except where noted)	**2021**	**Normalizing Items[1]**	**Normalized 2021[2]**	2020	Normalizing Items[1]	Normalized 2020[2]	Change[3]
Revenue	**$ 15,083.1**	**$ —**	**$ 15,083.1**	$ 13,620.0	$ —	$ 13,620.0	10.7 %
Cost of producing revenue	**10,098.3**	**(1.4)**	**10,096.9**	9,261.3	(9.5)	9,251.8	9.1 %
Gross margin	**$ 4,984.8**	**$ 1.4**	**$ 4,986.2**	$ 4,358.7	$ 9.5	$ 4,368.2	14.1 %
Gross margin rate[4]	**33.0 %**	**1 bps**	**33.1 %**	32.0 %	7 bps	32.1 %	99 bps
Other (income)	**$ (165.4)**	**$ (1.0)**	**$ (166.4)**	$ (70.8)	$ (17.2)	$ (88.0)	89.1 %
Selling, general and administrative expenses	**3,787.1**	**(38.5)**	**3,748.6**	3,471.0	(30.0)	3,441.0	8.9 %
Net finance costs	**187.4**	**—**	**187.4**	220.2	—	220.2	(14.9) %
Income before income taxes	**$ 1,175.7**	**$ 40.9**	**$ 1,216.6**	$ 738.3	$ 56.7	$ 795.0	53.0 %

[1] Refer to section 4.1.1 in this MD&A for a description of normalizing items.
[2] These normalized measures (excluding revenue and net finance costs) are non-GAAP financial measures. For further information and a detailed reconciliation see section 9.2 of this MD&A.
[3] Change is between normalized results, if any.
[4] For further information about this measure see section 9.3 of this MD&A.

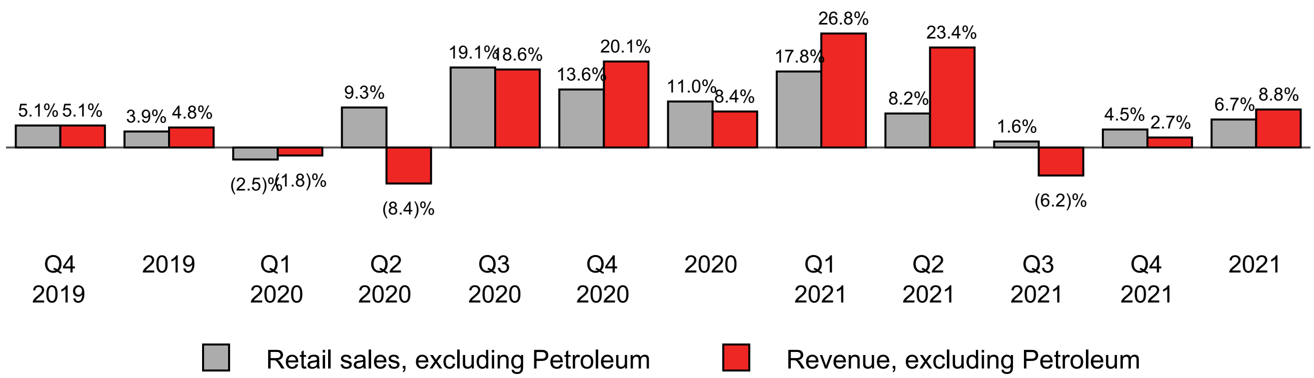
4.2.2 Retail Segment Key Performance Measures

	(Year-over-year percentage change, C$ in millions, except as noted)	**Q4 2021**	Q4 2020	Change	**2021**	2020	Change
	Revenue[1]	**$ 4,830.0**	$ 4,582.2	5.4 %	**$ 15,083.1**	$ 13,620.0	10.7 %
	Revenue, excluding Petroleum	**4,340.3**	4,227.3	2.7 %	**13,345.9**	12,261.3	8.8 %
	Store count	**1,711**	1,741				
	Retail square footage (in millions)	**34.2**	34.5				
	Retail sales growth[2]	**6.5 %**	9.9 %		**8.3 %**	6.2 %	
	Retail sales growth, excluding Petroleum[2]	**4.5 %**	13.6 %		**6.7 %**	11.0 %	
	Consolidated Comparable sales growth[2, 3]	**11.3 %**	9.5 %		**8.2 %**	9.5 %	
	Retail ROIC[4, 5]	**13.6 %**	10.8 %		**n/a**	n/a	
CANADIAN TIRE	Revenue[1, 6]	**$ 2,867.4**	$ 2,864.0	0.1 %	**$ 9,197.1**	$ 8,639.5	6.5 %
	Store count[7]	**664**	667				
	Retail square footage (in millions)	**23.4**	23.4				
	Sales per square foot[2, 8]	**$ 526**	$ 501	5.0 %	**n/a**	n/a	
	Retail sales growth[2, 9]	**3.4 %**	17.1 %		**4.3 %**	17.6 %	
	Comparable sales growth[2, 3]	**9.8 %**	12.8 %		**5.4 %**	15.9 %	
SPORTCHEK	Revenue[1]	**$ 625.8**	$ 604.8	3.5 %	**$ 2,036.5**	$ 1,814.8	12.2 %
	Store count	**375**	397				
	Retail square footage (in millions)	**7.2**	7.5				
	Sales per square foot[2, 10]	**$ 326**	$ 277	17.7 %	**n/a**	n/a	
	Retail sales growth[2, 11]	**5.8 %**	0.5 %		**13.8 %**	(8.5) %	
	Comparable sales growth[2, 3]	**15.9 %**	(3.0) %		**17.7 %**	(9.3) %	
Mark's	Revenue[1, 12]	**$ 579.7**	$ 533.4	8.7 %	**$ 1,422.0**	$ 1,213.2	17.2 %
	Store count	**380**	381				
	Retail square footage (in millions)	**3.6**	3.6				
	Sales per square foot[2, 10]	**$ 390**	$ 334	16.8 %	**n/a**	n/a	
	Retail sales growth[2, 13]	**9.6 %**	11.9 %		**17.8 %**	(5.5) %	
	Comparable sales growth[2, 3]	**15.0 %**	7.6 %		**19.2 %**	(6.8) %	
HH HELLY HANSEN	Revenue[1]	**$ 250.4**	$ 196.1	27.6 %	**$ 644.9**	$ 541.9	19.0 %
GAS+	Revenue[1]	**$ 489.7**	$ 354.9	38.0 %	**$ 1,737.2**	$ 1,358.7	27.9 %
	Gas bar locations	**292**	296				
	Gross margin dollars	**$ 52.2**	$ 48.7	7.0 %	**$ 191.2**	$ 170.1	12.4 %
	Retail sales growth[2]	**28.4 %**	(18.8) %		**22.4 %**	(23.4) %	
	Gasoline volume growth in litres	**(1.4) %**	(14.8) %		**(1.6) %**	(19.1) %	
	Comparable store gasoline volume growth in litres[3]	**6.8 %**	(18.9) %		**0.4 %**	(20.1) %	

[1] Revenue reported for Canadian Tire, SportChek, Mark's and Petroleum include inter-segment revenue. Helly Hansen revenue represents external revenue only. Therefore, in aggregate, revenue for Canadian Tire, SportChek, Mark's, Petroleum, and Helly Hansen will not equal total revenue for the Retail segment.
[2] For further information about this measure see section 9.3 of this MD&A.
[3] Comparable sales growth excludes Petroleum. The Canadian Tire banner includes PartSource, PHL and Party City. Comparable sales growth and comparable store gasoline volume growth has been calculated by aligning the 2020 fiscal calendar to match the 2021 fiscal calendar (i.e., sales from the first week in 2021 are compared with the sales from the second week of 2020) and includes the sales from stores which were temporarily closed during 2021. Comparable sales in the prior year, for SportChek and Mark's, were calculated on sales up to March 18, 2020, beyond which their retail stores were closed.
[4] Retail Return on Invested Capital ("ROIC") is calculated on a rolling 12-month basis based on normalized earnings. The prior period figures for ROIC have been restated to align with current-year calculation.
[5] This is a non-GAAP financial measure. For further information and a detailed reconciliation see section 9.2 of this MD&A.
[6] Revenue includes revenue from Canadian Tire, PartSource, PHL, Party City and Franchise Trust.
[7] Store count includes stores from Canadian Tire, and other banner stores of 160 (2020: 163 stores). Other banners include PartSource, PHL and Party City.
[8] Sales per square foot figures are calculated on a rolling 12-month basis, for the current year, this calculation includes the period in which the stores were temporarily closed in the Retail segment. Retail space excludes seasonal outdoor garden centres, auto service bays, or warehouse and administrative space.
[9] Retail sales growth includes sales from Canadian Tire, PartSource, PHL, Party City and the labour portion of Canadian Tire's auto service sales.
[10] Sales per square foot figures are calculated on a rolling 12-month basis, include both corporate and franchise stores and warehouse and administrative space. For the current year, this calculation includes the period in which the stores were temporarily closed in the Retail segment.
[11] Retail sales growth includes sales from both corporate and franchise stores.
[12] Revenue includes the sale of goods to Mark's franchise stores, Retail sales from Mark's corporate stores, Mark's wholesale revenue from its commercial division, and includes ancillary revenue relating to embroidery and alteration services.
[13] Retail sales growth includes Retail sales from Mark's corporate and franchise stores, but excludes revenue relating to alteration and embroidery services.

The following chart shows the Retail segment, excluding Petroleum, Retail sales and revenue performance by quarter for the last two years.

Year-over-year Retail Sales and Revenue Growth



Retail Segment Commentary

2021 versus 2020

Building on the exceptional growth in the prior year, for the quarter, Retail sales and revenue both increased 6.5 percent and 5.4 percent, respectively (despite one fewer week of Retail operations), driven by growth across all banners. Investing in the right inventory and effective prioritization of shipments earlier in the year meant that the Company was able to meet customer demand, enabling strong sales across all banners. The fourth quarter of 2021 experienced less restrictions limiting in-store shopping capacity compared to the prior year and, as a result, the Company's store network experienced increased in-store sales, particularly under the SportChek and Mark's banners. In-store shopping restrictions also had an impact on eCommerce sales[1] penetration, which was lower in the quarter compared to the prior year. However, the eCommerce penetration rate[1] remained nearly double that of 2019, at 9.5 percent, with close to $0.5 billion in sales in the quarter.

For the quarter, Retail income before income taxes was $638.1 million compared to $577.9 million in the prior year. The increase in earnings was primarily driven by strong sales and margin rate growth at Canadian Tire, SportChek and Mark's, which was partially offset by an increase in SG&A expenses.

Retail sales and revenue both increased for the full year, despite one fewer week of Retail operations, driven by growth across all banners. Consolidated owned brands penetration[1] across retail banners increased 63 bps to 37.5 percent in 2021 compared to 36.9 percent in the prior year, contributing to the strong sales results.

Retail income before taxes for the full year was $1,175.7 million compared to $738.3 million in the prior year. The increase in earnings was driven by strong sales and margin growth across all Retail banners. The Retail SG&A rate was relatively flat compared to the prior year as the savings from the Operational Efficiency program were offset by higher supply chain and variable compensation costs.

2021 versus 2019

The Retail segment performance marked a second consecutive year of significant growth compared to 2019 (the last comparable pre-pandemic quarter). For the quarter, Retail income before income taxes was up 81.5 percent compared to 2019, while, for the year, Retail income before income taxes was also up 81.5 percent, driven by the growth in sales and improvement in both margin and SG&A rates. Margin rate improved due to favourable product mix, an increase in owned brands penetration and active management of promotional mix, benefiting the Company's cost and margin-sharing arrangement with its Dealers, partially offset by higher freight costs. The full-year Retail SG&A rate[1] improved by over 100 bps over 2019, driven by savings from the Operational Efficiency program and the leverage achieved from higher revenue.

[1] *For further information about this measure see section 9.3 of this MD&A.*

Retail Segment Commentary *(continued)*

	Q4 2021	Full Year
Retail Sales	▲ **$343.8 million or 6.5%** ▲ **11.3% in Comparable sales growth** • Retail sales of $5,661.0 million grew by 6.5 percent, and excluding Petroleum, Retail sales grew 4.5 percent, or $217.8 million compared to prior year, despite one fewer week of operations compared to the fourth quarter of 2020. Retail sales growth was driven by strong performance and customer demand across the banners. **Vs. 2019** Retail sales, excluding Petroleum, grew 18.6 percent. • **Canadian Tire** Retail sales were up 3.4 percent, despite one fewer week of operations and against an exceptional growth in the prior year of 17.1 percent. The increase in retail sales was in the majority of categories, with half achieving double digit growth. Top performing businesses were Seasonal demonstrating our prominence as Canada's Christmas Store, Tires as a result of pent-up demand and a strong in-stock position and Hockey due to the return to organized sports. Owned Brands achieved strong growth, increasing penetration lead by CANVAS, NOMA and Motomaster. **Vs. 2019** Retail sales were up 21.1 percent. • SPORTCHEK Retail sales growth was 5.8 percent despite one fewer week of operations and the closure of National Sports. SportChek continued to benefit from the resumption of organized team sports. Top performing categories were Hockey, Athletic Footwear and Clothing. **Vs. 2019** Retail sales were up 6.2 percent despite the closure of National Sports. • Mark's Retail sales grew 9.6 percent, despite one fewer week of operation and against the previous strongest quarter on record due to the resurgence of in-store shopping and effective inventory management. Both the Casualwear business and the Industrial business contributed to the growth in sales. **Vs. 2019** Retail sales were higher by 22.6 percent. • GAS+ Petroleum Retail sales increased 28.4 percent due to higher per litre gas prices and gas volumes, partially offset by lower non-gas sales and one fewer week in the quarter. **Vs. 2019** Petroleum retail sales were up 4.3 percent.	▲ **$1,400.2 million or 8.3%** ▲ **8.2% in Comparable sales growth** • Retail sales of $18,264.6 million grew by 8.3 percent, and excluding Petroleum, Retail sales grew 6.7 percent or $1,021.4 million. Strong growth across all banners led by Canadian Tire, including growth in the eCommerce penetration rate, contributed to growth in Retail sales. eCommerce sales were $2.1 billion for the year. **Vs. 2019** Retail sales, excluding Petroleum, grew 18.5 percent. • **Canadian Tire** Retail sales had strong growth of 4.3 percent despite one fewer week of operations and against exceptional growth in the prior year of 17.6 percent. The increase in retail sales was in the majority of categories with Seasonal businesses leading the growth. Owned Brands demonstrated its value as a strategic asset to Canadian Tire over indexing on growth. **Vs. 2019** Retail sales were up 22.7 percent. • SPORTCHEK Retail sales increased 13.8 percent, driven by stronger customer demand and less stringent in-store shopping restrictions compared to the prior year. **Vs. 2019** Retail sales were up 4.1 percent despite the closure of National Sports and aided by growth in eCommerce. • Mark's Retail sales increased 17.8 percent, driven by stronger customer demand and less stringent in-store shopping restrictions compared to the prior year. **Vs. 2019** Retail sales were higher by 11.4 percent. • GAS+ Petroleum Retail sales increased by 22.4 percent due to higher per litre gas prices and non-gas sales, partially offset by a slight decline in gas volumes and one fewer week in the year. **Vs. 2019** Petroleum retail sales decreased 6.3 percent.

Retail Segment Commentary *(continued)*

	Q4 2021	Full Year
Revenue	▲ **$247.8 million or 5.4%** ▲ **2.7% excluding Petroleum** • Retail revenue was $4,830.0 million, an increase of 5.4 percent, against exceptional growth of 14.9 percent in the prior year and despite one less week of operations this quarter. The increase in revenue was due to strong growth at all banners, especially Helly Hansen, Mark's and SportChek. **Vs. 2019** Retail revenue grew by 21.1 percent, and excluding Petroleum, Retail revenue was up 23.3 percent. Canadian Tire was up 28.4 percent, SportChek was up 1.1 percent, and Mark's was up 21.7 percent.	▲ **$1,463.1 million or 10.7%** ▲ **8.8% excluding Petroleum** • Retail revenue was $15,083.1 million, an increase of 10.7 percent, compared to the prior year. Retail revenue increased across all banners driven by growth at Canadian Tire primarily attributable to strong shipment growth. **Vs. 2019** Retail revenue grew by 14.2 percent, and excluding Petroleum, Retail revenue was up 17.9 percent. Canadian Tire was up 24.0 percent and Mark's was up 11.6 percent, while SportChek remained flat.
Gross Margin	▲ **$134.4 million or 8.2%** ▲ **96 bps in gross margin rate** ▲ **8.3% excluding Petroleum** ▲ **204 bps in gross margin rate, excluding Petroleum** • Retail gross margin dollars were $1,764.7 million, an increase of $134.4 million. Excluding Petroleum, gross margin[1] dollars were $1,712.5 million, or an increase of $130.9 million. The increase was due to the increase in revenue described above and an increase in gross margin rate. • Gross margin rate, excluding Petroleum[1], increased by 204 bps compared to the prior year. The gross margin rate increased across the majority of banners led by Canadian Tire. Canadian Tire's margin rate improved primarily attributable to favourable product mix, an increase in owned brands penetration and active management of promotional mix, benefiting the Company's cost and margin-sharing arrangement with its Dealers, partially offset by higher freight costs. SportChek and Mark's margin rates improved due to improved product margins and active management of promotional mix in the quarter.	▲ **$626.1 million or 14.4%** ▲ **105 bps in gross margin rate** ▲ **14.4% excluding Petroleum** ▲ **176 bps in gross margin rate, excluding Petroleum** • Retail gross margin dollars were $4,984.8 million, an increase of $626.1 million. Excluding Petroleum, gross margin dollars were $4,793.6 million, an increase of $605.0 million, primarily driven by an increase in revenue attributable to the reasons described above and due to an increase in gross margin rate. • Gross margin rate, excluding Petroleum, increased by 176 bps. The gross margin rate increased across the banners led by Canadian Tire. Canadian Tire's margin rate improved primarily attributable to favourable product mix, an increase in owned brands penetration and active management of promotional mix, benefiting the Company's cost and margin-sharing arrangement with its Dealers, partially offset by higher freight costs. SportChek and Mark's margin rates improved due to improved product margins and active management of promotional mix in the quarter.
Other Income	▲ **$22.8 million or 223.3%** • Other income was $32.9 million, higher by $22.8 million, mainly due to asset write-offs in the prior year which did not recur this year in addition to foreign exchange losses at Helly Hansen in the prior year, while the current year resulted in foreign exchange gains.	▲ **$94.6 million or 133.5%** • Other income was $165.4 million, higher by $94.6 million. Compared to the prior year, the increase was mainly attributable to a COVID-19 related impairment charge of $27.9 million in the prior year as well as operational asset write-offs which did not recur in the current year, non-operational foreign exchange gains compared to a loss in the prior year, and higher real estate related gains.

[1] *For further information about this measure see section 9.3 of this MD&A.*

Retail Segment Commentary *(continued)*

	Q4 2021	Full Year
Selling, General & Administrative Expenses	▲ **$104.0 million or 10.3%** • SG&A expenses were $1,115.9 million, an increase of $104.0 million, or 10.3 percent. The increase was mainly attributable to higher personnel costs relating to variable compensation expenses, and higher volume-related and sales support costs including marketing spend, which had been reduced in the prior year due to pandemic-related concerns, supply chain volume-related costs, and IT sustaining costs, partially offset by savings from the Operational Efficiency program.	▲ **$316.1 million or 9.1%** • SG&A expenses were $3,787.1 million, an increase of $316.1 million, or 9.1 percent. This increase was mainly attributable to higher personnel costs relating to variable compensation expenses, and higher volume-related and sales support costs including marketing spend, which had been reduced in the prior year due to pandemic-related concerns, supply chain volume-related costs, and IT costs. These increases were partially offset by net additional costs in the prior year relating to the Company's COVID-19 efforts, including premium pay, and further Operational Efficiency program savings compared to the prior year.
Earnings Summary	▲ **$60.2 million an increase of 10.4%** • Income before income taxes was $638.1 million, an increase of $60.2 million. The increase in income was attributable mainly to strong margin growth at Canadian Tire, SportChek and Mark's partially offset by an increase in SG&A expenses for the reasons described above, as well as higher normalized costs in the prior year relating to the closure of National Sports banner. Normalized income before income taxes was $644.6 million, an increase of $31.4 million.	▲ **$437.4 million an increase of 59.2%** • Income before income taxes was $1,175.7 million, an increase of $437.4 million. The increase in income was primarily driven by exceptional sales growth at all banners, and improvement in gross margin rates at Canadian Tire, SportChek and Mark's. Higher other income, savings from the Operational Efficiency program, and net expenses included in the prior year relating to the Company's COVID-19 efforts also contributed to the increase in earnings compared to the prior year, partially offset by an increase in the SG&A expenses attributable to the reasons described above.

4.2.3 Retail Segment Seasonal Trend Analysis

Quarterly operating net income and revenue are affected by seasonality. The fourth quarter typically generates the greatest contribution to revenue and earnings, and the first quarter the least. The following table shows the Retail segment financial performance of the Company by quarter for the last two years.

(C$ in millions, except per share amounts)	**Q4 2021**	Q3 2021	Q2 2021	Q1 2021	**Q4 2020**	Q3 2020	Q2 2020	Q1 2020	**Q4 2019**
Retail sales	**$5,661.0**	$4,603.2	$4,882.6	$3,117.8	**$5,317.2**	$4,414.4	$4,375.7	$2,757.1	**$4,838.2**
Revenue	**4,830.0**	3,607.1	3,623.2	3,022.8	**4,582.2**	3,684.8	2,849.8	2,503.2	**3,989.2**
Income (loss) before income taxes	**638.1**	226.5	208.6	102.5	**577.9**	326.2	(66.2)	(99.6)	**351.6**

4.3 Financial Services Segment Performance

4.3.1 Financial Services Segment Financial Results

(C$ in millions, except where noted)	**Q4 2021**	Q4 2020	Change	**2021**	2020	Change
Revenue	**$ 312.4**	$ 295.3	5.8 %	**$ 1,213.3**	$ 1,248.4	(2.8) %
Gross margin dollars	**$ 170.7**	$ 206.6	(17.4) %	**$ 790.9**	$ 645.7	22.5 %
Gross margin rate[1]	**54.6 %**	69.9 %	(1,531) bps	**65.2 %**	51.7 %	1,346 bps
Other (income) expense	**$ (1.0)**	$ (0.2)	NM[2]	**$ 2.5**	$ 0.6	310.9 %
Selling, general and administrative expenses	**109.2**	91.6	19.3 %	**359.3**	319.3	12.5 %
Net finance (income)	**(0.5)**	(0.4)	20.5 %	**(3.3)**	(1.5)	117.3 %
Income before income taxes	**$ 63.0**	$ 115.6	(45.5) %	**$ 432.4**	$ 327.3	32.1 %

1 *For further information about this measure see section 9.3 of this MD&A.*
2 *Not meaningful.*

Financial Services Segment Commentary

During the fourth quarter, income before income taxes was $63.0 million, a decrease of $52.6 million, primarily attributable to a decrease in gross margin of $35.9 million and higher operating expenses primarily due to higher credit card acquisition and marketing costs. The gross margin decrease was mainly driven by higher net impairment losses of $49.5 million due to changes in the allowance for loans receivable. This was partially offset by higher revenue of $17.1 million, led by higher interest income from receivable growth and strong credit card sales which resulted in higher fee income. Gross average accounts receivable[1] ("GAAR") was 6.3 percent higher relative to the prior year due to increased cardholder activity as the average number of active accounts in the quarter increased by 5.1 percent.

The ECL allowance[1] for loans receivable was $841.5 million, an increase of $29.8 million from Q3 2021, driven by strong growth in receivables, which were up $321.2 million from Q3 2021. The ECL allowance rate declined in the quarter to 13.2 percent.

For the full year, income before income taxes increased $105.1 million from the prior year, resulting primarily from a 22.5 percent, or $145.2 million, increase in gross margin. The increase in gross margin was primarily attributable to lower net impairment losses of $195.8 million. Within the year, Financial Services decreased its allowances for loans receivable by $22.5 million compared to an increase in the prior year of $67.2 million. The decrease in the year was a result of the continued strength in portfolio metrics such as delinquency and write-off rates. Throughout the year, the portfolio remained operationally strong with historically low delinquency trends and an improvement in the net credit card write-off rate[1] of 175 bps.

1 *For further information about this measure see section 9.3 of this MD&A.*

Financial Services Segment Commentary *(continued)*

	Q4 2021	Full Year
Revenue	▲ **$17.1 million or 5.8%** • Revenue for the quarter was $312.4 million, an increase of $17.1 million, or 5.8 percent compared to the prior year. The increase in revenue was mainly attributable to higher interest and fee income driven by strong receivables growth and credit card sales, respectively.	▼ **$35.1 million or 2.8%** • Revenue was $1,213.3 million, a decline of $35.1 million, or 2.8 percent compared to the prior year. The decline in revenue was primarily attributable to lower credit charges, attributable to both lower GAAR and yield.
Gross Margin	▼ **$35.9 million or 17.4%** • Gross margin was $170.7 million, a decrease of $35.9 million, or 17.4 percent, compared to the prior year. The decrease in gross margin was mainly due to higher net impairment losses, attributable to the increase in ECL allowance for loans receivable, compared to a reduction in the allowance in the prior year.	▲ **$145.2 million or 22.5%** • Gross margin was $790.9 million, an increase of $145.2 million, or 22.5 percent, compared to the prior year. The increase in gross margin dollars was mainly due to lower net impairment losses, resulting from a reduction in the ECL allowance of $22.5 million, compared to an increase of $67.2 million in the prior year, and lower net write-offs, which were partially offset by a decrease in revenue.
SG&A Expenses	▲ **$17.6 million or 19.3%** • SG&A expenses were $109.2 million, an increase of $17.6 million, or 19.3 percent. The increase in SG&A expenses was primarily due to an increase in marketing costs related to higher credit card acquisition costs.	▲ **$40.0 million or 12.5%** • SG&A was $359.3 million, an increase of $40.0 million or 12.5 percent. The increase in SG&A expenses was primarily due to an increase in marketing costs related to higher credit card acquisition costs.
Earnings Summary	▼ **$52.6 million or 45.5%** • Income before income taxes was $63.0 million, a decrease of $52.6 million, or 45.5 percent. The decrease in income before income taxes was primarily due to a lower gross margin and higher SG&A expenses attributable to the reasons described above.	▲ **$105.1 million or 32.1%** • Income before income taxes was $432.4 million, an increase of $105.1 million or 32.1 percent. The increase in the income before income taxes was primarily due to a higher gross margin, which was partially offset by an increase in SG&A expenses attributable to the reasons described above.

4.3.2 Financial Services Segment Key Performance Measures

(C$ in millions, except where noted)	Q4 2021	Q4 2020	Change	2021	2020	Change
Credit card sales growth[1]	**24.8 %**	1.1 %		**22.6 %**	(3.9) %	
GAAR	**$ 6,200**	$ 5,834	6.3 %	**$ 5,876**	$ 6,009	(2.2) %
Revenue (as a % of GAAR)[1, 2]	**20.6 %**	20.8 %		**n/a**	n/a	
Average number of accounts with a balance (thousands)	**2,180**	2,074	5.1 %	**2,103**	2,060	2.0 %
Average account balance[1] (whole $)	**$ 2,843**	$ 2,813	1.1 %	**$ 2,794**	$ 2,915	(4.2) %
Net credit card write-off rate[1, 2]	**4.1 %**	5.8 %		**n/a**	n/a	
Past due credit card receivables[3] ("PD2+")	**2.0 %**	2.0 %		**n/a**	n/a	
Allowance rate[1]	**13.2 %**	14.8 %		**n/a**	n/a	
Operating expenses (as a % of GAAR)[1, 2]	**6.1 %**	5.3 %		**n/a**	n/a	
Return on receivables[1, 2]	**7.4 %**	5.5 %		**n/a**	n/a	

1 *For further information about this measure see section 9.3 of this MD&A.*
2 *Figures are calculated on a rolling 12-month basis.*
3 *This is a non-GAAP ratio. For further information and a detailed reconciliation see section 9.2 of this MD&A.*

Financial Services Segment Scorecard

To evaluate the overall financial performance of the Financial Services segment, the following scorecard demonstrates how Financial Services is progressing towards achieving its strategic objectives.

Q4 2021 vs. Q4 2020	
Growth	▲ **6.3% in GAAR** ▲ **24.8% in credit card sales growth** ▲ **5.1% in average number of accounts with a balance** ▲ **1.1% in average account balance** • GAAR increased by 6.3 percent relative to last year driven by increased customer activity. The average number of active accounts for the quarter increased by 5.1 percent along with an increase in average account balance by 1.1 percent. • Credit card sales grew by 24.8 percent over the prior year driven by strong sales at both Retail segment banners and external merchants.
Performance	▲ **191 bps in return on receivables** ▼ **13 bps in revenue as a % of GAAR** ▲ **80 bps in OPEX as a % of GAAR** • Return on receivables increased by 191 bps compared to the prior year due to higher earnings driven by lower net impairment losses. • Operating expenses as a percentage of GAAR increased by 80 bps compared to the prior year due to increased marketing costs related to credit card acquisitions.
Operational metrics	▲ **4 bps in PD2+ rate** ▼ **175 bps in net credit card write-off rate** ▼ **13.2% allowance rate, down 161 bps** • The PD2+ rate was 4 bps higher than the prior year and continued to be below historical levels due to continued strong customer payments. • The decrease in the net write-off rate compared to the prior year was primarily driven by a decline in both regular write-offs and insolvencies, resulting from improved risk across the portfolio. • The allowance rate decreased by 161 bps from Q4 2020 to 13.2 percent reflecting the continued strength in portfolio metrics, as evidenced by sustained strong payment and low aging and delinquency rates. Management continues to assess allowance with consideration for ongoing uncertainty associated with the impacts of COVID-19 on the economy.

4.3.3 Financial Services Segment Seasonal Trend Analysis

Quarterly operating net income and revenue are affected by seasonality. In the first quarter, the Financial Services segment typically contributes the majority of consolidated earnings. The following table shows the financial performance of the segment by quarter for the last two years.

(C$ in millions)	**Q4 2021**	Q3 2021	Q2 2021	Q1 2021	**Q4 2020**	Q3 2020	Q2 2020	Q1 2020	**Q4 2019**
Revenue	**$ 312.4**	$ 307.6	$ 296.1	$ 297.2	**$ 295.3**	$ 301.3	$ 309.9	$ 341.9	**$ 333.0**
Income before income taxes	**63.0**	117.7	125.3	126.4	**115.6**	90.5	51.0	70.2	**109.5**

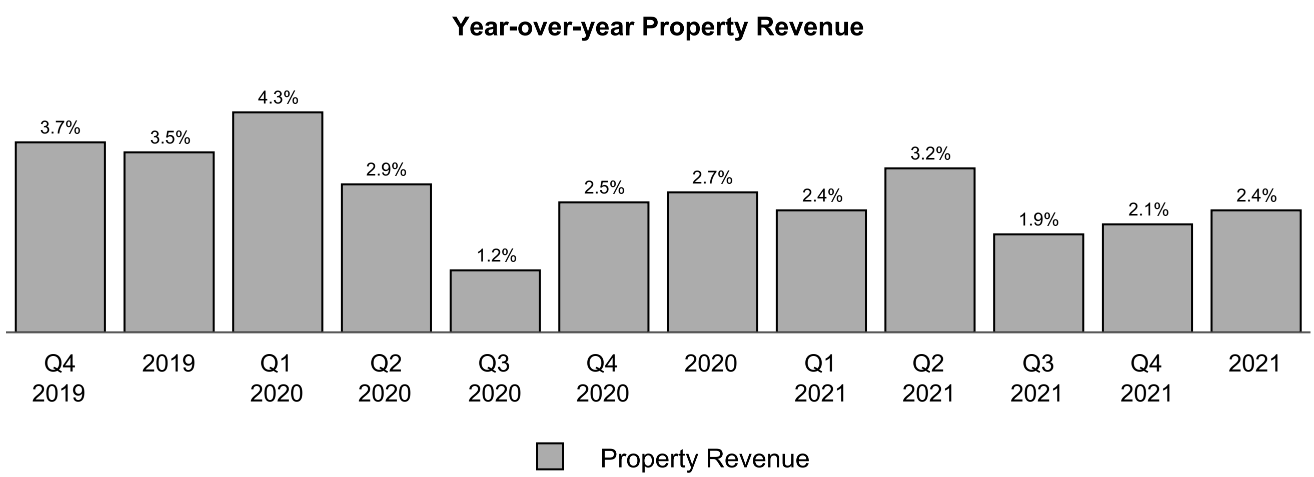
4.4 CT REIT Segment Performance

4.4.1 CT REIT Segment Financial Results

(C$ in millions)	Q4 2021	Q4 2020	Change	2021	2020	Change
Property revenue[1]	**$ 129.5**	$ 126.8	2.1 %	**$ 514.5**	$ 502.3	2.4 %
Property expense[1]	**27.1**	27.8	(2.5) %	**107.3**	110.8	(3.1) %
General and administrative expense (“G&A”)	**3.8**	3.9	(0.2) %	**14.5**	12.9	12.1 %
Net finance costs	**26.4**	27.2	(3.0) %	**105.7**	107.9	(2.0) %
Fair value (gain) loss adjustment[3]	**(53.2)**	53.9	NM[2]	**(169.9)**	87.4	NM[2]
Income before income taxes	**$ 125.4**	$ 14.0	793.4 %	**$ 456.9**	$ 183.3	149.2 %

[1] *For further information about this measure see section 9.3 of this MD&A.*
[2] *Not meaningful.*
[3] *Fair value is eliminated on consolidation.*

The following shows the CT REIT year-over-year property revenue performance by quarter for the last two years.



CT REIT Segment Commentary

Earnings at CT REIT were positively impacted by an increase in property revenue and a decrease in property expenses and net financing costs during the quarter. The increase in revenue was mainly attributable to contractual rent escalations during the year, additional base rent related to properties acquired and developments, and intensifications completed during 2021 and 2020. The decrease in property expenses was attributable to lower expected credit losses relating to assistance provided to tenants. The decrease in net financing costs was largely due to a prepayment cost related to the redemption of the Series C senior unsecured debentures. Earnings increased $111.4 million relative to the prior year due primarily to the positive fair value adjustment on investment properties compared to a loss in the prior year.

CT REIT Segment Commentary *(continued)*

	Q4 2021	Full Year
Property Revenue	▲ **$2.7 million or 2.1%** • Property revenue was $129.5 million, an increase of $2.7 million, or 2.1 percent. The increase was mainly due to contractual rent escalations, additional base rent relating to properties acquired, and developments and intensifications completed during 2021 and 2020.	▲ **$12.2 million or 2.4%** • Property revenue was $514.5 million, an increase of $12.2 million, or 2.4 percent. The increase was mainly due to contractual rent escalation, additional base rent relating to properties acquired and developments and intensifications completed during 2021 and 2020.
Property Expense	▼ **$0.7 million or 2.5%** • The property expense was $27.1 million, a decrease of $0.7 million, or 2.5 percent. The decrease in property expense was primarily due to the reduction of the expected credit losses relating to assistance provided to tenants.	▼ **$3.5 million or 3.1%** • The property expense was $107.3 million, a decrease of $3.5 million, or 3.1 percent. The decrease in property expense was primarily due to the reduction of CT REIT's assistance to its tenants, and lower operating expenses.
G&A Expenses	▼ **$0.1 million or flat to the prior year** • G&A expense was $3.8 million, flat to the prior year.	▲ **$1.6 million or 12.1%** • G&A expense was $14.5 million, an increase of $1.6 million, or 12.1 percent. The increase was primarily due to higher personnel costs partially offset by lower professional fees.
Net Finance Cost	▼ **$0.8 million or flat to the prior year** • Net finance cost of $26.4 million was overall in line with the prior year.	▼ **$2.2 million or 2.0%** • Net finance cost was $105.7 million, a decrease of $2.2 million or 2.0 percent. The decrease was mainly attributable to decreased interest on the Class C LP Units.
Fair Value Adjustme-nt on Investment Properties	▲ **$107.1 million** • The fair value adjustment on investment properties was a gain of $53.2 million, mainly driven by changes to investment metrics within the portfolio based on recent market activity and the reduction in COVID-19 pandemic-related impacts which were present in the prior year.	▲ **$257.3 million** • The fair value adjustment on investment properties was a gain of $169.9 million, mainly driven by changes to investment metrics within the portfolio based on recent market activity, as well as contractual rent escalations.
Earnings Summary	▲ **$111.4 million or 793.4%** • Income before income taxes was $125.4 million, an increase of $111.4 million, or 793.4 percent. The increase in earnings was primarily due to the fair value adjustments on investment properties, partially offset by an increase in the weighted average number of units outstanding - basic.	▲ **$273.6 million or 149.2%** • Income before income taxes was $456.9 million, an increase of $273.6 million, or 149.2 percent. The increase in earnings was primarily due to fair value adjustment on investment properties, partially offset by an increase in the weighted average number of units outstanding - basic.

4.4.2 CT REIT Segment Key Performance Measures

(C$ in millions)	Q4 2021	Q4 2020	Change	2021	2020	Change
Net operating income[1]	$ **100.9**	$ 96.8	4.2 %	$ **401.1**	$ 381.5	5.1 %
Funds from operations[1]	**71.9**	68.1	5.6 %	**287.6**	270.8	6.2 %
Adjusted funds from operations[1]	**64.1**	59.8	7.2 %	**256.6**	236.5	8.5 %

[1] *This measure is a non-GAAP financial measure. For further information and a detailed reconciliation see section 9.2 of this MD&A.*

Net operating income ("NOI")
NOI for the quarter and full year increased by 4.2 percent and 5.1 percent, respectively, compared to the prior year, primarily due to the rent escalations for CTC banner leases and the acquisition of income-producing properties completed in 2021 and 2020.

Funds from operations ("FFO")
FFO for the quarter and full year increased by 5.6 percent and 6.2 percent, respectively, compared to the prior year, primarily due to the impact of NOI variances.

Adjusted funds from operations ("AFFO")
AFFO for the quarter and full year increased by 7.2 percent and 8.5 percent, respectively, compared to the prior year, primarily due to the impact of NOI variances.

5.0 Balance Sheet Analysis, Liquidity, and Capital Resources

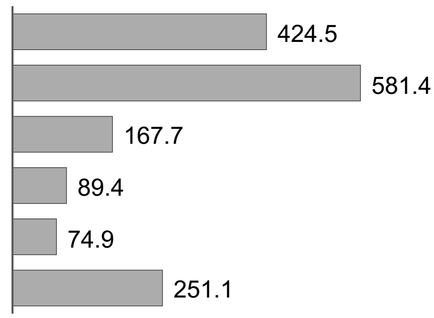
5.1 Selected Balance Sheet Highlights

Selected line items from the Company's assets and liabilities, as at January 1, 2022 and the year-over-year change versus January 2, 2021, are noted below:

Total change ▲ $ 1,425.1

Selected Asset	January 1, 2022
Cash and cash equivalents	1,751.7
Loans receivable (current portion)	5,613.2
Merchandise inventories	2,480.6
Right-of-use assets	1,786.1
Investment property	460.7
Property and equipment	4,549.3

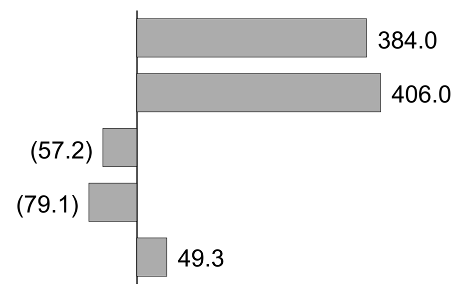
Year-over-year change in assets



Total change ▲ $ 749.0

Selected Liability	January 1, 2022
Deposits	3,893.7
Trade and other payables	2,914.3
Short-term borrowings	108.2
Loans	427.5
Lease liabilities	2,275.8

Year-over-year change in liabilities



Assets		
Cash and cash equivalents	▲ **$424.5 million**	Refer to section 5.2 in this MD&A for further details.
Loans receivable (current portion)	▲ **$581.4 million**	The increase was mainly attributable to increased GAAR growth in the Financial Services segment from both the number of accounts and the average balance as well as a reduction in the Company's allowance for loans receivable.
Merchandise inventories	▲ **$167.7 million**	The increase was primarily driven by higher inventory levels at Canadian Tire in advance of the spring and summer seasons in anticipation of potential supply chain disruptions, partially offset by reduction of inventory at SportChek.
Right-of-use assets	▲ **$89.4 million**	The increase was driven by the renewal of leases, and thus longer lease terms remaining, based on an annual review of expiring leases performed in Q3 2021.
Investment property	▲ **$74.9 million**	The increase was attributable to land and building acquisitions by CT REIT during 2021.
Property and equipment	▲ **$251.1 million**	The increase was driven by the construction of the Greater Toronto Area and Montreal distribution centres and Canadian Tire store investments.

Liabilities		
Deposits	▲ **$384.0 million**	The increase was mainly driven by growth in demand deposits in the Financial Services segment.
Trade and other payables	▲ **$406.0 million**	The increase was primarily driven by the timing of non-merchandise vendor payments, increase in accrued liabilities for the Automatic Securities Purchase Plan (“ASPP”) commitment as well as higher variable compensation accruals, partially offset by a decrease in the fair value position for foreign exchange derivative contracts.
Short-term borrowings	▼ **$57.2 million**	The decrease was mainly attributable to a partial repayment of Glacier asset-backed commercial paper.
Loans	▼ **$79.1 million**	The decrease was attributable to repayment of Franchise Trust loans by Dealers due to strong results in Canadian Tire stores.
Lease liabilities	▲ **$49.3 million**	The increase was driven by renewal of leases that were soon to be expiring based on an annual review of expiring leases performed in Q3 2021.

5.2 Summary Cash Flows

The Company's cash and cash equivalents position, net of bank indebtedness, was $1,751.7 million as at January 1, 2022. Selected line items from the Company's Consolidated Statements of Cash Flows for the quarters and years ended January 1, 2022 and January 2, 2021 are noted in the following tables:

(C$ in millions)	**Q4 2021**	Q4 2020	Change
Cash generated from operating activities	**$ 1,141.1**	$ 785.3	$ 355.8
Cash (used for) investing activities	**(357.6)**	(355.2)	(2.4)
Cash (used for) financing activities	**(567.2)**	(398.9)	(168.3)
Cash generated in the period	**$ 216.3**	$ 31.2	$ 185.1

(C$ in millions)	**2021**	2020	Change
Cash generated from operating activities	**$ 1,814.4**	$ 2,442.8	$ (628.4)
Cash (used for) investing activities	**(736.5)**	(848.0)	111.5
Cash (used for) financing activities	**(653.4)**	(462.7)	(190.7)
Cash generated in the period	**$ 424.5**	$ 1,132.1	$ (707.6)

	Q4 2021	**Full Year**
Operating activities	▲ **$355.8 million change** • Excluding the impact of changes in loans receivable, operating activities generated $573 million more cash in 2021 due to changes in working capital and lower income tax payments in the quarter. During the quarter, loans receivable grew $226.9 million, versus $9.7 million in Q4 2020, resulting in a year-over-year use of cash of $217.2 million.	▼ **$628.4 million change** • Excluding the impact of changes in loans receivable and taxes paid, operating activities generated $916.9 million more cash in 2021 versus 2020 due to higher net income and changes in working capital. During 2021, loans receivable grew $486.8 million, versus a decline in 2020 of $925.1 million resulting in a year-over-year use of cash of $1,411.9 million. In addition, income tax payments were $133.4 million higher due to improved earnings.
Investing activities	▲ **$2.4 million change** • The marginal increase in cash used for investing activities was primarily due to higher capital expenditures offset by an increase in investments in Q4 2020 (as compared to being relatively flat in Q4 2021).	▼ **$111.5 million change** • The decrease in cash used for investing activities was primarily due to an increase in investments in 2020 (compared to being relatively flat in 2021), partially offset by higher capital expenditures.
Financing activities	▲ **$168.3 million change** • The increase in cash used for financing activities was primarily due to less cash generated from deposits in the quarter, as compared to an increase in Q4 2020, and the resumption of the share buy-back program in Q4 2021. This was partially offset by a lower repayment of short-term borrowings in Q4 2021.	▲ **$190.7 million change** • The increase in cash used for financing activities of $190.7 million versus prior year was due to a reduction in cash generated from deposits of $681.6 million, partially offset by a lower repayment of short-term borrowings in 2021 and the repayment of $250 million in medium term notes in 2020.

5.3 Capital 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, which includes GCCT indebtedness but excludes Franchise Trust indebtedness:

(C$ in millions)	**2021**	**% of total**	2020	% of total
Capital components				
Deposits	**$ 1,908.4**	**13.5 %**	$ 1,228.0	9.3 %
Short-term borrowings	**108.2**	**0.8 %**	165.4	1.3 %
Current portion of long-term debt	**719.8**	**5.1 %**	150.5	1.1 %
Long-term debt	**3,558.7**	**25.2 %**	4,115.7	31.1 %
Long-term deposits	**1,985.3**	**14.0 %**	2,281.7	17.2 %
Total debt	**$ 8,280.4**	**58.6 %**	$ 7,941.3	60.0 %
Redeemable financial instrument	**567.0**	**4.0 %**	567.0	4.3 %
Share capital	**593.6**	**4.2 %**	597.0	4.5 %
Contributed surplus	**2.9**	**— %**	2.9	— %
Retained earnings	**4,696.5**	**33.2 %**	4,136.9	31.2 %
Total capital under management	**$ 14,140.4**	**100.0 %**	$ 13,245.1	100.0 %

The Company's objectives when managing capital are:

- Ensuring sufficient liquidity to meet its financial obligations when due and to execute its operating and strategic plans;
- Maintaining healthy liquidity reserves and the ability to access additional capital from multiple sources, if required; and
- Minimizing its after-tax cost of capital while taking into consideration the key risks outlined in section 10.1 of this MD&A including current and future industry, market, and economic risks and conditions, and the uncertainty in the duration and severity of the COVID-19 pandemic and its long-term impact on CTC.

5.3.1 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 framework entitled Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems, 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, procedures, and controls in place, including an annual Internal Capital Adequacy Assessment Process ("ICAAP"), which it utilizes to achieve its goals and objectives.

The Bank's objectives include:

- maintaining strong capital ratios, as measured by regulatory guidelines and internal targets; and
- holding sufficient capital to maintain the confidence of investors and depositors.

As at Q4 2021, CTB complied with all regulatory capital guidelines established by OSFI and its internal targets as determined by its ICAAP.

5.4 Investing

5.4.1 Capital Expenditures

The Company's capital expenditures for the periods ended January 1, 2022 and January 2, 2021 were as follows:

(C$ in millions)	**2021**	2020
Real estate	**$ 283.1**	$ 91.8
Information technology	**144.5**	75.4
Other operating	**106.0**	49.0
Operational Efficiency program	**55.4**	51.5
Distribution capacity	**80.8**	43.3
Operating capital expenditures[1]	**$ 669.8**	$ 311.0
CT REIT acquisitions and developments excluding vend-ins from CTC	**134.1**	141.4
Total capital expenditures[2]	**$ 803.9**	$ 452.4

[1] *This measure is a non-GAAP financial measure. For further information and a detailed reconciliation see section 9.2 of this MD&A.*
[2] *Capital expenditures are presented on an accrual basis and include software additions, but exclude right-of-use asset additions, acquisitions relating to business combinations, intellectual properties, and tenant allowances received.*

	Full Year
Total capital expenditures	▲ **$351.5 million** • The increase in total capital expenditures was driven by higher spend on operating capital expenditures, which was attributable to an increase in Real Estate, Information Technology, other operating and distribution capacity spend. The Company's operating capital expenditures, totalled $669.8 million, a significant increase from $311.0 million in 2020 and $444.2 million in 2019, driven primarily by a catch up in spend on 2020 projects that were deferred due primarily to pandemic related restrictions.

Capital Commitments

The Company had commitments of approximately $136.1 million as at January 1, 2022 (2020 – $263.9 million) for the acquisition of tangible and intangible assets.

Operating Capital Expenditures

The Company's full-year operating capital expenditures were $669.8 million, within the Company's previously disclosed range of $650 million to $700 million, including capital required to fund the Company's Operational Efficiency program and increases in distribution centre capacity.

5.5 Liquidity and Financing

Management is focused on ensuring that it has sufficient liquidity, both through maintaining a strong balance sheet and the ability to access additional capital from multiple sources, if required. Several alternative financing sources are available to its Retail, Financial Services, and CT REIT segments to meet the Company's financial obligations when due and to execute its operating and strategic plans.

The current economic, operating, and capital market environment continues to support an increased emphasis on liquidity and capital management.

As at Q4 2021 CTC, CT REIT, CTB and Helly Hansen each complied with all financial covenants under the agreements for the committed bank lines of credit listed in the Financing Source table below.

As at January 1, 2022 (C$ in millions)	Consolidated	Retail	Financial Services	CT REIT
Cash and cash equivalents	$ 1,751.7	$ 707.6	$ 1,040.5	$ 3.6
Short-term investments	606.2	—	606.2	—
Less: Bank indebtedness	—	—	—	—
Total net cash and cash equivalents and short-term investments[1]	$ 2,357.9	$ 707.6	$ 1,646.7	$ 3.6
Committed Bank Lines of Credit	5,335.4	2,785.4	2,250.0	300.0
Less: Borrowings outstanding[2]	58.0	58.0	—	—
Less: U.S. commercial paper outstanding	—	—	—	—
Less: Letters of credit outstanding	5.8	—	—	5.8
Available Committed Bank Lines of Credit	$ 5,271.6	$ 2,727.4	$ 2,250.0	$ 294.2
Liquidity[1]	$ 7,629.5	$ 3,435.0	$ 3,896.7	$ 297.8

1 *This measure is a non-GAAP financial measure with no standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers.*
2 *For further information about this measure see section 9.3 of this MD&A.*

The Company ended the quarter with $2.4 billion cash and short-term investments and $7.6 billion in liquidity with $3.4 billion, $3.9 billion and $297.8 million at its Retail, Financial Services, and CT REIT segments, respectively.

Financing Source	
Committed Bank Lines of Credit	• Provided by a syndicate of seven Canadian and three international financial institutions, $1,975 million in an unsecured line of credit is available to CTC for general corporate purposes. The expiry date for $1,850 million of the commitment amount is July 2026. The remaining $125 million expires in August 2024. As at January 1, 2022, CTC had no borrowings under this line of credit. • Provided by a syndicate of five Canadian financial institutions, $710 million in an unsecured line of credit is available to CTC for general corporate purposes, expiring in June 2022. As at January 1, 2022, CTC had no borrowings under this line of credit. • Provided by a syndicate of seven Canadian financial institutions, $300 million in an unsecured line of credit is available to CT REIT for general business purposes, expiring in September 2026. As at January 1, 2022, CT REIT had no borrowings under this line of credit. • Scotiabank has provided CTB with a $500 million unsecured line of credit and $1.75 billion in securitized note purchase facilities for the purchase of senior and subordinated notes issued by GCCT. These facilities expire in October 2024. As at January 1, 2022, CTB had no borrowings under its line of credit and note purchase facilities, other than a nominal balance on a note purchase facility to maintain GCCT's ownership interest. • Helly Hansen has a 350 million Norwegian Krone ("NOK") secured line of credit and a NOK 350 million factoring facility (totalling $50.2 million C$ equivalent each) provided by a Norwegian bank, expiring October 2022. As at January 1, 2022, Helly Hansen had $58.0 million of C$ equivalent borrowings (NOK 404.5 million) outstanding on its facilities.
Commercial Paper Programs	• CTC has a commercial paper program that allows it to issue up to a maximum aggregate principal amount of US$1.0 billion of short-term promissory notes in the United States. Terms to maturity for the promissory note range from one to 270 days. Notes are issued at a discount and rank equally in right of payment with all other present and future unsecured and unsubordinated obligations to creditors of CTC. As at January 1, 2022, CTC had no U.S. commercial paper outstanding. • Concurrent with CTC's US$ commercial paper issuances, CTC enters into foreign exchange derivatives to hedge the foreign currency risk associated with both the principal and interest components of the borrowings under the program. CTC does not designate these debt derivatives as hedges for accounting purposes. • As at January 1, 2022, GCCT had $50.1 million of asset-backed commercial paper notes outstanding.
Medium-Term Notes and Senior Unsecured Debentures	• As at January 1, 2022, CTC had an aggregate principal amount of $951.7 million of medium-term notes outstanding. • As at January 1, 2022, CT REIT had an aggregate principal amount of $1,075 million of senior unsecured debentures outstanding.
Asset-backed Senior and Subordinated Term Notes	• As at January 1, 2022, GCCT had an aggregate principal amount of $2,184 million of asset-backed term notes outstanding consisting of $2,042 million principal amount of senior-term notes and $142 million principal amount of subordinated-term notes.
Broker GIC Deposits	• Funds continue to be readily available to CTB through broker networks. As at January 1, 2022, CTB held $2,523.6 million in broker GIC deposits.
Retail Deposits	• Retail deposits consist of HIS and retail GIC deposits held by CTB, available both within and outside a Tax-free savings account. As at January 1, 2022, CTB held $1,380.2 million in retail deposits.
Real Estate	• CTC can undertake strategic real estate transactions involving properties not owned by CT REIT. It also owns an investment in CT REIT in the form of publicly traded CT REIT Units. As at January 1, 2022 CTC had a 69.0 percent effective ownership interest in CT REIT. • Additional sources of funding are available to CT REIT, as appropriate, including the ability to access debt and equity markets, subject to the terms and conditions of CT REIT's Declaration of Trust and all applicable regulatory requirements.

Credit Ratings

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. Ratings for long-term debt instruments range from highest credit quality (generally "AAA") to default in payment (generally "D"). Ratings for short-term debt instruments range from "R-1 (high)" (DBRS Morningstar), "A-1+" (S&P), "P-1" (Moody's), or "F1+" (Fitch), representing the highest credit quality to "D" (DBRS Morningstar and Fitch), "C" (S&P and Fitch), and "not prime" (Moody's) for the lowest credit quality of securities rated.

	DBRS Morningstar		**S&P**		**Moody's**		**Fitch**	
Credit Rating Summary	Rating	Trend	Rating	Outlook	Rating	Outlook	Rating	Outlook
Canadian Tire Corporation								
Issuer rating	BBB	Stable	BBB	Stable	—	—	—	—
Medium-term notes	BBB	Stable	BBB	—	—	—	—	—
U.S. Commercial Paper	—	—	A-2	—	P-2	Stable	—	—
Glacier Credit Card Trust								
Asset-backed senior-term notes[1]	AAA (sf)	—	AAA (sf)	—	—	—	AAA (sf)	Stable
Asset-backed subordinated-term notes[1]	A (sf)	—	A (sf)	—	—	—	A (sf)	Stable
Asset-backed commercial paper	R-1 (high) (sf)	—	—	—	—	—	F1+ (sf)	—
CT REIT								
Issuer rating	BBB	Stable	BBB	Stable	—	—	—	—
Senior unsecured debentures	BBB	Stable	BBB	—	—	—	—	—

[1] *DBRS Morningstar rates all Series of term notes, S&P rates all Series of term notes except the Series 2018-1 term notes, and Fitch only rates the Series 2018-1 term notes.*

5.5.1 Contractual Obligations, Guarantees, and Commitments

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"), from a combination of sources. The following table shows the Company's contractual obligations required to be paid over the next five years and beyond. The Company believes it has sufficient liquidity available to meet its contractual obligations as at January 1, 2022.

Contractual Obligations Due by Period

(C$ in millions)	2022	2023	2024	2025	2026	2027 & beyond	Total
Deposits	$ 1,918.5	$ 583.5	$ 490.4	$ 584.6	$ 326.8	$ —	**$ 3,903.8**
Total debt[1]	720.1	1,040.1	560.4	680.4	208.0	1,075.0	**4,284.0**
Lease obligations	373.3	352.7	298.6	262.0	210.2	725.1	**2,221.9**
Purchase obligations	3,103.3	230.6	202.5	167.6	167.4	361.3	**4,232.7**
Other obligations	48.5	23.3	17.0	8.8	5.6	0.1	**103.3**
Interest payments	187.3	146.2	111.6	82.8	62.9	240.7	**831.5**
	$ 6,351.0	$ 2,376.4	$ 1,680.5	$ 1,786.2	$ 980.9	$ 2,402.2	**$ 15,577.2**

[1] *Includes current debt, long-term debt (senior and subordinated term notes), Glacier Trust term notes, and mortgages. Details of both can be found in note 23 to the consolidated financial statements.*

In the normal course of business, the Company enters into numerous agreements that may contain features that meet the definition of a guarantee. For a discussion of the Company's significant guarantees and commitments, refer to Note 34 to the Company's consolidated financial statements. The Company's maximum exposure to credit risk with respect to such guarantees and commitments is provided in Note 5 of the Company's 2021 consolidated financial statements.

5.6 Funding Costs

The table below shows the funding costs relating to short-term and long-term debt, excludes deposits held by CTB, Franchise Trust indebtedness, and lease liability interest:

(C$ in millions)	2021	2020
Interest expense[1]	**$ 147.1**	$ 170.0
Cost of debt[1]	**3.25 %**	3.06 %

[1] *For further information about this measure see section 9.3 of this MD&A.*

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 10.1 in this MD&A.

6.0 Equity

6.1 Shares Outstanding

(C$ in millions)		2021		2020
Authorized				
3,423,366 Common Shares				
100,000,000 Class A Non-Voting Shares				
Issued				
3,423,366 Common Shares (2020 – 3,423,366)	**$**	**0.2**	$	0.2
56,723,758 Class A Non-Voting Shares (2020 – 57,383,758)		**593.4**		596.8
	$	**593.6**	$	597.0

Each year, the Company files a notice to make an NCIB with the Toronto Stock Exchange (“TSX”) which allows it to purchase its Class A Non-Voting Shares on the open market through the facilities of the TSX and/or alternative Canadian trading systems, if eligible, at the market price of the shares at the time of purchase or as otherwise permitted under the rules of the TSX and applicable securities laws. Class A Non-Voting Shares purchased by the Company pursuant to the NCIB are restored to the status of authorized but unissued shares. Security holders may obtain a copy of the notice, without charge, by contacting the Corporate Secretary of the Company.

On February 19, 2021, the TSX accepted the Company’s notice of intention to make an NCIB to purchase up to 5.4 million Class A Non-Voting Shares during the period March 2, 2021 to March 1, 2022 (the “2021-22 NCIB”). During Q4 2021, the TSX accepted a new automatic securities purchase plan which expires on March 1, 2022 (the “2021-22 ASPP”) and which allows a designated broker to purchase Class A Non-Voting Shares under the 2021-22 NCIB during the Company’s blackout periods.

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

On November 11, 2021, the Company announced that it intends to purchase up to $400 million of Class A Non-Voting Shares by the end of 2022, in excess of the amount required for anti-dilutive purposes, and subject to regulatory approval of the Company’s 2022-23 NCIB in Q1 2022 as discussed below (the “2021-22 Share Purchase Intention”).

During Q4 2021, the Company provided notice to its broker (the “Notice”) to purchase Class A Non-Voting Shares under the 2021-22 ASPP during the Company’s blackout period commencing on January 2, 2022 (the “Blackout Period”). All such purchases will be made pursuant to the 2021-22 Share Purchase Intention. As at January 1, 2022, an obligation to purchase $163.2 million of Class A Non-Voting Shares (2020 – n/a) was recognized under the 2021-22 ASPP in trade and other payables. This represents the maximum possible purchases during the Blackout Period.

The following table summarizes the Company’s purchases related to the 2021-22 Share Purchase Intention during fiscal 2021:

(C$ in millions)		
Shares purchased in fiscal 2021 under the 2021-22 Share Purchase Intention	$	116.2

The Company intends to enter into a new NCIB to purchase up to 5.3 million Class A Non-Voting Shares during the period March 2, 2022 to March 1, 2023 (the “2022-23 NCIB”). The Company also intends to enter into one or more automatic securities purchase plans, in each case with a designated broker, to allow it purchase Class A Non-Voting Shares during the Company’s blackout periods that occur during the 2022-23 NCIB (the “2022-23 ASPP”). The 2022-23 NCIB and the 2022-23 ASPP are subject to TSX approval.

6.2 Dividends

The Company has a long-term dividend payout ratio[1] target of approximately 30 to 40 percent of the prior year normalized net income, after considering the period-end cash position, future cash flow requirements, capital market conditions, and investment opportunities. The long-term dividend payout ratio may fluctuate in any particular year due to unusual or non-recurring events.

The Company declared dividends payable to holders of Class A Non-Voting Shares and Common shares at a rate of $1.300 per share, payable on June 1, 2022, to shareholders of record as of April 30, 2022. The dividend is considered an eligible dividend for tax purposes.

6.3 Equity Derivative Contracts

The Company enters into equity-derivative contracts to partially offset its exposure to fluctuations in stock-options, performance share units, restricted share units and deferred share units' expenses. The Company currently uses floating-rate equity forwards.

During Q4 2021, 300,000 units of equity forward contracts that hedged stock-options, performance share units, restricted share units and deferred share units settled and resulted in a cash receipt of approximately $25.1 million. 475,000 units of new equity forward contracts were entered into in Q4 2021 with a hedge rate of $177.99.

7.0 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.

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 that might otherwise occur from transactions relating to the Company's investment in its subsidiaries.

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 quarter ended January 1, 2022 were $184.3 million compared to $196.8 million in 2020. The effective tax rate for the quarter ended January 1, 2022 decreased to 25.6 percent from 27.4 percent in 2020 primarily due to lower non-deductible stock option expense in the period.

Income taxes for the full year ended January 1, 2022 were $441.2 million compared to $309.5 million in 2020. The effective tax rate for the full year ended January 1, 2022 decreased to 25.9 percent from 26.4 percent in 2020 primarily due to lower non-deductible stock option expense as a result of the increase in income.

[1] *For further information about this measure see section 9.2 of this MD&A.*

8.0 Accounting Policies and Estimates

8.1 Critical Accounting Estimates

The Company estimates certain amounts, which are reflected in its consolidated financial statements using detailed financial models based on historical experience, current trends, and other assumptions. Actual results could differ from those estimates. In Management's judgment, the accounting estimates and policies detailed in Note 2 and Note 3 to the Company's 2021 Consolidated Financial Statements do not require Management to make assumptions about matters that are highly uncertain and, accordingly, none of those estimates are considered a "critical accounting estimate" as defined in Form 51-102F1 – *Management's Discussion and Analysis,* published by the Canadian Securities Administrators, except for the allowance for loan impairment in the Financial Services segment.

Details of the accounting policies that are subject to judgments and estimates that the Company believes could have the most significant impact on the amounts recognized in its consolidated financial statements, including the extent to which the impacts of the COVID-19 pandemic affect the judgments and estimates, are described in Note 2 to the Company's 2021 Consolidated Financial Statements and Notes.

8.2 Changes in Accounting Policies

Standards, Amendments and Interpretations Issued and Adopted

Effective in the first quarter 2021, the Company adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), issued in August 2020. These amendments address issues that arise from the implementation of interest rate benchmarks (e.g., interbank offered rates ["IBORs"]) reform, where IBORs will be replaced with alternative benchmark rates.

For financial instruments carried at amortized cost, the amendments introduce a practical expedient such that, if a change in the contractual cash flow occurs as a direct consequence of IBOR reform and on an economically equivalent basis, the change will be accounted for by updating the effective interest rate prospectively with no immediate gain or loss recognized. As at January 1, 2022, except for short and long-term investments of $243.4 million that specify a three-month tenor of the Canadian Dollar Offered Rate ("CDOR"), the Company's exposure to non-derivative financial assets and financial liabilities to IBORs subject to reform is not significant.

The amendments also provide temporary relief that allow for hedging relationships to continue upon the replacement of an existing interest rate benchmark with an alternative benchmark rate under certain qualifying conditions, including the amendment of the hedge designation and documentation to reflect the new rate, and permit new hedging relationships that are in the scope of the Phase 2 amendments.

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

Under IBOR reform, CDOR is expected to be subject to discontinuance, changes in methodology, or become unavailable. The Company's hedging relationships have significant exposure to the CDOR benchmark.

Since the first quarter of 2021, the Company adhered to the International Swaps and Derivatives Association Fallbacks Protocol ("ISDA Protocol"). The ISDA Protocol provides specific fallbacks depending on whether the relevant IBOR has been permanently discontinued or is temporarily unavailable. It provides an efficient amendment mechanism for mutually adhering counterparties to incorporate these fallback provisions into legacy derivative contract agreements.

For aspects of hedge accounting not covered by the amendments and hedges that are not directly impacted by the IBOR reform, the accounting policies as described in Note 3 to the Company's 2021 Consolidated Financial Statements and Notes continue to apply.

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending January 1, 2022 and, accordingly, have not been applied in preparing the consolidated financial statements.

Insurance Contracts

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17 – Insurance Contracts ("IFRS 17"), which replaces IFRS 4 – Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. In June 2020, the IASB issued 'Amendments to IFRS 17' to address concerns and implementation challenges identified after IFRS 17 was published in 2017. The amendments also deferred the effective date for two years to January 1, 2023. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Improving accounting policy disclosures and clarifying distinction between accounting policies and accounting estimates (Amendments to IAS 1 and IAS 8)

In February 2021, the IASB issued narrow-scope amendments to IAS 1 – Presentation of Financial Statements ("IAS 1"), IFRS Practice Statement 2 – Making Materiality Judgments ("IFRS Practice Statement 2") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8").

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 8 clarify how companies distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

Deferred Tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies account for deferred tax on transactions such as leases and decommissioning obligations. In specific circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company has assessed there to be no impact on deferred taxes as a result of the amendment.

9.0 Key Performance Measures

9.1 Key Performance Measures

The Company uses certain Key Performance Measures which provide useful information to both Management and investors in measuring the financial performance and financial condition of the Company. These measures are classified as GAAP measures, non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures, as well as non-financial measures. Non-GAAP financial measures and non-GAAP ratios are described in section 9.2 of this MD&A, supplementary financial measures are described in section 9.3 of this MD&A and capital management measures are described in section 5.3 of this MD&A. Certain supplementary financial measures do not form part of the Company's financial statements.

9.2 Non-GAAP Financial Measures and Ratios

The Company prepares and presents its financial information on a GAAP basis. Management uses many measures to assess performance, including non-GAAP financial measures and non-GAAP ratios. Non-GAAP financial measures and non-GAAP ratios have no standardized meanings under GAAP and may not be comparable to similar measures of other companies.

Management considers both reported and normalized results and measures useful in evaluating the performance of the core business operations of the Company. Management uses normalized results to assess changes in financial performance across periods on a comparable basis by removing specified items not related to the core business operations of the Company that are infrequent and non-operational in nature. The items, which can include acquisition-related transaction costs, restructuring or discontinued operations costs, operational efficiency program costs, one-time costs for new program roll-outs, and infrequent, non-operational fair value adjustments, are removed from cost of producing revenue, SG&A and other income (expense), where applicable. Explanations of normalizing items can be found in subsection 4.1.1.

Normalized Cost of Producing Revenue

Normalized cost of producing revenue is most directly comparable to cost of producing revenue, a GAAP measure reported in the consolidated financial statements. The following table reconciles normalized cost of producing revenue to cost of producing revenue.

(C$ in millions)	Q4 2021	Q4 2020	2021	2020
Cost of producing revenue	**$ 3,190.9**	$ 3,024.6	**$ 10,456.9**	$ 9,794.4
Less normalizing items:				
Operational Efficiency program	**(0.4)**	9.5	**1.4**	9.5
Normalized cost of producing revenue	**$ 3,191.3**	$ 3,015.1	**$ 10,455.5**	$ 9,784.9

Retail Normalized Cost of Producing Revenue

Retail normalized cost of producing revenue is most directly comparable to Retail cost of producing revenue, a GAAP measure reported in the consolidated financial statements. The following table reconciles Retail normalized cost of producing revenue to Retail cost of producing revenue.

(C$ in millions)	Q4 2021	Q4 2020	2021	2020
Cost of producing revenue	**$ 3,190.9**	$ 3,024.6	**$ 10,456.9**	$ 9,794.4
Less:				
Financial Services cost of producing revenue	**141.7**	88.7	**422.4**	602.7
Eliminations and adjustments	**(16.1)**	(16.0)	**(63.8)**	(69.6)
Retail cost of producing revenue	**$ 3,065.3**	$ 2,951.9	**$ 10,098.3**	$ 9,261.3
Less normalizing items:				
Operational Efficiency program	**(0.4)**	9.5	**1.4**	9.5
Retail normalized cost of producing revenue	**$ 3,065.7**	$ 2,942.4	**$ 10,096.9**	$ 9,251.8

Normalized Gross Margin and Normalized Gross Margin Rate

Normalized gross margin and normalized gross margin rate are used as additional measures when assessing the amount of revenue retained after incurring direct costs associated with the products and services the Company provides. The following table reconciles normalized gross margin to gross margin, a GAAP measure reported in the consolidated financial statements.

Normalized gross margin rate is normalized gross margin divided by revenue.

(C$ in millions)	**Q4 2021**	Q4 2020	**2021**	2020
Gross margin	**$ 1,946.7**	$ 1,849.9	**$ 5,835.2**	$ 5,076.6
Add normalizing items:				
Operational Efficiency program	**(0.4)**	9.5	**1.4**	9.5
Normalized gross margin	**$ 1,946.3**	$ 1,859.4	**$ 5,836.6**	$ 5,086.1

Retail Normalized Gross Margin and related measures

Retail normalized gross margin, Retail normalized gross margin excluding Petroleum, Retail normalized gross margin rate, and Retail normalized gross margin rate excluding Petroleum are used as additional measures when assessing the amount of revenue retained after incurring direct costs associated with the products and services the Company provides. Retail normalized gross margin and its successive derivations are most directly comparable to gross margin, a GAAP measure reported in the consolidated financial statements.

Retail normalized gross margin rate is retail normalized gross margin divided by revenue. Retail normalized gross margin rate excluding Petroleum is retail normalized gross margin excluding Petroleum, divided by revenue excluding Petroleum.

(C$ in millions)	**Q4 2021**	Q4 2020	**2021**	2020
Gross margin	**$ 1,946.7**	$ 1,849.9	**$ 5,835.2**	$ 5,076.6
Less:				
Financial Services gross margin	**170.7**	206.6	**790.9**	645.7
CT REIT gross margin	**129.5**	126.8	**514.5**	502.3
Eliminations and adjustments	**(118.2)**	(113.8)	**(455.0)**	(430.1)
Retail gross margin	**$ 1,764.7**	$ 1,630.3	**$ 4,984.8**	$ 4,358.7
Add normalizing items:				
Operational Efficiency program	**(0.4)**	9.5	**1.4**	9.5
Retail normalized gross margin	**$ 1,764.3**	$ 1,639.8	**$ 4,986.2**	$ 4,368.2
Less: Petroleum gross margin	**52.2**	48.7	**191.2**	170.1
Retail normalized gross margin excluding Petroleum	**$ 1,712.1**	$ 1,591.1	**$ 4,795.0**	$ 4,198.1

Normalized Other Expense (Income)

The following table reconciles normalized other expense (income) to other expense (income), a GAAP measure reported in the consolidated financial statements.

(C$ in millions)	**Q4 2021**	Q4 2020	**2021**	2020
Other expense (income)	**$ 5.2**	$ 18.9	**$ (23.5)**	$ 48.7
Add normalizing items:				
Operational Efficiency program	**(0.1)**	(17.2)	**(1.0)**	(17.2)
Normalized other expense (income)	**$ 5.1**	$ 1.7	**$ (24.5)**	$ 31.5

Retail Normalized Other (Income)

The following table reconciles Retail normalized other (income) to Retail other (income), a GAAP measure reported in the consolidated financial statements.

(C$ in millions)	Q4 2021	Q4 2020	2021	2020
Other expense (income)	**$ 5.2**	$ 18.9	**$ (23.5)**	$ 48.7
Less:				
Financial Services other (income) expense	**(1.0)**	(0.2)	**2.5**	0.6
CT REIT other (income)	**—**	—	**—**	—
Eliminations and adjustments	**39.1**	29.2	**139.4**	118.9
Retail other (income)	**$ (32.9)**	$ (10.1)	**$ (165.4)**	$ (70.8)
Add normalizing items:				
Operational Efficiency program	**(0.1)**	(17.2)	**(1.0)**	(17.2)
Retail normalized other (income)	**$ (33.0)**	$ (27.3)	**$ (166.4)**	$ (88.0)

Normalized SG&A expenses and related measures

Normalized SG&A, normalized SG&A adjusted for rent expense (excluding depreciation and amortization), and normalized SG&A adjusted for rent expense (excluding depreciation and amortization) as a percentage of revenue excluding Petroleum are used as additional measures when assessing the performance of the Company's ongoing operations. Normalized SG&A, and its successive derivations are most directly comparable to SG&A, a GAAP measure reported in the consolidated financial statements. SG&A is adjusted for normalizing items, further adjusted for rent expense, depreciation and amortization. Management has adjusted SG&A to include an estimate of rent expense, a significant operating expense for its retail business. Management removes Petroleum revenue because it may complicate variances, especially when reviewing the measure as a ratio.

Normalized SG&A adjusted for rent expense excluding depreciation and amortization as a percentage of revenue excluding Petroleum is a non-GAAP ratio that is calculated by dividing normalized SG&A adjusted for rent expense, depreciation and amortization, by revenue excluding Petroleum.

(C$ in millions)	Q4 2021	Q4 2020	2021	2020
Selling, general and administrative expenses	**$ 1,167.4**	$ 1,053.6	**$ 3,934.3**	$ 3,599.3
Less normalizing items:				
Operational Efficiency program	**6.8**	8.6	**38.5**	30.0
Normalized selling, general and administrative expenses	**$ 1,160.6**	$ 1,045.0	**$ 3,895.8**	$ 3,569.3
Add:				
Net finance costs, related to leases	**21.0**	22.2	**85.2**	92.4
Less:				
Depreciation and amortization, other than right-of-use assets	**98.1**	100.3	**391.1**	399.8
Normalized selling, general and administrative expenses adjusted for rent expense excluding depreciation and amortization	**$ 1,083.5**	$ 966.9	**$ 3,589.9**	$ 3,261.9

Retail Normalized SG&A expenses and related measures

Retail normalized SG&A and Retail normalized SG&A adjusted for rent expense (excluding depreciation and amortization) are used as additional measures when assessing the performance of the Company's ongoing operations. These two metrics are most directly comparable to SG&A, a GAAP measure reported in the consolidated financial statements. Management has adjusted Retail SG&A to include an estimate of rent expense, a significant operating expense for its retail business.

(C$ in millions)	**Q4 2021**	Q4 2020	**2021**	2020
Selling, general and administrative expenses	**$ 1,167.4**	$ 1,053.6	**$ 3,934.3**	$ 3,599.3
Less:				
Financial Services selling, general and administrative expenses	**109.2**	91.6	**359.3**	319.3
CT REIT selling, general and administrative expenses	**30.9**	31.7	**121.8**	123.7
Eliminations and adjustments	**(88.6)**	(81.6)	**(333.9)**	(314.7)
Retail selling, general and administrative expenses	**$ 1,115.9**	$ 1,011.9	**$ 3,787.1**	$ 3,471.0
Less normalizing items:				
Operational Efficiency program	**6.8**	8.6	**38.5**	30.0
Retail normalized selling, general and administrative expenses	**$ 1,109.1**	$ 1,003.3	**$ 3,748.6**	$ 3,441.0
Add:				
Retail net finance costs, related to leases	**50.5**	53.9	**207.3**	220.9
Less:				
Retail depreciation and amortization, other than right-of-use assets	**78.7**	81.0	**314.0**	325.4
Retail normalized selling, general and administrative expenses adjusted for rent expense (excluding depreciation and amortization)	**$ 1,080.9**	$ 976.2	**$ 3,641.9**	$ 3,336.5

EBITDA and related measures

EBITDA, normalized EBITDA, normalized EBITDA adjusted for rent expense, and normalized EBITDA adjusted for rent expense as a percentage of revenue excluding Petroleum are used as additional measures when assessing the performance of the Company’s ongoing operations and its ability to generate cash flows to fund its cash requirements, including capital expenditures. EBITDA and its successive derivations are most directly comparable to income before income tax, a GAAP measure reported in the consolidated financial statements, and is adjusted by deducting finance costs, depreciation and amortization. EBITDA itself is then adjusted for normalizing items and finally adjusted for rent expense. Management has adjusted EBITDA to include an estimate of rent expense, a significant operating expense for its retail business, and removes the effect of Petroleum operations because it may complicate variances, especially when reviewing the measure as a ratio.

Normalized EBITDA Adjusted for Rent Expense as a Percentage of Revenue excluding Petroleum is a non-GAAP Ratio that is calculated by dividing the Normalized EBITDA Adjusted for Rent Expense by Revenue excluding Petroleum.

(C$ in millions)	**Q4 2021**	Q4 2020	**2021**	2020
Income before income taxes	**$ 720.0**	$ 718.6	**$ 1,701.9**	$ 1,172.1
Add:				
Depreciation and amortization, other than right-of-use assets[1]	**103.2**	103.5	**408.8**	412.7
Depreciation of right-of-use assets	**75.1**	71.9	**292.7**	282.6
Net finance costs, other than those related to leases	**33.1**	36.6	**137.3**	164.1
Net finance costs, related to leases	**21.0**	22.2	**85.2**	92.4
EBITDA	**$ 952.4**	$ 952.8	**$ 2,625.9**	$ 2,123.9
Add normalizing items:				
Operational Efficiency program	**6.5**	35.3	**40.9**	56.7
Normalized EBITDA	**$ 958.9**	$ 988.1	**$ 2,666.8**	$ 2,180.6
Less:				
Depreciation of right-of-use assets	**75.1**	71.9	**292.7**	282.6
Net finance costs, related to leases	**21.0**	22.2	**85.2**	92.4
Normalized EBITDA adjusted for rent expense	**$ 862.8**	$ 894.0	**$ 2,288.9**	$ 1,805.6

[1] *Depreciation and amortization reported in cost of producing revenue for the 13 and 52 weeks ended January 1, 2022 was $5.1 million (2020 – $3.2 million) and $17.7 million (2020 – $12.9 million).*

Retail EBITDA and related measures

Retail EBITDA, Retail normalized EBITDA, and Retail normalized EBITDA adjusted for rent expense are used as additional measures when assessing the performance of the Retail segment's ongoing operations and its ability to generate cash flows to fund its cash requirements, including capital expenditures. EBITDA and its successive derivations are most directly comparable to income before income tax, a GAAP measure reported in the consolidated financial statements, and is adjusted by deducting finance costs, depreciation and amortization. EBITDA is then adjusted for normalizing items and rent expense. Management has adjusted EBITDA to include an estimate of rent expense, a significant operating expense for the Retail segment.

(C$ in millions)	**Q4 2021**	Q4 2020	**2021**	2020
Income before income taxes	**$ 720.0**	$ 718.6	**$ 1,701.9**	$ 1,172.1
Less:				
Financial Services income before income taxes	**63.0**	115.6	**432.4**	327.3
CT REIT income before income taxes	**125.4**	14.0	**456.9**	183.3
Eliminations and adjustments	**(106.5)**	11.1	**(363.1)**	(76.8)
Retail income before income taxes	**$ 638.1**	$ 577.9	**$ 1,175.7**	$ 738.3
Add:				
Retail depreciation and amortization, other than right-of-use assets[1]	**83.8**	84.2	**331.7**	338.3
Retail depreciation of right-of-use assets	**138.4**	132.1	**541.5**	520.0
Retail net finance (income), other than related to leases	**(6.9)**	(3.3)	**(19.9)**	(0.7)
Retail net finance costs, related to leases	**50.5**	53.9	**207.3**	220.9
Retail EBITDA	**$ 903.9**	$ 844.8	**$ 2,236.3**	$ 1,816.8
Add normalizing items				
Operational Efficiency program	**6.5**	35.3	**40.9**	56.7
Retail Normalized EBITDA	**$ 910.4**	$ 880.1	**$ 2,277.2**	$ 1,873.5
Less:				
Retail depreciation of right-of-use assets	**138.4**	132.1	**541.5**	520.0
Retail net finance costs, related to leases	**50.5**	53.9	**207.3**	220.9
Retail Normalized EBITDA adjusted for rent expense	**$ 721.5**	$ 694.1	**$ 1,528.4**	$ 1,132.6

[1] *Depreciation and amortization reported in cost of producing revenue for the 13 and 52 weeks ended January 1, 2022 was $5.1 million (2020 – $3.2 million) and $17.7 million (2020 – $12.9 million).*

Normalized Income Before Income Taxes

Normalized income before income taxes is used as an additional measure to assess the Company's underlying operating performance and assists in making decisions regarding the ongoing operations of its business. The following table reconciles normalized net income to net income which is a GAAP measure reported in the consolidated financial statements.

(C$ in millions)	**Q4 2021**	Q4 2020	**2021**	2020
Income before income taxes	**$ 720.0**	$ 718.6	**$ 1,701.9**	$ 1,172.1
Add normalizing items:				
Operational Efficiency program	**6.5**	35.3	**40.9**	56.7
Normalized income before income taxes	**$ 726.5**	$ 753.9	**$ 1,742.8**	$ 1,228.8

Retail Normalized Income Before Income Taxes

Retail normalized income before income taxes is used as an additional measure to assess the Company's underlying operating performance and assists in making decisions regarding the ongoing operations of its business. The following table reconciles Retail normalized net income to net income which is a GAAP measure reported in the consolidated financial statements.

(C$ in millions)	Q4 2021	Q4 2020	2021	2020
Income before income taxes	**$ 720.0**	$ 718.6	**$ 1,701.9**	$ 1,172.1
Less:				
Financial Services income before income taxes	**63.0**	115.6	**432.4**	327.3
CT REIT income before income taxes	**125.4**	14.0	**456.9**	183.3
Eliminations and adjustments	**(106.5)**	11.1	**(363.1)**	(76.8)
Retail income before income taxes	**$ 638.1**	$ 577.9	**$ 1,175.7**	$ 738.3
Add normalizing items:				
Operational Efficiency program	**6.5**	35.3	**40.9**	56.7
Retail normalized income before income taxes	**$ 644.6**	**$ 613.2**	**$ 1,216.6**	$ 795.0

Normalized Income Tax

Management uses normalized income tax in order to calculate normalized net income. The tax effect of normalizing items is calculated by multiplying normalizing items by the statutory tax rate. The following table reconciles Normalized income tax to income tax which is a GAAP measure reported in the consolidated financial statements.

(C$ in millions)	Q4 2021	Q4 2020	2021	2020
Income tax expense	**$ 184.3**	$ 196.8	**$ 441.2**	$ 309.5
Add tax effect of normalizing items:				
Operational Efficiency program	**1.7**	8.7	**10.8**	14.4
Normalized income tax expense	**$ 186.0**	**$ 205.5**	**$ 452.0**	$ 323.9

Normalized Net Income, Normalized Net Income Attributable to Shareholders, Normalized Diluted Earnings per Share, and Long-term Dividend Payout Ratio

Normalized net income, normalized net income attributable to shareholders, and normalized diluted earnings per share are used as additional measures when assessing the Company's underlying operating performance. The following table reconciles normalized net income, normalized net income attributable to shareholders and normalized diluted earnings per share to net income, a GAAP measure reported in the consolidated financial statements.

Long-term dividend payout ratio is calculated by dividing total dividends by normalized net income.

(C$ in millions)	**Q4 2021**	Q4 2020	**2021**	2020	2019
Net income	**$ 535.7**	$ 521.8	**$ 1,260.7**	$ 862.6	$ 894.8
Net income attributable to shareholders	**508.5**	488.8	**1,127.6**	751.8	778.4
Add normalizing items:					
Operational Efficiency program	**4.8**	26.6	**30.1**	42.3	25.1
Party City:					
Acquisition-related costs	**—**	—	**—**	—	1.6
Fair value adjustment for inventories acquired	**—**	—	**—**	—	1.8
Normalized net income	**$ 540.5**	$ 548.4	**$ 1,290.8**	$ 904.9	$ 923.3
Normalized net income attributable to shareholders	**$ 513.3**	$ 515.4	**$ 1,157.7**	$ 794.1	$ 806.9
Normalized diluted EPS	**$ 8.42**	$ 8.40	**$ 18.91**	$ 13.00	$ 13.04

Operating Capital Expenditures

Operating capital expenditures is used to assess the resources used to maintain capital assets at their productive capacity. Operating capital expenditures is most directly comparable to the total additions, a GAAP measure reported in the consolidated financial statements.

(C$ in millions)	**2021**	2020
Total additions[1]	**$ 778.8**	$ 436.5
Add: Accrued additions	**25.1**	17.3
Less:		
Business combinations, intellectual properties and tenant allowances	**—**	1.4
CT REIT acquisitions and developments excluding vend-ins from CTC	**134.1**	141.4
Operating capital expenditures	**$ 669.8**	$ 311.0

[1] *This line appears on the Consolidated Statement of Cash Flows under Investing activities*

Retail Return on Invested Capital

Retail ROIC is calculated as Retail return divided by the Retail invested capital. Retail return is defined as trailing annual Retail after-tax earnings excluding interest expense, lease related depreciation expense, inter-segment earnings, and any normalizing items. Retail invested capital is defined as Retail segment total assets, less Retail segment trade payables and accrued liabilities and inter-segment balances based on an average of the trailing four quarters. Retail return and Retail invested capital are non-GAAP financial measures, which the Company does not consider useful in isolation. The Company believes that Retail ROIC is useful in assessing the Retail segment's performance relative to shareholder investment.

In 2021, Management revised its methodology for calculating ROIC. Management had previously committed to achieving a ROIC aspiration for 2018 to 2020 based on a methodology that was established prior to the implementation of the IFRS 16 lease standard. Since the timeframe of the Company's previous aspiration had lapsed, Management took the opportunity to reset the ROIC methodology to better incorporate the new lease standard for IFRS 16. The Company has updated its calculation to include right-of-use assets in the invested capital base in place of operating leases capitalized at a factor of eight under the previous definition. Management has restated the previously disclosed metric for comparability of Retail ROIC to conform with the current year calculation.

(C$ in millions)	**2021**	2020
Income before income taxes	**$ 1,701.9**	$ 1,172.1
Less:		
Financial Services income before income taxes	**432.4**	327.3
CT REIT income before income taxes	**456.9**	183.3
Eliminations and adjustments	**(363.1)**	(76.8)
Retail income before income taxes	**$ 1,175.7**	$ 738.3
Add normalizing items:		
Operational Efficiency program	**40.9**	56.7
Retail normalized income before income taxes	**$ 1,216.6**	$ 795.0
Less:		
Retail intercompany adjustments[1]	**196.5**	192.8
Add:		
Retail interest expense[2]	**251.8**	283.4
Retail depreciation of right-of-use assets	**541.5**	520.0
Retail effective tax rate	**27.1 %**	28.3 %
Add: Retail taxes	**(491.4)**	(397.7)
Retail return	**$ 1,322.0**	$ 1,007.9
Average total assets	**$ 21,364.1**	$ 19,983.4
Less:		
Average Financial Services assets	**7,653.0**	7,000.0
Average CT REIT assets	**6,343.1**	6,124.4
Average Eliminations and adjustments	**(8,970.1)**	(8,814.0)
Average Retail assets	**$ 16,338.1**	$ 15,673.0
Less:		
Average Retail intercompany adjustments[1]	**3,421.2**	3,389.0
Average Retail trade payables and accrued liabilities[3]	**2,519.8**	2,347.1
Average Franchise Trust assets	**507.6**	576.6
Average Retail excess cash	**167.4**	14.0
Average Retail invested capital	**$ 9,722.1**	$ 9,346.3
Retail ROIC	**13.6 %**	10.8 %

1 *Intercompany adjustments include intercompany income received from CT REIT which is included in the Retail segment, and intercompany investments made by the Retail segment in CT REIT and CTFS.*
2 *Excludes Franchise Trust.*
3 *Trade payables and accrued liabilities include trade and other payables, short-term derivative liabilities, short-term provisions and income tax payables.*

Helly Hansen Revenue on a Constant Currency Basis

Helly Hansen revenue on a constant currency basis is used to assess revenue variations by removing the effect of changes to foreign exchange rates. This will be accomplished by applying the same foreign exchange rate to current and comparative periods. This measure is most directly comparable to revenue, a GAAP measure reported in the consolidated financial statements.

(C$ in millions)	**Q4 2021**	Q4 2020	**2021**	2020
Revenue	**$ 5,137.6**	$ 4,874.5	**$ 16,292.1**	$ 14,871.0
Less:				
Financial Services revenue	**312.4**	295.3	**1,213.3**	1,248.4
CT REIT revenue	**129.5**	126.8	**514.5**	502.3
Retail revenue excluding Helly Hansen	**4,579.6**	4,386.1	**14,438.2**	13,078.1
Adjustments and eliminations	**(134.3)**	(129.8)	**(518.8)**	(499.7)
Helly Hansen Revenue (CAD)	**250.4**	196.1	**644.9**	541.9
NOK/CAD average FX rate	**6.91**	6.97	**6.87**	6.96
Helly Hansen Revenue (Kroner)	**1,729.9**	1,366.2	**4,428.9**	3,772.0
NOK/CAD constant FX rate	**6.97**	6.97	**6.96**	6.96
Helly Hansen Revenue (constant currency)	**$ 248.3**	$ 196.1	**$ 636.3**	$ 541.9

Adjusted Net Debt

The following tables present the components of adjusted net debt. The Company believes that adjusted net debt is relevant in assessing the amount of financial leverage employed.

As at January 1, 2022 (C$ in millions)	**Consolidated**	**Retail**	**Financial Services**	**REIT**
Consolidated net debt				
Short-term deposits	**$ 1,908.4**	**$ —**	**$ 1,908.4**	**$ —**
Long-term deposits	**1,985.3**	**—**	**1,985.3**	**—**
Short-term borrowings	**108.2**	**58.0**	**50.2**	**—**
Long-term debt	**4,278.5**	**951.9**	**2,179.6**	**1,147.0**
Total debt	**8,280.4**	**1,009.9**	**6,123.5**	**1,147.0**
Cash and cash equivalents	**(1,751.7)**	**(707.6)**	**(1,040.5)**	**(3.6)**
Short-term investments	**(606.2)**	**—**	**(606.2)**	**—**
Long-term investments[1]	**(175.1)**	**—**	**(175.1)**	**—**
Net debt	**5,747.4**	**302.3**	**4,301.7**	**1,143.4**
Intercompany debt	**—**	**(1,614.3)**	**83.4**	**1,530.9**
Adjusted net debt	**$ 5,747.4**	**$ (1,312.0)**	**$ 4,385.1**	**$ 2,674.3**

[1] *Includes regulatory reserves.*

As at January 2, 2021

(C$ in millions)	Consolidated	Retail	Financial Services	REIT
Consolidated net debt				
Short-term deposits	$ 1,228.0	$ —	$ 1,228.0	$ —
Long-term deposits	2,281.7	—	2,281.7	—
Short-term borrowings	165.4	51.1	114.3	—
Long-term debt	4,266.2	950.9	2,177.6	1,137.7
Total debt	7,941.3	1,002.0	5,801.6	1,137.7
Cash and cash equivalents[1]	(1,327.2)	(306.2)	(1,016.5)	(4.5)
Short-term investments[2]	(643.0)	—	(643.0)	—
Long-term investments[1,2]	(146.2)	—	(146.2)	—
Net debt	5,824.9	695.8	3,995.9	1,133.2
Intercompany debt	—	(1,568.5)	53.7	1,514.8
Adjusted net debt	$ 5,824.9	$ (872.7)	$ 4,049.6	$ 2,648.0

1 *Includes regulatory reserves.*
2 *The prior period figures have been restated to align with current year presentation.*

Past due credit card receivables rate

Past due credit card receivables rate ("PD2+ rate") is calculated by dividing gross credit card receivables that are two cycles or more overdue (30+ days past due) by total gross credit card receivables. Both components exclude allowances and discounts. Gross past due credit card receivables, total gross credit card receivables and PD2+ are non-GAAP financial measures and a non-GAAP ratio, respectively.

The ratio of past due credit card receivables provides management and investors an additional measure to assess the quality and health of credit card loan assets. Past due gross credit card receivables and total gross credit card receivables provide insight into the book value of cardholder balances of our existing portfolio at the reporting date, however, observed in isolation do not provide meaningful information.

(C$ in millions)	**2021**	2020
Current portion of loans receivable	**$ 5,613.2**	$ 5,031.8
Add:		
ECL allowance	**841.5**	864.0
Less:		
Other discounts or adjustments	**120.4**	109.3
Line of credit and current portion of dealer loans	**65.5**	50.0
Total gross credit card receivables	**6,268.8**	5,736.5
Less: Loans no more than 30 days past due	**6,142.8**	5,623.5
Past due gross credit card receivables	**$ 126.0**	$ 113.0

CT REIT Net Operating Income

NOI is defined as property revenue less property expense adjusted further for straight-line rent. The most directly comparable primary financial statement measure is revenue. Management believes that NOI is a useful key indicator of performance as it represents a measure of property operations over which management has control. NOI is also a key input in determining the value of the portfolio. NOI should not be considered as an alternative to property revenue or net income and comprehensive income, both of which are determined in accordance with GAAP.

The following table shows the relationship of NOI to GAAP revenue and property expense in CT REIT's Consolidated Statements of Income and Comprehensive Income:

(C$ in millions)	Q4 2021	Q4 2020	2021	2020
Revenue	**$ 5,137.6**	$ 4,874.5	**$ 16,292.1**	$ 14,871.0
Less:				
Retail revenue	**4,830.0**	4,582.2	**15,083.1**	13,620.0
Financial Services revenue	**312.4**	295.3	**1,213.3**	1,248.4
Adjustments and eliminations	**(134.3)**	(129.8)	**(518.8)**	(499.7)
CT REIT property revenue	**129.5**	126.8	**514.5**	502.3
Less:				
CT REIT property expense	**27.1**	27.8	**107.3**	110.8
CT REIT property straight-line rent revenue	**1.5**	2.2	**6.1**	10.0
CT REIT net operating income	**$ 100.9**	$ 96.8	**$ 401.1**	$ 381.5

CT REIT Funds from Operations and Adjusted Funds from Operations

Funds from Operations

FFO is a non-GAAP financial measure of operating performance used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties. The most directly comparable primary financial statement measure is net income and comprehensive income. FFO should not be considered as an alternative to net income or cash flow provided by operating activities determined in accordance with IFRS. CT REIT calculates its FFO in accordance with Real Property Association of Canada's ("REALPAC") "White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS" ("White Paper on FFO & AFFO") issued February 2019. The use of FFO, together with the required IFRS presentations, have been included for the purpose of improving the understanding of the operating results of CT REIT.

Management believes that FFO is a useful measure of operating performance that, when compared period-over-period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and property 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 items to net income 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 non-GAAP financial measure of recurring economic earnings used in the real estate industry to assess an entity's distribution capacity. The most directly comparable primary financial statement measure is net income and comprehensive income. AFFO should not be considered as an alternative to net income or cash flows provided by operating activities determined in accordance with IFRS. CT REIT calculates its AFFO in accordance with REALPAC's White Paper on FFO & AFFO.

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. As property capital expenditures do not occur evenly during the fiscal year or from year to year the capital expenditure reserve in the AFFO calculation, which is used as an input in assessing the REIT's distribution payout ratio, is intended to reflect an average annual spending level. The reserve is primarily based on average expenditures as determined by building condition reports prepared by independent consultants.

Management believes that AFFO is a useful measure of operating performance similar to FFO as described above, adjusted for the impact of non-cash income and expense items.

FFO per unit and AFFO per unit

FFO per unit and AFFO per unit are calculated by dividing FFO or AFFO by the weighted average number of units outstanding on a diluted basis. Management believes that these measures are useful to investors to assess the effect of this measure as it relates to their holdings

The following table reconciles GAAP net income and comprehensive income to FFO and further reconciles FFO to AFFO:

(C$ in millions)		**Q4 2021**		Q4 2020		**2021**		2020
Income before income taxes	**$**	**720.0**	$	718.6	**$**	**1,701.9**	$	1,172.1
Less:								
Retail income before income taxes		**638.1**		577.9		**1,175.7**		738.3
Financial Services income before income taxes		**63.0**		115.6		**432.4**		327.3
Eliminations and adjustments		**(106.5)**		11.1		**(363.1)**		(76.8)
CT REIT income before income taxes	**$**	**125.4**	$	14.0	**$**	**456.9**	$	183.3
Add:								
CT REIT fair value (gain) loss adjustment		**(53.2)**		53.9		**(169.9)**		87.4
CT REIT deferred taxes		**(0.5)**		(0.6)		**(0.1)**		—
CT REIT lease principal payments on right-of-use assets		**(0.2)**		(0.3)		**(1.1)**		(0.8)
CT REIT fair value of equity awards		**0.2**		0.8		**1.0**		0.1
CT REIT internal leasing expense		**0.2**		0.3		**0.8**		0.8
CT REIT funds from operations	**$**	**71.9**	$	68.1	**$**	**287.6**	$	270.8
Add:								
CT REIT properties straight-line rent adjustment		**(1.5)**		(2.2)		**(6.1)**		(10.0)
CT REIT capital expenditure reserve		**(6.3)**		(6.1)		**(24.9)**		(24.3)
CT REIT adjusted funds from operations	**$**	**64.1**	$	59.8	**$**	**256.6**	$	236.5

9.3 Supplementary Financial Measures

Average Account Balance

Average account balance measures average aggregate account balances for the credit card portfolio, excluding lines of credit and personal loans, divided by the average number of credit card accounts, for the applicable period.

Borrowings Outstanding

Borrowings outstanding represent drawdowns from committed bank lines of credit.

Credit Card Sales and Credit Card Sales Growth

Credit card sales is a measure of the net sales charged to credit cards. Credit card sales growth excludes balance transfers, and represents year-over-year percentage change.

Comparable Sales

Comparable sales is 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 in the period. The calculation includes sales from all stores that have been open for a minimum of one year and one week, as well as eCommerce sales. For the current year, Comparable sales growth and comparable store gasoline volume growth have been calculated by aligning the 2020 fiscal calendar with the 2021 fiscal calendar (i.e., sales from the first week in 2021 are compared with the sales from the second week of 2020) and include the sales of stores which were temporarily closed. Comparable sales do not form part of the Company's consolidated financial statements. Management applies this measure to Consolidated results (including and excluding Petroleum), the Retail segment (including and excluding Petroleum), and all banners under the Retail segment (including but not limited to Canadian Tire, SportChek and Mark's).

Cost of Debt

Cost of debt represents the weighted average finance costs as a percentage of total short-term and long-term debt during the period.

eCommerce Sales

eCommerce sales refers to sales generated by the Company's online presence. Only eCommerce sales from corporate stores are included in the Company's consolidated financial statements. Management applies this measure to Consolidated results, the Retail segment, and banners under the Retail segment.

eCommerce Penetration Rate

eCommerce penetration rate is calculated by dividing eCommerce sales by Retail sales.

ECL Allowance Rate

This measure is the total allowance for expected credit losses as a percentage of total gross loans receivable for the Financial Services segment.

Effective Tax Rate

Effective tax rate is the tax expense for the period divided by the income before income taxes for the same period.

Gross Average Accounts Receivable

GAAR is the average accounts receivable from credit cards, personal loans and lines of credit, before allowances for expected credit losses. Measures using GAAR apply only to the Financial Services segment.

Gross Margin Rate

Gross margin rate is gross margin divided by revenue.

Gross Margin excluding Petroleum and Gross Margin Rate excluding Petroleum

Gross margin excluding Petroleum captures gross margin in the consolidated entity or Retail segment, as measured according to the Company's IFRS accounting policy, while excluding gross margin from Petroleum sales. Gross margin rate excluding Petroleum is calculated by dividing gross margin excluding Petroleum by revenue excluding Petroleum.

Interest Expense

Interest expense represents the finance cost of short-term and long-term debt, which includes lines of credit, medium-term notes, debentures, and senior and subordinated term notes. This metric excludes deposits held by CTB, Franchise Trust indebtedness, and lease liability interest.

Net Credit Card Write-off Rate

Net credit card write-off rate measures write-offs of credit card balances only, net of recoveries for the past twelve months, as a percentage of the credit card GAAR.

Operating Expenses as % of GAAR

Operating expenses as % of GAAR for the Financial Services segment is calculated using rolling 12-month operating expenses divided by gross average receivables accounts receivable.

Owned Brands Penetration

Owned brands penetration is calculated by dividing sales of owned brands by Retail sales.

Property Revenue

Property revenue includes all amounts earned from tenants pursuant to lease agreements including property taxes, operating costs and other recoveries.

Property Expense

Property expense consists primarily of property taxes, operating costs and property management costs (including any outsourcing of property management services).

Retail Sales

Retail sales refers to the point-of-sale value of all goods and services sold to retail customers at stores operated by Dealers, Mark's and SportChek franchisees, and Petroleum retailers, at corporately-owned stores across all banners under the Retail segment, services provided as part of the Home Services offering, and of goods sold through the Company's online sales channels, and in aggregate do not form part of the Company's consolidated financial statements. Management applies this measure to Consolidated results (including and excluding Petroleum), the Retail segment (including and excluding Petroleum), and all banners under the Retail segment (including but not limited to Canadian Tire, SportChek, Mark's, Helly Hansen, Gas+, and Owned Brands).

Retail SG&A Rate and Retail SG&A as a Percentage of Revenue excluding Petroleum

Retail SG&A rate is calculated by dividing Retail SG&A by Retail revenue. Retail SG&A as a percentage of revenue excluding Petroleum is calculated by dividing Retail SG&A by Retail revenue excluding Petroleum.

Return on Receivables

Return on receivables ("ROR") assesses the profitability of the Financial Services' total portfolio of receivables. ROR is calculated by dividing Financial Services' income before income tax and gains/losses on disposal of property and equipment by the average of Financial Services' total-managed portfolio over a rolling 12-month period.

Revenue as % of GAAR

Revenue as % of GAAR for the Financial Services segment is the rolling 12-month revenue divided by gross average accounts receivable.

Revenue Excluding Petroleum

Revenue excluding Petroleum captures revenue in the consolidated entity and Retail segment, as measured according to the Company's IFRS accounting policy, while excluding revenues from petroleum sales.

Sales per Square Foot

Comparisons of sales per square foot metrics over several periods 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 is calculated on a rolling 12-month basis for the Retail segment. This calculation includes the period in which stores were temporarily closed. For Canadian Tire, retail space does not include seasonal outdoor garden centres, auto service bays, warehouses, and administrative space. For SportChek and Mark's, it includes both corporate and franchise stores and warehouse and administrative space.

10.0 Key Risks and Risk Management

Overview

In the normal course of its business activities, CTC is regularly faced with risks and opportunities. The effective management of risk is a key priority for the Company to support CTC in achieving its strategies and business objectives. Accordingly, CTC has adopted an Enterprise Risk Management Framework ("ERM Framework") for identifying, assessing, monitoring, mitigating and reporting risks and opportunities facing CTC. Refer to section 2.6 in the 2021 AIF for further details of CTC's ERM Framework.

10.1 Key Risks

The Company regularly assesses its businesses to identify and assess key risks that alone, or in combination with other interrelated risks, could have a significant adverse impact on the Company's brand, financial performance, and/or ability to achieve its strategic objectives. CTC's risks are generally categorized as strategic, financial or operational; however, certain risks can have impacts across categories. The following section provides a high-level view of CTC's risks that have the most potential to impact its businesses and CTC's approach to mitigating such risks.

The mitigation and management of risk is approached holistically with a view to ensuring all risk exposures are considered. Although the Company believes the measures taken to mitigate risks are reasonable, there can be no assurance that they will effectively mitigate risks that may have a negative impact on the Company's financial performance, brand, and/or ability to achieve its strategic objectives. In addition, there are numerous other external risk factors, such as macroeconomic, geopolitical, cyber and ransomware attacks, changing consumer preferences, climate change, commodity pricing, supply chain disruption, pandemics, changing laws and regulations, or new technologies that are difficult to predict and could adversely impact financial performance, plans, and objectives.

The ongoing COVID-19 pandemic has had a significant impact on global economic activity since March 2020. The duration and long-term adverse effects of the pandemic on CTC remain uncertain. The Company has implemented comprehensive and evolving operational and risk management strategies to support its businesses and protect the health and well-being of its employees and customers through the pandemic.

10.1.1 Strategic Risks

CTC manages strategic risks, including strategy, key business relationships, and reputation, which are described below.

Strategy

CTC operates in a number of industries which are highly competitive and constantly evolving. The Company selects strategies intended to address opportunities and risks, and positively differentiate its performance in the marketplace. Should the Company be unable to appropriately respond to fluctuations in the external business environment as a result of inaction, ineffective strategies, or poor implementation of strategies, there could be adverse impacts on CTC's financial performance, brand, and/or ability to achieve its strategic objectives. Factors affecting these risks may include, but are not limited to:

- changes in the competitive landscape in the retail, banking, and/or real estate sectors, impacting the attractiveness of shopping at CTC's businesses and the value of its real estate holdings;
- economic recession, depression, or high inflation, impacting consumer spending;
- changes in the domestic or international political environments, impacting the cost and availability of products and services and CTC's ability to do business;
- shifts in the buying behaviour of consumers, demographics, or weather patterns, impacting the relevance of the products and services offered by CTC;
- transition and integration of significant acquisitions into the CTC business model and CTC's ability to achieve expected performance and growth plans;
- introduction of new technologies and trends impacting the relevance of the products, channels, or services offered by CTC; and
- health events, such as the COVID-19 pandemic, impacting the Company's operations, customer behaviours and financial performance.

Risk management strategy:
The Company regularly assesses strategies to enable the achievement of its financial aspirations. These strategies take the form of a number of strategic objectives. On at least a quarterly basis, the Company identifies and assesses the external and internal risks that may impede the achievement of its strategic objectives. This includes the regular monitoring of economic, political, health, demographic, geographic and competitive developments in Canada and other countries where CTC conducts business, as well as the capabilities, strategic fit, and other benefits of key initiatives and acquisitions. The goal of this approach is to provide early warning and escalation within the Company regarding significant risks and engage in appropriate Management activities to mitigate these risks. In addition to supporting strategy execution, this approach enables Management to assess the effectiveness of its strategies considering external and internal conditions and propose changes to strategic objectives as appropriate.

Key Business Relationships

CTC's business model relies on certain significant business relationships. Such relationships include, but are not limited to, relationships with its Dealers, agents, franchisees, suppliers and service providers.

The scope, complexity, materiality, and/or criticality of these key business relationships can affect customer service, procurement, product and service delivery, information security and expense management. Failure to effectively manage these relationships may have a negative impact on CTC's financial performance, brand and/or ability to achieve its strategic objectives.

Risk management strategy:
The Company regularly assesses the capabilities, strategic fit, and other realized benefits of key business relationships in the context of supporting its strategies. 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 its Dealers. Management of the Canadian Tire Dealer relationship is led by Senior Management with oversight by the Chief Executive Officer ("CEO") and Board of Directors.
Throughout the pandemic, the Company worked closely with its Dealers, agents, franchisees, suppliers and service providers to help maintain safe business operations and continue to provide Canadians and our communities with the essential products and services they require.

Reputation
The strength of CTC's brand significantly contributes to the success of the Company and is sustained through its culture, policies, processes and ongoing investments that build trust and affinity with stakeholders. Maintaining and enhancing brand equity enables the Company to grow and achieve its financial goals and strategic aspirations. The Company recognizes that proper stewardship of environmental, social and governance ("ESG") matters that are relevant to its business contributes positively to the Company's reputation. CTC's reputation, and consequently brand, may be negatively affected by various factors, some of which may be outside its control. Should these factors materialize, stakeholders' trust in the Company, the perception of what its brand stands for, its connection with customers, and subsequently its brand equity, may significantly diminish. As a result, CTC's financial position, brand and/or ability to achieve its strategic objectives may be negatively affected.

Risk management strategy:
The Company's strategies include plans and investments to protect and enhance its reputation. The Company has identified the ESG matters that are most relevant to its stakeholders and invested in managing these areas of focus to not just meet but exceed regulatory standards. All employees are expected to manage risks that could impact the Company's reputation and thereby its brand equity through a set of established risk frameworks. Senior Management is accountable to ensure that employees identify and escalate matters that could create reputational risk. The Company monitors a variety of sources to identify issues that could damage its reputation and has established processes to respond to significant issues. The Company's Codes of Conduct are the foundation for ethical conduct at CTC, providing all employees, contractors, suppliers, and Directors with guidance on ethical values and expected behaviours that enable it to sustain its culture of integrity.

10.1.2 Financial Risks
Macroeconomic conditions are highly cyclical, volatile and can have a material effect on the ability of the Company to achieve strategic goals and aspirations. CTC manages a number of financial risks with respect to financial instruments, liquidity, foreign currency exchange and interest rates, which are described below.

<u>Financial Instrument Risk</u>
The Company's primary financial instrument risk exposures relate to the Bank's credit card loans receivable and the value of the Company's financial instruments (including derivatives and investments) employed to manage exposure to foreign currency risk, interest rate risk, and equity risk, all of which are subject to financial market volatility. For further disclosure of the Company's financial instruments, their classification, their impact on financial statements, and determination of fair value refer to Note 33 to the consolidated financial statements.

<u>Liquidity Risk</u>
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 that it will have sufficient liquidity to meet its liabilities when due, under normal circumstances, with the ability to react under some uncertainty.

For a comprehensive discussion of the Company's liquidity risk, see Note 5 of the consolidated financial statements.

Foreign Currency Risk
CTC sources merchandise globally. In 2021, approximately 54 percent, 7 percent and 37 percent of the value of inventory purchases of Canadian Tire, SportChek and Mark's, respectively, were sourced directly from vendors outside Canada and denominated in U.S. dollars. The majority of Helly Hansen's purchases are from vendors in Asia and are denominated in U.S. dollars and Euros. To mitigate the impact of fluctuating foreign exchange rates on the cost of these purchases, the Company has an established foreign exchange risk management program that governs the proportion of forecast U.S. dollar and Euro purchases that are hedged through foreign exchange derivative contracts. The purpose of the program is to provide certainty with respect to a portion of the foreign exchange component of future merchandise purchases.

As the Company has hedged a significant portion of the cost of its near-term U.S. dollar-denominated forecasted purchases, a change in foreign currency rates will not materially impact that portion of the cost related to those purchases. The Company operates its hedging program on a continual basis to ensure that any sustained change in rates is reflected in the cost of the Company's U.S. dollar purchases over the entirety of its hedging horizon. This ensures that the cost of U.S. dollar purchases is smoothed relative to the foreign exchange market allowing the Company to defer the impact of sudden exchange rate movements on margins and allow it time to develop strategies to mitigate the impact of a sustained change in foreign exchange rates. Some vendors have an underlying exposure to U.S. currency fluctuations which may affect the price they charge the Company for merchandise, and the Company's hedging program does not mitigate that risk. While the Company may be able to pass on changes in foreign currency exchange rates through retail pricing, any decision to do so would be subject to competitive, market and economic conditions.

Interest Rate Risk
The Company may use interest rate derivatives to manage interest rate risk. The Company has a policy in place whereby, on a consolidated basis (excluding Franchise Trust), a minimum of 75 percent of its consolidated debt (short-term and long-term) will be at fixed versus floating interest rates.

Failure to develop, implement, and execute effective strategies to manage these financial risks may result in insufficient capital to absorb unexpected losses and/or decreases in margin and/or changes in asset value, negatively affecting CTC's financial position, brand, and/or ability to achieve its strategic objectives.

Risk management strategy:
The Company has a Board-approved Financial Risk Management Policy in place which governs financial instruments, liquidity, foreign currency, interest rate and other financial risks. The Treasurer and Chief Financial Officer ("CFO") provide assurances with respect to policy compliance. Refer to section 5.3 in this MD&A for further details.

In particular, the Company's hedging activities, are governed by this policy. Hedge transactions are executed with highly rated financial institutions and are monitored against policy limits.

10.1.3 Operational Risks
CTC manages a number of operational risks, that are described below: talent; technology functionality, resiliency and security; cyber; data and information; operations; financial reporting; credit; and legal, regulatory and litigation.

Talent
To support its strategies, objectives and normal business operations, CTC needs to maintain a sufficient, appropriately-skilled, focused and committed workforce. CTC's financial position, brand, and/or ability to achieve its strategic objectives may be negatively affected by its failure to manage its talent risk.

Risk management strategy:
The Company manages its talent risk through its organizational design, employee recruitment programs, succession planning, compensation structures, ongoing training, professional development programs, diversity, inclusion and belonging programs, change management, Code of Conduct, and performance management. The Company also continues to adopt strategies to attract and retain talent, to support areas of the business where labour shortages and high competition for talent are prevalent.

Technology Functionality, Resiliency and Security

CTC's business is affected by its technologies, which may positively or adversely impact CTC's products, channels, and services. CTC's choices of investments in technology may support its ability to achieve its strategic objectives, or may negatively affect its financial position, brand, and/or ability to achieve its strategic objectives. The COVID-19 pandemic continues to accelerate the shift in consumer behaviour to online shopping and the risk to the Company's digital platforms and IT systems.

Risk management strategy:

The Company manages its risks through its investments in people, processes, systems, and tools to meet operational and security requirements, and leverage technological advances in the marketplace.

The Company maintains policies, processes, and controls to address capabilities, performance, security, and availability, including disaster recovery for systems, infrastructure, and data.

The Company regularly monitors and analyzes its technology needs and performance to determine the effectiveness of its investments and its investment priorities. CTC continues to enhance its digital platforms to effectively meet increased online customer demand and improve both the customer and Dealer eCommerce experiences. IT improvements pertaining to network infrastructure, devices, security and incident management are effectively supporting the work from home model.

Cyber

CTC relies on IT systems in all areas of operations. The Company's information systems are subject to the increasing frequency and sophistication of global cyber threats, including ransomware attacks. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving. A breach of sensitive information or disruption to its systems may negatively impact CTC's financial position, brand, and/or ability to achieve its strategic objectives.

Risk management strategy:

The Company maintains policies, processes, and controls to address capabilities, performance, security, and availability including disaster recovery for systems, infrastructure, and data. Security protocols, along with information security policies, address compliance with information security standards, including those relating to information belonging to the Company's customers and employees. The Company actively monitors, manages, and continues to enhance its ability to mitigate cyber risk through enterprise-wide programs. As a result of heightened risks, CTC has implemented additional security measures with respect to employee training, monitoring and testing, systems protection, and business continuity and contingency planning.

Data and Information

In the normal course of business, the Company collects and stores sensitive data, including the personal information of its customers and employees, information of its business partners, and internal information. The integrity, reliability and security of information are critical to its business operations and strategy. The work-from-home model has heightened the importance of data and information security and privacy.

The lack of integrity and reliability of information for decision-making, loss or inappropriate disclosure or misappropriation of sensitive information could negatively affect CTC's financial position, brand, and/or ability to achieve its strategic objectives.

Risk management strategy:

The Company has policies, processes, and controls designed to manage and safeguard the information of its customers, employees, and internal information throughout its lifecycle. The Company continues to enhance its ability to mitigate information risk in conjunction with its cyber risk management programs. The Company monitors and enforces its practices supporting the security, privacy and confidentiality of sensitive data and information.

Operations

CTC has complex and diverse operations across its business units and functional areas. Sources of operational risk include, but are not limited to, merchandising, supply chain, store networks, property management and development, financial services, business disruptions, regulatory requirements, and reliance on technology.

Operations risk is the risk of potential loss resulting from inadequate or failed internal processes or systems, human interactions, or external events (such as health and weather events). Should this risk materialize, CTC's financial position, brand, and/or ability to achieve its strategic objectives could be negatively affected.

Government-issued guidelines and restrictions in response to the COVID-19 pandemic have resulted in the implementation of several operational measures that have impacted the Company's offices, call centres, store and distribution networks, including the temporary closures of facilities, reduced store hours and capacity, enhanced cleaning protocols, and actions to promote physical distancing. Further government-response actions could have additional adverse impacts on the Company's operations and financial performance.

Risk management strategy:
Management 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 strategic and performance objectives, availability of business services, and regulatory compliance of the banner that they operate or support. To ensure continuity of business activities and services, the Company has identified critical processes and developed robust business continuity plans to mitigate and respond to significant disruptions.

Throughout the COVID-19 pandemic, the Company has remained focused on maintaining safe and resilient business operations to support Canadians and communities by providing essential products and services for the jobs and joys of life in Canada. CTC continues to take the necessary measures and precautions to protect the health and well-being of its employees and customers, including the implementation of physical distancing protocols, enhanced cleaning activities and protective equipment, all reflecting best guidance from public health authorities.

Further information regarding the Company's exposure to this risk for each business segment is provided in section 10.2.

Financial Reporting

Public companies such as CTC are subject to risks relating to the restatement and reissuance of financial statements, which may be 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 a Company's operating performance, financial condition, and prospects.

The realization of one or more of these risks may result in regulatory-related issues or may negatively impact CTC's financial position, brand and/or ability to achieve its strategic objectives.

Risk management strategy:
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.

Credit

CTC's credit risk, which may result if a customer or counterparty fails to meet its contractual obligations, arises principally from operations of the Bank's credit card loan portfolio, CTC's interaction with its Dealer and franchisee networks, and financial instruments, which are discussed in more detail below.

<u>Consumer Credit Risk</u>
Through the granting of credit cards, the Company assumes certain risks with respect to the ability and willingness of the Bank's customers to repay loans owing to it. Upon cessation of measures put in place by

government authorities in response to the COVID-19 pandemic, CTC could see an increase in cardholder delinquencies or impairments, which could negatively impact its financial performance and strategic objectives.

Dealer, Franchise and Other Wholesale Customer Credit Risk
Accounts receivable credit risk is primarily from Dealers, franchisees, and wholesale customers. In addition, the Company is required to provide credit enhancement to Franchise Trust in the form of standby letters of credit issued by highly-rated financial institutions and guaranteed by the Company (the “LCs”) to achieve the required “AAA” equivalent credit rating of the funding of the Dealer loan portfolio and may also provide guarantees of third-party bank debt agreements or inventory buy-back agreements, with respect to the bank financing of certain Dealers and franchisees.

Financial Instrument Counterparty Risk
The Company's Financial Risk Management Policy manages counterparty credit risk relating to cash balances, investment activity, and the use of financial derivatives. The Company limits its exposure to counterparty credit risk by transacting only with highly-rated financial institutions and other counterparties and by managing within specific limits for credit exposure and term-to-maturity. The Company’s financial instrument portfolio is spread across financial institutions, provincial and federal governments, and, to a lesser extent, corporate issuers that are at least dual rated and have a lowest (if dual rated) or median (if three or more ratings) credit rating in the “A(low)” equivalent category or better and asset-backed issuers that are at least dual rated and have credit ratings in the “AAA” equivalent category.

Failure to effectively manage this risk may negatively impact CTC’s financial position, brand, and/or ability to achieve its strategic objectives.

Risk management strategy:
Various Board-approved policies, processes and controls are employed to manage and mitigate the Company’s credit risk exposure and are monitored for compliance with policy limits.
Further information regarding the Company’s exposure to consumer lending risk and the Bank’s mitigation strategies is provided in section 10.2.2.

For further disclosure of the Company’s maximum exposure to credit risk, over and above amounts recognized in the Consolidated Balance Sheets, refer to Note 5.3.2 to the consolidated financial statements.

For further disclosure of the Company’s allowance for impairment on loans receivable, refer to Note 9 to the consolidated financial statements.

Legal, Regulatory and Litigation

The Company is or may become subject to claims, disputes, legal proceedings, and regulatory compliance issues arising in the ordinary course of business. The outcome of litigation cannot be predicted or guaranteed. Unfavourable rulings may have a material adverse effect on CTC’s financial position, brand, and/or ability to achieve its strategic objectives. Additional legislation and regulations (including climate change initiatives) may be adopted or instituted that impose additional constraints on CTC’s operations, which may adversely impact its financial performance.

Regulatory risk may have a negative impact on business activities, earnings or capital, regulatory relationships, Company’s brand or reputation as a result of failure to comply with or failure to adapt to current and changing regulations or regulatory expectations.

Risk management strategy:
Various Board-approved policies, processes and controls address requirements for compliance with applicable laws, regulations, and regulatory policies. A team of legal professionals assists employees with mitigating and managing risks relating to claims or potential claims, disputes, and legal proceedings. The Company’s Legislative Compliance department provides compliance oversight and guidance to the organization, including the development and maintenance of a regulatory compliance management system. 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 to Senior Management.

10.2 Business Segment Risks

10.2.1 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. Certain risks continue to be compounded by the ongoing COVID-19 pandemic. The following are the business risks most relevant to the Retail segment's operations. Refer to section 10.1 in this MD&A for further details of the Company's risk management strategies.

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 and proactive assortment management, effective procurement and inventory management practices, as well as the development of products and offers to stimulate customer demand for 'non-seasonal' and year-round products not directly affected by weather patterns.

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.

SportChek is affected by general seasonal trends that are characteristic of the apparel, footwear and hard goods industries. SportChek 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.

Evolving Consumer Behaviour and Shopping Habits

Since the onset of the COVID-19 pandemic, the Company has seen a further shift in consumer behaviour with an unprecedented increase in online shopping demand. Failure to provide attractive, user-friendly, and secure digital platforms that meet the changing expectations of online shoppers could negatively impact the Company's reputation, place the Company at a competitive disadvantage and/or have a negative impact on business operations. In order to mitigate this risk, the Company monitors the competitive landscape, digital evolutions and eCommerce trends to ensure its strategic initiatives are designed to maintain competitive positioning and continue to be relevant.

Supply Chain 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. Canadian Tire, Mark's, and SportChek use internal resources and third-party logistics providers to manage the movement of foreign-sourced goods from suppliers to the Company's distribution centres and retail stores. Accordingly, the Company is exposed to potential supply chain disruptions due to foreign supplier failures, pandemics, extreme weather events, geopolitical risk, raw material and component shortages, labour disruption or insufficient capacity at ports, and risks of delays or loss of inventory in transit. The Company mitigates these risks by using 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. Key strategic relationships with vendors as well as the capability to utilize inventory across retail banners have aided the Company's ability to address customer demand.

Ethical Sourcing Risk

Products that are sourced from factories in less developed countries for which there is a high level of public scrutiny pertaining to working conditions and labour regulations, introduces a heightened level of reputational and brand risk to CTC. In order to mitigate these risks, CTC works with its suppliers to ensure that products are sourced, manufactured, and transported according to the standards outlined in its Supplier Code of Business Conduct. The Company also works with the Business Social Compliance Initiative (BSCI) factory audit methodology to assess the hiring and employment practices, as well as the health and safety standards of its foreign suppliers.

Environmental Risk

Environmental risks relating to the global transition to a net-zero economy and the physical impacts of climate change affect CTC. The Company monitors those risks and continues to develop strategies and plans in relation thereto. Environmental risk within CTC also involves the storage, handling, and recycling of certain materials. The Company has established and follows environmental policies and practices to avoid a negative impact on the environment, to comply with environmental laws, and protect its reputation. It addresses applicable environmental stewardship requirements and takes the necessary steps to manage the end-of-first life of product in accordance with these requirements. CTC's regulatory compliance program includes environmental reviews and the remediation of contaminated sites as required, supplemented by environmental insurance coverage.

Commodity Price and Disruption Risk

The operating performance of Petroleum 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, global economic conditions, and potential supply chain disruptions from natural and human-caused disasters or health events such as pandemics. 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 retail banners and higher-margin, ancillary businesses such as convenience store and car wash sales.

Market Obsolescence Risk

Clothing and apparel retailers are exposed to ever-changing consumers' fashion preferences. The risk has increased due to the impact of the pandemic on consumer behaviour. SportChek and Mark's mitigate this risk through brand positioning, consumer preference monitoring, demand forecasting and merchandise selection efforts; as well as the product development process at Mark's. SportChek offers a comprehensive assortment of brand-name products under its various banners and partners with strong, national-branded suppliers that continually evolve their assortments to reflect customer preferences. In addition, SportChek employs a number of inventory management practices, including certain agreements with vendors to manage unsold product or offer markdown dollars to offset margin deterioration in liquidating aged inventory. 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. Mark's industrial wear category is exposed to fluctuations in the resource and construction industry.

10.2.2 Financial Services Segment Business Risks

Financial Services is exposed to risks in the normal course of its business that have the potential to affect its operating performance. Certain risks have been further compounded by the COVID-19 pandemic. Following are the business risks most relevant to Financial Services' operations. Refer to section 10.1 in this MD&A for further details of the Company's risk management strategies.

Consumer Credit Risk

Financial Services grants credit to its customers on its credit cards, which may include various 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.

During the height of the pandemic, Financial Services experienced a reduction in consumer credit card spending and supported its cardholders with various relief programs that catered to individual cardholders' needs during this economic uncertainty. Although government and lender support for consumers and businesses has evolved to become more targeted over the pandemic, some measures remain in place. Financial Services expects to see an increase in cardholder delinquencies or impairments once the various government assistance programs come to an end.

Liquidity and Funding Risk

Liquidity and funding risk is the risk that Financial Services will be unable to meet its funding obligations or obtain funding at a reasonable cost. Financial Services mitigates its liquidity and funding risk by maintaining diversified funding sources that include securitization of receivables, broker GIC deposits, retail deposits, and committed bank lines of credit. Further mitigation is provided by maintaining a pool of high-quality marketable securities that can be used as a source of liquidity under a short-term stress scenario. Scotiabank has provided CTB with a $500.0 million unsecured revolving committed credit facility and $1.75 billion in note purchase facilities for the purchase of senior and subordinated notes issued by GCCT, both of which are committed to October 2024. A number of regulatory metrics are monitored including the Liquidity Coverage Ratio and Net Cumulative Cash Flow. Further details on financing sources for Financial Services are included in section 5.5.

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 portion of the funding liabilities for Financial Services are fixed rate, which reduces interest-rate risk. A one percent change in interest rates does not materially affect net interest income or net economic value. Financial Services also utilizes interest rate hedges to manage its exposure to future increases in interest rates.

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. The Bank's Compliance department is responsible for the development and maintenance of a regulatory compliance management system. Specific activities that assist the Financial Services segment in adhering to regulatory standards include communication of regulatory requirements, advice, training, testing, monitoring, reporting and escalation of control deficiencies.

10.2.3 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 the key risks specific to the operations of CT REIT. Please refer to Section 4 in CT REIT's Annual Information Form and Section 12.0 Enterprise Risk Management in CT REIT's Management's Discussion and Analysis for the period ended December 31, 2021, which are not incorporated herein by reference, for a discussion of risks that affect CT REIT's operations and also to section 10.1 in this MD&A for further details of the Company's risk management strategies.

External Economic Environment

CT REIT is subject to risks resulting from fluctuations or fundamental changes in the external business environment, which could include changes in the current and future economic environment, the economic stability of local markets, geographic and industry concentrations, retail shopping behaviours and habits of consumers, and increased competition amongst investors, developers, owners, and operators of similar properties.

In response to the COVID-19 pandemic, government authorities implemented significant assistance programs to provide economic support to individuals and businesses. While in the short term these measures mitigated some effects of the pandemic, over the long term they may not be sufficient to fully offset its negative impact or adverse recessionary conditions.

Key Business Relationship

CT REIT's relationship with its majority unitholder, CTC, is integral to its business strategy. Key factors inherent in this relationship include situations where the interests of CTC and CT REIT are in conflict, including dependence of CT REIT's revenues on the ability of CTC to meet its rent obligations and renew its tenancies, tenant concentration, reliance on the services of key personnel including certain CTC personnel, and CTC lease renewals and rental increases.

Financial

Risks associated with macroeconomic conditions which are highly cyclical and volatile could have a material effect on CT REIT. Such risks include changes in interest rates, the availability of capital, unit price risks, and CT REIT's degree of financial leverage.

Legal and Regulatory Compliance

Failure to adhere to laws and regulations and changes to laws and regulations applicable to CT REIT's operations may have adverse effects, including tax-related risks, regulatory risks, and environmental risks.

Operations

CT REIT is subject to the risk that a direct or indirect loss of operating capabilities may occur due to property, development, redevelopment and renovation risks, disasters, health events such as pandemics, cyber incidents, climate change, ineffective business continuity and contingency planning, and talent shortages.

Further government actions in response to COVID-19 could have additional adverse impact on the REIT's operations and financial performance.

The health and well-being of CT REIT's employees, tenants, tenants' employees and customers, has remained a top priority throughout the pandemic and the REIT has continued to take necessary measures and precautions to help protect and support them, reflecting best guidance by government and public health authorities.

11.0 Internal Controls and Procedures

11.1 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 to Senior Management on a timely basis, including the CEO and the CFO, so that they can make appropriate decisions regarding public disclosure.

The Company's system of disclosure controls and procedures include, but is not limited to, its Disclosure Corporate Operating Directive, its Codes of 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&A, Annual Information Form, and other documents and external communications.

As required by CSA National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), an evaluation of the adequacy of the design (quarterly) and effective operation (annually) of the Company's disclosure controls and procedures was conducted under the supervision of Management, including the CEO and the CFO, as at January 1, 2022. 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 were effective as at January 1, 2022.

11.2 Internal Control over Financial Reporting

Management is also responsible for establishing and maintaining appropriate internal control over financial reporting. The Company's internal control over financial reporting includes, but is not limited to, detailed policies and procedures relating to financial accounting, 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 also required by NI 52-109, Management, including the CEO and the CFO, evaluated the adequacy of the design (quarterly) and the effective operation (annually) of the Company's internal control over financial reporting as defined in NI 52-109, as at January 1, 2022. In making this assessment, Management, including the CEO and the 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 that evaluation, the CEO and the CFO have concluded that the design and operation of the internal control over financial reporting were effective as at January 1, 2022 in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

11.3 Changes in Internal Control over Financial Reporting

During the quarter and year ended January 1, 2022, there were 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 Environmental Sustainability

The Company executes environmental sustainability initiatives that reduce both energy consumption and waste. In line with global and Canadian efforts to combat climate change, the Company has also set targets to reduce its Greenhouse Gas ("GHG") emissions. The environmental benefits realized from our sustainability initiatives are presented in the table below. For further detail on our environmental sustainability initiatives and sustainability performance, please refer to our website at http://corp.canadiantire.ca/sustainability/environmental-sustainability, which is not incorporated herein by reference, and section 2.8 Corporate Responsibility of the Company's Annual Information Form available at http://www.sedar.com.

	Energy Use Avoidance[1]	Low-Carbon Energy Generation[2]	Greenhouse Gas Emissions Avoidance[1]	Waste Avoidance[1]	Waste Diversion[3]	
	(GJ)	(GJ)	(tonnes CO_2e)	(tonnes)	(tonnes)	(%)
Product and Packaging[4]	24,494	—	3,234	17,618	—	
Product Transport[5]	4,204	—	296	84	—	
Business and Retail[6]	41,386	36,951	2,642	4,391	28,022	78.9 %
Total	**70,084**	**36,951**	**6,172**	**22,093**	**28,022**	**78.9 %**

1 *Avoidance refers 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 initiative". Improvements are related to the specific initiatives reported and do not represent total improvements to the value-chain segment.*
2 *Refers to energy generated from on-site solar installations. To be considered "low-carbon", the GHG emissions associated with the energy generated must be lower than traditional power generation. This energy is fed into the Ontario electrical grid for general consumption in the province.*
3 *Materials diverted from landfill through reuse, recycling, or composting.*
4 *Realized reductions in energy use resulting from the transportation of optimized product and packaging, realized reductions in customer energy use resulting from the sale of energy efficient products, and waste reductions stemming from reduced packaging, damages, product waste at end-of-life, and as of 2019, paper-saving initiatives such as flyer reductions which were previously classified under Business and Retail Operations.*
5 *Realized reductions in energy use from increased fuel efficiency in transportation modes and vehicles (e.g. use of long-combination vehicles).*
6 *Realized reductions in energy use in buildings and their operations through energy efficiency initiatives (e.g. new construction, retrofits), renewable energy generated from rooftop solar installations, and percentage of waste diverted from landfill as a result of waste management initiatives at stores and distribution centres.*

13.0 Forward-Looking Information and Other Investor Communication

Caution Regarding Forward-Looking Information

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

- the Company's Operational Efficiency program, including the target annualized savings in section 3.1.1; and
- the Company's intention with respect to the purchase of its Class A Non-Voting Shares in section 5.1.

Forward-looking information provides insights regarding Management's current expectations and plans, and allows investors and others to better understand 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. Certain information, other than historical information, may constitute forward-looking information, including, but not limited to, information concerning Management's current expectations relating to possible or assumed 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 information 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 information is 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 information is disclosed.

By its very nature, forward-looking information requires Management to make assumptions and is subject to inherent risk factors and uncertainties, which give rise to the possibility that Management'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 material assumptions and Management's beliefs, which may prove to be incorrect, include, but are not limited to, the duration and impact of COVID-19, including measures adopted by governmental or public authorities in response to the pandemic, the effectiveness of certain performance measures, current and future competitive conditions and the Company's position in the competitive environment, the Company's core capabilities, and expectations around the availability of sufficient liquidity to meet the Company's contractual obligations. Management's expectations with respect to the Operational Efficiency program are based on assumptions relating to anticipated cost savings and operational efficiencies. Although the Company believes that the forward-looking information in this document is based on information, assumptions and beliefs that are current, reasonable, and complete, such information is necessarily subject to risk factors that could cause actual results to differ materially from Management's expectations and plans as set forth in such forward-looking information. Some of the risk factors, many of which are beyond the Company's control and the effects of which can be difficult to predict, but may cause actual results to differ from the results expressed by the forward-looking information, 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 executives and employees for all of its businesses, Dealers, Petroleum retailers, and Mark's and SportChek 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 the Company's Owned Brands or its financial products and services; (d) the Company's margins and sales and those of its competitors; (e) the changing consumer preferences and expectations relating to eCommerce, online retailing and the introduction of new technologies; (f) the possible effects on the Company's business from international conflicts, political conditions, and other developments including changes relating to or affecting economic or trade matters as well as the outbreak of contagions or pandemic diseases; (g) risks and uncertainties relating to information management, technology, cyber threats, property management and development, environmental liabilities, supply-chain management, product safety, competition, seasonality, weather patterns, climate change, commodity prices and business continuity; (h) the Company's relationships with its Dealers, franchisees, suppliers, manufacturers, partners and other third parties; (i) changes in laws, rules, regulations and policies applicable to the Company's business; (j) the risk of damage to the Company's reputation and brand; (k) the cost of store network expansion and retrofits; (l) the Company's capital structure, funding strategy, cost management program, and share price; (m) the Company's ability to obtain all necessary regulatory approvals; (n) the Company's ability to complete any proposed acquisition; and (o) the Company's ability to realize the anticipated benefits or synergies from its acquisitions. With respect to the information concerning the Company's Operational Efficiency program, such risk factors also include: (a) the possibility that the Company does not achieve the targeted annualized savings; (b) the possibility that the Company does not achieve the targeted annualized savings within the disclosed timeframe; (c) the possibility that the program results in unforeseen impacts to overall performance; and (d) the possibility that the one-time costs and capital investments associated with the program are more significant than expected. The Company cautions that the foregoing list of important risk factors and assumptions is not exhaustive and other factors could also adversely affect the Company's results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information.

For more information on the material risk factors, uncertainties and assumptions that could cause the Company's actual results to differ materially from predictions, forecasts, projections, expectations or conclusions, refer to section 10.0 (Key Risks and Risk Management) in this MD&A and all subsections thereunder, as well as the Company's other public filings, available on the SEDAR (System for Electronic Document Analysis and Retrieval) website at http://www.sedar.com and at https://investors.canadiantire.ca.

The forward-looking information contained herein is based on certain factors and assumptions as of the date hereof and does not consider the effect that transactions or non-recurring or other special items announced or occurring after the information has been disclosed have on the Company's business. The Company does not undertake to update any forward-looking information, whether written or oral, that may be made from time to time by it or on its behalf, to reflect new information, future events or otherwise, 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 is not incorporated by reference into this MD&A. All references to such websites are inactive textual references and are for information only.

This document contains trade names, trademarks and service marks of CTC and other organizations, all of which are the property of their respective owners. Solely for convenience, the trade names, trademarks, and service marks referred to herein appear without the ® or ™ symbol.

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: https://investors.canadiantire.ca, includes the following documents and information of interest to investors:

- Annual and Quarterly Report to Shareholders;
- Quarterly earnings news releases, fact sheets, and other materials including conference call transcripts and webcasts (archived for one year);
- Supplementary information including investor presentations and videos;
- the Annual Information Form;
- the Management Information Circular;
- Information for Debtholders; and
- The Company's Approach to Corporate Governance.

The Company's Report to Shareholders, Annual Information Form, Management Information Circular and quarterly financial statements and MD&A are also available at http://www.sedar.com.

If you would like to contact the Investor Relations department directly, email investor.relations@cantire.com.

14.0 Related Parties

Martha Billes and Owen Billes, in aggregate, beneficially own, or control or direct approximately 61.4 percent of the Common Shares of the Company through two privately held companies, Tire 'N' Me Pty. Ltd. and Albikin Management Inc.

Transactions with Dealer members of the Company's Board of Directors represented less than one percent of the Company's total revenue and were in accordance with established Company policy applicable to all Dealers. Other transactions with related parties, as defined by IFRS, were not significant during the year.

15.0 Subsequent Event

On February 3, 2022, CT REIT issued a total aggregate of $250 million 3.029 percent Series H Senior Unsecured Debentures due February 5, 2029.

On February 11, 2022, CT REIT completed an early redemption of its $150 million 2.852 percent Series A Senior Unsecured Debentures due June 9, 2022.

February 16, 2022

Index to the Consolidated Financial Statements and Notes

Management's Responsibility for Financial Statements

The Management of Canadian Tire Corporation, Limited (the "Company") is responsible for the integrity and reliability of the accompanying consolidated financial statements. These consolidated financial statements have been prepared by Management in accordance with International Financial Reporting Standards and include amounts based on judgments and estimates. All financial information in our Management's Discussion and Analysis is consistent with these consolidated financial statements.

Management is responsible for establishing and maintaining adequate systems of internal control over financial reporting. 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 has assessed the effectiveness of the Company's internal controls over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded that the Company's internal controls over financial reporting were effective as at the date of these consolidated statements.

The Board of Directors oversees Management's responsibilities for the consolidated financial statements primarily through the activities of its Audit Committee, which is comprised 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 responsible for making recommendations to the Board of Directors with respect to the appointment of and, subject to the approval of the shareholders authorizing the Board of Directors to do so, approving the remuneration and 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.

The consolidated financial statements have been audited by Deloitte LLP, in accordance with Canadian generally accepted auditing standards. Their report is presented on the following page.

Greg Hicks
President and
Chief Executive Officer

Gregory Craig
Executive Vice-President
and Chief Financial Officer

February 16, 2022

Independent Auditor's Report

To the Shareholders of Canadian Tire Corporation, Limited

Opinion

We have audited the consolidated financial statements of Canadian Tire Corporation, Limited (the "Company") and its subsidiaries, which comprise the consolidated balance sheets as at January 1, 2022 and January 2, 2021, 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 1, 2022 and January 2, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 1, 2022 and January 2, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended January 1, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter description - Allowance on credit card loans receivable

The Company's estimate of allowance on credit card loans receivable is measured using an expected credit loss ("ECL") model. As disclosed in Note 2 and Note 9 to the consolidated financial statements, the Company recorded $841.5 million in allowances on credit card receivables on its consolidated balance sheet using an ECL. The allowance on credit card loans receivable represents a complex accounting estimate based on an assessment of the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") of each cardholder. The Company's ECL model employs an analysis of historical data, economic indicators and experience of delinquency and default, to estimate the amount of credit card loans receivable that may default as a result of past or future events, with certain adjustments for other relevant circumstances influencing the recoverability of these credit card loans. ECL allowances are measured at amounts equal to either (i) 12-month ECL; or (ii) lifetime ECL for those credit card loans that have experienced a significant increase in credit risk ("SICR") since initial recognition or when there is objective evidence of impairment.

The allowance on credit card loans receivable was identified as a key audit matter given the inherent complexity of the models, assumptions, judgments and the interrelationship of these variables in measuring the ECL. Although many estimates and assumptions are required, those with the highest degree of subjectivity and impact on the allowance are related to the PD, EAD, LGD, SICR, lifetime credit losses, effective interest rate, forward looking scenarios including the weighting of those scenarios and the application of expert credit judgment, including the impact of COVID-19. These matters required a high degree of auditor judgment and increased audit effort, including the involvement of financial modelling specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to testing the models, assumptions and judgments used by management to estimate the ECL included the following, among others:

- Evaluated the effectiveness of management's internal controls related to the credit card portfolio data, the governance and oversight over the modelled results and the use of expert credit judgment.
- Evaluated the completeness and accuracy of the data used in the estimate of ECL.
- With the assistance of financial modelling specialists:
  - Evaluated the Company's ECL methodology and key assumptions used for compliance with IFRS.
  - Evaluated the appropriateness of the methodology and inputs used in the models to estimate PD, EAD, LGD, SICR, lifetime credit losses, effective interest rate and the design of the forward-looking scenarios including the weighting of those scenarios.
  - Evaluated the quantitative assessments of the ECL by comparing management's estimate of PD to actual default rates and comparing management's estimates of EAD and LGD to actual loss experience.
  - On a sample basis, independently recalculated the ECL.
  - Evaluated the qualitative assessments included in the ECL by comparing management's expert credit judgments against macroeconomic trends and evaluating those judgments to ensure they are reflective of the credit quality of the credit card portfolio, including the impacts of COVID-19.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Adam Charles Burke.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

February 16, 2022
Toronto, Ontario

Consolidated Balance Sheets

As at (C$ in millions)	January 1, 2022	January 2, 2021
ASSETS		
Cash and cash equivalents (Note 7)	**$ 1,751.7**	$ 1,327.2
Short-term investments	**606.2**	643.0
Trade and other receivables (Note 8)	**970.4**	973.6
Loans receivable (Note 9)	**5,613.2**	5,031.8
Merchandise inventories	**2,480.6**	2,312.9
Income taxes recoverable	**1.7**	21.9
Prepaid expenses and deposits	**216.1**	193.8
Assets classified as held for sale	**6.7**	42.6
Total current assets	**11,646.6**	10,546.8
Long-term receivables and other assets (Note 10)	**593.5**	631.9
Long-term investments	**175.1**	146.2
Goodwill and intangible assets (Note 11)	**2,372.2**	2,372.8
Investment property (Note 12)	**460.7**	385.8
Property and equipment (Note 13)	**4,549.3**	4,298.2
Right-of-use assets (Note 14)	**1,786.1**	1,696.7
Deferred income taxes (Note 16)	**218.7**	298.7
Total assets	**$ 21,802.2**	$ 20,377.1
LIABILITIES		
Deposits (Note 17)	**1,908.4**	1,228.0
Trade and other payables (Note 18)	**2,914.3**	2,508.3
Provisions (Note 19)	**195.2**	196.7
Short-term borrowings (Note 21)	**108.2**	165.4
Loans (Note 22)	**427.5**	506.6
Current portion of lease liabilities (Note 14)	**359.0**	329.9
Income taxes payable	**157.6**	120.4
Current portion of long-term debt (Note 23)	**719.8**	150.5
Total current liabilities	**6,790.0**	5,205.8
Long-term provisions (Note 19)	**64.1**	70.3
Long-term debt (Note 23)	**3,558.7**	4,115.7
Long-term deposits (Note 17)	**1,985.3**	2,281.7
Long-term lease liabilities (Note 14)	**1,916.8**	1,896.6
Deferred income taxes (Note 16)	**125.9**	122.0
Other long-term liabilities (Note 24)	**850.6**	850.3
Total liabilities	**15,291.4**	14,542.4
EQUITY		
Share capital (Note 26)	**593.6**	597.0
Contributed surplus	**2.9**	2.9
Accumulated other comprehensive (loss)	**(169.2)**	(237.7)
Retained earnings	**4,696.5**	4,136.9
Equity attributable to shareholders of Canadian Tire Corporation	**5,123.8**	4,499.1
Non-controlling interests (Note 15)	**1,387.0**	1,335.6
Total equity	**6,510.8**	5,834.7
Total liabilities and equity	**$ 21,802.2**	$ 20,377.1

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

Maureen J. Sabia
Director

Diana L. Chant
Director

Consolidated Statements of Income

For the years ended (C$ in millions, except share and per share amounts)	January 1, 2022	January 2, 2021
Revenue (Note 28)	$ 16,292.1	$ 14,871.0
Cost of producing revenue (Note 29)	10,456.9	9,794.4
Gross margin	5,835.2	5,076.6
Other (income) expense	(23.5)	48.7
Selling, general and administrative expenses (Note 30)	3,934.3	3,599.3
Net finance costs (Note 31)	222.5	256.5
Income before income taxes	1,701.9	1,172.1
Income taxes (Note 16)	441.2	309.5
Net income	$ 1,260.7	$ 862.6
Net income attributable to:		
Shareholders of Canadian Tire Corporation	$ 1,127.6	$ 751.8
Non-controlling interests (Note 15)	133.1	110.8
	$ 1,260.7	$ 862.6
Basic earnings per share	$ 18.56	$ 12.35
Diluted earnings per share	$ 18.38	$ 12.31
Weighted average number of Common and Class A Non-Voting Shares outstanding:		
Basic	60,744,440	60,896,809
Diluted	61,345,072	61,090,111

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 1, 2022**	January 2, 2021
Net income	**$ 1,260.7**	$ 862.6
Other comprehensive (loss), net of taxes		
Items that may be reclassified subsequently to net income:		
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges not subject to basis adjustment	**5.4**	(34.7)
Deferred cost of hedging not subject to basis adjustment – Changes in fair value of the time value of an option in relation to time-period related hedged items	**1.4**	(12.0)
Reclassification of losses to income	**14.1**	2.8
Currency translation adjustment	**(34.7)**	(13.0)
Items that will not be reclassified subsequently to net income:		
Actuarial losses	**(0.7)**	(10.7)
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges subject to basis adjustment	**5.7**	(29.9)
Other comprehensive (loss)	**$ (8.8)**	$ (97.5)
Other comprehensive (loss) income attributable to:		
Shareholders of Canadian Tire Corporation	**$ (12.9)**	$ (88.4)
Non-controlling interests	**4.1**	(9.1)
	$ (8.8)	$ (97.5)
Comprehensive income	**$ 1,251.9**	$ 765.1
Comprehensive income attributable to:		
Shareholders of Canadian Tire Corporation	**$ 1,114.7**	$ 663.4
Non-controlling interests	**137.2**	101.7
	$ 1,251.9	$ 765.1

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 1, 2022	January 2, 2021
Cash (used for) generated from:		
Operating activities		
Net income	$ 1,260.7	$ 862.6
Adjustments for:		
Depreciation of property and equipment, investment property and right-of-use assets (Notes 29 and 30)	581.9	582.6
Impairment on property and equipment, investment property and right-of-use assets	5.3	46.9
Income taxes (Note 16)	441.2	309.5
Net finance costs (Note 31)	222.5	256.5
Amortization of intangible assets (Note 30)	119.6	112.7
Gain on disposal of property and equipment, investment property, assets held for sale and right-of-use assets	(18.6)	(12.1)
Total except as noted below	2,612.6	2,158.7
Interest paid	(233.0)	(272.6)
Interest received	13.9	15.8
Income taxes paid	(333.9)	(200.5)
Change in loans receivable	(486.8)	925.1
Change in operating working capital and other	241.6	(183.7)
Cash generated from operating activities	1,814.4	2,442.8
Investing activities		
Additions to property and equipment and investment property	(630.6)	(307.2)
Additions to intangible assets	(148.2)	(129.3)
Total additions	(778.8)	(436.5)
Acquisition of short-term investments	(1,185.4)	(710.0)
Proceeds from maturity and disposition of short-term investments	1,290.2	328.8
Proceeds on disposition of property and equipment, investment property and assets held for sale	61.7	13.3
Lease payments received for finance subleases (principal portion)	23.8	16.8
Acquisition of long-term investments and other	(148.0)	(60.4)
Cash used for investing activities	(736.5)	(848.0)
Financing activities		
Dividends paid	(271.1)	(262.9)
Distributions paid to non-controlling interests	(103.5)	(96.2)
Total dividends and distributions paid	(374.6)	(359.1)
Net repayment of short-term borrowings	(57.2)	(284.6)
Issuance of loans	292.3	248.9
Repayment of loans	(371.4)	(363.6)
Issuance of long-term debt	159.6	1,198.6
Repayment of long-term debt	(150.4)	(1,450.8)
Payment of lease liabilities (principal portion)	(365.3)	(367.9)
Payment of transaction costs related to long-term debt	(1.0)	(2.8)
Purchase of Class A Non-Voting Shares	(131.1)	(111.5)
Payments on financial instruments	(33.7)	(30.9)
Change in deposits	379.4	1,061.0
Cash used for financing activities	(653.4)	(462.7)
Cash generated in the period	424.5	1,132.1
Cash and cash equivalents, beginning of period	1,327.2	195.1
Cash and cash equivalents, end of period (Note 7)	$ 1,751.7	$ 1,327.2

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

Consolidated Statements of Changes in Equity

			Total accumulated other comprehensive income (loss)						
(C$ in millions)	Share capital	Contributed surplus	Cash flow hedges	Currency translation adjustment	Total accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
Balance at January 2, 2021	$597.0	$2.9	$(123.1)	$(114.6)	$(237.7)	$4,136.9	$4,499.1	$1,335.6	$5,834.7
Net income	—	—	—	—	—	1,127.6	1,127.6	133.1	1,260.7
Other comprehensive income (loss)	—	—	22.4	(34.7)	(12.3)	(0.6)	(12.9)	4.1	(8.8)
Total comprehensive income (loss)	—	—	22.4	(34.7)	(12.3)	1,127.0	1,114.7	137.2	1,251.9
Transfers of cash flow hedge losses to non-financial assets	—	—	80.8	—	80.8	—	80.8	—	80.8
Contributions and distributions to shareholders of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 26)	14.7	—	—	—	—	—	14.7	—	14.7
Purchase of Class A Non-Voting Shares (Note 26)	(131.1)	—	—	—	—	—	(131.1)	—	(131.1)
Accrued liability for automatic share purchase plan commitment (Note 26)	(10.2)	—	—	—	—	(153.0)	(163.2)	—	(163.2)
Excess of purchase price over average cost (Note 26)	123.2	—	—	—	—	(123.2)	—	—	—
Dividends	—	—	—	—	—	(291.2)	(291.2)	—	(291.2)
Contributions and distributions to non-controlling interests									
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	17.7	17.7
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(103.5)	(103.5)
Total contributions and distributions	(3.4)	—	80.8	—	80.8	(567.4)	(490.0)	(85.8)	(575.8)
Balance at January 1, 2022	$ 593.6	$ 2.9	$ (19.9)	$ (149.3)	$ (169.2)	$ 4,696.5	$ 5,123.8	$ 1,387.0	$ 6,510.8

			Total accumulated other comprehensive income (loss)						
(C$ in millions)	Share capital	Contributed surplus	Cash flow hedges	Currency translation adjustment	Total accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
Balance at December 28, 2019	$ 588.0	$ 2.9	$ (28.3)	$ (101.6)	$ (129.9)	$ 3,729.6	$ 4,190.6	$ 1,314.1	$ 5,504.7
Net income	—	—	—	—	—	751.8	751.8	110.8	862.6
Other comprehensive (loss)	—	—	(65.1)	(13.0)	(78.1)	(10.3)	(88.4)	(9.1)	(97.5)
Total comprehensive income (loss)	—	—	(65.1)	(13.0)	(78.1)	741.5	663.4	101.7	765.1
Transfers of cash flow hedge (gains) to non-financial assets	—	—	(29.7)	—	(29.7)	—	(29.7)	—	(29.7)
Contributions and distributions to shareholders of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 26)	14.3	—	—	—	—	—	14.3	—	14.3
Purchase of Class A Non-Voting Shares (Note 26)	(110.7)	—	—	—	—	—	(110.7)	—	(110.7)
Reversal of accrued liability for automatic share purchase plan commitment (Note 26)	3.0					46.1	49.1		49.1
Excess of purchase price over average cost (Note 26)	102.4	—	—	—	—	(102.4)	—	—	—
Dividends	—	—	—	—	—	(277.9)	(277.9)	—	(277.9)
Contributions and distributions to non-controlling interests									
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	16.2	16.2
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(96.4)	(96.4)
Total contributions and distributions	9.0	—	(29.7)	—	(29.7)	(334.2)	(354.9)	(80.2)	(435.1)
Balance at January 2, 2021	$ 597.0	$ 2.9	$ (123.1)	$ (114.6)	$ (237.7)	$ 4,136.9	$ 4,499.1	$ 1,335.6	$ 5,834.7

The related notes form an integral part of these 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", "CTC" or "Canadian Tire Corporation". Refer to Note 15 for the Company's major subsidiaries.

The Company comprises three main business operations, which offer a wide range of retail goods and services, including general merchandise, apparel, sporting goods, petroleum, Financial Services including a bank, and real estate operations. Details of the Company's three reportable operating segments are provided in Note 6.

This document contains trade names, trademarks and service marks of CTC and other organizations, all of which are the property of their respective owners. Solely for convenience, the trade names, trademarks and service marks referred to herein appear without the ® or TM symbol.

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 2021 and 2020 are the 52-week and 53-week periods ended January 1, 2022 and January 2, 2021, respectively.

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

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on February 16, 2022.

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 ("FVTPL");
- derivative financial instruments;
- liabilities for share-based payment plans; and
- initial recognition of assets acquired and liabilities assumed in a business combination.

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

Functional and Presentation Currency
These consolidated financial statements are presented in Canadian dollars ("$" or "C$"), the Company's functional currency.

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;
- the reported amounts of assets and liabilities;
- disclosures of contingent assets and liabilities; 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 believed to be reasonable. Judgments 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 they are revised and in future periods affected.

On March 12, 2020, the World Health Organization declared the outbreak of Coronavirus ("COVID-19"), a pandemic. There was significant uncertainty regarding the extent and duration of the impact that the COVID-19 pandemic would have on the Company's operations in 2020. The extent to which the impacts of the COVID-19 pandemic affected the judgments and estimates described in this note depended on future developments, which were highly uncertain and could not be predicted. Management continues to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these consolidated financial statements.

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. 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, on a quarterly basis, judgment is used in determining whether there has been an indication of impairment, which would require the completion of a quarterly impairment test, in addition to the annual requirement.

Estimation – The Company's estimate of a CGU's or group of CGUs' recoverable amount is based on value in use ("VIU") and 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 inflation 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 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 ("FVLCS") uses factors such as royalty rates or market rental rates for comparable assets or estimated using discounted cash flows based on an after-tax discount rate, consistent with the assumptions that a market participant would make. When using discounted cash flows based on an after-tax discount rate, the values assigned to the key assumptions represent Management's assessment of future trends in the relevant industry and are based on historical data from both external and internal sources, including review of historical and forecast growth rates, long-term inflationary and nominal Gross Domestic Product growth estimates for the primary countries in which a CGU or group of CGUs operates, consistent with the assumptions that a market participant would make.

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 percent equity interest in the Company's Financial Services business. In calculating the fair value, judgment is used when determining the discount and growth rates applied to the forecast earnings in the discounted cash flow valuation. Refer to Note 33 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 forecast 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.

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 consolidates accordingly. 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.

Allowance on Loans Receivable

Estimation – The Company's estimate of allowances on credit card loans receivable is based on an expected credit loss ("ECL") approach that employs an analysis of historical data, economic indicators and experience of delinquency and default to estimate the amount of loans that may default as a result of past or future events, with certain adjustments for other relevant circumstances influencing the recoverability of these loans receivable. Impairment of loans is assessed based on whether there has been a significant increase in credit risk since origination and incorporation of forward-looking information in the measurement of expected credit losses. Default rates, loss rates and the expected timing of future recoveries are periodically 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 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.

Lease Liabilities

Estimation – For the measurement of lease liabilities, Management considers all factors that create an economic incentive to exercise extension options, or not exercise termination options available in its leasing arrangements. Extension options, or periods subject to termination options, are only included in the lease term if Management determines it is reasonably certain to be extended or not terminated. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Estimation – The Company generally uses the lessee's incremental borrowing rate when initially recording property leases. For property leases, the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets are not available. The Company determines the incremental borrowing rate as the rate of interest that the lessee would pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment.

Other

Other estimates include determining the useful lives and depreciation methods applied to investment property and intangible assets for the purposes of depreciation and amortization; in accounting for and measuring items such as deferred revenue, provisions 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.

Standards, Amendments and Interpretations Issued and Adopted

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

Effective in the first quarter 2021, the Company adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), issued in August 2020. These amendments address issues that arise from the implementation of interest rate benchmarks (e.g., interbank offered rates [“IBORs”]) reform, where IBORs will be replaced with alternative benchmark rates.

For financial instruments carried at amortized cost, the amendments introduce a practical expedient such that, if a change in the contractual cash flow occurs as a direct consequence of IBOR reform and on an economically equivalent basis, the change will be accounted for by updating the effective interest rate prospectively with no immediate gain or loss recognized. As at January 1, 2022, except for short and long-term investments of $243.4 million that specify a three-month tenor of the Canadian Dollar Offered Rate (“CDOR”), the Company’s exposure to non-derivative financial assets and financial liabilities to IBORs subject to reform is not significant.

The amendments also provide temporary relief that allow for hedging relationships to continue upon the replacement of an existing interest rate benchmark with an alternative benchmark rate under certain qualifying conditions, including the amendment of the hedge designation and documentation to reflect the new rate, and permit new hedging relationships that are in the scope of the Phase 2 amendments.

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

Under IBOR reform, CDOR is expected to be subject to discontinuance, changes in methodology, or become unavailable. The Company’s hedging relationships have significant exposure to the CDOR benchmark.

Since the first quarter of 2021, the Company adhered to the International Swaps and Derivatives Association Fallbacks Protocol (“ISDA Protocol”). The ISDA Protocol provides specific fallbacks depending on whether the relevant IBOR has been permanently discontinued or is temporarily unavailable. It provides an efficient amendment mechanism for mutually adhering counterparties to incorporate these fallback provisions into legacy derivative contract agreements.

Management is closely monitoring the impacted hedging relationships for possible changes to CDOR and its replacement with a new interest rate benchmark. Effective May 17, 2021, Refinitiv Benchmark Services (UK) Limited, the administrator of CDOR, ceased publication of the six and 12 month tenors of CDOR. The one, two and three-month tenors of CDOR will continue to be published but are expected to cease in 2024. As of the date of these consolidated financial statements, the Company’s hedging instruments do not specify six and 12 month tenors of CDOR. The practical expedients available under these amendments will be applied once the IBOR reform begins to impact the hedge accounting requirements.

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending January 1, 2022 and, accordingly, have not been applied in preparing these consolidated financial statements.

Insurance Contracts

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17 – Insurance Contracts ("IFRS 17"), which replaces IFRS 4 – Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. In June 2020, the IASB issued 'Amendments to IFRS 17' to address concerns and implementation challenges identified after IFRS 17 was published in 2017. The amendments also deferred the effective date for two years to January 1, 2023. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Improving accounting policy disclosures and clarifying distinction between accounting policies and accounting estimates (Amendments to IAS 1 and IAS 8)

In February 2021, the IASB issued narrow-scope amendments to IAS 1 – Presentation of Financial Statements ("IAS 1"), IFRS Practice Statement 2 – Making Materiality Judgments ("IFRS Practice Statement 2") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8").

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 8 clarify how companies distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

Deferred Tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies account for deferred tax on transactions such as leases and decommissioning obligations. In specific circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company has assessed there to be no impact on deferred taxes as a result of the amendment.

3. Significant Accounting Policies

The following accounting policies have been applied consistently to all periods presented in these consolidated financial statements, except as noted and have been applied consistently throughout the Company.

Basis of Consolidation

These consolidated financial statements include the accounts of Canadian Tire Corporation 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. Refer to Note 15.1 for details of the Company's significant controlled entities.

The results of certain subsidiaries that have different year ends have been included in these consolidated financial statements for the 52-week periods ended January 1, 2022 and 53-week periods ended January 2, 2021. The year end of CT Real Estate Investment Trust ("CT REIT"), Helly Hansen Group AS, Franchise Trust and CTFS Holdings Limited and their subsidiaries is December 31.

Income or loss and each component of other comprehensive income ("OCI") are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the shareholders 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 (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 approach, 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 a 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 are 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.

Lease liabilities and corresponding right-of-use assets are recognized for leases in which the acquiree is a lessee. The lease liability is measured at the present value of the remaining lease payments as if the acquired lease were a new lease at the acquisition date. The right-of-use asset is equal to the lease liability, adjusted to reflect favourable or unfavourable market terms.

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 have joint control have rights to the assets and obligations for the liabilities related to the arrangement. The Company records its share of a joint operation's assets, liabilities, revenues, and expenses.

Investments in Joint Ventures and Associates (under the Equity Method)

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. An associate is an entity in which the Company has significant influence, which is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control of those policies.

The Company accounts for its interest in associates and joint ventures using the equity method and presents its interests in Long-term receivables and other assets. Under the equity method, the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investors' share of the investee's net assets; through profit and loss and other comprehensive income respectively. The investment is reviewed at the end of each reporting period to determine whether there are any indicators of impairment. If such evidence exists, the Company recognizes an impairment loss to the extent the carrying value exceeds the recoverable amount of the investment. Impairment losses are recorded in Other Income (expense) in the Consolidated Statement of Income.

Functional and Presentation Currency

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

Foreign Currency Transactions and Balances

Transactions in foreign currencies are translated into the entity's functional currency at rates in effect at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into the entity's functional currency at the closing exchange rate at the balance sheet date. Non-monetary items that are measured in terms of historical cost are translated into the entity's functional currency at the exchange rate at the date of the original transaction. Exchange gains or losses arising from translation are recorded in Other (income) expense of producing revenue as applicable in the Consolidated Statements of Income.

Financial Instruments

Recognition and Initial 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 measured at fair value on initial recognition.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value 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.

Classification and Subsequent Measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories: a) amortized cost and b) fair value through profit or loss.

Financial Instruments at Amortized Cost

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL. These financial liabilities, including derivative liabilities and the redeemable financial instrument, are subsequently measured at fair value with changes in fair value recorded in net income in the period in which they arise to the extent they are not part of a designated hedging relationship. 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.

Financial Instruments at Fair Value Through Profit or Loss

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. All financial assets not classified as amortized cost are measured at FVTPL. This includes derivative financial assets that are not part of a designated hedging relationship.

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.

Impairment of Financial Instruments

The Company recognizes a loss allowance on a forward-looking basis at an amount equal to the lifetime ECL on its financial assets measured at amortized cost, except for the following, which are measured at 12-month ECL:

- debt investments that are determined to have low credit risk at the reporting date with a credit risk rating equivalent to investment grade; and
- other financial assets, such as loans receivable, for which credit risk has not increased significantly since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all probable default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

Losses for impaired credit card loans are recognized when credit is granted. Twelve-month ECL is recognized on loans except when credit risk has increased significantly since initial recognition, in which case lifetime ECL is applied. A significant increase in credit risk is assessed based on changes in the probability of default since initial recognition along with borrower specific qualitative information, or when the loan is more than 30 days past due. Credit card loans are considered impaired and in default when they are 90 days past due or there is sufficient doubt regarding the ultimate collectability of principal and/or interest. The estimate of credit card loans receivable for accounts wherein the customer has initiated the consumer proposal insolvency process is based on the present value of expected future cash flows based on the terms of consumer proposal agreements received during the year. Credit card loans that are over 180 days past due are written down to the present value of the expected future cash flows.

ECL is calculated as the product of the probability of default, exposure at default and loss given default over the remaining expected life of the loans and discounted to the reporting date. The ECL model also incorporates forward-looking information, which increases the degree of judgment required as to how changes in macro-economic factors will affect ECLs. Macro-economic factors taken into consideration include, but are not limited to, unemployment rate and require an evaluation of both the current and forecast direction of the macro-economic cycle. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

All loans receivable are assessed for impairment. All loans receivable found not to be specifically impaired are collectively assessed for impairment. Loans receivables are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

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 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 immediately in net income 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.

Hedge Accounting

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

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 AOCI are reclassified to net income in the periods when the hedged item affects net income. However, when a forecasted transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously recognized in AOCI are directly transferred from AOCI and included in the initial measurement of the cost of the non-financial asset or liability without affecting other comprehensive income.

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. 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 derivative contracts to hedge the exposure against foreign currency risk on the future payment of certain foreign-currency-denominated inventory purchases and certain expenses. The Company's policy is for the critical terms of the foreign currency derivative contracts to align with the hedged item and applies a hedge ratio of 1:1. The changes in fair value of these derivative contracts are included in OCI to the extent the hedges continue to be effective. Hedge ineffectiveness may arise if the timing of the hedged transactions changes from the original estimate. Once the inventory is received, the Company transfers the related AOCI amount to merchandise inventories and subsequent changes in the fair value of the foreign currency derivative contracts are recorded in net income as they occur. When the expenses are incurred, the Company reclassifies the related AOCI amount to the expense.

The Company enters into interest rate swap contracts to hedge the exposure against interest rate risk on the future interest payments of certain debt issuances and deposits. The Company also enters into "swaption" derivative financial instruments that provide an option to enter into an interest rate swap as part of the Company's strategy to manage its interest rate exposure risk on the future interest payments of certain debt issuances and deposits.

The Company's policy is for the critical terms of the interest rate swap and swaptions contracts to align with the hedged item and applies a hedge ratio of 1:1. The changes in fair value of these derivative contracts are included in OCI to the extent that the hedges continue to be effective. The Company designates only the change in fair value of the intrinsic value of the instrument as the hedging instrument. The time value of the option relates to a time period related to the hedged item. The change in time value is recognized in OCI and is subsequently amortized on a systematic and rational basis over the period during which the hedge adjustment for the option's intrinsic value could affect profit or loss. Hedge ineffectiveness may arise if the timing of the hedged transactions changes from the originally estimate. When the interest expense is incurred, the Company reclassifies the related AOCI amount to finance costs.

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 lifetime ECL allowance for impairment is recognized for trade and other receivables. It is estimated based on the Company's historical loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast direction of conditions at the reporting date. 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

Loans receivable consists of credit card and line of credit loans, as well as loans to certain Dealers, who are independent third-party operators of Canadian Tire stores. Loans receivable are recognized when cash is advanced to the 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 the loan is originated. 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 loans receivable in the Consolidated Balance Sheets is reduced through the use of impairment allowance accounts.

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 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.

Finite Life and Indefinite Life 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 ten 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 are 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 on a straight-line basis over their estimated useful lives. The estimated useful lives, depreciation method and residual values are reviewed annually with the effect of any changes in estimate being accounted for on a prospective basis.

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

Estimated useful lives are as follows:

Asset Category	Estimated Useful Lives
Buildings	10 – 45 years
Fixtures and equipment (including software intangible assets)	3 – 25 years
Leasehold improvements	Shorter of term of lease or estimated useful life

Leased Assets

Lessee

The Company assesses whether a contract is or contains a lease at inception of a contract. Leases are recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in net finance costs in the Consolidated Statements of Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on an index or a rate or subject to a fair market value renewal, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lease liability is net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the reasonably certain lease term, including renewal options that the Company is reasonably certain to exercise. Renewal options are included in a number of leases across the Company.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in Selling, general and administrative expenses in the Consolidated Statements of Income. Short-term leases are leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index or a rate or subject to a fair market value renewal are expensed as incurred and recognized in Selling, general and administrative expenses in the Consolidated Statements of Income.

Right-of-use assets are measured at cost which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Lessor

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

Subleases

When the Company enters into sublease arrangements as an intermediate lessor, it determines whether the sublease is a finance sublease or operating sublease by reference to the right-of-use asset arising from the head lease. A sublease is a finance sublease if substantially all the risks and rewards of the related head lease right-of-use asset have been transferred to the sub-lessee. When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts.

For finance subleases, the Company derecognizes the corresponding right-of-use asset and records a net investment in the finance sublease and corresponding interest income is recognized in net finance costs. The net investment in the sublease is recognized in trade and other receivables and long-term receivables and other assets.

Sale and Leaseback

The accounting treatment of a sale and leaseback transaction is assessed based upon the substance of the transaction and whether the transfer of an asset is considered as a sale when the control of the asset has been transferred to the purchaser.

If the transfer of the asset by the Company as seller-lessee is considered a sale, the Company measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by it. Accordingly, the amount of any gain or loss that relates to the rights transferred to the buyer-lessor are recognized in other income in the Consolidated Statements of Income.

If the transfer of an asset is not considered a sale, the asset continues to be recognized and a financial liability equal to the transfer proceeds is recorded.

Impairment of Assets

The carrying amounts of property and equipment, investment property, right-of-use assets 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. Indicators of impairment may include a significant decline in asset market value, material adverse changes in the external operating environment which affect the manner in which the asset is used or is expected to be used, obsolescence, physical damage of the asset, or expected permanent closing of the store related to a property lease. 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 FVLCS and its VIU.

In assessing VIU, the estimated future cash flows are discounted to their present value. Cash flows are discounted using a 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 inflation rate or a growth rate specific to the individual item being tested based on Management's estimate.

Recording Impairments and Reversals of Impairments

Impairments and reversals of impairments are recognized in other expense (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 loss 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 continued 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 and are not depreciated.

The fair value measurement of assets held for sale is categorized within Level 2 of fair value hierarchy (refer to Note 33.2 for definition of fair value hierarchy 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 are incurred.

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 these amounts as a result of past service provided by the employees and the obligation can be reasonably estimated.

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 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").

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 which enable 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, that are settled in cash, is recorded as the services are provided over the vesting period. 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 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 during 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, after-sales service for replacement parts and future corporate store sales returns. Accruals for sales and warranty returns are estimated on the basis of historical returns and are recorded as a reduction to revenue. These accruals are reviewed regularly and updated to reflect Management's best estimate based on a most likely amount at each reporting date.

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.

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.

Share purchases are charged to Share capital at the average cost per share outstanding and the excess between the purchase price and the average cost is first allocated to the related contributed surplus, with any remainder allocated to retained earnings.

Dividends

Dividends declared and payable 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

Sale of Goods

Revenue from the sale of goods includes merchandise sold to Dealers, Mark's and SportChek franchisees, the sale of gasoline through agents, the sale of goods to the general public by Mark's, PartSource, SportChek[1], Helly Hansen and Party City[2] corporately-owned stores as well as the sale of goods through Helly Hansen's wholesale channels. This revenue is recognized when the goods are delivered, less an estimate for 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 customer loyalty program costs, net of sales taxes.

Customer Loyalty Programs

Loyalty reward credits issued as part of a sales transaction results in revenue being deferred until the loyalty reward is redeemed. In addition, an obligation arises from the loyalty program when the Company sells merchandise to the Dealers, for which reward credits may be issued as part of the subsequent sales transaction. The obligation is measured at fair value by reference to the fair value of the rewards for which they could be redeemed and based on the estimated probability of their redemption. The loyalty program costs are recorded as a reduction to revenue in the Consolidated Statements of Income.

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. Interest income on financial assets is determined using the effective interest method.

Services Rendered

Service revenue includes Roadside Assistance Club membership revenue; merchant, interchange and processing fees; cash advance fees; home services fees; foreign exchange fees; and service charges on the loans receivable of the Financial Services operating segment. 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.

Reinsurance Revenue

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 subject to adjustment are estimated based on available information. Any variances from the estimates are recorded in the periods in which they become known.

[1] *"SportChek" refers to the retail business carried on by FGL Sports Ltd., including stores operated under the SportChek, Sports Experts, Atmosphere, National Sports, Sports Rousseau and Hockey Experts names and trademarks.*

[2] *"Party City" refers to the party supply business that operate under the Party City name and trademarks in Canada.*

Royalties and Licence Fees

Royalties and licence fees include licence fees from Petroleum agents and Dealers and royalties from Mark's and SportChek franchisees. Royalties and licence fee revenues are recognized as they are earned in accordance with the substance of the relevant agreement, which is generally based on percentage of occurred sales.

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 can be reasonably estimated.

Net Finance Costs

Finance income comprises interest income on funds invested and interest income on lease receivables for finance subleases. 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, as well as finance cost on lease liabilities and is net of borrowing costs that have been capitalized. 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 tax is recognized using the liability method for 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 tax is not accounted for if it arises from the initial recognition of goodwill or the 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 tax 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

Basic earnings per share ("Basic EPS") is calculated by dividing the net income attributable to the shareholders 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 ("Diluted EPS") is calculated by adjusting the net income attributable to the shareholders 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 the shareholders of the Company is the same for both the Basic EPS and Diluted EPS 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 shareholders of the Company.

4. Capital Management

The Company's objectives when managing capital are:

- ensuring sufficient liquidity to meet its financial obligations when due and to execute its operating and strategic plans;
- maintaining healthy liquidity reserves and the ability to access additional capital from multiple sources, if required; and
- minimizing its after-tax cost of capital while taking into consideration its key risks including current and future industry, market and economic risks and conditions, and the uncertainty in the duration and severity of the COVID-19 pandemic and its long-term impact on CTC.

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)	**2021**	**% of total**	2020	% of total
Capital components				
Deposits	**$ 1,908.4**	**13.5 %**	$ 1,228.0	9.3 %
Short-term borrowings	**108.2**	**0.8 %**	165.4	1.3 %
Current portion of long-term debt	**719.8**	**5.1 %**	150.5	1.1 %
Long-term debt	**3,558.7**	**25.2 %**	4,115.7	31.1 %
Long-term deposits	**1,985.3**	**14.0 %**	2,281.7	17.2 %
Total debt	**$ 8,280.4**	**58.6 %**	$ 7,941.3	60.0 %
Redeemable financial instrument (Note 24)	**567.0**	**4.0 %**	567.0	4.3 %
Share capital	**593.6**	**4.2 %**	597.0	4.5 %
Contributed surplus	**2.9**	**— %**	2.9	— %
Retained earnings	**4,696.5**	**33.2 %**	4,136.9	31.2 %
Total capital under management	**$ 14,140.4**	**100.0 %**	$ 13,245.1	100.0 %

The Company monitors its capital structure by measuring debt-to-earnings ratios and manages its debt service and other fixed obligations by tracking its interest and other coverage ratios and forecasting corporate liquidity.

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

The Company has a policy in place to manage capital. 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, the policy. In addition, periodic review of the policy is performed to ensure consistency with risk tolerances.

In order to maintain or adjust the capital structure, the Company has the flexibility to adjust discretionary capital spending, adjust the amount of credit card loans receivables outstanding, issue debt or equity, early redeem outstanding debt, purchase the Company's Class A Non-Voting Shares, adjust the amount of dividends paid to shareholders, monetize various assets, and engage in additional sale and leaseback transactions of real estate properties.

Financial covenants are reviewed by Management on an ongoing basis to monitor compliance.

The key financial covenant for Canadian Tire Corporation, Limited is a requirement for the Retail segment to maintain a ratio of total indebtedness to total capitalization equal to or lower than a specified maximum percentage (as defined in the Canadian Tire Corporation, Limited's bank credit agreements, but which excludes consideration of CTFS Holdings Limited, CT REIT, Franchise Trust and their respective subsidiaries). Canadian Tire Corporation, Limited was in compliance with all financial covenants under its credit agreements as at January 1, 2022 and January 2, 2021.

Helly Hansen is required to comply with covenants established under its bank credit agreements, and was in compliance with all financial covenants thereunder as at December 31, 2021 and 2020.

CT REIT is required to comply with covenants established under its Declaration of Trust, Trust Indenture and bank credit agreement and was in compliance with all financial covenants thereunder as at December 31, 2021 and 2020.

Canadian Tire Bank ("CTB" or "the Bank"), a federally chartered Schedule I bank, is required to comply with regulatory requirements for capital, other regulatory requirements that have an impact on its business operations and certain financial covenants established under its bank credit agreements.

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 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, procedures, and controls in place, including an annual Internal Capital Adequacy Assessment Process ("ICAAP"), which it utilizes to achieve its goals and objectives.

The Bank's objectives include:
- maintaining strong capital ratios, as measured by regulatory guidelines and internal targets; and
- holding sufficient capital to maintain the confidence of investors and depositors.

OSFI's regulatory capital guidelines under Basel III allow for two tiers of capital. Common Equity Tier 1 ("CET1") capital includes common shares, retained earnings, and accumulated other comprehensive income, less regulatory adjustments which are deducted from capital. The Bank currently does not hold any additional Tier 1 capital instruments. Tier 2 capital consists of the eligible portion of general allowances. Risk-weighted assets ("RWAs") include a credit risk component for all on-balance sheet assets weighted for the risk inherent in each type of asset, off-balance sheet financial instruments, an operational risk component based on a percentage of average risk-weighted revenues and a market-risk component for assets held for trade. For the purposes of calculating RWAs, securitization transactions are considered off-balance sheet transactions and, therefore, with the exception of CTB's retained exposures, are not included in the RWAs calculation.

The leverage ratio prescribed by OSFI's Leverage Requirements Guideline provides an overall measure of the adequacy of an institution's capital and is defined as the all-in Tier 1 capital divided by the leverage ratio exposure. The leverage ratio exposure is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures and a portion of unused credit limits.

As at December 31, 2021 and 2020, CTB 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 foregoing risks and the Company's objectives, policy 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 Board-approved Financial Risk Management Policy serves 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 strategies 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 fails to meet its contractual obligations, arises principally from operations of the Bank's credit card loan portfolio, CTC's interaction with its Dealer and franchisee networks, and financial instruments, which are discussed in more detail below.

5.3.1 Financial Instrument Counterparty Credit Risk

The Company's Financial Risk Management Policy manages counterparty credit risk relating to cash balances, investment activity, and the use of financial derivatives. The Company limits its exposure to counterparty credit risk by transacting only with highly-rated financial institutions and other counterparties and by managing within specific limits for credit exposure and term-to-maturity. The Company's financial instrument portfolio is spread across financial institutions, provincial and federal governments, and, to a lesser extent, corporate issuers that are at least dual rated and have a lowest (if dual rated) or median (if three or more ratings) credit rating in the "A(low)" equivalent category or better and asset-backed issuers that are at least dual rated and have credit ratings in the "AAA" equivalent category.

5.3.2 Consumer and Dealer/Franchisee Credit Risk

Through the granting of credit cards, the Company assumes certain risks with respect to the ability and willingness of the Bank's customers to repay loans owing to it. In addition, the Company is required to provide credit enhancement to Franchise Trust in the form of standby letters of credit issued by highly-rated financial institutions and guaranteed by the Company (the "LCs") to achieve the required "AAA" equivalent credit rating of the funding of the Dealer loan portfolio and may also provide guarantees of third-party bank debt agreements or inventory buy-back agreements, with respect to the bank financing of certain Dealers and franchisees (Note 34).

The Company's maximum exposure to credit risk, over and above amounts recognized in the Consolidated Balance Sheets, include the following:

(C$ in millions)		2021		2020
Undrawn loan commitments	$	**10,956.7**	$	9,993.9
Guarantees		**369.8**		377.0
Total	$	**11,326.5**	$	10,370.9

Refer to Note 9 for information on the credit quality and performance of loans receivable.

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 that it will have sufficient liquidity to meet its liabilities when due, under normal circumstances, with the ability to react under some uncertainty. The Company's Financial Risk Management Policy serves to manage its exposure to liquidity risk. 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 indebtedness position while evaluating longer-term funding and capital allocation strategies.

In addition, CTB has in place an Asset Liability Management Policy. It is CTB'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.

Provided by a syndicate of seven Canadian and three international financial institutions, $1.975 billion in an unsecured committed bank line of credit is available to CTC for general corporate purposes. The expiry date for $1,850.0 million of the commitment amount is July 2026. The remaining $125.0 million expires in August 2024.

During the second quarter of 2020, in response to COVID-19, the Company entered into a new unsecured committed bank line of credit for $710.0 million with a syndicate of five Canadian financial institutions. This facility expires in June 2022.

Provided by a syndicate of seven Canadian financial institutions, $300.0 million in an unsecured committed bank line of credit is available to CT REIT for general business purposes, expiring in September 2026.

The Bank of Nova Scotia ("Scotiabank") has provided CTB with a $500.0 million unsecured committed bank line of credit and $1.75 billion in committed securitized note purchase facilities for the purchase of senior and subordinated notes issued by GCCT, each of which expire in October 2024.

Provided by a syndicate of five Canadian financial institutions, $300.0 million in a committed liquidity facility provides backstop protection to GCCT's Series 1997-1 asset-backed commercial paper ("ABCP") program, expiring in July 2024.

In addition to the committed bank lines of credit outlined above, the Company has access to additional funding sources including internal cash generation, access to public and private financial markets, and the monetization of various assets. Assets of CTB are funded through internal cash generation, committed bank lines of credit outlined above, the securitization of credit card loans receivable using GCCT, broker guaranteed investment certificate ("GIC") deposits and retail deposits (including GIC and high-interest savings accounts). CTB also holds high quality liquid assets, as required by regulators, which are available to address any funding disruptions.

The Company has a U.S. dollar-denominated commercial paper ("US CP") program that allows it to issue up to a maximum aggregate principal amount of U.S. $1.0 billion of short-term promissory notes in the United States. Funds can be borrowed under this program with terms to maturity ranging from one to 270 days. Any issuances made under the program are issued at a discount and the notes rank equally in right of payment with all other present and future unsecured and unsubordinated obligations to creditors of the Company.

Due to the diversification of its funding sources, the Company is not overly exposed to concentration risk. The following table summarizes the Company's contractual maturities for its financial liabilities, including both principal and interest payments:

(C$ in millions)	2022	2023	2024	2025	2026	Thereafter	Total
Non-derivative financial liabilities							
Deposits[1,2]	$ 1,918.5	$ 583.5	$ 490.4	$ 584.6	$ 326.8	$ —	$ 3,903.8
Trade and other payables (Note 18)	2,369.2	—	—	—	—	—	2,369.2
Short-term borrowings	108.2	—	—	—	—	—	108.2
Loans	427.5	—	—	—	—	—	427.5
Long-term debt	710.0	984.0	560.0	680.0	200.0	1,075.0	4,209.0
Mortgages	10.1	56.0	0.4	0.4	8.1	—	75.0
Interest payments[3]	187.3	146.2	111.6	82.8	62.9	240.7	831.5
Total	$ 5,730.8	$ 1,769.7	$ 1,162.4	$ 1,347.8	$ 597.8	$ 1,315.7	$ 11,924.2

1 *Deposits exclude the GIC broker fee discount of $10.1 million.*
2 *The average remaining term of the GIC deposits is 27 months as at January 1, 2022.*
3 *Includes interest payments on deposits, short-term borrowings, loans, and long-term debt.*

It is not expected that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

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's Financial Risk Management Policy establishes guidelines on how the Company is to manage the market risk inherent to the business and provides mechanisms to ensure business transactions are executed in accordance with established limits, processes and procedures.

All such transactions are carried out within the established guidelines and, generally, the Company seeks to apply hedge accounting in order to manage volatility in its net income.

5.5.1 Foreign Currency Risk

CTC sources merchandise globally. In 2021, approximately 54 percent, 7 percent and 37 percent of the value of inventory purchases of Canadian Tire, SportChek and Mark's, respectively, were sourced directly from vendors outside Canada and denominated in U.S. dollars. The majority of Helly Hansen's purchases are from vendors in Asia and are denominated in U.S. dollars and Euros. To mitigate the impact of fluctuating foreign exchange rates on the cost of these purchases, the Company has an established foreign exchange risk management program that governs the proportion of forecast U.S. dollar and Euro purchases that are hedged through foreign exchange derivative contracts. The purpose of the program is to provide certainty with respect to a portion of the foreign exchange component of future merchandise purchases.

As the Company has hedged a significant portion of the cost of its near-term U.S. dollar-denominated forecasted purchases, a change in foreign currency rates will not materially impact that portion of the cost related to those purchases. The Company operates its hedging program on a continual basis to ensure that any sustained change in rates is reflected in the cost of the Company's U.S. dollar purchases over the entirety of its hedging horizon. This ensures that the cost of U.S. dollar purchases is smoothed relative to the foreign exchange market allowing the Company to defer the impact of sudden exchange rate movements on margins and allow it time to develop strategies to mitigate the impact of a sustained change in foreign exchange rates. Some vendors have an underlying exposure to U.S. currency fluctuations which may affect the price they charge the Company for merchandise, and the Company's hedging program does not mitigate that risk. While the Company may be able to pass on changes in foreign currency exchange rates through retail pricing, any decision to do so would be subject to competitive, market and economic conditions.

5.5.2 Interest Rate Risk

The Company may use interest rate derivatives to manage interest rate risk. The Company has a policy in place whereby, on a consolidated basis (excluding Franchise Trust), a minimum of 75 percent of its consolidated debt (short-term and long-term) will be at fixed versus floating interest rates.

A one percent change in interest rates would therefore not materially affect the Company's net income or equity as the Company has minimal floating interest rate exposure given the indebtedness of the Company is predominantly at fixed rates.

The Company's exposure to interest rate changes is predominantly driven by short-term Retail borrowings (on the bank lines of credit or in the U.S. commercial paper market) and the Financial Services business to the extent that the interest rates on future issuances of GIC deposits, HIS account deposits, tax-free savings account ("TFSA") deposits and securitization transactions are market-dependent. Partially offsetting this could be interest rates charged on credit cards and a significant portion of the current funding liabilities of Financial Services are at a fixed rate, which reduces interest rate risk. In addition, CTB has entered into interest rate derivatives to hedge a portion of its planned issuances of GCCT term debt and GIC deposits in 2022 to 2026. Furthermore, CTB holds short-term interest-bearing investments held in reserve in support of its liquidity and regulatory requirements.

6. Operating Segments

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

- The retail business is conducted under a number of banners including Canadian Tire, Canadian Tire Gas ("Petroleum"), Mark's, PartSource, Helly Hansen, Party City[1] and various SportChek banners. Retail also includes the Dealer Loan Program (the portion [silo] of Franchise Trust that issues loans to certain Dealers). Non-CT REIT real estate is included in Retail.

- Financial Services issues Canadian Tire's Triangle branded credit cards, including Triangle Mastercard, Triangle World Mastercard and Triangle World Elite Mastercard. Financial Services also offers Cash Advantage Mastercard and Gas Advantage Mastercard products, markets insurance products, and provides settlement services to the Company's affiliates. Financial Services includes CTB, a federally regulated Schedule I bank that manages and finances the Company's consumer Mastercard portfolio, as well as an existing block of Canadian Tire branded line of credit loans. CTB also offers high-interest savings ("HIS") account deposits, tax-free savings accounts ("TFSA") and GIC deposits, both directly and through third-party brokers. Financial Services includes GCCT, a structured entity established to purchase co-ownership interests in the Company's credit card loans receivable. GCCT issues debt to third-party investors to fund its purchases.

- CT REIT is an unincorporated, closed-end real estate investment trust. CT REIT holds a geographically-diversified portfolio of properties mainly comprising Canadian Tire banner stores, Canadian Tire anchored retail developments, mixed-use commercial property, and industrial properties.

[1] *"Party City" refers to the party supply business that operates under the Party City name and trademarks in Canada.*

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

					2021					2020
(C$ in millions)	**Retail**	**Financial Services**	**CT REIT**	**Eliminations and adjustments**	**Total**	Retail	Financial Services	CT REIT	Eliminations and adjustments	Total
External revenue	**$15,080.4**	**$ 1,165.4**	**$ 53.4**	**$ (7.1)**	**$16,292.1**	$13,617.2	$ 1,208.7	$ 53.7	$ (8.6)	$14,871.0
Intercompany revenue	**2.7**	**47.9**	**461.1**	**(511.7)**	**—**	2.8	39.7	448.6	(491.1)	—
Total revenue	**15,083.1**	**1,213.3**	**514.5**	**(518.8)**	**16,292.1**	13,620.0	1,248.4	502.3	(499.7)	14,871.0
Cost of producing revenue	**10,098.3**	**422.4**	**—**	**(63.8)**	**10,456.9**	9,261.3	602.7	—	(69.6)	9,794.4
Gross margin	**4,984.8**	**790.9**	**514.5**	**(455.0)**	**5,835.2**	4,358.7	645.7	502.3	(430.1)	5,076.6
Other (income) expense	**(165.4)**	**2.5**	**—**	**139.4**	**(23.5)**	(70.8)	0.6	—	118.9	48.7
Selling, general and administrative expenses	**3,787.1**	**359.3**	**121.8**	**(333.9)**	**3,934.3**	3,471.0	319.3	123.7	(314.7)	3,599.3
Net finance costs (income)	**187.4**	**(3.3)**	**105.7**	**(67.3)**	**222.5**	220.2	(1.5)	107.9	(70.1)	256.5
Fair value loss (gain) on investment properties	**—**	**—**	**(169.9)**	**169.9**	**—**	—	—	87.4	(87.4)	—
Income before income taxes	**$ 1,175.7**	**$ 432.4**	**$ 456.9**	**$ (363.1)**	**$ 1,701.9**	$ 738.3	$ 327.3	$ 183.3	$ (76.8)	$ 1,172.1
Items included in the above:										
Depreciation and amortization	**$ 873.2**	**$ 13.1**	**$ —**	**$ (184.8)**	**$ 701.5**	$ 858.3	$ 13.3	$ —	$ (176.3)	$ 695.3
Interest income	**77.8**	**1,013.8**	**—**	**(64.3)**	**1,027.3**	87.9	1,059.0	0.1	(66.9)	1,080.1
Interest expense	**258.0**	**154.4**	**105.7**	**(192.2)**	**325.9**	295.3	147.2	108.0	(201.6)	348.9

The eliminations and adjustments include the following items:

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

While the Company primarily operates in Canada, it also operates in foreign jurisdictions primarily through Helly Hansen. Foreign revenue earned by Helly Hansen amounted to $592.2 million for the year ended January 1, 2022 (January 2, 2021 – $493.6 million). Property and equipment and intangible assets (brand and goodwill) and right-of-use assets located outside of Canada was $929.2 million as at January 1, 2022 (January 2, 2021 – $963.3 million).

Capital expenditures by reportable operating segment are as follows:

				2021				2020
(C$ in millions)	**Retail**	**Financial Services**	**CT REIT**	**Total**	Retail	Financial Services	CT REIT	Total
Capital expenditures[1]	**$ 661.1**	**$ 8.7**	**$ 134.1**	**$ 803.9**	$ 304.9	$ 6.1	$ 141.4	$ 452.4

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

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

				2021				2020
(C$ in millions)	**Retail**	**Financial Services**	**CT REIT**	**Total**	Retail	Financial Services	CT REIT	Total
Right-of-use asset additions	**$ 406.9**	**$ —**	**$ 13.4**	**$ 420.3**	$ 410.3	$ 1.8	$ 3.0	$ 415.1

Total assets by reportable operating segment are as follows:

(C$ in millions)		2021		2020
Retail	$	**16,741.9**	$	15,937.2
Financial Services		**7,731.4**		7,134.2
CT REIT		**6,503.1**		6,176.1
Eliminations and adjustments		**(9,174.2)**		(8,870.4)
Total assets[1]	$	**21,802.2**	$	20,377.1

[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.*

Total liabilities by reportable operating segment are as follows:

(C$ in millions)		2021		2020
Retail	$	**9,876.4**	$	9,534.6
Financial Services		**6,555.2**		6,120.5
CT REIT		**2,825.0**		2,800.3
Eliminations and adjustments		**(3,965.2)**		(3,913.0)
Total liabilities[1]	$	**15,291.4**	$	14,542.4

[1] *The Company employs a shared-services model for several of its back-office functions, including finance, information technology, human resources and legal. As a result, expenses relating to these functions are allocated on a systematic and rational basis to the reportable operating segments. The associated assets and liabilities are not allocated among segments in the presented measures of segmented assets and liabilities.*

The eliminations and adjustments include the following items:

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

7. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

(C$ in millions)		2021		2020
Cash	$	**1,043.4**	$	750.7
Cash equivalents		**691.6**		540.3
Restricted cash and cash equivalents[1]		**16.7**		36.2
Total cash and cash equivalents[2]	$	**1,751.7**	$	1,327.2

[1] *Restricted cash and cash equivalents relates to GCCT and is restricted for the purpose of paying principal and interest to note holders and additional funding costs of $11.5 million (January 2, 2021 – $29.7 million) and Helly Hansen's other operational items $5.2 million (January 2, 2021 – $6.6 million).*
[2] *Included in cash and cash equivalents are amounts held in reserve in support of CTB's liquidity and regulatory requirements (refer to Note 32.1).*

8. Trade and Other Receivables

Trade and other receivables include the following:

(C$ in millions)		2021		2020
Trade receivables	$	**696.8**	$	697.4
Other receivables		**169.5**		190.3
Net investment in subleases		**17.3**		15.9
Derivatives (Note 33.2)		**86.8**		70.0
	$	**970.4**	$	973.6

Trade receivables are primarily from Dealers, franchisees and Helly Hansen's wholesale customers. This is a large and geographically-dispersed group whose receivables, individually, generally comprise less than one percent of the total balance outstanding. Other receivables are primarily receivables from vendors and tenants and insurance receivables.

Receivables from Dealers are in the normal course of business and include cost and margin-sharing arrangements. The credit range period on sale of goods is between one and 120 days.

9. Loans Receivable

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

	Total principal amount of receivables[1]	
(C$ in millions)	**2021**	2020
Credit card loans[2]	**$ 5,549.2**	$ 4,983.8
Dealer and other loans[3]	**429.1**	507.7
Total loans receivable	**5,978.3**	5,491.5
Less: long-term portion[4]	**365.1**	459.7
Current portion of loans receivable	**$ 5,613.2**	$ 5,031.8

1 Amounts shown are net of allowance for loans receivable.
2 Includes line of credit loans and are expected to be recovered within one year of the reporting date.
3 Loans issued to certain Dealers by Franchise Trust (refer to Note 22).
4 The long-term portion of loans receivable is included in long-term receivables and other assets and includes Dealer loans of $363.4 million (January 2, 2021 – $458.7 million).

For the year ended January 1, 2022, cash received from interest earned on credit cards and loans was $952.3 million (January 2, 2021 – $1,014.6 million).

The carrying amount of loans includes loans to certain Dealers that are secured by the Canadian Tire store assets of the respective Dealers' corporations. The Company's exposure to loans receivable credit risk resides at Franchise Trust and at the Bank. No allowances have been made for Dealer loans given the historical performance and the nature of the collateral. 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.

The Company's allowances for loans receivable decreased by $22.5 million from the year ended January 2, 2021 primarily due to the economic uncertainty as a result of COVID-19. This decrease in allowance was driven by changes in Management's assumptions on forward-looking economic indicators and from increased probability of cardholder delinquency and default.

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

				2021
(C$ in millions)	**12-month ECL (Stage 1)**	**Lifetime ECL – not credit-impaired (Stage 2)**	**Lifetime ECL – credit-impaired (Stage 3)**	**Total**
Balance at January 2, 2021	**$ 409.1**	**$ 161.3**	**$ 293.6**	**$ 864.0**
Increase (decrease) during the period				
Write-offs	**(7.7)**	**(15.9)**	**(314.0)**	**(337.6)**
Recoveries	**—**	**—**	**91.3**	**91.3**
New loans originated	**25.5**	**—**	**—**	**25.5**
Transfers				
to Stage 1	**114.8**	**(38.0)**	**(76.8)**	**—**
to Stage 2	**(15.4)**	**23.7**	**(8.3)**	**—**
to Stage 3	**(21.0)**	**(19.8)**	**40.8**	**—**
Net remeasurements	**(69.4)**	**63.0**	**204.7**	**198.3**
Balance at January 1, 2022	**$ 435.9**	**$ 174.3**	**$ 231.3**	**$ 841.5**

				2020
(C$ in millions)	12-month ECL (Stage 1)	Lifetime ECL – not credit-impaired (Stage 2)	Lifetime ECL – credit-impaired (Stage 3)	Total
Balance at December 28, 2019	$ 300.5	$ 192.1	$ 304.2	$ 796.8
Increase (decrease) during the period				
Write-offs	(11.3)	(32.3)	(397.5)	(441.1)
Recoveries	—	—	85.5	85.5
New loans originated	13.6	—	—	13.6
Transfers				
to Stage 1	121.0	(68.4)	(52.6)	—
to Stage 2	(14.9)	21.2	(6.3)	—
to Stage 3	(30.6)	(40.5)	71.1	—
Net remeasurements	30.8	89.2	289.2	409.2
Balance at January 2, 2021	$ 409.1	$ 161.3	$ 293.6	$ 864.0

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

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

				2021
(C$ in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Low risk	**$ 2,830.3**	**$ 57.5**	**$ —**	**$ 2,887.8**
Moderate risk	**1,961.8**	**100.5**	**—**	**2,062.3**
High risk	**779.1**	**170.0**	**491.5**	**1,440.6**
Total gross carrying amount	**5,571.2**	**328.0**	**491.5**	**6,390.7**
ECL allowance	**435.9**	**174.3**	**231.3**	**841.5**
Net carrying amount	**$ 5,135.3**	**$ 153.7**	**$ 260.2**	**$ 5,549.2**

				2020
(C$ in millions)	Stage 1	Stage 2	Stage 3	Total
Low risk	$ 2,364.6	$ 58.9	$ —	$ 2,423.5
Moderate risk	1,799.3	108.4	—	1,907.7
High risk	698.1	168.8	649.7	1,516.6
Total gross carrying amount	4,862.0	336.1	649.7	5,847.8
ECL allowance	409.1	161.3	293.6	864.0
Net carrying amount	$ 4,452.9	$ 174.8	$ 356.1	$ 4,983.8

Transfers of Financial Assets

Glacier Credit Card Trust

GCCT is a structured entity that was created to securitize the Bank's credit card loans receivable. The Bank has transferred co-ownership interest in credit card loans receivable to GCCT and has determined, for the purposes of accounting, consolidation of GCCT is appropriate. The associated liabilities, as at January 1, 2022 and January 2, 2021, secured by these assets, include the commercial paper notes and term notes on the Consolidated Balance Sheets and are carried at amortized cost. The table below sets out the carrying amounts and the fair values of the Bank's transferred credit card loans receivable and the associated liabilities.

		2021		2020
(C$ in millions)	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Credit card loans receivable transferred[1]	**$ 2,234.1**	**$ 2,234.1**	$ 2,280.0	$ 2,280.0
Associated liabilities	**2,229.7**	**2,256.5**	2,291.9	2,379.0
Net position	**$ 4.4**	**$ (22.4)**	$ (11.9)	$ (99.0)

[1] *The fair value measurement of credit card loans receivable is categorized within Level 2 of the fair value hierarchy. For definitions of the levels refer to Note 33.2.*

For legal purposes, the co-ownership interests in the Bank's credit card loans receivable owned by GCCT have been sold at law to GCCT and are not available to the creditors of the Bank. Furthermore, GCCT's liabilities are not legal liabilities of the Company.

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 relevant 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 certain Dealers for their purchases of inventory and fixed assets ("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 its rights in the LCs and outstanding Dealer loans to other independent trusts set up by major Canadian banks ("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. 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, being the loans that Franchise Trust has incurred to fund the Dealer loans. The Dealer loans and Loans are initially recorded at fair value and subsequently carried at amortized cost.

	2021		2020	
(C$ in millions)	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Dealer loans[1]	**$ 427.5**	**$ 427.5**	$ 506.6	$ 506.6
Associated liabilities	**427.5**	**427.5**	506.6	506.6
Net position	**$ —**	**$ —**	$ —	$ —

[1] *The fair value measurement of Dealer loans is categorized within Level 2 of the fair value hierarchy. For definitions of the levels refer to Note 33.2*

The Dealer loans have been sold at law and are not available to the creditors of the Company. Loans 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 34 for further information.

10. Long-Term Receivables and Other Assets

Long-term receivables and other assets include the following:

(C$ in millions)	**2021**	2020
Loans receivable (Note 9)	**$ 365.1**	$ 459.7
Net investment in subleases	**94.0**	103.9
Derivatives (Note 33.2)	**52.6**	42.6
Mortgages receivable	**10.0**	10.0
Other receivables	**9.1**	8.5
Total long-term receivables	**530.8**	624.7
Other	**62.7**	7.2
	$ 593.5	$ 631.9

Included in Other in Long-term receivables and other assets is the Company's minority interest in Ashcroft Terminal Ltd., a 320-acre inland transload and storage terminal strategically located at the intersection of both Canadian Pacific Railways Limited and Canadian National Railways Company railway networks in British Columbia. The interest was acquired on July 28, 2021 and comprises the Company's initial investment of $40 million in addition to adjustments required under the equity method of accounting.

11. Goodwill and Intangible Assets

The following table presents the changes in cost and accumulated amortization and impairment of the Company's goodwill and intangible assets:

												2021
	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	$	**893.5**	$	**934.1**	$	**167.7**	$	**1,252.3**	$	**11.7**	$	**3,259.3**
Additions		**—**		**—**		**—**		**148.4**		**—**		**148.4**
Disposals/retirements		**—**		**—**		**—**		**(4.1)**		**—**		**(4.1)**
Currency translation adjustment		**(12.7)**		**(16.6)**		**—**		**—**		**—**		**(29.3)**
Balance, end of year	$	**880.8**	$	**917.5**	$	**167.7**	$	**1,396.6**	$	**11.7**	$	**3,374.3**
Accumulated amortization and impairment												
Balance, beginning of year	$	**(4.0)**	$	**(16.6)**	$	**—**	$	**(854.2)**	$	**(11.7)**	$	**(886.5)**
Amortization for the year		**—**		**—**		**—**		**(119.6)**		**—**		**(119.6)**
Disposals/retirements		**—**		**—**		**—**		**4.0**		**—**		**4.0**
Balance, end of year	$	**(4.0)**	$	**(16.6)**	$	**—**	$	**(969.8)**	$	**(11.7)**	$	**(1,002.1)**
Net carrying amount, end of year	$	**876.8**	$	**900.9**	$	**167.7**	$	**426.8**	$	**—**	$	**2,372.2**

												2020
	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	$	893.0	$	932.9	$	167.7	$	1,167.1	$	11.7	$	3,172.4
Additions		—		1.4		—		101.7		—		103.1
Disposals/retirements		—		—		—		(5.9)		—		(5.9)
Reclassifications and transfers		—		—		—		(10.6)		—		(10.6)
Currency translation adjustment		0.5		(0.2)		—		—		—		0.3
Balance, end of year	$	893.5	$	934.1	$	167.7	$	1,252.3	$	11.7	$	3,259.3
Accumulated amortization and impairment												
Balance, beginning of year	$	(1.9)	$	(0.6)	$	—	$	(743.9)	$	(11.7)	$	(758.1)
Amortization for the year		—		—		—		(112.7)		—		(112.7)
Impairment		(2.1)		(16.0)		—		—		—		(18.1)
Disposals/retirements		—		—		—		2.4		—		2.4
Balance, end of year	$	(4.0)	$	(16.6)	$	—	$	(854.2)	$	(11.7)	$	(886.5)
Net carrying amount, end of year	$	889.5	$	917.5	$	167.7	$	398.1	$	—	$	2,372.8

The following table presents the details of the Company's goodwill:

(C$ in millions)		**2021**		2020
Helly Hansen	$	**385.7**	$	398.4
SportChek		**362.5**		362.5
Canadian Tire		**71.9**		71.9
Mark's		**56.7**		56.7
Total	$	**876.8**	$	889.5

The Company's banners and trademarks, which include SportChek, Mark's, Helly Hansen and Party City and acquired private-label brands, represent legal trademarks of the Company with expiry dates ranging from 2022 to 2038 with further renewals at the Company's election and discretion dependent on use. As the Company currently has no approved plans to change its store banners and intends to continue to use and renew its trademarks and private-label brands at each expiry date for the foreseeable future, there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows. Therefore, these intangible assets are considered to have indefinite useful lives.

Franchise agreements have expiry dates with options to renew, or have indefinite lives. As the Company intends to renew these agreements at each renewal date for the foreseeable future, there is no foreseeable limit to the period over which the franchise agreements and franchise locations will generate net cash inflows. Therefore, these assets are considered to have indefinite useful lives.

Finite-life intangible assets are amortized over a term of two to 10 years.

Borrowing costs capitalized were $2.8 million (January 2, 2021 – $4.8 million). The capitalization rate used to determine the amount of borrowing costs capitalized during the year was 4.9 percent (January 2, 2021 – 4.9 percent).

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 except as noted. The cash flow projections included specific estimates for up to five years and terminal growth rates ranging to extrapolate cash flow projections beyond the period covered by the most recent forecasts, except as noted below.

For all goodwill and intangible assets except as noted, the estimated recoverable amount is based on VIU exceeding the carrying amount. A material change in any of the assumptions used in testing goodwill and intangible assets could cause the carrying amount to exceed the estimated recoverable amount.

The Company recognized an impairment charge of nil (January 2, 2021 – $18.1million).

During 2021 and 2020, the recoverable amount of goodwill and intangibles assets of Helly Hansen was based on fair value less costs of disposal, estimated using discounted cash flows based on an after-tax discount rate. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used. The cash flow projections included specific estimates for eight years, taking into account a terminal value calculated by discounting the final year in perpetuity. A material change in any of the assumptions used in testing Helly Hansen goodwill and intangible assets could cause the carrying amount to exceed the estimated recoverable amount.

The key assumptions used in the estimation of the recoverable amount for all CGUs are set out below.

	2021	2020
Discount rate	**6.0 to 9.8 %**	6.0 to 9.0 %
Terminal growth rate	**2.0 to 3.0 %**	2.0 to 3.0 %

There was no reversal of impairment of intangible assets in 2021 or 2020.

12. Investment Property

The following table presents changes in the cost and the accumulated depreciation and impairment on the Company's investment property:

(C$ in millions)		**2021**		2020
Cost				
Balance, beginning of year	**$**	**447.0**	$	445.4
Additions		**91.4**		15.6
Other[1]		**(3.8)**		(14.0)
Balance, end of year	**$**	**534.6**	$	447.0
Accumulated depreciation and impairment				
Balance, beginning of year	**$**	**(61.2)**	$	(56.3)
Depreciation for the year		**(7.6)**		(7.0)
Other[1]		**(5.1)**		2.1
Balance, end of year	**$**	**(73.9)**	$	(61.2)
Net carrying amount, end of year[2]	**$**	**460.7**	$	385.8

[1] *Other includes disposals, retirements, impairment, reclassifications and transfers.*
[2] *Investment property includes $7.9 million (January 2, 2021 – 6.8 million) right-of-use assets related to operating subleases where the Company is an intermediate lessor.*

The investment properties generated rental income of $56.6 million (January 2, 2021 – $56.7 million). Direct operating expenses (including repairs and maintenance) arising from investment property recognized in net income were $20.5 million (January 2, 2021 – $22.8 million).

The estimated fair value of investment property was $579.9 million (January 2, 2021 – $542.7 million). This recurring fair value measurement is categorized within Level 3 of the fair value hierarchy (refer to Note 33.2 for definition of levels). The Company determines the fair value of investment property by applying a pre-tax discount rate to the annual rental income for the current leases. The discount rate ranged from 4.25 percent to 8.21 percent (January 2, 2021 – 4.82 percent to 8.00 percent). 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 and has also completed independent appraisals on certain investment property owned by CT REIT.

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.

13. Property and Equipment

The following table presents changes in the cost and the accumulated depreciation and impairment on the Company's property and equipment:

(C$ in millions)	Land	Buildings	Fixtures and equipment	Leasehold improvements	Construction in progress	Total
						2021
Cost						
Balance, beginning of year	**$ 1,072.6**	**$ 3,644.3**	**$ 1,707.8**	**$ 1,291.1**	**$ 149.7**	**$ 7,865.5**
Additions	**5.2**	**37.0**	**154.4**	**80.3**	**287.3**	**564.2**
Disposals/retirements[1]	**(1.9)**	**(3.5)**	**(46.5)**	**(12.4)**	**(2.2)**	**(66.5)**
Currency translation adjustment	**—**	**(0.1)**	**(0.6)**	**(0.2)**	**(0.3)**	**(1.2)**
Other[2]	**(4.0)**	**6.1**	**(7.1)**	**(16.1)**	**(9.9)**	**(31.0)**
Balance, end of year	**$ 1,071.9**	**$ 3,683.8**	**$ 1,808.0**	**$ 1,342.7**	**$ 424.6**	**$ 8,331.0**
Accumulated depreciation and impairment						
Balance, beginning of year	**$ (7.0)**	**$ (1,793.6)**	**$ (1,084.8)**	**$ (681.9)**	**$ —**	**$ (3,567.3)**
Depreciation for the year	**—**	**(79.4)**	**(132.1)**	**(70.1)**	**—**	**(281.6)**
(Impairment loss)/Reversal of impairment loss	**—**	**—**	**(0.3)**	**0.5**	**—**	**0.2**
Disposals/retirements[1]	**—**	**3.3**	**45.2**	**12.1**	**—**	**60.6**
Other[2]	**—**	**6.0**	**0.5**	**(0.1)**	**—**	**6.4**
Balance, end of year	**$ (7.0)**	**$ (1,863.7)**	**$ (1,171.5)**	**$ (739.5)**	**$ —**	**$ (3,781.7)**
Net carrying amount, end of year	**$ 1,064.9**	**$ 1,820.1**	**$ 636.5**	**$ 603.2**	**$ 424.6**	**$ 4,549.3**

[1] *Current year disposals includes $42.2 million of assets no longer in use with a net book value of nil.*
[2] *Other includes reclassifications, transfers and tenant allowances.*

(C$ in millions)	Land	Buildings	Fixtures and equipment	Leasehold improvements	Construction in progress	Total
						2020
Cost						
Balance, beginning of year	$ 1,054.3	$ 3,543.6	$ 1,680.4	$ 1,238.6	$ 118.0	$ 7,634.9
Additions	18.2	148.0	80.4	56.6	31.9	335.1
Disposals/retirements[1]	—	(8.7)	(46.3)	(5.3)	—	(60.3)
Currency translation adjustment	—	—	(0.2)	0.2	0.2	0.2
Other[2]	0.1	(38.6)	(6.5)	1.0	(0.4)	(44.4)
Balance, end of year	$ 1,072.6	$ 3,644.3	$ 1,707.8	$ 1,291.1	$ 149.7	$ 7,865.5
Accumulated depreciation and impairment						
Balance, beginning of year	$ (7.0)	$ (1,726.0)	$ (999.0)	$ (619.6)	$ —	$ (3,351.6)
Depreciation for the year	—	(85.5)	(136.5)	(71.0)	—	(293.0)
Impairment loss	—	(0.4)	(2.3)	(5.0)	—	(7.7)
Disposals/retirements[1]	—	7.3	44.7	5.2	—	57.2
Other[2]	—	11.0	8.3	8.5	—	27.8
Balance, end of year	$ (7.0)	$ (1,793.6)	$ (1,084.8)	$ (681.9)	$ —	$ (3,567.3)
Net carrying amount, end of year	$ 1,065.6	$ 1,850.7	$ 623.0	$ 609.2	$ 149.7	$ 4,298.2

[1] *Disposals includes $40.1 million of assets no longer in use with a net book value of nil.*
[2] *Other includes reclassifications, transfers and tenant allowances.*

The Company capitalized borrowing costs of $9.4 million (January 2, 2021 – $4.8 million) on indebtedness relating to property and equipment under construction. The rate used to determine the amount of borrowing costs capitalized during the year was 4.8 percent (January 2, 2021 – 4.7 percent).

Impairment of Property and Equipment and Subsequent Reversal

There was a net impairment reversal of $0.2 million (January 2, 2021 – $7.7 million). Any impairment or reversal of impairment is reported in Other income in the Consolidated Statements of Income.

14. Leases

14.1 As a Lessee

Extension and termination options are included in a number of leases across the Company particularly for property related leases. These terms are used to maximize the operational flexibility in terms of managing contracts. The majority of the extension and termination options held are exercisable only by the Company and not by the respective lessor.

14.1.1 Right-of-use Assets

The following table presents changes to the carrying amount of the Company's right-of-use assets at the end of the reporting period:

			2021
(C$ in millions)	**Property**	**Non-property**[1]	**Total**
Balance, beginning of year	**$ 1,659.2**	**$ 37.5**	**$ 1,696.7**
Additions	**380.5**	**39.8**	**420.3**
Depreciation for the year	**(274.5)**	**(18.2)**	**(292.7)**
Reversal of impairment	**1.2**	**—**	**1.2**
Disposals/retirements and other	**(39.4)**	**—**	**(39.4)**
Balance, end of year	**$ 1,727.0**	**$ 59.1**	**$ 1,786.1**

[1] *Non-property leases consist of leased IT equipment, supply chain and transportation related assets.*

			2020
(C$ in millions)	Property	Non-property[1]	Total
Balance, beginning of year	$ 1,581.4	$ 29.0	$ 1,610.4
Additions	393.3	21.8	415.1
Depreciation for the year	(269.5)	(13.1)	(282.6)
Impairment	(19.9)	—	(19.9)
Disposals/retirements and other	(26.1)	(0.2)	(26.3)
Balance, end of year	$ 1,659.2	$ 37.5	$ 1,696.7

[1] *Non-property leases consist of leased IT equipment, supply chain and transportation related assets.*

14.1.2 Undiscounted Cash Flows

The annual lease payments for property and non-property leases are as follows:

(C$ in millions)	**2021**	2020
Less than one year	**$ 419.0**	$ 386.7
One to five years	**1,474.2**	1,427.6
More than five years	**937.7**	992.3
Total undiscounted lease obligation[1]	**$ 2,830.9**	$ 2,806.6

[1] *Excludes $66.2 million (January 2, 2021 – $82.8 million) commitment for lease agreements signed but not yet commenced.*

14.2 As a Lessor

The Company leases out a number of its investment properties (refer to Note 12), and has certain sublease arrangements 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.

14.2.1 Net Investment in Subleases

The table below summarizes the Company's contractual cash flows from its net investment in subleases.

(C$ in millions)	2021	2020
Less than one year	$ 21.6	$ 21.9
One to two years	19.1	21.2
Two to three years	19.8	18.8
Three to four years	19.4	19.5
Four to five years[1]	14.2	19.0
More than five years[1]	32.4	38.2
Total undiscounted lease payments receivable	126.5	138.6
Unearned finance income	(15.2)	(18.8)
Net investment in subleases	$ 111.3	$ 119.8

1 *The prior period figures have been restated to align with current year presentation.*

14.2.2 Operating Leases

The table below summarizes the Company's future undiscounted annual minimum lease payments receivable from lessees under non-cancellable operating leases.

(C$ in millions)	2021	2020
Less than one year	$ 32.7	$ 31.6
One to two years	28.3	28.9
Two to three years	25.4	24.8
Three to four years	23.0	22.2
Four to five years[1]	19.9	19.0
More than five years[1]	73.2	80.9
Total	$ 202.5	$ 207.4

1 *The prior period figures have been restated to align with current year presentation.*

15. Subsidiaries

15.1 Control of Subsidiaries and Composition of the Company

These Consolidated Financial Statements include entities controlled by Canadian Tire Corporation. Control exists when Canadian Tire Corporation 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 financial statements of these entities are included in these consolidated financial statements from the date that control commences until the date that control ceases. Details of the Company's significant entities are as follows:

			Ownership Interest	
Name of subsidiary	**Principal activity**	Country of incorporation and operation	**2021**	2020
CTFS Holdings Limited[1]	Marketing of insurance products, processing credit card transactions at Canadian Tire Retail Banners, banking and reinsurance	Canada	**80.0 %**	80.0 %
Canadian Tire Real Estate Limited	Real estate	Canada	**100.0 %**	100.0 %
CT Real Estate Investment Trust	Real estate	Canada	**69.0 %**	69.2 %
FGL Sports Ltd. ("SportChek")[2]	Retailer of sporting equipment, apparel and footwear	Canada	**100.0 %**	100.0 %
Franchise Trust[3]	Canadian Tire Dealer Loan Program	Canada	**0.0 %**	0.0 %
Glacier Credit Card Trust[4]	Financing program to purchase co-ownership interests in the 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 %
Helly Hansen Group AS	Holding company for "Helly Hansen" branded global wholesaler of sportswear and workwear	Norway	**100.0 %**	100.0 %

1 *Legal entity CTFS Holdings Limited, incorporated in 2014, is the parent company of CTB and CTFS Bermuda Ltd. CTB's principal activity is banking, marketing of insurance products and processing credit card transactions at the Company's stores. CTFS Bermuda Ltd.'s principal activity is reinsurance.*

2 *"SportChek" refers to the retail business carried on by FGL Sports Ltd., including stores operated under the SportChek, Sports Experts, Atmosphere, National Sports, Sports Rousseau and Hockey Experts names and trademarks.*

3 *Franchise Trust is a legal entity sponsored by a third-party bank that originates loans to certain Dealers under the Dealer Loan program. 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 on the silo of assets and liabilities of Franchise Trust that relate to the Canadian Tire Dealer Loan Program. As the Company has control over this silo of assets and liabilities, it is consolidated in these financial statements.*

4 *GCCT was formed to meet specific business needs of the Company, namely to buy co-ownership interests in the Company's credit card loans receivable. GCCT issues debt to third-party investors to fund such 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. As the Company has control over GCCT, it is consolidated in these financial statements.*

15.2 Details of Non-wholly Owned Subsidiaries that have Non-Controlling Interests

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 Sheets and Consolidated 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:

								2021
(C$ in millions)		CTFS Holdings Limited[1]		CT REIT[2]		Other[3]		Total
Non-controlling interests		20.0 %		31.0 %		50.0 %		
Current assets	$	7,348.1	$	7.1	$	22.9	$	7,378.1
Non-current assets		383.2		6,493.7		49.6		6,926.5
Current liabilities		2,902.7		300.7		13.9		3,217.3
Non-current liabilities		3,652.5		2,522.0		39.4		6,213.9
Net assets		1,176.1		3,678.1		19.2		4,873.4
Revenue	$	1,341.4	$	514.5	$	198.9	$	2,054.8
Net income attributable to non-controlling interests	$	62.7	$	66.6	$	3.8	$	133.1
Equity attributable to non-controlling interests		525.9		852.3		8.8		1,387.0
Distributions to non-controlling interests		(41.6)		(59.1)		(2.8)		(103.5)

1 *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.*
2 *Net income attributable interests is based on net income of CT REIT adjusted to convert to the Company's cost method, including recording of depreciation.*
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.*

								2020
(C$ in millions)		CTFS Holdings Limited[1]		CT REIT[2]		Other[3]		Total
Non-controlling interests		20.0 %		30.8 %		50.0 %		
Current assets	$	6,773.3	$	13.0	$	7.8	$	6,794.1
Non-current assets		360.9		6,163.1		51.8		6,575.8
Current liabilities		1,614.1		290.6		1.6		1,906.3
Non-current liabilities		4,506.4		2,509.7		42.3		7,058.4
Net assets		1,013.7		3,375.8		15.7		4,405.2
Revenue	$	1,345.2	$	502.3	$	137.4	$	1,984.9
Net income attributable to non-controlling interests	$	47.2	$	62.4	$	1.2	$	110.8
Equity attributable to non-controlling interests		500.6		827.2		7.8		1,335.6
Distributions to non-controlling interests		(38.9)		(56.0)		(1.5)		(96.4)

1 *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.*
2 *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.*
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.*

16. Income Taxes

16.1 Deferred Income Tax Assets and Liabilities

The amount of deferred tax assets or liabilities recognized in the Consolidated Balance Sheets and the corresponding movement recognized in the Consolidated Statements of Income, Consolidated Statements of Changes in Equity, or resulting from a business combination is as follows:

						2021
(C$ in millions)	**Balance, beginning of year**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Recognized in equity**	**Other adjustments**	**Balance, end of year**
Provisions, deferred revenue and reserves	**$ 199.8**	**$ 7.0**	**$ —**	**$ —**	**$ —**	**$ 206.8**
Property and equipment	**(54.1)**	**(22.7)**	**—**	**0.3**	**—**	**(76.5)**
Intangible assets	**(275.1)**	**(10.4)**	**—**	**3.3**	**—**	**(282.2)**
Employee benefits	**50.9**	**0.9**	**0.2**	**—**	**—**	**52.0**
Cash flow hedges	**49.0**	**—**	**(9.6)**	**(28.8)**	**—**	**10.6**
Right-of-use asset and lease liabilities	**153.7**	**(11.3)**	**—**	**—**	**—**	**142.4**
Non-capital losses carryforward	**44.5**	**(4.0)**	**—**	**(1.0)**	**—**	**39.5**
Other	**8.0**	**(7.7)**	**—**	**(0.1)**	**—**	**0.2**
Net deferred tax asset (liability)[1]	**$ 176.7**	**$ (48.2)**	**$ (9.4)**	**$ (26.3)**	**$ —**	**$ 92.8**

[1] *Includes the net amount of deferred tax assets of $218.7 million and deferred tax liabilities of $125.9 million.*

						2020
(C$ in millions)	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Other adjustments	Balance, end of year
Provisions, deferred revenue and reserves	$ 247.8	$ (47.9)	$ —	$ (0.1)	$ —	$ 199.8
Property and equipment	(52.7)	(1.4)	—	—	—	(54.1)
Intangible assets	(267.3)	(7.7)	—	(0.1)	—	(275.1)
Employee benefits	46.5	0.5	3.9	—	—	50.9
Cash flow hedges	11.9	—	26.4	10.7	—	49.0
Right-of-use asset and lease liabilities	155.9	(2.2)	—	—	—	153.7
Non-capital losses carryforward	34.6	9.6	—	0.3	—	44.5
Other	6.1	1.8	—	0.1	—	8.0
Net deferred tax asset (liability)[1]	$ 182.8	$ (47.3)	$ 30.3	$ 10.9	$ —	$ 176.7

[1] *Includes the net amount of deferred tax assets of $298.7 million and deferred tax liabilities of $122.0 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 these consolidated 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 1, 2022 (January 2, 2021 – $2.5 billion).

No deferred tax asset is recognized for the carryforward of unused tax losses and unused tax credits to the extent that it is not probable that future taxable profit will be available against which they can be utilized. The amount of these deductible temporary differences was approximately $160.5 million at January 1, 2022 (January 2, 2021 – 156.5 million).

16.2 Income Tax Expense

The following are the major components of income tax expense:

(C$ in millions)		2021		2020
Current tax expense				
Current period	**$**	**434.9**	$	303.3
Adjustments with respect to prior years		**(41.9)**		(41.1)
	$	**393.0**	$	262.2
Deferred tax expense (benefit)				
Deferred income tax expense relating to the origination and reversal of temporary differences	**$**	**10.9**	$	10.7
Deferred income tax expense adjustments with respect to prior years		**37.0**		35.7
Deferred income tax expense resulting from change in tax rate		**0.3**		0.9
		48.2		47.3
Total income tax expense	**$**	**441.2**	$	309.5

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

(C$ in millions)		2021		2020
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges not subject to basis adjustment	**$**	**1.9**	$	(12.5)
Deferred cost of hedging not subject to basis adjustment – Changes in fair value of the time value of an option in relation to time-period related hedged items		**0.5**		(4.3)
Reclassification of losses to income		**5.1**		1.0
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges subject to basis adjustment		**2.1**		(10.6)
Actuarial losses		**(0.2)**		(3.9)
Total income tax expense (benefit)	**$**	**9.4**	$	(30.3)

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)		2021		2020
Income before income taxes	**$**	**1,701.9**	$	1,172.1
Income taxes based on the applicable statutory tax rate of 26.42% (January 2, 2021 – 26.49%)	**$**	**449.7**	$	310.5
Adjustment to income taxes resulting from:				
Income attributable to non-controlling interests in flow-through entities		**(18.4)**		(16.8)
Prior years' tax settlement		**—**		(0.2)
Non-taxable portion of capital gains		**(1.5)**		(0.2)
Non-deductible stock option expense		**15.1**		14.8
Other		**(3.7)**		1.4
Income tax expense	**$**	**441.2**	$	309.5

The applicable statutory tax rate is the aggregate of the Canadian federal income tax rate of 15.0 percent (January 2, 2021 – 15.0 percent) and the Canadian provincial income tax rate of 11.42 percent (January 2, 2021 – 11.49 percent).

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.

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 Balance Sheets, 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.

17. Deposits

Total deposits of $3,893.7 million (January 2, 2021 - $3,509.7 million) consist of broker deposits and retail deposits.

Cash from broker deposits is raised through sales of GICs through brokers rather than directly to retail customers. Broker deposits are offered for varying terms ranging from 30 days to five years and 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 1, 2022, were $2,523.6 million (January 2, 2021 – $2,497.3 million).

Retail deposits consist of HIS deposits, retail GICs and TFSA deposits. Total retail deposits outstanding at January 1, 2022, were $1,370.1 million (January 2, 2021 – $1,012.4 million).

For repayment requirements of deposits refer to Note 5.4. The following are the effective rates of interest:

	2021	2020
GIC deposits	**2.72 %**	2.81 %
HIS account deposits	**1.52 %**	1.82 %

18. Trade and Other Payables

Trade and other payables include the following:

(C$ in millions)	**2021**	2020
Trade payables and accrued liabilities	**$ 2,369.2**	$ 1,962.4
Derivatives (Note 33.2)	**15.5**	119.3
Financial liabilities	**2,384.7**	2,081.7
Deferred revenue	**291.2**	246.8
Insurance reserve	**6.2**	8.1
Other	**232.2**	171.7
	$ 2,914.3	$ 2,508.3

Deferred revenue consists mainly of unearned revenue relating to gift cards and customer loyalty program rewards. Deferred revenue will be recognized as revenue as the customer utilizes gift cards and loyalty rewards are redeemed. The majority of deferred revenue is expected to be redeemed within one year from issuance. $222.4 million included in deferred revenue at the beginning of the period was recognized as revenue in 2021 (January 2, 2021 – $199.9 million).

Other consists primarily of the short-term portion of share based payment transactions and sales taxes payable.

The credit range period on trade payables is one to 180 days (January 2, 2021 – one to 150 days).

19. Provisions

The following table presents the changes to the Company's provisions:

				2021
(C$ in millions)	Sales and warranty returns	Site restoration and decommissioning	Other	Total
Balance, beginning of year	$ 198.3	$ 52.5	$ 16.2	$ 267.0
Charges, net of reversals	620.1	4.8	9.2	634.1
Utilizations	(624.9)	(7.9)	(4.9)	(637.7)
Discount adjustments	0.2	(4.3)	—	(4.1)
Balance, end of year	$ 193.7	$ 45.1	$ 20.5	$ 259.3
Current provisions	182.0	3.2	10.0	195.2
Long-term provisions	11.7	41.9	10.5	64.1

20. Contingencies

Legal Matters

The Company is party to a number of legal and regulatory proceedings, and has determined that each such proceeding constitutes a routine matter incidental to the business it conducts, and that the ultimate disposition of the proceedings will not have a material effect on its consolidated net income, cash flows, or financial position.

The Bank appealed commodity tax assessments for the years 2011 through 2017 to the Tax Court of Canada. On June 29, 2021, the Tax Court issued a judgment allowing the Bank's appeal on the basis that the service fees paid by the Bank to the credit card networks are consideration for exempt supplies of financial services, pursuant to a consent judgment. The Bank expects the Canada Revenue Agency to reassess in accordance with the Tax Court's judgment in the coming months, reversing the commodity tax assessments. No provision was made for the assessed amounts that would have been payable in the event of an adverse outcome.

21. Short-Term Borrowings

Short-term borrowings include commercial paper notes issued by the Company and GCCT, note purchase facility borrowings issued by GCCT, bank line of credit and factoring facility borrowings. Short-term borrowings may bear interest payable monthly, 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 less for GCCT's ABCP and 270 days or less for the Company's US CP at interest rates fixed at the time of each renewal and are recorded at amortized cost. As at January 1, 2022, GCCT had $50.1 million (January 2, 2021 – $114.3 million) of ABCP outstanding and no borrowings were outstanding on CTB's committed note purchase facilities, other than a nominal balance on one to maintain GCCT's co-ownership interest. CTB had no borrowings outstanding under its unsecured committed bank line of credit (January 2, 2021 – nil).

As at January 1, 2022, the Company (excluding Helly Hansen) had no borrowings on its unsecured committed bank lines of credit and no US CP outstanding. Helly Hansen had $58.0 million (January 2, 2021 – $50.9 million) of C$ equivalent borrowings outstanding on its committed bank line of credit (Norwegian Krone ("NOK") 180 million) and its factoring facility (NOK 224.5 million). CT REIT had no borrowings under its committed bank line of credit (January 2, 2021 – nil).

22. Loans

Franchise Trust, a special purpose entity, is a legal entity sponsored by a third-party bank that originates loans to certain Dealers. Loans are what Franchise Trust incurs to fund Dealer loans, which are secured by such Dealers' store assets. 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 Canadian Tire Dealer Loan Program (refer to note 15.1).

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

23. Long-Term Debt

Long-term debt includes the following:

		2021		2020
(C$ in millions)	**Face value**	**Carrying amount**	Face value	Carrying amount
Medium-term notes (CTC)				
3.167% due July 6, 2023	**400.0**	**399.6**	400.0	399.2
6.500% due April 13, 2028	**150.0**	**150.9**	150.0	150.8
6.570% due February 24, 2034	**200.0**	**201.5**	200.0	201.5
5.610% due September 4, 2035	**200.0**	**199.7**	200.0	199.7
Debentures (CT REIT)				
Series C, 2.159% due June 1, 2021	**—**	**—**	150.0	150.0
Series A, 2.852% due June 9, 2022	**150.0**	**149.9**	150.0	149.8
Series B, 3.527% due June 9, 2025	**200.0**	**199.4**	200.0	199.2
Series D, 3.289% due June 1, 2026	**200.0**	**199.4**	200.0	199.2
Series E, 3.469% due June 16, 2027	**175.0**	**174.4**	175.0	174.2
Series F, 3.865% due December 7, 2027	**200.0**	**199.2**	200.0	199.1
Series G, 2.371%, January 6, 2031	**150.0**	**149.1**	—	—
Senior asset-backed term notes (GCCT)				
Series 2017-1, 2.048%, September 20, 2022[1]	**523.6**	**523.3**	523.6	522.8
Series 2018-1, 3.138%, September 20, 2023[1]	**546.0**	**545.0**	546.0	544.5
Series 2019-1, 2.280%, June 6, 2024[1]	**523.6**	**522.5**	523.6	521.7
Series 2020-1, 1.388%, September 22, 2025[1]	**448.8**	**447.1**	448.8	446.6
Subordinated asset-backed term notes (GCCT)				
Series 2017-1, 3.298%, September 20, 2022[1]	**36.4**	**36.4**	36.4	36.4
Series 2018-1, 4.138%, September 20, 2023[1]	**38.0**	**38.0**	38.0	37.9
Series 2019-1, 3.430%, June 6, 2024[1]	**36.4**	**36.4**	36.4	36.4
Series 2020-1, 2.438%, September 22, 2025[1]	**31.2**	**31.2**	31.2	31.2
Mortgages	**75.0**	**75.5**	65.8	66.0
Total debt	**$ 4,284.0**	**$ 4,278.5**	$ 4,274.8	$ 4,266.2
Current	**719.8**	**719.8**	150.5	150.5
Non-current	**3,564.2**	**3,558.7**	4,124.3	4,115.7

[1] *The expected repayment date as defined in the series supplemental indenture.*

The carrying amount of long-term debt is net of debt issuance costs of $11.0 million (January 2, 2021 – $13.8 million).

Senior and Subordinated Asset-Backed Term Notes (GCCT)

The asset-backed senior and subordinated term notes issued by GCCT are securitized by a co-ownership interest in a pool of loans receivable that are owing by selected credit card customer accounts of the Bank ("Securitized Pool"). These notes are recorded at amortized cost using the effective interest method.

Subject to the payment of certain priority amounts, the senior asset-backed term notes of a series have recourse on a priority basis to the allocable collections from such series' co-ownership interest in the Securitized Pool. The subordinated asset-backed term notes of such series have recourse to such series' allocable collections on a subordinated basis to the senior asset-backed term notes of such series in terms of the priority of payment of principal and, in some circumstances, interest. The entitlement of noteholders and other parties to such assets is governed by the priority and payment provisions set forth in GCCT's Trust Indenture dated as of November 29, 1995, as amended, and the related series supplements under which the outstanding series of notes were issued as well as the series purchase agreements which set forth the Bank's overcollateralization credit enhancement.

Repayment of the principal of the series 2017-1, 2018-1, 2019-1 and 2020-1 asset-backed term notes is scheduled for the expected repayment dates indicated in the preceding table. None of the GCCT's asset-backed term notes are otherwise early redeemable by GCCT or the Bank. During a contractual liquidation period prior to the expected repayment date of a particular series' notes, collections from the Securitized Pool allocable to GCCT with respect to the liquidating series as well as all outstanding series in their revolving periods will be accumulated by the custodian. If any amount remained owing subsequent to the expected repayment date, collections from the Securitized Pool allocable to GCCT with respect to the liquidating series as well as any outstanding series in their revolving periods will be applied to pay such amount until a specified termination date.

Principal repayments may commence earlier than a series' expected repayment date (an amortization period) if certain events occur including:

- the Bank failing to make required payments to GCCT or failing to meet covenant or other contractual terms;
- the performance of the Securitized Pool failing to achieve set criteria; and
- insufficient credit card loans receivable in the Securitized Pool.

None of these events occurred in the Bank's year ended December 31, 2021.

Medium-Term Notes and Debentures

Medium-term notes and debentures are unsecured and those issued by the Company and CT REIT with initial terms greater than two years are redeemable by the Company or CT REIT, as applicable, 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.

Mortgages

Mortgages payable as at January 1, 2022 had a weighted average interest rate of 2.36% percent and maturity dates of July 1, 2022 and March 1, 2026.

24. Other Long-Term Liabilities

Other long-term liabilities include the following:

(C$ in millions)	**2021**	2020
Redeemable financial instrument[1]	**$ 567.0**	$ 567.0
Employment Benefits (Note 25)	**198.8**	194.7
Derivatives (Note 33.2)	**10.5**	10.4
Other	**74.3**	78.2
	$ 850.6	$ 850.3

[1] *A financial liability; refer to Note 33 for further information on the redeemable financial instrument.*

Other primarily includes the long-term portion of share-based payment transactions.

25. Employment Benefits

Profit-Sharing Program

The Company has a profit-sharing program for certain employees. The amount awarded to employees is contingent on the Company's profitability but shall be equal to at least one percent of the Company's previous year's net profits after income tax. 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 percent 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, with respect to each employee, vest 20 percent after one year of continuous service and 100 percent after two years of continuous service.

In 2021, the Company contributed $27.7 million (January 2, 2021 – $25.4 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)	**2021**	2020
Change in the present value of defined benefit obligation		
Defined benefit obligation, beginning of year	**$ 194.7**	$ 176.4
Current service cost	**2.5**	2.1
Interest cost	**5.0**	5.4
Actuarial loss arising from changes in demographic assumptions	**4.5**	—
Actuarial (gain) loss arising from changes in financial assumptions	**(10.4)**	15.6
Actuarial loss (gain) arising from changes in experience assumptions	**6.8**	(1.0)
Benefits paid	**(4.3)**	(3.8)
Defined benefit obligation, end of year[1]	**$ 198.8**	$ 194.7

[1] *The accrued benefit obligation is not funded because funding is provided when benefits are paid. Accordingly, there are no plan assets.*

Significant actuarial assumptions used:

	2021	2020
Defined benefit obligation, end of year:		
Discount rate	**3.00 %**	2.60 %
Net benefit plan expense for the year:		
Discount rate	**2.60 %**	3.10 %

For measurement purposes, a 3.38 percent weighted average health care cost trend rate is assumed for 2021 (January 2, 2021 – 3.85 percent). The rate is assumed to decrease gradually to 1.90 percent for 2040 and remain at that level thereafter.

The most recent actuarial valuation of the obligation was performed as of January 1, 2022.

The cumulative amount of actuarial losses before tax recognized in equity at January 1, 2022, was $77.8 million (January 2, 2021 – $76.9 million).

Sensitivity Analysis:

The Company's defined benefit plan is exposed to actuarial risks such as the health care cost trend rate, the discount rate and the life expectancy assumptions. The following table provides the sensitivity of the defined benefit obligation to these 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)		2021	
Sensitivity analysis		**Accrued benefit obligation**	
		Increase	***Decrease***
A fifty basis point change in assumed discount rates	**$**	**(15.5) $**	**17.5**
A one-percentage-point change in assumed health care cost trend rates		**18.7**	**(16.0)**
A one-year change in assumed life expectancy		**5.1**	**(5.1)**

The weighted-average duration of the defined benefit plan obligation at January 1, 2022 is 16.6 years (January 2, 2021 – 17.2 years).

26. Share Capital

Share capital consists of the following:

(C$ in millions)		**2021**		2020
Authorized				
3,423,366 Common Shares				
100,000,000 Class A Non-Voting Shares				
Issued				
3,423,366 Common Shares (2020 – 3,423,366)	**$**	**0.2**	$	0.2
56,723,758 Class A Non-Voting Shares (2020 – 57,383,758)		**593.4**		596.8
	$	**593.6**	$	597.0

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

During 2021 and 2020, the Company issued and purchased Class A Non-Voting Shares. The Company's share purchases were made pursuant to its NCIB program, in connection with its anti-dilutive policy and announced share purchase intentions.

During the fourth quarter of 2021, the Company entered into an automatic securities purchase plan ("ASPP") and provided notice to its broker to purchase Class A Non-Voting Shares under the NCIB during the Company's blackout period starting January 2, 2022. As at January 1, 2022, an obligation to purchase $163.2 million Class A Non-Voting Shares (January 2, 2021 – n/a) was recognized under the ASPP in trade and other payables.

The following transactions occurred with respect to Class A Non-Voting Shares during 2021 and 2020:

			2021			2020
(C$ in millions)	**Number**		**$**	Number		$
Shares outstanding at beginning of the year	**57,383,758**	**$**	**596.8**	58,096,958	$	587.8
Issued under the dividend reinvestment plan	**81,715**		**14.7**	105,102		14.3
Purchased[1]	**(741,715)**		**(131.1)**	(818,302)		(110.7)
Accrued liability for ASPP commitment	**—**		**(10.2)**	—		3.0
Excess of purchase price over average cost	**—**		**123.2**	—		102.4
Shares outstanding at end of the period	**56,723,758**	**$**	**593.4**	57,383,758	$	596.8

[1] *Purchased shares, pursuant to the Company's NCIB program, have been restored to the status of authorized but unissued shares. The Company records shares purchased 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 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 voting entitlement applicable to Class A Non-Voting Shares would not apply in the case where an offer is made to purchase both Class A Non-Voting Shares and Common Shares at the same price per share and on the same terms and conditions.

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, which are available on SEDAR at www.sedar.com.

As of January 1, 2022, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $78.2 million (January 2, 2021 – $70.5 million) at a rate of $1.3000 per share (January 2, 2021 – $1.1750 per share).

On February 16, 2022 the Company's Board of Directors declared a dividend of $1.3000 per share payable on June 1, 2022 to shareholders of record as of April 30, 2022.

Dividends per share declared were $4.8250 in 2021 (January 2, 2021 – $4.5875).

The dilutive effect of employee stock options is 600,632 (January 2, 2021 – 193,302).

27. Share-Based Payments

The Company's share-based payment plans are described below.

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 surrender their options and receive a cash payment. Such cash payment is calculated as the difference between the fair market value of Class A Non-Voting Shares as at the surrender date and the exercise price of the option. Stock options vest over a three-year period. All outstanding stock options have a term of seven years. At January 1, 2022, and January 2, 2021, the aggregate number of Class A Non-Voting Shares authorized for issuance under the stock option plan was 3.4 million.

Stock option transactions during 2021 and 2020 were as follows:

	2021		2020	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of year	**1,945,328**	**$ 115.67**	1,286,007	$ 146.71
Granted	**224,448**	**174.11**	1,021,688	80.49
Exercised and surrendered[1]	**(768,440)**	**128.55**	(134,521)	121.08
Forfeited	**(77,349)**	**101.89**	(227,846)	129.88
Outstanding at end of year	**1,323,987**	**$ 118.91**	1,945,328	$ 115.67
Stock options exercisable at end of year	**462,950**		620,716	

[1] *The weighted average market price of the Company's shares when the options were exercised in 2021 was $194.70 (January 2, 2021 – $158.78).*

The following table summarizes information about stock options outstanding and exercisable at January 1, 2022:

	Options outstanding			**Options exercisable**	
Range of exercise prices	**Number of outstanding options**	**Weighted average remaining contractual life[1]**	**Weighted average exercise price**	**Number of exercisable options**	**Weighted average exercise price**
$ 177.09	**100,404**	**3.15**	**$ 177.09**	**100,404**	**$ 177.09**
173.14	**219,716**	**6.21**	**173.14**	**1,126**	**173.14**
156.29	**74,135**	**2.16**	**156.29**	**74,135**	**156.29**
144.35	**206,168**	**4.15**	**144.35**	**107,432**	**144.35**
129.14 to 129.92	**39,463**	**0.94**	**129.74**	**39,463**	**129.74**
80.49	**684,101**	**5.22**	**80.49**	**140,390**	**80.49**
$ 80.49 to 177.09	**1,323,987**	**4.76**	**$ 118.91**	**462,950**	**$ 132.82**

[1] *Weighted average remaining contractual life is expressed in years.*

Performance Share Units and Performance Units

The Company grants Performance Share Units ("PSUs") to certain of its employees that generally vest after three years. Each PSU entitles the participant to receive a cash payment equal to the fair market value of the Company's Class A Non-Voting Shares on the date set out in the Performance Share Unit plan, multiplied by a factor determined by specific performance-based criteria and a relative total shareholder return modifier.

CT REIT grants Performance Units ("PUs") to certain of its employees that generally vest after three years. Each PU entitles the participant to receive a cash payment equal to the fair market value of Units of CT REIT on the date set out in the Performance Unit plan, multiplied by a factor determined by specific performance-based criteria.

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:

	2021		2020	
	Stock options	**PSUs**	Stock options	PSUs
Share price at end of year (C$)	**$ 181.44**	**$ 181.44**	$ 167.33	$ 167.33
Weighted average exercise price[1] (C$)	**$ 117.24**	**N/A**	$ 117.99	N/A
Expected remaining life (years)	**3.8**	**1.0**	4.1	1.6
Expected dividends	**2.7 %**	**3.2 %**	3.0 %	3.3 %
Expected volatility[2]	**29.0 %**	**25.6 %**	29.5 %	35.6 %
Risk-free interest rate	**1.8 %**	**1.2 %**	0.7 %	0.5 %

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.

Deferred Share Units and Deferred Units

The Company offers Deferred Share Unit ("DSU") plans to certain of its Executives and to members of its Board of Directors. Under the Executives' DSU plan, eligible Executives may elect to receive all or a portion of their annual bonus in DSUs. The Executives' DSU plan also provides for the granting of discretionary DSUs. Under the Directors' DSU plan, eligible Directors may defer all or a portion of their annual director fees into DSUs. DSUs received under both the Executives' and Directors' DSU plans are settled in cash following termination of service with the Company and/or the Board based on the fair market value of the Company's Class A Non-Voting Shares on the settlement date.

CT REIT also offers a Deferred Unit ("DU") plan for members of its Board of Trustees. Under this plan, eligible trustees may elect to receive all or a portion of their annual trustee fees in DUs. DUs are settled through the issuance of an equivalent number of Units of CT REIT or, at the election of the trustee, cash, following termination of service with the Board.

Restricted Unit Plan

CT REIT offers a Restricted Unit ("RU") plan for its Executives. RUs may be issued as discretionary grants or, Executives may elect to receive all or a portion of their annual bonus in RUs. At the end of the vesting period, which is generally three years from the date of grant (in the case of discretionary grants) and five years from the annual bonus payment date (in the case of deferred bonus), an Executive receives an equivalent number of Units issued by CT REIT or, at the Executive's election, the cash equivalent thereof.

The Company enters into equity derivative transactions to hedge share-based payments and does not apply hedge accounting. The expense recognized for share-based compensation is summarized as follows:

(C$ in millions)	**2021**	2020
Expense arising from share-based payment transactions	**$ 123.5**	$ 115.5
Effect of hedging arrangements	**(36.1)**	(82.1)
Total expense included in net income	**$ 87.4**	$ 33.4

The total carrying amount of liabilities for share-based payment transactions at January 1, 2022, was $202.8 million (January 2, 2021 – $172.9 million).

The intrinsic value of the liability for vested benefits at January 1, 2022, was $39.3 million (January 2, 2021 – $55.6 million).

28. Revenue

Revenue by reportable operating segment is as follows:

					2021					2020
(C$ in millions)	**Retail**	**Financial Services**	**CT REIT**	**Adjust-ments**	**Total**	Retail	Financial Services	CT REIT	Adjust-ments	Total
Sale of goods	**$14,510.1**	**$ —**	**$ —**	**$ —**	**$14,510.1**	$13,062.1	$ —	$ —	$ —	$13,062.1
Interest income on loans receivable	**7.2**	**1,009.6**	**—**	**(3.3)**	**1,013.5**	12.9	1,056.6	—	(4.9)	1,064.6
Royalties and licence fees	**58.7**	**—**	**—**	**—**	**58.7**	50.0	—	—	—	50.0
Services rendered	**19.6**	**155.8**	**—**	**(3.8)**	**171.6**	21.1	152.1	—	(3.7)	169.5
Rental income	**484.8**	**—**	**53.4**	**—**	**538.2**	471.1	—	53.7	—	524.8
	$15,080.4	**$ 1,165.4**	**$ 53.4**	**$ (7.1)**	**$16,292.1**	$13,617.2	$ 1,208.7	$ 53.7	$ (8.6)	$14,871.0

Retail revenue breakdown is as follows:

(C$ in millions)	**2021**	2020
Canadian Tire	**$ 9,197.1**	$ 8,639.5
SportChek	**2,036.5**	1,814.8
Mark's	**1,422.0**	1,213.2
Helly Hansen[1]	**644.9**	541.9
Petroleum	**1,737.2**	1,358.7
Other and intersegment eliminations	**42.7**	49.1
	$ 15,080.4	$ 13,617.2

[1] *Helly Hansen revenue represents external revenue only.*

Major Customers

The Company does not rely on any one customer.

29. Cost of Producing Revenue

Cost of producing revenue consists of the following:

(C$ in millions)	**2021**	2020
Inventory cost of sales[1]	**$ 10,101.6**	$ 9,260.4
Net impairment loss on loans receivable	**210.1**	405.9
Finance costs on deposits	**89.7**	76.8
Other	**55.5**	51.3
	$ 10,456.9	$ 9,794.4

[1] *Inventory cost of sales includes depreciation for the year ended January 1, 2022 of $17.7 million (January 2, 2021 – $12.9 million).*

Inventory writedowns, as a result of net realizable value being lower than cost, recognized in the year ended January 1, 2022 were $115.9 million (January 2, 2021 – $91.5 million).

Inventory writedowns recognized in prior periods and reversed in the year ended January 1, 2022 were $14.9 million (January 2, 2021 – $8.3 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.

30. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the following:

(C$ in millions)		2021		2020
Personnel expenses	$	1,575.5	$	1,429.8
Occupancy		461.6		433.5
Marketing and advertising		377.6		301.9
Depreciation of property and equipment and investment property [1]		271.5		287.1
Depreciation of right-of-use assets		292.7		282.6
Amortization of intangible assets		119.6		112.7
Information systems		248.7		212.6
Other		587.1		539.1
	$	3,934.3	$	3,599.3

[1] *Refer to Note 29 for depreciation included in cost of producing revenue.*

31. Net Finance Costs

Net finance costs consists of the following:

(C$ in millions)		2021		2020
Finance (income)	$	(8.6)	$	(9.8)
Finance (income) on lease receivables		(5.1)		(5.8)
Finance costs		145.9		173.9
Finance costs on lease liabilities		90.3		98.2
	$	222.5	$	256.5

32. Notes to the Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities comprise the following:

						2021
(C$ in millions)		**Lease liabilities**		**Deposits**		**Long-term debt**
Balance, beginning of year	**$**	**2,226.5**	**$**	**3,509.7**	**$**	**4,266.2**
Cash changes:						
Payment of lease liabilities (principal portion)		**(365.3)**		**—**		**—**
Change in deposits		**—**		**379.4**		**—**
Long-term debt issuance		**—**		**—**		**150.0**
Long-term debt repayment		**—**		**—**		**(150.0)**
Mortgage issuance		**—**		**—**		**9.6**
Mortgage repayment		**—**		**—**		**(0.4)**
Payment of transaction costs related to long-term debt		**—**		**—**		**(1.0)**
Total changes from financing cash flows		**(365.3)**		**379.4**		**8.2**
Non-cash changes:						
New leases, interest accretion, currency translation adjustment and other		**414.6**		**—**		**0.3**
Amortization of broker commission		**—**		**4.6**		**—**
Amortization of debt issuance costs		**—**		**—**		**3.8**
Balance, end of year	**$**	**2,275.8**	**$**	**3,893.7**	**$**	**4,278.5**

						2020
(C$ in millions)		Lease liabilities		Deposits		Long-term debt
Balance, beginning of year	$	2,206.3	$	2,444.2	$	4,518.4
Cash changes:						
Payment of lease liabilities (principal portion)		(367.9)		—		—
Change in deposits		—		1,061.0		—
Long-term debt issuance		—		—		1,180.0
Long-term debt repayment		—		—		(1,450.4)
Mortgage issuance		—		—		18.6
Mortgage repayment		—		—		(0.4)
Payment of transaction costs related to long-term debt		—		—		(2.8)
Total changes from financing cash flows		(367.9)		1,061.0		(255.0)
Non-cash changes:						
New leases, interest accretion and other		388.1		—		(1.0)
Amortization of broker commission		—		4.5		—
Amortization of debt issuance costs		—		—		3.8
Balance, end of year	$	2,226.5	$	3,509.7	$	4,266.2

32.1 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 1, 2022, reserves held by Financial Services totalled $383.1 million (January 2, 2021 – $398.3 million) and includes restricted cash disclosed in Note 7 as well as short-term investments.

33. Financial Instruments

33.1 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 approximate their fair value either due to their short-term nature or because they are derivatives, which are carried at fair value.

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

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

Investments in Debt Securities

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

Derivatives

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

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

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

Redeemable Financial Instrument

On October 1, 2014, Scotiabank acquired a 20.0 percent 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 tenth anniversary of the transaction. This obligation gives rise to a liability for the Company ("redeemable financial instrument") and is recorded on the Company's Consolidated Balance Sheets 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 $500.0 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 earnings attributable to the Financial Services business, adjusted for any undistributed earnings and Scotiabank's proportionate interest in the business. The Company estimates future annual earnings over the forecast time period, 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 of the Financial Services business. 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 input from a third party, as required. This recurring fair value measurement is categorized within Level 3 of the fair value hierarchy (refer to Note 33.2).

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

The Company uses a fair value hierarchy to categorize the inputs used to measure the fair value of financial assets and financial liabilities, the 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; and
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)			**2021**		2020
	Category	**Level**		Level	
Trade and other receivables	FVTPL[1]	**2**	**$ 50.2**	2	69.8
Trade and other receivables	Effective hedging instruments	**2**	**36.6**	2	0.2
Long-term receivables and other assets	FVTPL[1]	**2**	**3.5**	2	28.2
Long-term receivables and other assets	Effective hedging instruments	**2**	**49.1**	2	14.4
Trade and other payables	FVTPL[1]	**2**	**8.9**	2	25.6
Trade and other payables	Effective hedging instruments	**2**	**6.6**	2	93.7
Redeemable financial instrument	FVTPL	**3**	**567.0**	3	567.0
Other long-term liabilities	FVTPL[1]	**2**	**7.4**	2	2.2
Other long-term liabilities	Effective hedging instruments	**2**	**3.1**	2	8.2

[1] *Relates to derivatives not designated as hedging instruments.*

There were no transfers in either direction between categories in 2021 or 2020.

Changes in Fair Value Measurement for Instruments Categorized in Level 3

Level 3 financial instruments include a redeemable financial instrument.

As of January 1, 2022, the fair value of the redeemable financial instrument was estimated to be $567.0 million (January 2, 2021 – $567.0 million). The determination of the fair value of the redeemable financial instrument requires significant judgment on the part of Management. Refer to Note 2 of these consolidated financial statements for further information.

33.3 Fair Value Measurement of Investments, Debt and Deposits

The fair value measurement of investments, debt and deposits is categorized within Level 2 of the fair value hierarchy (refer to Note 33.2). The fair values of the Company's investments, debt and deposits compared to the carrying amounts are as follows:

As at	**January 1, 2022**		January 2, 2021	
(C$ in millions)	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Short-term investments	**$ 606.2**	**$ 605.6**	$ 643.0	$ 642.3
Long-term investments	**175.1**	**174.5**	146.2	146.1
Long-term debt[1]	**4,278.5**	**4,475.4**	4,266.2	4,593.3
Deposits	**3,893.7**	**3,915.0**	3,509.7	3,613.3

[1] *Includes current portion of Long-term debt.*

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 changes in market interest rates for similar instruments. The fair values are determined by discounting the associated future cash flows using current market interest rates for items of similar risk.

33.4 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)		**2021**		2020
Net (loss) gain on:				
Financial instruments designated and/or classified as FVTPL[1]	**$**	**42.7**	$	71.0
Interest income (expense):				
Total interest income calculated using effective interest method for financial instruments that are not at FVTPL		**1,022.1**		1,074.4
Total interest income (expense) calculated using effective interest method for financial instruments that are not at FVTPL		**232.3**		(247.7)
Fee expense arising from financial instruments that are not at FVTPL:				
Other fee expense		**(20.4)**		(16.5)

[1] *Excludes gains (losses) on cash flow hedges, which are effective hedging relationships and are reflected on the Consolidated Statements of Comprehensive Income.*

33.5 Derivatives Designated as Hedging Instruments

The following table details the effectiveness of the hedging relationships and the amounts reclassified from hedging reserve to profit or loss:

					2021
			Amounts reclassified to profit or loss		
(C$ in millions)		**Current period hedging gains (losses) recognized in OCI**		**Due to hedged item affecting profit or (loss)**	**Line item in profit or loss affected by the reclassification**
Foreign currency risk	**$**	**7.7**	**$**	**3.1**	**Other expense (income)**
Interest rate risk	**$**	**9.3**	**$**	**16.1**	**Net finance costs**

					2020
			Amounts reclassified to profit or loss		
(C$ in millions)		Current period hedging gains (losses) recognized in OCI		Due to hedged item affecting profit or loss	Line item in profit or loss affected by the reclassification
Foreign currency risk	$	(41.4)	$	(1.5)	Other (income)
Interest rate risk	$	(62.6)	$	5.3	Net finance costs

The following table shows a reconciliation of cash flow hedges, net of tax, in relation to hedge accounting:

(C$ in millions)		2021		2020
Balance, beginning of year	**$**	**(123.1)**	$	(28.3)
Changes in fair value:				
Foreign currency risk				
Hedging instruments entered into for cash flow hedges subject to basis adjustment		**7.8**		(40.5)
Hedging instruments entered into for cash flow hedges not subject to basis adjustment		**(0.1)**		(0.9)
Interest rate risk				
Hedging instruments entered into for cash flow hedges not subject to basis adjustment		**7.4**		(46.3)
Deferred cost of hedging not subject to basis adjustment – time value of an option in relation to time-period related hedged items		**1.9**		(16.3)
Amount reclassified to profit or loss:				
Foreign currency risk		**3.1**		(1.5)
Interest rate risk		**16.1**		5.3
Amount reclassified to non-financial assets:				
Foreign currency risk		**109.6**		(40.4)
Tax on movements on reserves during the year		**(38.4)**		37.1
Attributable to non-controlling interests		**(4.2)**		8.7
Balance, end of year	**$**	**(19.9)**	$	(123.1)

34. 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 certain Dealers for their purchase of Canadian Tire store 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 achieve the required "AAA" equivalent credit rating of the funding of the Dealer loan portfolio. Franchise Trust has sold all of its rights in the LCs to the Co-owner Trusts. Franchise Trust, on behalf of the Co-owner Trusts, may draw against the LCs in certain pre-defined circumstances. Should a draw be made against an LC, the Company has agreed to reimburse the bank issuing such standby LC for the amount so drawn. The Company has not recorded any liability for these amounts due to: there having been no historical draws made by Franchise Trust under such LCs; the credit quality of the Dealer loans; and the nature of the underlying collateral represented by the inventory and fixed assets of the borrowing Dealers. The Company's maximum exposure as at January 1, 2022 under the LCs was $62.9 million (January 2, 2021 – $71.9 million).

The Company has obtained documentary and standby LCs aggregating $31.0 million (January 2, 2021 – $28.7 million) relating to the importation of merchandise inventories and to facilitate various real estate activities.

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 Guarantees

The Company has 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 November 2023. The maximum amount that the Company may be required to pay under these agreements was $1.1 million (January 2, 2021 – $1.8 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 certain bank loan amounts 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 January 2024 and any extension is at the Company's discretion. The Company's maximum exposure as at January 1, 2022 under these financial guarantees was $5.8 million (January 2, 2021 – $11.0 million).

The Company has entered into agreements to buy back certain franchisee-owned merchandise inventory should the banks foreclose on any of the applicable franchisees. The initial terms of the buy-back agreements are for one year and any extension is at the Company's discretion. The Company's maximum exposure as at January 1, 2022 under these buy-back agreements was $21.8 million (January 2, 2021 – $30.7 million).

No amount has been accrued in the consolidated financial statements with respect to these guarantees and buy-back agreements.

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 Agreements

In the ordinary course of business, the Company provides other additional indemnification agreements 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 noted above) and the arrangements with Franchise Trust noted 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 are disclosed in Note 5.

Capital Commitments

As at January 1, 2022, the Company had capital commitments for the acquisition of property and equipment, investment property and intangible assets for an aggregate cost of approximately $136.1 million (January 2, 2021 – $263.9 million).

35. Related Parties

Martha Billes and Owen Billes, in aggregate, beneficially own, or control or direct approximately 61.4 percent of the Common Shares of the Company through two privately held companies, Tire 'N' Me Pty. Ltd. and Albikin Management Inc.

Transactions with Dealer members of the Company's Board of Directors represented less than one percent of the Company's total revenue and were in accordance with established Company policy applicable to all Dealers. Other transactions with related parties, as defined by IFRS, were not significant during the year.

The following outlines the compensation of the Company's Board of Directors and key Management personnel (the Company's Chief Executive Officer, Chief Financial Officer and certain other Senior Officers):

(C$ in millions)	**2021**	2020
Salaries and short-term employee benefits	**$ 15.1**	$ 14.4
Share-based payments and other	**20.8**	31.0
	$ 35.9	$ 45.4

36. Subsequent Events

On February 3, 2022, CT REIT issued a total aggregate of $250 million 3.029 percent Series H Senior Unsecured Debentures due February 5, 2029.

On February 11, 2022, CT REIT completed an early redemption of its $150 million 2.852 percent Series A Senior Unsecured Debentures due June 9, 2022.