



2009 First Quarter Report to Shareholders
13 Weeks Ended April 4, 2009

2009 First Quarter Report

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Management's discussion and analysis (MD&A)

Introduction

This Management's Discussion and Analysis (MD&A) provides management's perspective on our Company, our performance and our strategy for the future.

Definitions

In this document, the terms "we", "us", "our", "Company" and "Canadian Tire" refer to Canadian Tire Corporation, Limited and its business units and subsidiaries. For commonly used terminology (such as retail sales and same store sales), see section 5.3 (Business segment performance) and our Glossary of Terms (pages 93 to 95) in our 2008 Financial Report, which can be found online on SEDAR's website at www.sedar.com and our Canadian Tire website in our Investor Relations section at <http://corp.canadiantire.ca/en/investors>.

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 May 14, 2009.

Quarterly and annual comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for the first quarter (13 weeks ended April 4, 2009) are against results for the first quarter of 2008 (13 weeks ended March 29, 2008).

Restated figures

Certain of the prior period's figures have been reclassified or restated to conform to the current year's presentation or to be in accordance with the adoption of the Canadian Institute of Chartered Accountants (CICA) new accounting standards. See section 14.1 and 14.2 of this MD&A and notes 2 and 16 in the Notes to the Consolidated Financial Statements for further information.

Accounting estimates and assumptions

The preparation of consolidated financial statements that conform with Canadian generally accepted accounting principles (GAAP) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. See section 12.0 in this MD&A for further information.

Forward-looking statements

This MD&A contains statements that are forward-looking. Actual results or events may differ materially from those forecasted in this disclosure because of the risks and uncertainties associated with Canadian Tire's business and the general economic environment. See section 17.0 for additional important information and a caution on the use of forward-looking information. This is especially important in view of the current uncertain economic environment.

We cannot provide any assurance that forecasted financial or operational performance will actually be achieved, or if it is, that it will result in an increase in the price of Canadian Tire shares.

1.0 Our Company

1.1 Overview of the business

Canadian Tire has been in business for over 85 years, offering everyday products and services to Canadians through its growing network of interrelated businesses. Canadian Tire, our Dealers, store operators, franchisees and Petroleum agents operate more than 1,200 general merchandise and apparel retail stores and gas bars. The Canadian Tire Financial Services® (Financial Services) division of the Company also offers a variety of financial services to Canadians, primarily its proprietary Options® MasterCard®, personal loans, lines of credit, insurance and warranty products, guaranteed investment certificates (GICs) offered through third-party brokers, and a retail banking pilot offering products to customers in certain test markets.

Canadian Tire's four main businesses are described below.

Canadian Tire Retail (CTR) is Canada's most shopped general merchandise retailer with a network of 476 Canadian Tire stores that are operated by Dealers, who are independent business owners. Dealers buy merchandise from the Company and sell it to consumers in Canadian Tire stores. CTR also includes our online distribution channel and PartSource. PartSource is a chain of 87 specialty automotive hard parts stores that cater to serious “do-it-yourselfers” and professional installers of automotive parts. The PartSource network consists of 31 franchise stores and 56 corporate stores.

Mark's Work Wearhouse (Mark's) is one of Canada's leading clothing and footwear retailers, operating 374 stores nationwide, including 331 corporate and 43 franchise stores that offer men's wear, women's wear and industrial wear. Mark's operates under the banner “Mark's”, and in Quebec, “L'Équipeur®”. Mark's also conducts a business-to-business operation under the name “Imagewear, a Division of Mark's Work Wearhouse™”.

Canadian Tire Petroleum (Petroleum) is one of Canada's largest independent retailers of gasoline with a network of 274 gas bars, including 267 convenience stores and kiosks, 74 car washes, 13 Pit Stops and 86 propane stations. The majority of Petroleum's sites are co-located with Canadian Tire stores as a strategy to attract customers to Canadian Tire stores. Substantially all of Petroleum's sites are operated by agents.

Canadian Tire Financial Services (Financial Services) markets a range of Canadian Tire-branded credit cards, including the Canadian Tire Options MasterCard and Gas Advantage® MasterCard. Financial Services also markets personal loans, lines of credit, insurance and warranty products and an emergency roadside assistance service called Canadian Tire Roadside Assistance®. Canadian Tire Bank® (CTB), a wholly-owned subsidiary, is a federally regulated bank that manages and finances Canadian Tire's consumer MasterCard and retail credit card portfolios, the personal loan and line of credit portfolios and is the issuer of GIC's offered through third-party brokers. CTB also offers high-interest savings accounts, retail GICs and residential mortgages as well as the Canadian Tire One-and-Only™ account, which consolidates customers' chequing, savings, loans and mortgage loan balances into one account, in three pilot markets.

1.2 Store network at a glance

Number of stores and retail square footage	April 4, 2009	March 29, 2008
Consolidated store count		
CTR retail stores ¹	476	473
PartSource stores	87	74
Mark's retail stores ¹	374	360
Petroleum gas bar locations	274	266
Total stores	1,211	1,173
Consolidated retail square footage (in millions)		
CTR	18.8	17.8
PartSource	0.3	0.3
Mark's	3.2	3.0
Total retail square footage²	22.3	21.1

¹ Store count numbers reflect individual selling locations; therefore, both CTR and Mark's totals include stores that are co-located.

² The average retail square footage for Petroleum's convenience stores was 455 square feet per store in Q1 2009 (400 square feet per store in Q1 2008). It has not been included in the total above.

1.3 Business unit performance at a glance

(year-over-year percentage change)	Q1 2009	Q1 2008
CTR retail sales ¹	4.0%	(1.9)%
CTR gross operating revenue	2.6%	0.0%
CTR net shipments	2.0%	(0.2)%
Mark's retail sales ²	(2.3)%	(3.2)%
Petroleum retail sales	(21.3)%	16.5%
Petroleum gasoline volume (litres)	(1.2)%	(0.4)%
Financial Services' credit card sales	4.5%	7.3%
Financial Services' gross average receivables	4.6%	8.9%

¹ Includes sales from Canadian Tire stores, PartSource stores and the labour portion of CTR's auto service sales.

² Includes retail sales from Mark's corporate and franchise stores.

2.0 Our Strategic Plan

2.1 Rolling Five-Year Strategic Plan to 2013 (2013 Plan)

The 2013 Plan outlines our strategy to build Canadian Tire through a continued focus on growth and productivity throughout the Plan period. The key growth initiatives of the 2013 Plan include network expansion across all of our retail businesses (CTR and PartSource, Petroleum and Mark's), store concept renewals and the continued evolution of products and services at Financial Services. Key productivity initiatives include continued upgrading of our automotive supply chain, renewing our technology infrastructure and streamlining our organizational design.

Specific objectives related to these programs are included in section 3.3 of this MD&A and section 4.0 of the MD&A contained in the 2008 Financial Report.

2.2 Financial aspirations

The 2013 Plan includes financial aspirations for the Company for the five-year period ending in December 2013. In light of the credit market disruption experienced since August 2007 and the subsequent economic downturn, management is currently re-assessing its long-term financial aspirations in the context of its annual review of our Strategic Plan.

3.0 Our performance in 2009

3.1 Consolidated financial results

(\$ in millions except per share amounts)	Q1 2009	Q1 2008 ¹	Change
Retail sales ²	\$ 1,789.8	\$ 1,840.3	(2.7)%
Gross operating revenue	1,758.1	1,825.3	(3.7)%
EBITDA ³	156.1	174.5	(10.5)%
Earnings before income taxes	66.4	99.4	(33.3)%
Effective tax rate	25.1%	32.5%	
Net earnings	\$ 49.7	\$ 67.1	(25.9)%
Basic earnings per share	\$ 0.61	\$ 0.82	(26.0)%
Adjusted basic earnings per share ³	\$ 0.61	\$ 0.68	(11.0)%

¹ 2008 figures have been restated for the implementation, on a retrospective basis, of CICA HB 3064 – Goodwill and Intangible Assets and the amendments to CICA HB 1000 – Financial Statement Concepts. See section 14.1 and 14.2 for additional information.

² Represents retail sales at CTR (which includes PartSource), Mark's corporate and franchise stores and Petroleum's sites.

³ See section 15.0 for non-GAAP measures.

Consolidated gross operating revenue

Gross operating revenue declined 3.7 percent from the prior year primarily as a result of a 23.9% decline in Petroleum's revenue, due to lower pump prices compared with the first quarter of 2008. This was partly offset by modest growth in CTR (shipments to Dealers up 2.0 percent) and Financial Services (up 4.1 percent due to an increase in interest-bearing loan balances). Mark's gross operating revenues were relatively stable.

Consolidated net earnings

Consolidated net earnings declined from the prior year by 25.9%. This was attributable to higher loan loss provisioning at Financial Services due to the economic environment, increased occupancy and depreciation costs at Mark's due to network expansion and higher interest expense, partly due to the rapid expansion of broker deposits at Financial Services which are being used to prefund the maturation of the Glacier notes in late 2009. These were partially offset by margin improvements in CTR, Petroleum and Mark's and higher gross operating revenue at Financial Services.

Consolidated net earnings were also impacted by non-operating items as noted below.

Impact of non-operating items

The following table shows our adjusted consolidated earnings on a pre-tax and after-tax basis.

Adjusted consolidated earnings before and after income taxes¹

(\$ in millions except per share amounts)	Q1 2009	Q1 2008 ²	Change
Earnings before income taxes	\$ 66.4	\$ 99.4	(33.3)%
Less pre-tax adjustment for:			
Former CEO retirement obligation ³	0.5	0.4	
Net effect of securitization activities ⁴	0.5	12.9	
Gain (loss) on disposals of property and equipment	(0.7)	3.7	
Adjusted earnings before income taxes ¹	\$ 66.1	\$ 82.4	(19.8)%
Income taxes	16.5	26.8	
Adjusted earnings after income taxes ¹	\$ 49.6	\$ 55.6	(10.9)%
Basic earnings per share	\$ 0.61	\$ 0.82	(26.0)%
Adjusted basic earnings per share ¹	\$ 0.61	\$ 0.68	(11.0)%

¹ See section 15.0 on non-GAAP measures.

² 2008 figures have been restated for the implementation, on a retrospective basis, of CICA HB 3064 – Goodwill and Intangible Assets and the amendments to CICA HB 1000 – Financial Statement Concepts. See section 14.1 and 14.2 for additional information.

³ See section 3.3.1 on CTR's performance.

⁴ Includes initial gain/loss on the sale of loans receivable, amortization of servicing liability, change in securitization reserve and gain/loss on reinvestment.

Consolidated net earnings were negatively affected by a marginal loss on the sale of property, plant and equipment in the first quarter compared with a pre-tax gain of \$3.7 million in the prior year comparative, as well as a decrease of \$12.4 million with respect to securitization activities. Partly offsetting these effects was a favourable tax adjustment of \$4.6 million related to the taxation of capital gains realized from the disposition of MasterCard shares in 2006 and 2007.

Seasonal impact

The second quarter and fourth quarters of each year are typically when we experience stronger revenues and earnings in our retail businesses because of the seasonal nature of some merchandise at CTR and Mark's and the timing of marketing programs. The following table shows our financial performance by quarter for the last two years.

Consolidated quarterly results¹

(\$ in millions except per share amounts)	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Gross operating revenue	\$ 1,758.1	\$ 2,587.8	\$ 2,257.5	\$ 2,450.7	\$ 1,825.3	\$ 2,503.1	\$ 2,049.2	\$ 2,314.1
Net earnings	49.7	101.7	109.0	98.1	67.1	131.3	102.2	122.5
Basic earnings per share	0.61	1.25	1.34	1.20	0.82	1.61	1.25	1.50
Fully diluted earnings per share	0.61	1.25	1.34	1.20	0.82	1.61	1.25	1.50

¹ 2008 quarterly results have been restated for the implementation, on a retrospective basis, of CICA HB 3064 – Goodwill and Intangible Assets and the amendments to CICA HB 1000 – Financial Statement Concepts. See section 14.1 and 14.2 for additional information. 2007 results have not been restated as the information required to calculate the restatement on a quarterly basis is not readily available.

Items that affected the usual seasonal pattern noted above include:

- Q2 2008 being negatively impacted by a \$12.0 million pre-tax book-to-physical inventory adjustment at Mark's and Q4 2008 being negatively impacted by a \$28.7 million pre-tax expense related to a delay-start interest rate swap adjustment; and
- Q3 2008 was positively impacted by an \$8.6 million reduction in the tax provision, most of which related to the impact of the sale-leaseback transactions entered into since 2005.

3.2 Business unit Q1 2009 performance overview

Canadian Tire Retail	Mark's Work Wearhouse
Q1 2009 Performance highlights - continued development of store network, now with a total of 476 stores; - continued development of new store formats; - replaced one traditional and one standard store with two new Smart stores, one of which contains a full-size Mark's; and - opened one new incremental Small Market store. PartSource Q1 2009 performance highlights - converted one corporate store to the PartSource banner; - opened one new hub store and converted two franchise stores to a corporate store; and - approximately 13.7 percent year-over-year increase in retail square footage.	Q1 2009 Performance highlights - opened three new corporate stores, one of which was a Combo store; and - increased total retail space by approximately 6.5 percent year-over-year; store network totals 374 locations; and - continued focus on Clothes That Work campaign, with the introduction of two new Clothes That Work items during the quarter.
Canadian Tire Financial Services	Petroleum
Q1 2009 Performance highlights - continued increases in gross average receivables for the total managed portfolio; - continued increase in insurance and warranty products; - continued growth in the broker GIC portfolio; and - continued testing of the retail banking initiative.	Q1 2009 Performance highlights - growth of network to 274 gas bars and 267 convenience stores; - opened one new gas bar and refurbished three gas bars as part of the initiative to improve the overall customer experience at Petroleum's sites; and - grew convenience store business by 16.8 percent over the prior year.

The following sections outlining the Company's business segment performance highlight the respective segment's achievements to date against key initiatives identified in the 2013 Strategic Plan. The initiatives have been divided into growth (increase sales primarily through network growth, new stores and new products) and productivity (improve customer service metrics, service levels, cost-effectiveness and rates of return).

3.3 Business segment performance

3.3.1 Canadian Tire Retail

3.3.1.1 Q1 2009 Strategic Plan performance

The following outlines CTR's performance for the first quarter of 2009 in the context of our 2013 Strategic Plan.

Canadian Tire Retail Growth Initiatives	
New store program 20/20 stores have been the cornerstone of CTR's growth agenda since 2003. This program is now complete and CTR has developed new store concepts which are designed to build on the successes of the 20/20 store with a greater focus on improving sales and productivity at a lower capital cost. Plans for 2009 include opening new Smart stores that will have the same focus of improving sales and productivity, as well as providing a more exciting customer experience, and Small Market stores with the further goal of expanding our presence in smaller markets.	
2009 Key initiatives	2009 Performance
With the completion of the 20/20 program in 2008, CTR's strategy is to test/rollout the next versions of the CTR store. This includes building of and conversion to the new Smart stores and new Small Market stores which are an important aspect of the 2013 Plan.	First quarter During the first quarter CTR replaced one traditional store and one standard store with two new Smart stores bringing the total number of Smart stores to four. We opened one new incremental Small Market store bringing the total to five. The store network now totals 476 stores, 48 of which include a Mark's component.
Customers for Life Canadian Tire is committed to building customer loyalty through fostering a positive, consistent and memorable customer experience. In 2008, CTR began working on a new strategic model for the organization that will lead to a stronger focus on customer service and improvements in generating Customers for Life and will continue this work through 2009.	
2009 Key initiatives	2009 Performance
CTR plans to continue to make key improvements to the customer experience.	First quarter CTR survey results show a 2.2 per cent improvement in overall satisfaction when compared to 2008 results. The Store Support and Dealer Relations teams continued working with the Canadian Tire Dealers Association to address issues that will improve the overall process and future survey results.

PartSource network expansion PartSource will continue its expansion into new markets through a combination of new stores and small-scale acquisitions. PartSource's strategy to buy small local businesses and convert them to the PartSource banner has proven successful, with high rates of customer retention after conversion.	
2009 Key initiatives	2009 Performance
Key initiatives for PartSource include building CTR as a new commercial account for emergency shipments, updating the organizational structure, testing new operating systems and a new auto parts catalogue.	First quarter During the quarter, PartSource continued making significant progress on building the CTR commercial account and is now used by 200 Canadian Tire stores for emergency auto parts. Progress on this initiative will continue building throughout the year. PartSource rebranded one corporate store to the PartSource banner, opened one new hub store and converted two franchise stores to corporate stores during the quarter. This brings the network total to 87 stores, including nine hub stores. (Details of the hub store are discussed below in the "Automotive Infrastructure initiative" section.)

Canadian Tire Retail Productivity Initiatives	
CTR Change program During 2007, CTR began to implement its multi-year productivity effort with projects designed to overhaul and upgrade internal processes and IT systems. The benefits of these projects include the ability to make faster and better decisions and improve our agility and speed to market.	
2009 Key initiatives	2009 Performance
In 2009, CTR plans to implement productivity/control initiatives in the area of sales and operational planning; and analyze and build requirements for 2010 implementation in the areas of promotional planning and vendor relationship management.	First quarter Progress made on the CTR Change Program included: ▪ Completed and implemented first phase of sales and operational planning enhancements (Integrated Planning); ▪ completed design of vendor relationship management capability, and began process design work; and ▪ completed analysis for promotional planning capability and began process & systems design work.

Automotive Infrastructure initiative Revitalizing the cornerstone automotive business is a key priority over the 2013 Plan period as CTC continues to expand the network through opening PartSource hub stores. Regional hub stores are larger than traditional PartSource stores and are designed to provide a broader assortment of automotive parts to service both CTR and PartSource customers. In 2009, CTR plans to open an additional eight hub stores. In addition, the Company is investing in infrastructure, technological enhancements and re-engineering customer facing processes.	
2009 Key initiatives	2009 Performance
Throughout 2009, CTC plans to open eight hub stores. In addition, there will be further investment in the physical retrofit of the automotive distribution centres as well as a new project commissioned to implement the Manhattan warehouse management software into the Calgary auto parts distribution centre. The investment in distribution assets will support an increase in the auto parts sku assortment by an additional 20%. Work to implement an industry-leading automotive hard parts catalogue will be completed and rolled out to the CTR stores in 2010.	First quarter Progress on the Automotive Infrastructure initiative included: Emergency supply implementation: - opened one PartSource hub store bringing the total number of hub stores to nine; and - completed rollout of do-it-yourself emergency supply processes to CTR stores in seven of nine hub store markets. Corporate assortment expansion: - increased auto parts SKU count by five per cent; and - initiated work to implement a new warehouse management system in the Calgary auto parts distribution centre. Customer Experience processes: - completed and approved the business requirements needed to select and implement commercially available automotive parts and customer service technology - reviewed and summarized functional gaps between the requirements and a preferred software solution; and - engaged the preferred software vendor to work with CTR on the solution design.

3.3.1.2 Key performance indicators

The following are key measures of CTR's sales productivity:

- total same store sales growth;
- average retail sales per store; and
- average sales per square foot of retail space

CTR total retail and same store sales

(year-over-year percentage change)	Q1 2009	Q1 2008
Total retail sales ¹	4.0%	(1.9)%
Same store sales ²	2.5%	(4.0)%

¹ Includes sales from Canadian Tire and PartSource stores and the labour portion of CTR's auto service sales.

² Includes sales from Canadian Tire and PartSource stores, but excludes sales from CTR's online web store and the labour portion of CTR's auto service sales.

CTR retail sales

First quarter

While our retail stores continue to be influenced by the challenging economic conditions that are currently affecting Canada, CTR experienced increased retail sales during the first quarter.

CTR's retail sales increased 4.0% over the same quarter in 2008 reflecting strong growth in the automotive and leisure categories. Exercise equipment, automotive accessories, kitchen and pet care products were particularly robust this quarter. Overall same store sales were up 2.5% compared to the first quarter of 2008.

On a regional basis we experienced stronger sales in Newfoundland, Nova Scotia, Saskatchewan and Manitoba and weaker sales in Alberta and in British Columbia than in the prior year.

PartSource experienced another quarter of year-over-year double-digit sales increases driven by both the continued expansion of the network and growth in the commercial customer segment. In addition, PartSource shipments to CTR Dealers continue to increase as components of the Automotive Infrastructure initiative project are rolled out.

CTR store network definitions

As our store network has evolved, we have introduced new store formats into our store categories, which we define as follows:

Smart store format (late 2008) Average retail square footage: 68,000	Small Market store format (mid-2008) Average retail square footage: 18,000	Updated & Expanded store format (1994 to mid-2008) Average retail square footage: 44,000	Traditional store format (1994 and prior) Average retail square footage: 16,000	PartSource stores (2008 and prior) Average retail square footage: 7,000
Next store concept renewal, building off the 20/20 store with a focus on growth and improving productivity through inspiring layouts, refreshed assortments and more environmentally responsible options. Stores range in size from 44,000 to 83,000 square feet. There are currently four Smart stores in the network the first of which opened in November 2008.	Smaller format launched in July 2008, ranging in size from 14,000 to 19,000 square feet. Small Market stores meet the needs of underserved rural markets and include customized product selection to serve a particular region, easy-to navigate signage and walkways, prominent heritage departments (e.g.: hockey) and generously sized outdoor areas that "expand" the store in peak periods. There are currently five Small Market stores in the network.	A combination of our newer format stores, including "20/20", "Class-of" and "Next Generation" stores. These stores, previously referred to as "standard stores", range in size from 16,000 to 89,000 square feet, most of which were opened or converted to these formats between 1994 and mid-2008. Updated and expanded format stores make up approximately 91.6 per cent of the retail square footage in the CTR network (excluding PartSource).	Smaller than the "updated and expanded store" format on average. Traditional stores have various sizes and layouts ranging in size from 3,000 to 49,000 square feet. Traditional stores make up approximately 6.5 per cent of the retail square footage in the CTR network (excluding PartSource).	PartSource is an automotive parts specialty store designed to meet the needs of major purchasers of auto parts, professional automotive installers and serious do-it-yourselfers. Stores carry a tailored product assortment based on local vehicle needs and are easily recognizable with the checkerboard flooring design. Beginning in 2007, new larger warehouse locations (hub stores) were opened to help bring more parts inventory closer to customers at both CTR and PartSource stores.

CTR store count

	Q1 2009 ¹	2008 ²	2007 ²	2006 ²	2005 ²
Updated and expanded stores	392	393	381	363	345
Traditional stores	75	76	92	105	117
Small Market stores	5	4	-	-	-
Smart stores	4	2	-	-	-
Total updated and expanded, traditional, Small Market and Smart stores	476	475	473	468	462
PartSource stores	87	86	71	63	57

¹ Store count at the end of Q1 2009.

² Store count at the end of the year.

CTR continues to expand and retrofit its store network with a focus on converting selected new or replacement stores and “updated and expanded” format stores to the latest formats. The 20/20 store format was completed by the end of 2008 and the two new formats continue to be piloted in 2009 and will be rolled out later this year and in subsequent years, consistent with the goals of the 2013 Plan.

Average retail sales per Canadian Tire store^{1,2}

(\$ in millions)	For the 12 months ended April 4, 2009	For the 12 months ended March 29, 2008
Updated and expanded stores	\$ 14.6	\$ 14.6
Traditional stores	7.9	8.0

¹ Retail sales are shown on a 52-week basis in each year and exclude sales from PartSource stores, CTR's online web store and the labour portion of CTR's auto service sales.

² Only includes stores that have been open for a minimum of two years as at the end of the quarter.

The updated and expanded stores typically experience higher customer traffic and increases in average transaction value compared to traditional store formats. For the rolling 12-month period, the average retail sales for the updated and expanded stores remained flat while the average retail sales per traditional stores suffered a slight decline.

Average sales per square foot of Canadian Tire retail space^{1,2,3}

	For the 12 months ended, April 4, 2009	For the 12 months ended, March 29, 2008
Retail square footage ^{1,3} (millions of square feet)	18.8	17.8
Updated and expanded stores ^{2,3} (\$ sales per square foot)	\$ 413	\$ 411
Traditional stores ^{2,3}	491	492

¹ Retail square footage is based on the total retail square footage including stores that have not been open for a minimum of two years. It represents a point in time (instead of a rolling 12-month period) as at the end of the quarter.

² Retail sales are shown on a 52-week basis in each year for those stores that have been open for a minimum of two years as at the end of the current quarter. Sales from PartSource stores, CTR's online web store and the labour portion of CTR's auto service sales are excluded.

³ Retail space does not include warehouse, garden centre and auto service areas.

Retail square footage increased by approximately 1.0 million square feet over the rolling 12-month period noted above.

Average sales per square foot of retail space in the larger standard store formats are lower than in traditional stores because additional space is designed to display more merchandise, accommodate wider aisles, include more appealing product displays and provide a more compelling shopping experience overall. The larger updated and expanded stores do however, on average, generate more total sales and have a lower operating cost for Dealers per retail square foot.

3.3.1.3 CTR's financial results

(\$ in millions)	Q1 2009	Q1 2008	Change
Retail sales	\$ 1,267.9	\$ 1,218.8	4.0%
Net shipments (year-over-year % change)	2.0%	(0.2)%	
Gross operating revenue	\$ 1,099.3	\$ 1,071.3	2.6%
EBITDA ¹	96.8	102.1	(5.2)%
Earnings before income taxes	32.8	43.6	(24.8)%
Less adjustment for:			
Gain (loss) on disposals of property and equipment	(0.4)	3.9	
Former CEO retirement obligation	0.5	0.4	
Adjusted earnings before income taxes ¹	\$ 32.7	\$ 39.3	(16.7)%

¹ See section 15.0 on non-GAAP measures.

Explanation of CTR's financial results

First quarter

First quarter gross operating revenue increased 2.6 percent, primarily as a result of higher net shipments to Dealers, particularly in the automotive and home categories.

Canadian Tire Retail's first quarter adjusted earnings before taxes were \$32.7 million, down \$6.6 million compared to a year ago. Despite strong margins, increased promotional expenses and expenses associated with the opening of the new Eastern Canada Distribution Centre led to the earnings decline.

3.3.1.4 CTR's business risks

CTR is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. These include, but are not limited to, supply chain disruption, seasonality and environmental risks. Please see section 5.3.1.6 of our 2008 Financial Report for an explanation of these business-specific risks. See also section 11.0 of this MD&A for a discussion on Enterprise risk management and section 14.0 of our 2008 Financial Report for a discussion of some other industry-wide and Company-wide risks affecting the business.

3.3.2 Mark's Work Wearhouse

3.3.2.1 Q1 2009 Strategic Plan performance

The following outlines Mark's performance for the first quarter of 2009 in the context of our 2013 Strategic Plan.

Mark's Work Wearhouse Growth Initiatives	
Network expansion A critical aspect of Mark's growth plan revolves around its objective of capturing an increasingly significant share of overall apparel sales in each geographic market in which Mark's competes. To increase Mark's market presence, the Company plans to continue with its aggressive goal of expanding the network of Mark's stores.	
2009 Key initiatives	Q1 2009 Performance
Mark's will continue network development through opening new stores, relocating or expanding existing stores and renovating older stores to the newest Mark's format. For 2009, we plan to: ▪ Open 14 new stores; ▪ Relocate 10 stores; ▪ Expand 3 stores; and ▪ Grow the retail square footage by 5%	First quarter ▪ opened three new corporate stores, one of which was a Combo store; and ▪ relocated two corporate stores, one of which was a Combo store. Mark's total retail square footage at the end of the quarter was 3.2 million square feet, an increase of 6.5% vs. Q1 2008.
New store concepts In addition to adding incremental stores to the total network, Mark's is in the process of developing new store concepts that will be rolled out over the Plan period.	
2009 Key initiatives	Q1 2009 Performance
While participating in the Mark's portion of the newly-developed concepts for CTR/Mark's combo stores, such as Smart stores and Small Market stores, Mark's is developing a new, stand-alone "CLOTHES THAT WORK®" store that will be tested in 2009.	First quarter Mark's opened two new Mark's-inside-a-CTR stores, one as part of CTR's Small Market store network expansion and one as part of CTR's Smart store concept (both included in total above).

Mark's Work Wearhouse Productivity Initiatives	
Category expansion Mark's has set aggressive growth goals for the 2013 Plan period which will be supported by its plans for category expansion in its three major product lines. Although growth was modest in 2007 and 2008, women's wear is still expected to be the fastest growing segment of the business over the plan period as it is the least developed of the Mark's main category lines. Improvements in the product assortment in the women's wear category are expected to bring continued growth during the Plan period.	
2009 Key initiatives	Q1 2009 Performance
In 2009, Mark's will continue to expand its product assortment in the three main categories of apparel and footwear with a focus on the Clothes That Work campaign.	First quarter – corporate sales - sales of women's wear increased by 7.8 percent; - sales of industrial wear decreased by 0.5 percent and - sales of men's wear decreased by 6.2 percent. In the first quarter of 2009, Mark's continued to leverage previously launched products such as CURVETECH™ shape-enhancing technology for women and QUAD COMFORT® footwear for men and women, while extending its dri-WEAR® technology from underwear to t-shirts and introducing two new CLOTHES THAT WORK® items.

3.3.2.2 Key performance indicators

The following are key performance indicators for Mark's:

- retail and same store sales growth;
- average sales per corporate store; and
- average sales per square foot of retail space

Mark's retail and same store sales growth

<i>(year-over-year percentage change)</i>	Q1 2009	Q1 2008
Total retail sales ¹	(2.3)%	(3.2)%
Same store sales ²	(4.1)%	(7.0)%

¹ Includes retail sales from corporate and franchise stores.

² Mark's same store sales excludes new stores, stores not open for the full period in each year and store closures.

First quarter

Mark's retail sales during the first quarter of 2009 continued to be impacted by further softening of retail and economic conditions across many parts of Canada. Corporate store sales in industrial wear were down slightly, with men's industrial work wear suffering the largest-dollar decrease. Corporate store sales of men's casual clothing also declined in categories such as outerwear, sweaters, casual bottoms and t-shirts. A redeeming factor this quarter was that ladies' wear corporate store sales increased and performed better than men's wear across all major categories. The largest dollar corporate store sales increases came from ladies accessories, healthwear and casual/dress bottoms.

From a geographical perspective, Mark's enjoyed sales increases in Quebec, the Atlantic Provinces, and certain pockets in Ontario, but sales were down significantly in Mark's normally-strong home base of Alberta and British Columbia due to the disproportionate impact of the economic downturn in those regions.

Average corporate store sales¹

	For the 12 months ended, April 4, 2009	For the 12 months ended, March 29, 2008	For the 12 months ended, March 31, 2007
Average retail sales per store (\$ thousands) ²	\$ 2,716	\$ 2,743	\$ 2,817
Average sales per square foot (\$) ³	314	327	347

¹ Calculated on a rolling 12-month basis.

² Average retail sales per corporate store include corporate stores that have been open for 12 months or more.

³ Average sales per square foot is based on sales from corporate stores. We have prorated square footage for corporate stores that have been open for less than 12 months.

Mark's average retail sales per store and average sales per square foot have been declining slowly since the end of the second quarter of 2007, primarily due to the economic slow down which began then, combined with the fact that Mark's has, through new stores, store relocations, store expansions and franchise repatriations, increased its corporate store retail square footage by 20% over that time frame.

According to Trendex, Mark's continued to increase its market share of the total Canadian apparel market in 2008 and Mark's believes that with its continued network expansion during slower economic times, it will be well positioned to significantly increase its market share and resume improving its average retail sales per store and average sales per square foot as the Canadian apparel market recovers from the current recession.

3.3.2.3 Mark's financial results

(\$ in millions)	Q1 2009	Q1 2008	Change
Retail sales ¹	\$ 168.5	\$ 172.5	(2.3)%
Gross operating revenue ²	147.1	147.5	(0.3)%
EBITDA ³	2.2	3.0	(27.3)%
Loss before income taxes	(4.9)	(3.4)	(43.9)%
Less adjustment for:			
Loss on disposals of property and equipment	(0.2)	-	
Adjusted loss before income taxes ³	\$ (4.7)	\$ (3.4)	(39.7)%

¹ Includes retail sales from corporate and franchise stores.

² Gross operating revenue includes retail sales at corporate stores only.

³ See section 15.0 on non-GAAP measures.

Explanation of Mark's financial results

First quarter

Mark's pre-tax earnings decreased in the first quarter of 2009 primarily as a result of the decrease in same store sales and higher expenses associated with the continued expansion of the store network and backline infrastructure. Overall, the gross margin rate on merchandise sold was very strong, up 7.7% thanks, in part, to improved markdown management, but that was not sufficient to offset the weaker sales and increased occupancy, depreciation, system and other costs.

3.3.2.4 Mark's business risks

Mark's is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. These include, but are not limited to, seasonality and market obsolescence risks. Please see section 5.3.2.5 of our 2008 Financial Report for an explanation of these business-specific risks. See also section 11.0 of this MD&A for a discussion on Enterprise risk management and section 14.0 of our 2008 Financial Report for a discussion of some other industry-wide and Company-wide risks affecting the business.

3.3.3 Canadian Tire Petroleum

3.3.3.1 Q1 2009 Strategic Plan performance

Petroleum plays a strategic role in increasing customer loyalty and driving traffic and transactions for CTR and Financial Services. Petroleum increases Canadian Tire's total value proposition by offering Canadian Tire 'Money' loyalty rewards on gas purchases paid for in cash or by Canadian Tire's Options MasterCard. Petroleum also supports other cross-marketing promotions and joint product launches, such as Canadian Tire's Gas Advantage MasterCard, which has gained wide popularity since its introduction in Ontario in mid-2006. Customers who have a Canadian Tire MasterCard and purchase gas at Petroleum are Canadian Tire's most loyal and profitable customers.

The following outlines Petroleum's performance for the first quarter of 2009 in the context of our 2013 Strategic Plan.

Canadian Tire Petroleum Growth Initiatives	
Network renewal and new store concept Petroleum's business is an integral part of the Canadian Tire organization as customers that use Petroleum's gas bars drive sales and traffic to our other business units. Over the 2013 Plan period, Petroleum will continue to develop its real estate plan, focusing on introducing new store concepts into its existing network of locations, while continuing to focus on renewing its current sites.	
2009 Key initiatives	Q1 2009 Performance
In 2009, Petroleum will continue to strengthen the existing network by opening new sites and refurbishing or rebuilding existing sites.	First quarter - opened one new gas bar; and - refurbished three gas bars. At the end of the quarter, Petroleum had 274 gas bars, including 38 re-branded sites.

Canadian Tire Petroleum Productivity Initiatives	
Enhancing interrelatedness Petroleum's business is integrated with CTR and Financial Services through Canadian Tire 'Money' and various cross-marketing programs designed to build customer loyalty. Petroleum is in the process of enhancing its interrelatedness strategy to further extend its marketing leverage across the Company.	
2009 Key initiatives	Q1 2009 Performance
In 2009, Petroleum will aggressively seek out additional cross-marketing opportunities to further leverage its interrelatedness strategy to drive customer traffic, transactions, customer loyalty and earnings across the enterprise.	First quarter - executed cross-marketing national contest at gas bars driving traffic to CTR and Mark's stores and Financial Services' Options MasterCard - issued multiplier coupons that increase the Canadian Tire 'Money' offered on gas purchases paid for in cash or by Canadian Tire Options MasterCard; and - offered discount coupons on Canadian Tire merchandise with the purchase of gas.

3.3.3.2 Key performance indicators

Gasoline sales volume is a top-line performance indicator for Petroleum, as measured by the number of gasoline litres sold. Fluctuations in the wholesale and retail price of gasoline may result in fluctuations in Petroleum's margin and profitability.

Gasoline sales volume

	Q1 2009	Q1 2008	Change
Sales volume (millions of litres)	408.8	413.8	(1.2)%

Gasoline sales volumes during the first quarter were down slightly, consistent with industry gasoline volume declines reported by Statistics Canada. Even though the average retail gas price has declined significantly since Q1 2008, gas prices have stabilized since late 2008.

Petroleum's convenience and car wash sales

(year-over-year percentage change)	Q1 2009	Q1 2008
Total retail sales		
Convenience store sales	16.8%	11.6%
Car wash sales	16.4%	(24.4)%
Same store sales		
Convenience	14.1%	9.7%
Car wash	16.4%	(24.8)%

Convenience store sales were very strong in the first quarter of 2009 as a result of a better in-stock position and a shifting of a national contest into the first quarter. The increase in car washes is largely attributable to the more favourable car wash weather conditions in the quarter versus the prior year.

3.3.3.3 Petroleum's financial results

(\$ in millions)	Q1 2009	Q1 2008	Change
Retail sales	\$ 353.4	\$ 449.0	(21.3)%
Gross operating revenue	321.9	422.8	(23.9)%
EBITDA ¹	10.4	9.0	15.1%
Earnings before income taxes	6.0	5.0	20.4%
Less adjustment for:			
Loss on disposals of property and equipment	-	(0.2)	
Adjusted earnings before income taxes ¹	\$ 6.0	\$ 5.2	15.5%

¹ See section 15.0 on non-GAAP measures.

Explanation of Petroleum's financial results

First quarter

Retail sales and gross operating revenues declined more than 20% in the first quarter of 2009, mostly due to a 23.7 percent decrease in retail gasoline prices year-over-year. However, despite this dramatic decrease in pump-prices, Petroleum enjoyed a 20.4 percent increase in pre-tax earnings as gasoline margins were stronger this quarter versus last year. This was partially offset by an increase in operating and environmental expenses.

3.3.3.4 *Petroleum's business risks*

Petroleum is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. These include, but are not limited to, environmental and commodity price and disruption risks. Please see section 5.3.3.5 of our 2008 Financial Report for an explanation of these business-specific risks. See also section 11.0 of this MD&A for a discussion on Enterprise risk management and section 14.0 of our 2008 Financial Report for a discussion of some other industry-wide and Company-wide risks affecting the business.

3.3.4 Canadian Tire Financial Services

3.3.4.1 Q1 2009 Strategic Plan performance

The following outlines Financial Services' performance for the first quarter of 2009 in the context of our 2013 Strategic Plan.

Canadian Tire Financial Services Growth Initiatives	
Total managed portfolio of loans receivable (credit card, personal, line of credit and mortgage loans) Financial Services plans to grow its portfolio through increases in average balances, new account acquisition and the introduction of new credit cards.	
2009 Key initiatives	Q1 2009 Performance
For 2009, Financial Services has targeted increasing gross average credit card receivables mainly through increases in the average account balances.	First quarter Gross average loans receivable were \$4.0 billion in the first quarter. The growth reflects a 7.3 percent increase in the average account balance, partially offset by a decrease in the number of accounts carrying a balance.
Retail banking Financial Services began offering retail banking products including high-interest savings accounts, retail GICs and residential mortgages in two pilot markets in October 2006. In 2007, the pilot was expanded to include a third market in Ontario along with the launch of the Canadian Tire One-and-Only account. The retail banking business leverages the trust and credibility Canadian Tire Financial Services earned over the last 40 years providing financial services to millions of customers.	
2009 Key initiatives	Q1 2009 Performance
Financial Services' retail banking plans include increasing the ending mortgage portfolio balance and retail deposit balances. Financial Services will incur approximately \$17 million in net expenses associated with the marketing and operations of the retail banking initiative in 2009.	First quarter Financial Services had accumulated over \$233 million in retail deposits and over \$163 million in mortgages as at the end of the first quarter of 2009. Financial Services incurred \$3.9 million in net expenses associated with the marketing and operation of the retail banking initiative during the first quarter of 2009.
Canadian Tire Financial Services Productivity Initiatives	
Insurance and other ancillary products Financial Services plans to enhance its insurance and warranty product offering to credit card customers. Revenues from insurance and warranty products have increased significantly in the last five years through direct marketing to Canadian Tire's growing base of customers.	
2009 Key initiatives	Q1 2009 Performance
Financial Services plans to increase revenues from insurance and warranty products during 2009.	Revenues from insurance and warranty products increased 6.9 percent in the first quarter versus the same period last year.

3.3.4.2 Key performance indicators

The following are key indicators of Financial Services' performance:

- size of the total managed portfolio
- profitability of the portfolio
- quality of the portfolio

Financial Services' total managed portfolio of loans receivable

(\$ in millions, except where noted)	Q1 2009	Q1 2008	Change
Average number of accounts with a balance (thousands)	1,804	1,849	(2.4)%
Average account balance (\$)	\$ 2,222	\$ 2,072	7.3%
Gross average receivables (GAR)	4,009.1	3,831.7	4.6%
Total managed portfolio (end of period)	3,979.1	3,783.9	5.2%
Net managed portfolio (end of period)	3,872.0	3,685.1	5.1%

As management believes that the full picture of trends in Financial Services' business can best be derived by evaluating the performance of both securitized and non-securitized loans receivable portfolios, the portfolios have been presented to include all securitized loans receivable. Financial Services presents loans receivable information on a managed basis to evaluate the credit performance and overall financial performance of the underlying loans.

Financial Services' gross average receivables were up in the first quarter, due primarily to an increase in credit sales and increased mortgage volumes. The continued success of the Gas Advantage MasterCard and an increase in balance transfers also contributed to the total portfolio growth, partially offset by a decline in personal loan accounts and balances.

Financial Services' future growth will be driven by increases in average account balances, modest increases in new accounts and the introduction of new credit card and insurance products. Management regards new retail banking products as another potential channel for growth in the longer term.

Financial Services' portfolio of credit card loans receivable

(\$ in millions, except where noted)	Q1 2009	Q1 2008	Change
Average number of accounts with a balance (thousands)	1,773	1,809	(2.0)%
Average account balance (\$)	\$ 2,120	\$ 2,004	5.8%
Gross average receivables	3,758.9	3,625.3	3.7%
Total managed portfolio (end of period)	3,725.1	3,572.0	4.3%

Gross average credit card loans receivable grew 3.7 percent to \$3.8 billion at the end of the quarter primarily due to a 5.8 percent increase in the average account balance during the quarter compared to the previous year. The increase in average account balances is largely a result of marketing programs designed to increase average balances.

Financial Services' profitability

Financial Services' profitability measures are tracked as a percentage of GAR, shown in the table below.

Profitability of total managed portfolio¹

	Q1 2009	Q1 2008	Q1 2007	Q1 2006	Q1 2005
Total revenue as a % of GAR ²	24.59%	24.54%	24.96%	25.22%	26.55%
Gross margin as a % of GAR ²	12.02%	12.63%	13.12%	13.31%	13.78%
Operating expenses as a % of GAR ³	7.33%	7.80%	7.89%	8.33%	9.06%
Return on average total managed portfolio ^{2,3,4}	4.71%	4.84%	5.25%	4.98%	4.72%

¹ Figures are calculated on a rolling 12-month basis and comprise the total managed portfolio of loans receivable.

² Excludes the net effect of securitization activities and gain on disposal / redemption of investment.

³ Figures have been restated for the implementation, on a retrospective basis, of CICA HB 3064 – Goodwill and Intangible Assets and the amendments to CICA HB 1000 – Financial Statement Concepts. See section 14.1 and 14.2 for additional information.

⁴ Return is calculated as adjusted earnings before taxes as a percentage of GAR.

The decline in the return on the total managed portfolio is principally due to an increase in the provision for credit losses in the quarter.

Financial Services' MasterCard accounts provide increased earnings potential through cross-selling of balance-based insurance products and other financial services being offered by Financial Services. As Financial Services introduces lower rate credit cards and other loans receivable, the reduction in revenue and gross margin as a percentage of gross average receivables will be offset by continued growth in loans receivable, higher sales of insurance and warranty products and ongoing improvements in the operating expense ratio.

As part of the strategic planning process, management set a long-term goal of managing Financial Services' pre-tax return on the average total managed portfolio in the target range of 4.5 to 5.0 percent. As shown in the table above, Financial Services has met or exceeded this target in the first quarters over the last five years.

Portfolio quality

	Q1 2009	Q1 2008	Q1 2007	Q1 2006	Q1 2005
Net write-off rate (rolling 12-month basis)	6.52%	5.83%	5.95%	5.98%	5.96%
Account balances less than 30 days overdue at end of period	95.86%	96.10%	96.29%	96.31%	96.01%
Allowance rate	2.69%	2.61%	2.48%	2.55%	2.67%

The target range for the net write-off rate is between 5.0 percent and 6.0 percent. With the exception of 2009, the five-year historic trend illustrates our successful ability to manage the write-off rates through initiatives such as improving collections and seeking credit-worthy customers.

The rolling 12-month net write-off rate on the total loans portfolio was 6.52 percent in the first quarter of 2009, an increase of 69 basis points over the same period of the previous year. This was caused by a more challenging economic environment and the resulting increase in consumer bankruptcies, however a number of actions have already been taken to manage the quality of the portfolio and write-off rates are expected to return to acceptable levels over the longer term.

Periodic fluctuations in write-offs, aging and allowances occur as a result of a variety of economic influences such as job growth or losses, personal debt levels and personal bankruptcy rates, as well as changes caused by adjustments to collection strategies. The increase in the allowance rate compared to the first quarter of 2008 is due to an increase in the credit card portfolio aging due to challenging economic conditions and the impact of changes in collection practices in 2008.

3.3.4.3 Financial Services' financial results

(\$ in millions)	Q1 2009	Q1 2008 ¹	Change
Gross operating revenue	\$ 217.3	\$ 208.7	4.1%
EBITDA ²	46.7	60.4	(22.5)%
Earnings before income taxes	32.5	54.2	(40.1)%
Less adjustment for:			
Loss on disposals of property and equipment	(0.1)	-	
Net effect of securitization activities ³	0.5	12.9	
Adjusted earnings before income taxes ²	\$ 32.1	\$ 41.3	(22.3)%

¹ 2008 figures have been restated for the implementation, on a retrospective basis, of CICA HB 3064 – Goodwill and Intangible Assets and the amendments to CICA HB 1000 – Financial Statement Concepts. See section 14.1 and 14.2 for additional information.

² See section 15.0 on non-GAAP measures.

³ Includes initial gain/loss on the sale of loans receivable, amortization of servicing liability, change in securitization reserve and gain/loss on re-investment.

Explanation of Financial Services' financial results

First quarter

Financial Services' gross operating revenue increased over the first quarter of 2008 largely as a result of an increase in credit interest earned due to an increase in interest-bearing loan balances. In addition, ongoing expenses were well controlled as the first-quarter operating ratio on a rolling 12-month basis was 47 basis points better compared to the same period in 2008. These were offset, however, by increased provisioning costs.

Actions have been taken, including a third-party review of our risk management practices, to manage potential write-offs during a period in which higher than historical rates of delinquencies are occurring due to soft economic conditions and consequent higher unemployment levels.

3.3.4.4 Financial Services' business risks

Financial Services is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. These include, but are not limited to, consumer credit, securitization funding, interest rate and regulatory risk. Please see section 5.3.4.8 of our 2008 Financial Report for an explanation of these business-specific risks as well as section 5.1.4 of this MD&A for a description of the securitization program and Canadian Tire's liquidity and capital market activity. Also see section 11.0 of this MD&A for a discussion on Enterprise risk management and section 14.0 of our 2008 Financial Report for a discussion of some other industry-wide and Company-wide risks affecting the business.

4.0 Capital management

In order to support our growth agenda and meet the objectives enumerated in our 2013 Strategic Plan, the Company actively manages its capital. The Company's objectives are:

- minimizing the after-tax cost of capital;
- maintaining healthy liquidity reserves and access to capital; and
- maintaining flexibility in capital structure to ensure the ongoing ability to execute the Strategic Plan.

The definition of capital varies from company to company and from industry to industry. Our definition of capital includes the current-portion of long-term debt, long-term debt, long-term deposits, long-term liabilities that are derivative or hedge instruments related to capital items only, share capital, contributed surplus, components of accumulated other comprehensive income (loss) related to capital items only, and retained earnings. For a full listing of these amounts and further information, please refer to note 9 in the Notes to the Consolidated Financial Statements.

As part of existing debt agreements, two key financial covenants are monitored on an on-going basis by Management to ensure compliance with the agreements. The Company was in compliance with these covenants during the first quarter of 2009. Under these covenants, the Company currently has significant flexibility to fund business growth and increase dividend rates within our existing dividend policy.

The Company's wholly-owned subsidiary, CTB, manages its capital under guidelines established by the Office of the Superintendent of Financial Institutions Canada (OSFI). The regulatory capital guidelines measure capital in relation to credit, market and operational risks. CTB has a capital management policy, capital plan, and procedures and controls which it utilizes to achieve its goals and objectives. CTB's objectives include:

- providing sufficient capital to maintain the confidence of depositors;
- being an appropriately capitalized institution, as measured internally, defined by regulatory authorities and compared with CTB's peers; and
- achieving the lowest overall cost of capital consistent with preserving the appropriate mix of capital elements to meet target capitalization levels.

During the first quarter of 2009 and for the comparative period, CTB complied with the capital guidelines issued by OSFI under the "International Convergence of Capital Measurement and Capital Standards – A Revised Framework" (Basel II).

For further information on capital management, see note 9 in the Notes to the Consolidated Financial Statements and section 7.0 (Capital Management) in our 2008 Financial Report.

5.0 Financing

While the credit markets remain challenged in their lending operations, Canadian Tire's financing capabilities are strong and have improved since Q4 2008. We have a number of alternative financing sources in order to ensure that the appropriate level of liquidity is available to meet our strategic objectives. These sources may be summarized as follows:

Summary of Canadian Tire's financing sources

Financing Source	Amount Available	Description
Committed bank lines of credit	\$1.22 billion	Provided by 11 domestic and international financial institutions and includes support for the \$800 million commercial paper program noted below which is covered by the bank lines on a dollar for dollar basis. There was \$nil drawn on the bank lines as at April 4, 2009.
Commercial paper program	\$800 million	Canadian Tire had \$82 million outstanding as at April 4, 2009.
Medium Term Notes (MTN) program	\$750 million	A new Shelf Prospectus was completed as of April 8, 2009, providing the Company with access of up to \$750 million for the next 25 months.
Securitization of receivables	Transaction specific	Securitization transactions handled through Glacier Credit Card Trust ("GCCT") have historically proved to be a relatively cost-effective form of financing. Financial Services has not securitized any credit card receivables in 2009.
Broker GIC deposits	No specified limit	This avenue of fund-raising ramped up in the second half of 2008 and funds continue to be readily available through broker networks. As at the end of Q1 2009, Financial Services held \$1.3 billion in broker GIC deposits.
Sale/leaseback transactions	Transaction specific	Additional sources of funding available on strategic transactions involving Company owned properties as appropriate.

As indicated in the table above, as of April 4, 2009, the Company had \$1.22 billion in committed bank lines of credit, of which \$775 million will be increased in term to two years, with annual renewals, subject only to the completion of legal documentation. The balance of the lines are committed at least until late 2009 and most are typically extended on a quarterly basis thereafter.

As of April 4, 2009, the GCCT commercial paper program has access of up to \$975 million of the total Canadian Tire committed lines and GCCT had achieved compliance with DBRS® Global Liquidity Standards.

Debt market conditions

Access to capital market continues to remain challenging and uncertain, an extension of the credit crisis linked to problems in the U.S. sub-prime mortgage market experienced in August 2007. This caused a worldwide reassessment of the financial risks involved with asset-backed securities and

led to market disruptions, constrictions and increased interest rates for borrowers looking to refinance their short-term debt.

Canadian Tire participates in the asset-backed security markets through the use of commercial paper and issuance of MTNs. Throughout 2008 and 2009, GCCT has continued to refinance certain of its maturing commercial paper and had \$63 million of commercial paper outstanding as of April 4, 2009, fully backed by the bank credit lines.

For 2009, no corporate debt maturities are scheduled, but late in the year, term notes at GCCT of \$625 million will mature, which will result in a corresponding increase in receivables at Financial Services, unless the notes are refinanced.

Should the Company be unable to complete a credit card securitization transaction in the near-to-medium term due to the unstable financial market conditions, the Company has access to other sufficient sources of financing as indicated in the table above.

In December 2008, Canadian Tire received confirmation from both of its rating agencies on its various funding programs, all of which had a stable outlook. As at April 4, 2009 there had been no change in the ratings.

<i>Credit rating summary</i>	DBRS	S&P
Canadian Tire		
Commercial paper	R-1 (low)	A-1 (low) (Cdn)
Debentures	A (low)	BBB+
Medium-term notes	A (low)	BBB+
Glacier Credit Card Trust¹		
Asset-backed commercial paper	R-1 (high)	----
Asset-backed senior notes	AAA	AAA
Asset-backed subordinated notes	A	A
Trend or outlook	Stable	Stable

¹ Asset-backed Series 2002 Senior and Subordinated Notes were discontinued on January 2, 2008.

Broker deposits

CTB has been very successful in gathering broker GICs since the fourth quarter of 2007. CTB broker deposits raise cash through sales of GICs through brokers rather than directly to the retail customer and are typically offered at a higher interest rate compared to retail GICs. Individual balances up to \$100,000 are Canada Deposit Insurance Corporation (CDIC) insured. CTB broker GICs are offered in varying terms ranging from 30 days to five years, and all issued GICs are non-redeemable prior to maturity (except in certain rare circumstances). Given that the overall size of the broker GIC market is estimated to be \$66 billion in Canada, CTB believes that there is ample room in the market to take advantage of CTB broker GIC deposits as a cost effective alternative funding source to the securitization of credit card receivables.

As at the end of the first quarter of 2009, CTB had approximately \$1.3 billion in total short-term and long-term CTB broker GIC deposits outstanding. CTB believes that there is potential to generate further increases in this funding source in the future, depending on the time of year and on market conditions.

Foreign exchange hedging program

The Company has significant demand for U.S. dollars, due to global sourcing. To mitigate the impact of fluctuating foreign exchange rates on the cost of our globally sourced merchandise and, consequently, earnings, the Company has a comprehensive foreign exchange risk management policy in place whereby the policy establishes ranges for the proportion of forecast US dollar purchases that must be hedged for various time periods. Consequently, when dramatic swings in foreign currency rates occur, as experienced early in the fourth quarter of 2008, the Company had already fixed the foreign currency impact for a certain portion of its U.S. dollar-denominated forecast purchases. The current foreign currency hedge portfolio allows the Company to have some margin stability for 2009 as a significant amount of the U.S. dollars required for U.S. dollar-denominated purchases in 2009 are available at hedge rates more favourable than the current spot reference rate. The Company may also be able to pass on changes in foreign currency exchange rates through pricing, subject to competitive conditions.

5.1 Funding program

5.1.1 Funding requirements

We fund our capital expenditures, working capital needs, dividend payments and other financing needs, such as debt repayments and Class A Non-Voting Share purchases under the normal course issuer bid (NCIB), from a combination of sources. In the first quarter of 2009, the primary sources of funding were:

- \$396 million of cash arising from an increase in net deposits; and
- \$ 82 million of cash generated from the issuance of commercial paper.

5.1.2 Cash and cash equivalents

At April 4, 2009, the Company's cash and cash equivalents totaled \$519.5 million versus \$288.6 million at March 29, 2008. There was \$81.9 million of commercial paper outstanding at the end of the first quarter of 2009 versus \$158.2 million at the end of the first quarter of 2008. This change in cash balance was positively impacted by the increase in net deposits. During the first quarter of 2009, we used cash primarily for the following:

- \$493 million to fund increased operational working capital requirements;
- \$ 76 million for additions to property and equipment; and
- \$ 19 million for additions to intangible assets.

In addition, due to the normal cyclical pattern of credit sales and customer payments on loans receivable, \$138 million in cash was generated during the quarter

5.1.3 Working capital

Minimizing our working capital requirements continues to be a long-term priority in order to maximize cash flow for use in the operations of the Company. The table below shows the change in the value of our working capital components at the end of the first quarter of 2009 from the first quarter of 2008.

Comparable working capital components¹

(\$ in millions)	April 4, 2009	March 29, 2008	Increase/ (decrease) in working capital
Accounts receivable	\$ 731.0	\$ 514.5	\$ 216.5
Merchandise inventories	1,104.4	1,021.3	83.1
Prepaid expenses and deposits	73.5	69.3	4.2
Income taxes recoverable	109.8	76.5	33.3
Accounts payable and other	(1,157.9)	(1,236.2)	78.3
			\$ 415.4

¹ 2008 figures have been restated for the implementation, on a retrospective basis, of CICA HB 3064 – Goodwill and Intangible Assets and the amendments to CICA HB 1000 – Financial Statement Concepts. See section 14.1 and 14.2 for additional information.

The increase in accounts receivable was largely attributable to an increase in amounts due from counterparties for foreign exchange derivatives and an increase in Dealer receivables as a result of an increase in shipments over last year.

The increase in merchandise inventories is due to

- an increase in the amount of globally sourced product, which has longer lead times;
- Management's decision to keep excess seasonal inventory from the 2008 spring and summer seasons in storage to sell in 2009 versus heavily discounting or otherwise disposing of the goods; and
- an inventory accumulation experienced in the second half of 2008. Purchases could not be immediately adjusted to reduce this due to long lead times with foreign suppliers. Purchases are being managed closely and the year-over-year increase in inventory has started to decline since Q4 2008 with plans in place to further reduce inventories to appropriate levels over the next two quarters.

Accounts payable and other decreased as a result of paying merchandise vendors promptly to take advantage of early payment term discounts, the completion of the Eastern Canada Distribution Centre and a lower mark-to-market liability of certain stock compensation plans as a result of a lower CTC Class A Non-Voting share price.

5.1.4 Loans receivable

Our loans receivable securitization program is designed to provide a cost-effective source of funding for Financial Services. Loans receivable were as follows at the indicated dates:

(\$ in millions)	April 4, 2009	March 29, 2008
Securitized	\$ 2,214.8	\$ 2,894.5
Non-securitized	1,657.2	790.6
Net managed loans receivable	\$ 3,872.0	\$ 3,685.1

Net managed loans receivable continued to increase over the last 12 months as customers' use of the Canadian Tire Options MasterCard and Canadian Tire Gas Advantage MasterCard grew and mortgage volumes increased. At the end of the first quarter of 2009, net managed loans receivable were 5.1 percent higher than at the end of the first quarter of 2008.

CTB sells co-ownership interests in credit card loans to GCCT. The Company does not have a controlling interest in GCCT, so we do not include financial results of GCCT in our Consolidated Financial Statements.

We record the sale of loans receivable in accordance with CICA's Accounting Guideline 12, "Transfers of Receivables". See note 1 in the Notes to the 2008 Consolidated Financial Statements.

We expect the continued growth in the average balances of Canadian Tire MasterCard credit card accounts to lead to an increase in total loans receivable in 2009. Financial Services expects to continue to fund this increase from the sale of co-ownership interests in credit card loans to GCCT, deposit raising by CTB and bank borrowing. GCCT is a third party trust that was formed to buy our credit card loans and also issues debt to third party investors to fund its credit card loans purchases. The success of the securitization program is dependent on GCCT's ability to obtain funds from third parties by issuing debt instruments with high credit ratings. Refer to section 5.0 above for a listing of GCCT's credit ratings and prevailing market conditions.

The trustee and custodian for GCCT, Computershare Trust Company of Canada, manages the co-ownership interest and acts as agent for, and on behalf of, CTB and GCCT, as the owners of the co-ownership interests. BNY Trust Company of Canada acts as indenture trustee with respect to GCCT and manages the security interests of the holders of the senior and subordinated notes issued by GCCT. We are currently not aware of any events, commitments, trends or uncertainties that may have a negative impact on our arrangement with GCCT.

6.0 Equity

The book value of Common and Class A Non-Voting Shares at the end of the first quarter of 2009 was \$43.61 per share compared to \$39.19 at the end of the first quarter of 2008.

We have a policy of repurchasing Class A Non-Voting Shares to offset the dilutive effect of shares issued to fulfill the Company's obligations under various employee profit sharing, stock option and share purchase plans and the dividend reinvestment plan. In the long term, these repurchases are expected to offset the issuance of new Class A Non-Voting Shares. In addition, the Company may purchase additional Class A Non-Voting Shares if the Board determines, after consideration of

market conditions and the Company's financial flexibility and investment opportunities, that a purchase of additional Class A Non-Voting Shares is an appropriate means of enhancing the value of the remaining Class A Non-Voting Shares.

On February 12, 2009, we announced our intention to initiate a NCIB to purchase up to 3.4 million of the issued and outstanding Class A Non-Voting Shares over the 12-month period ending February 18, 2010.

A NCIB is a bid by a listed company to buy back its shares, up to a prescribed number, on a stock exchange, subject to certain rules that protect investors. A total of approximately 0.5 million Class A Non-Voting Shares were purchased in 2008 under the previous NCIB.

Shares outstanding

	April 4, 2009	March 29, 2008
Class A Non-Voting Shares (CTC.A)		
Shares outstanding at beginning of year	78,178,066	78,048,062
Shares issued under plans ¹	218,388	103,395
Shares purchased under NCIB	(222,100)	(100,000)
Shares outstanding at end of quarter	78,174,354	78,051,457
Common Shares (CTC)		
Shares outstanding at beginning and end of the quarter	3,423,366	3,423,366

¹ We issue shares under various employee profit sharing and share purchase plans, and the dividend reinvestment plan.

Dividends

Dividends of approximately \$17.1 million were declared on Common and Class A Non-Voting Shares in the first quarter of 2009 compared to dividends of \$17.1 million in the first quarter of 2008, reflecting the Board of Directors' decision in February 2009 to maintain the annual dividend rate at \$0.84 per share. The first quarterly dividend at the 2009 rate was declared on February 12, 2009 in the amount of \$0.21 per share payable on June 1, 2009 to shareholders of record as of April 30, 2009. The second quarterly dividend was declared on May 14, 2009 in the amount of \$0.21 per share payable on September 1, 2009 to shareholders of record as of July 31, 2009.

Dividend policy

Canadian Tire's policy is to maintain dividend payments equal to approximately 15 to 20 percent of the prior year's normalized basic net earnings per share, after giving consideration to the period-end cash position, future cash requirements, capital market conditions and investment opportunities. Normalized earnings per share for this purpose excludes gains and losses on the sale of credit card and loans receivable and non-recurring items but includes gains and losses on the ordinary course disposition of property and equipment.

7.0 Investing activities

7.1 Q1 2009 Capital expenditures program

Canadian Tire's capital expenditures, on an accrual basis, totaled \$79 million in the first quarter of 2009 (including intangible assets such as software acquisitions), approximately 30 percent lower than the \$113 million spent in the first quarter of 2008. These capital expenditures were comprised of:

- \$59 million for real estate projects, including projects associated with the rollout of CTR's new store formats;
- \$11 million for information technology; and
- \$ 9 million for other purposes.

Overall, capital investment has slowed since the first quarter of 2008, as the large majority of the investment in the construction of the Eastern Canada Distribution Centre is complete. We have also begun to focus on the next store concept renewals, including our Small Market stores, which are less capital-intensive than the 20/20 store rollout.

7.2 2009 Capital expenditures plan

In light of current market conditions, the 2009 capital expenditure plan which had originally been set at \$390 million was reduced to \$360 million. Our revised capital plan includes the following expenditures:

- \$174 million for real estate projects, including \$130 million associated with the rollout of CTR's new store formats;
- \$67 million for information technology;
- \$26 million for CTR distribution centres;
- \$23 million for energy management and lighting;
- \$19 million for Automotive Infrastructure; and
- \$51 million for other purposes

8.0 Foreign operations

The Company has established operations outside of Canada including offshore activities in Bermuda and the Pacific Rim. For an overview of our foreign operations, see section 11.0 of the MD&A contained in the 2008 Financial Report.

9.0 Tax matters

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

The main issues challenged by the Canada Revenue Agency (CRA) relate to the tax treatments of commissions paid to foreign subsidiaries of the Company (covering periods from 1995 to 2007),

and dividends received on an investment made by a wholly-owned subsidiary of the Company related to reinsurance (covering periods from 1999 to 2003). The applicable provincial tax authorities have reassessed and are also expected to issue further reassessments on these matters for the corresponding periods.

The Company has agreed with the CRA to settle the commissions issue for the period 1995-2003, although the determination of the final tax liability pursuant to the settlement is subject to the verification by the CRA of certain information provided by the Company. The Company believes the provincial tax authorities will also reassess on the same basis. The Company does not have a significant exposure on this issue subsequent to the 2003 taxation year.

The reassessments with respect to the dividends received issue are based on multiple grounds, some of which are highly unusual. The Company has appealed the reassessments and the matter is currently pending before the Tax Court of Canada. If the CRA (and applicable provincial tax authorities) were entirely successful in their reassessments - an outcome that the Company and its tax advisors believe to be unlikely - it is estimated that the total liability of the Company for additional taxes, interest and penalties could be approximately \$189.6 million. Although the Company has appealed these reassessments, current tax legislation requires the Company to remit to the CRA and its provincial counterparts approximately \$117.1 million related to this matter, of which \$112.7 million had been remitted by the end of the quarter.

The Company regularly reviews the potential for adverse outcomes in respect of tax matters. The Company believes that the ultimate disposition of the settlements, finalization on the commissions issue, resolution of the dividends received issue and other tax matters, will not have a material adverse effect on its liquidity, consolidated financial position or results of operations because the Company believes that it has adequate provision for these tax matters. Should the ultimate tax liability materially differ from the provisions, the Company's effective tax rate and its earnings could be affected, positively or negatively, in the period in which the matters are resolved.

During the current quarter, the tax provision has been reduced by \$4.6 million due to the retroactive change in the taxation of gains realized from the disposition of shares during 2006 and 2007.

10.0 Off-balance sheet arrangements

10.1 Glacier Credit Card Trust

As noted earlier, GCCT was formed to buy our credit card loans and it issues debt to third-party investors to fund its credit card loans purchases. Refer to section 5.1.4 of this MD&A for additional information on GCCT.

10.2 Trust financing for Dealers

A financing program has been established to provide an efficient and cost-effective way for Dealers to access the majority of the financing they require for their store operations.

We are aware that the participating banks wish to amend the program on termination of the existing agreement. They must provide a six month notice period before any amendments are effective. As a result, while we are under no contractual obligation to provide financial support to our Dealers who participate in the arrangement, we are actively working with the Dealers and a number of banks, including the existing participating banks, to extend the availability of financing to the Dealers on appropriate terms and conditions.

Refer to MD&A section 13.2 of our 2008 Financial Report for additional information on this program.

10.3 Bank financing for Dealers and PartSource franchisees

We have guaranteed the bank debt of some Dealers and some PartSource franchisees. The total is approximately \$31 million. Refer to MD&A section 13.3 of our 2008 Financial Report for additional information on this program.

10.4 Derivative financial instruments

We use derivative financial instruments to manage our exposure to changes in interest rates and foreign currency exchange rates. We also use equity derivative contracts to hedge certain future stock-based compensation expenses. We do not use hedging to speculate, but rather as a risk management tool. Refer to MD&A section 13.4 of our 2008 Financial Report for additional information on derivative financial instruments.

11.0 Enterprise risk management

The Company approaches the management of risk strategically through its Enterprise Risk Management (ERM) framework in order to mitigate the impact of principle risks on its business and operations. Introduced in 2003, the ERM framework sets out principles and tools for identifying, evaluating, prioritizing, monitoring and managing risk effectively and consistently across the Company.

The ERM framework and the principal risks that the Company manages on an ongoing basis are described in detail in sections 14.0 and 14.2, respectively, of the MD&A in our 2008 Financial Report.

Management reviews risks on an ongoing basis and did not identify any new principal risks during the first quarter of 2009. Subsequent to the first quarter, there was an outbreak of the H1N1 flu virus (Human Swine Flu) with confirmed cases in Canada. The Company's crisis management and emergency response structures and protocols are in place to address these and other types of hazards and business interruptions. These practices are being applied during this outbreak to protect our employees, customers and suppliers and the Company is also taking the opportunity to review and enhance our existing practices.

11.1 Financial instruments

The following discussion on risks and risk management includes some of the required disclosures under the CICA Handbook Section 3862 – Financial Instruments – Disclosures related to the nature and extent of risks arising from financial instruments, as required by the standard. Further information is also available in note 10 of the Notes to the Consolidated Financial Statements.

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

Allowance for credit losses

The Company's allowances for receivables are maintained at levels which are considered adequate to provide for future credit losses. A continuity of the Company's allowances for credit losses is as follows:

(\$ in millions)	Credit card loans		Other loans ¹		Accounts receivable		Total	
	April 4, 2009	March 29, 2008	April 4, 2009	March 29, 2008	April 4, 2009	March 29, 2008	April 4, 2009	March 29, 2008
Balance, beginning of year	\$ 51.8	\$ 51.5	\$ 3.5	\$ 2.7	\$ 3.3	\$ 5.0	\$ 58.6	\$ 59.2
Provision for credit losses	36.6	15.7	1.7	1.7	0.7	0.3	39.0	17.7
Recoveries	4.6	3.6	0.2	0.1	-	-	4.8	3.7
Write-offs	(32.6)	(25.2)	(2.2)	(1.8)	(0.2)	(2.3)	(35.0)	(29.3)
Balance, end of period	\$ 60.4	\$ 45.6	\$ 3.2	\$ 2.7	\$ 3.8	\$ 3.0	\$ 67.4	\$ 51.3

¹ Other loans include personal loans, mortgages loans and lines of credit loans.

Foreign currency risk

The Company has significant demand for foreign currencies, primarily United States dollars, due to global sourcing. However, it manages its exposure to foreign exchange rate risk through active hedging programs and through its ability, subject to competitive conditions, to pass on changes in foreign currency exchange rates through pricing. Refer to section 5.0 above for additional information on our foreign currency hedging program.

Liquidity risk

The following table summarizes the Company's contractual maturity for its financial liabilities. The table includes both interest and principal cash flows.

(\$ in millions)	1 year	2 years	3 years	4 years	5 years	Thereafter	Total
Deposits	\$ 665.4	\$ 203.2	\$ 159.9	\$ 94.3	\$ 420.8	\$ -	\$ 1,543.6
Accounts payable and other ¹	1,220.5	-	-	-	-	-	1,220.5
Long-term debt	11.4	459.3	21.4	9.1	7.0	861.6	1,369.8
Interest payment ²	102.0	84.2	69.2	64.6	142.4	653.2	1,115.6
Other	-	-	-	-	4.2	-	4.2
Total	\$ 1,999.3	\$ 746.7	\$ 250.5	\$ 168.0	\$ 574.4	\$ 1,514.8	\$ 5,253.7

¹ Includes commercial paper.

² Includes interest payments on deposits and long-term debt.

Interest rate risk

The Company is exposed to interest rate risk, which it manages through the use of interest rate swaps. The Company has a policy in place whereby a minimum of 75 percent of its long-term debt (term greater than one year) must be at fixed versus floating interest rates. The Company is in compliance with the policy.

11.2 Other risks

In addition to the Principal Risks noted in section 11.0 above, and the business-specific risks identified in section 3.3.1.4 for CTR, section 3.3.2.4 for Mark's, section 3.3.3.4 for Petroleum and section 3.3.4.4 for Financial Services, other risks may also have a significant impact on earnings, business operations, and our reputation. These other risks include, but are not limited to, the Company's ability to acquire and develop real estate properties, disruptions in the capital markets to finance the expansion of the retail network, the ability of our Dealers to secure financing through the aforementioned third-party Trusts (see section 10.2) or through other means, changes in commodity prices that could affect the Company's profitability, fluctuating foreign currency exchange rates which could impact cross-border shopping patterns and the purchase price of our goods, disruptions in the global supply of gasoline and customers' inability to repay their Canadian Tire credit card or loan balances.

12.0 Critical accounting estimates

The Company estimates certain amounts reflected in its financial statements using detailed financial models that are based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. In our judgment, the accounting policies and estimates detailed in note 1 of the Notes to the Consolidated Financial Statements for the quarter ended April 4, 2009 do not require us to make assumptions about matters that are highly uncertain and accordingly none of the estimates is considered a "critical accounting estimate" as defined in Form 51-102F1 published by the Ontario Securities Commission, except as noted below.

In view of the recent turmoil in credit markets and economic recession being experienced in Canada, the Company reviewed the allowance for credit losses at Financial Services and considers it to be a "critical accounting estimate". The allowance for credit losses adjusts the value of the Financial Services loan portfolio to reflect its estimated realizable value. Financial Services' allowance for impaired loans receivable for each of credit card, personal, mortgage and line of credit loans is determined using historical loss experience of account balances based on the aging and arrears status, with certain adjustments for other relevant circumstances influencing the recoverability of the loans receivables. A robust model is used and is based on economic conditions and trends specific to Financial Services. The allowance for impaired credit card loans (the largest portfolio) is comprised of general, bankruptcy and fraud risk components. Changes in circumstances including, but not limited to, changes in the aging of accounts and changes in the bankruptcies experienced may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit

losses. The impairment provisions for personal loans and line of credit loans operate in similar fashion.

Further details on consumer credit risk may be found in section 3.3.4.4 (Financial Services' business risk).

13.0 Contractual obligations

Contractual obligations due by period

(\$ in millions)	Total	In the remaining nine months of 2009	In years 2010 - 2011	In years 2012 - 2013	After 2013
Long-term debt ¹	\$ 1,322.0	\$ 4.9	\$ 466.0	\$ 1.1	\$ 850.0
Capital lease obligations	47.8	5.2	14.8	14.9	12.9
Operating leases	2,122.3	176.3	420.2	357.8	1,168.0
Purchase obligations	909.9	700.6	142.5	51.4	15.4
Financial Services deposits	1,543.6	573.7	427.0	488.3	54.6
Other obligations	34.3	8.5	10.1	6.4	9.3
Total contractual obligations	\$ 5,979.9	\$ 1,469.2	\$ 1,480.6	\$ 919.9	\$ 2,110.2

¹ Interest obligations are not included.

14.0 Changes in accounting policies

The numbers reflected in this MD&A have been calculated using the same accounting policies and methods of their application as the most recently issued annual financial statements for the 53 weeks ended January 3, 2009 (contained in our 2008 Annual Report), except as noted below.

14.1 Financial Statement Concepts

Effective, January 4, 2009 (the first day of the Company's 2009 fiscal year), the Company applied the amendments issued by the CICA to HB 1000 – Financial Statement Concepts, which clarify the criteria for recognition of an asset and the timing of expense recognition, specifically, deleting the guidance permitting the deferral of costs. The new requirements are effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Company applied the amendments to CICA HB 1000 in conjunction with CICA HB 3064 – Goodwill and Intangible Assets.

14.2 Goodwill and Intangible Assets

Effective, January 4, 2009, the Company implemented, on a retrospective basis with restatement, the CICA HB 3064 – Goodwill and Intangible Assets, which was effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008.

This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets, including internally developed intangibles, and is consistent with the revised asset definition and recognition criteria in CICA HB 1000 – Financial Statement Concepts. Under the new standard, costs related to development projects can be recorded as assets only if they meet the definition of an intangible asset.

Additionally, the new standard requires that internally developed computer software that is not an integral part of the related hardware (previously included in property and equipment) be included in intangible assets. As these costs have a limited useful life, they continue to be amortized over a five year period.

As a result of the retrospective implementation of these standards, the cumulative impact on previously reported balances on the following dates is as follows:

	Increase / (Decrease)		
	January 3, 2009	March 29, 2008	December 29, 2007
(\$ in millions)			
Retained earnings	\$ (3.1)	\$ (3.9)	\$ (4.3)
Long-term receivables and other assets	(3.3)	(4.0)	(4.6)
Intangible assets	189.5	173.8	174.0
Property and equipment	(190.9)	(175.6)	(175.8)
Income taxes recoverable	0.4	0.2	0.4
Future income tax liabilities	(1.2)	(1.7)	(1.7)

In addition, the retrospective impact on depreciation and amortization for the 13 weeks ended March 29, 2008 was a decrease of \$0.6 million. The retrospective impact on net earnings for the 13 weeks ended March 29, 2008 was an increase of \$0.4 million, or \$nil per share. See note 2 in the Notes to the Consolidated Financial Statements for additional information.

14.3 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

Effective, January 4, 2009, the Company implemented, on a retrospective basis without restatement of prior periods, the CICA Emerging Issues Committee (EIC) 173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which is effective for interim and annual financial statements for periods ending on or after January 20, 2009.

This EIC clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments, rather than using a risk free rate.

Entities are required to re-measure the financial assets and liabilities, including derivative instruments, as at the beginning of period of adoption (i.e. the beginning of fiscal 2009) to take into account its own credit risk and counterparty credit risk. Any resulting difference would be recorded as an adjustment to retained earnings, except a) derivatives in a fair value hedging relationship accounted for by the "shortcut method", in which case the resulting difference would adjust the basis of the hedged item; and b) derivatives in cash flow hedging relationships, in which case the resulting difference would be recorded in accumulated Other Comprehensive Income (OCI).

As a result of the retrospective implementation of this new standard, opening accumulated other comprehensive income decreased by \$2.5 million and opening retained earnings increased by \$1.1 million.

14.4 Business Combinations

In January 2009, the CICA issued CICA HB 1582 – Business Combinations, which will replace CICA HB 1581 – Business Combinations. The CICA also issued CICA HB 1601 – Consolidated Financial Statements and CICA HB 1602 – Non-Controlling Interests, which will replace CICA HB 1600 – Consolidated Financial Statements. The new standards are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. The objective of the new standards is to harmonize Canadian GAAP for business combinations and consolidated financial statements with the International and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards will not be adjusted upon application of these new standards.

14.5 International Financial Reporting Standards

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011, for which the current and comparative information will be prepared under IFRS. The Company expects the transition to IFRS to impact accounting, financial reporting, internal control over financial reporting, taxes, IT systems and processes as well as certain contractual arrangements.

Given the magnitude of the effort involved in this conversion, the project (which employs formal project management practices) has been developed in three main phases.

Phase One: Preliminary Scoping and Diagnostic Impact Assessment

This phase consisted of a high-level assessment to identify key areas of Canadian GAAP – IFRS differences that were most likely to impact the Company. The assessment was completed over the period 2007-2008 and was integral in prioritizing and resourcing the work streams identified below to enable the subsequent steps in the process. Activities in this phase also included the recruitment and training of core internal technical resources to be deployed on the conversion project and retained afterwards to support ongoing training of other finance personnel dealing with the more complex technical accounting requirements of IFRS.

Phase Two: Detailed Analysis and Design

This phase, commenced in Q4 2008, involves the detailed assessment, from an accounting, reporting and business perspective, of the changes that will be caused by the conversion to IFRS. This phase initiates the launch of 13 accounting topic – specific “work streams” that are most relevant to the Company and 4 general work streams. This phase also included the standardization

of criteria used to assess the appropriateness of accounting policy choices in cases where choices are permissible under IFRS.

Accounting specific work streams include revenue recognition, tangible assets (including leases), impairments, provisions, contingent liabilities and contingent assets, business combinations, consolidations, securitization transactions, borrowing costs, compensation and benefits, financial instruments, income taxes, software and intangibles and financial statement presentation and disclosure. General work streams include contracts review, employee education and training, IT systems and communication. The design deliverables coming out of these work streams will include the documentation of the rationale supporting accounting policy choices, new disclosure requirements and their sources and implementation guidance for business units and corporate groups as they undertake the execution phase noted below. The deliverables for all accounting specific work streams are expected by the end of Q2 2009. These will include the approval of new accounting policies, including transitional elections. Some of the general work streams, such as the education and training and communication work streams will continue throughout the duration of the conversion project. The latter will involve not only key finance employees but also other staff and management as well as the Audit Committee, Board and external parties such as investors and analysts.

Phase Three: Execution

This phase involves executing the work completed in phase two by making changes to business and accounting processes and supporting information systems within each business unit and corporate group as well as the formal documentation of the final approved accounting policies and procedures compliant with IFRS. A quantification of anticipated business impacts will be undertaken as well as a drafting of the pro-forma financial statement formats and notes thereto that will be existent under IFRS. Details surrounding the collection of comparative financial and other data in 2010 will also be finalized during this stage. This stage will also involve the cascading of the training plan to all staff having key accounting and reporting and investor relations functions.

This phase is expected to be completed by the end of Q2 2010.

The following table summarizes our progress to date against the milestones contained in the key elements of the transition plan:

IFRS transition progress

Key Activity	Milestones/Target Dates	Progress to April 30, 2009
Project governance - steering committee formation - project resourcing - progress reporting protocols - project management practices	December 31, 2008	- governance practices established - program office, steering committee and working committee formed - project status reporting developed and implemented
Financial statement preparation - identification of differences in Canadian GAAP/IFRS accounting policies and choices - selection of entity's continuing accounting IFRS policies - selection of IFRS 1 accounting policy choices - financial statement format, including alternative performance measures - changes in note disclosure - quantification of IFRS 1 disclosures for 2010	Ready for commencement for 2011 financial year; quantification of effects of change for IFRS 1 disclosures and comparative 2010 financial statements including note disclosure by September 2010 (exclusive of Q4 2010 results)	- fundamental Canadian/IFRS differences identified - criteria for accounting policy choice selection established - critical work stream teams dealing with individual policy selection recommendations in progress
Infrastructure: IFRS expertise - retraining of key finance and operational staff - education of management, Audit Committee and external constituents regarding IFRS implications	Internal education and communication ready for issuance in Q2 2010 External education and communication ready for issuance in Q4 2010	- resource requirements identified - internal and recruited resources deployed - additional consulting support identified - initial training completed for core project staff, senior management, Board of Directors, Audit Committee and work stream members
Infrastructure: information technology changes to support IFRS reporting requirements	Ready for capturing 2010 comparative data in Q3 2010	identified changes required to systems - ongoing
Business implications assessment: financial covenants and practices (including securitization) - business contract review/renegotiation - financial debt covenant assessments - off-balance sheet Trust assessments	GAAP-based clauses to be identified for renegotiation with counterparties by Q2 2010. Renegotiation is a business matter that is outside the scope of the conversion project.	process to review contracts has been established
Control environment: Internal control over financial reporting (ICFR)	Approval and sign-off of all accounting changes and CEO/ CFO certification process complete by end of Q4 2010	not yet commenced

15.0 Non-GAAP measures

The following measures included in this MD&A do not have a standardized meaning under Canadian generally accepted accounting principles (GAAP) and may not be comparable to similar measures presented by other companies:

- EBITDA (earnings before interest, income taxes, depreciation and amortization);
- adjusted earnings; and
- same store sales

EBITDA

With the exception of Financial Services, we consider EBITDA to be an effective measure of the contribution of each of our businesses to our profitability on an operational basis, before allocating the cost of income taxes and capital investments. EBITDA is also commonly regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses.

A reconciliation of EBITDA to the most comparable GAAP measure (earnings before income taxes) is provided as follows:

Reconciliation of EBITDA to GAAP measures¹

(\$ in millions)	Q1 2009	Q1 2008 ²
EBITDA ³		
CTR	\$ 96.8	\$ 102.1
Financial Services	46.7	60.4
Petroleum	10.4	9.0
Mark's	2.2	3.0
Total EBITDA	\$ 156.1	\$ 174.5
Less: Depreciation and amortization expense		
CTR	\$ 45.9	\$ 42.0
Financial Services	2.5	2.6
Petroleum	4.4	4.0
Mark's	6.5	5.4
Total depreciation and amortization expense	\$ 59.3	\$ 54.0
Interest expense ³		
CTR	\$ 18.1	\$ 16.5
Financial Services	11.7	3.6
Mark's	0.6	1.0
Total interest expense	\$ 30.4	\$ 21.1
Earnings (loss) before income taxes		
CTR	\$ 32.8	\$ 43.6
Financial Services	32.5	54.2
Petroleum	6.0	5.0
Mark's	(4.9)	(3.4)
Total earnings before income taxes	\$ 66.4	\$ 99.4

¹ Differences may occur due to rounding.

² 2008 figures have been restated for the implementation, on a retrospective basis, of CICA HB 3064 – Goodwill and Intangible Assets and the amendments to CICA HB 1000 – Financial Statement Concepts. See section 14.1 and 14.2 for additional information.

³ Eliminations of inter-company transactions (eg. a loan of funds from one business unit to another), previously disclosed as a separate line item, are now presented net of these transactions.

References to adjusted earnings

In several places in this MD&A, we refer to adjusted pre-tax and after-tax earnings before the impact of non-operating items. Historically, non-operating items have included the net effect of securitization activities and dispositions of surplus property and equipment. The timing and amount of gains and losses from these items are not consistent from quarter to quarter. We believe the adjusted figures allow for a clearer assessment of earnings for each of our businesses and provide a more meaningful measure of our consolidated and segmented operating results.

From time to time adjusted earnings may also contain additional unusual and/or non-recurring items which are explained in detail at that time.

Same store sales

Same store sales is the metric used by management, and most commonly used in the retail industry, to compare retail sales growth in a more consistent manner across the industry. CTR's same store sales includes sales from all stores that have been open for more than 53 weeks (in a 52-week fiscal year) or 54 weeks (in a 53-week fiscal year, such as in the case of the fiscal year ended January 3, 2009) and therefore allows for a more consistent comparison to other stores open during the period and to results in the prior year.

16.0 Controls and procedures**Changes in internal control over financial reporting**

During the first quarter of 2009, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's financial reporting.

17.0 Other Investor Communication**Caution regarding forward-looking information**

This MD&A contains forward-looking information that reflects management's expectations related to expected future events, financial performance and operating results of the Company. All statements other than statements of historical facts included in this MD&A, including statements regarding the prospects of the industries in which the Company operates, future plans, expected financial position and business strategy of the Company, may constitute forward-looking information. Forward-looking information and statements include, but are not limited to, statements concerning possible or assumed future results set out herein, our strategic goals and our priorities, and the economic and business outlook for us, for each of our business segments and for the Canadian economy. Often, but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. The forward-looking information contained in this MD&A is presented for the purpose of assisting the Company's security holders in understanding its financial position and results of operation as at and for the periods ended on the dates presented and the Company's strategic priorities and objectives and may not be appropriate for other purposes. By its very nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks and uncertainties, which give rise to the possibility that the Company's predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that the Company's assumptions may not be correct and that the Company's objectives, strategic goals and priorities will not be achieved. Although the Company believes that the predictions, forecasts, projections, expectations or conclusions reflected in the forward-looking information are reasonable, it can give no assurance that such matters will prove to have been correct. Such forward-looking information is not fact but only reflections of management's estimates and

expectations. Although the Company believes that this forward-looking information is based on information and assumptions which are current, reasonable and complete, this information is necessarily subject to a number of factors that could cause actual results to differ materially from management's predictions, forecasts, projections, expectations or conclusions as set forth in such forward-looking information for a variety of reasons. These factors include (a) credit, market, operational, liquidity and funding risks, including changes in interest rates or tax rates; (b) the ability of Canadian Tire to attract and retain quality employees, Dealers, Canadian Tire Petroleum™ (Petroleum) agents and PartSource® and Mark's Work Wearhouse® (Mark's) store operators and franchisees; (c) the willingness of customers to shop at our stores or acquire our financial products and services; (d) risks and uncertainties relating to information management, technology, product safety, competition, seasonality, commodity price and business disruption, consumer credit, securitization funding, and foreign currency; and (e) the risks and uncertainties that could cause actual results or the material factors and assumptions applied in preparing forward-looking information to differ materially from predictions, forecasts, projections, expectations or conclusions, which risks and uncertainties are discussed in section 11.0 (Enterprise risk management) for the quarter-ended April 4, 2009. Additional risks related to specific business segments can be found in section 3.3.1.4 (CTR's business risks), section 3.3.2.4 (Mark's business risks), section 3.3.3.4 (Petroleum's business risks) and section 3.3.4.4 (Financial Services' business risks).

For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, please also refer to the Company's public filings available at www.sedar.com and at corp.canadiantire.ca/en/investors. We caution that the foregoing list of important factors is not exhaustive and other factors could also adversely affect our results. Investors and other readers are urged to consider the foregoing risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. Statements that include forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on the Company's business. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after such statements are made. The forward-looking information in this MD&A reflects the Company's expectations as of May 14, 2009, and is subject to change after this date. The Company does not undertake to update any forward-looking information, whether written or oral, that may be made from time to time by or on its behalf, to reflect new information, future events or otherwise, unless required by applicable securities laws.

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

Commitment to disclosure and investor communication

Canadian Tire strives to maintain a high standard of disclosure and investor communication and has been recognized as a leader in financial reporting practices. In many cases, the Company's disclosure practices exceed the requirements of current legislation. Reflecting our commitment to full and transparent disclosure, the Investor Relations section of the Company's web site includes the following documents and information of interest to investors:

- Annual Information Form;
- Management Information Circular;
- quarterly reports;
- quarterly fact sheets; and
- conference call webcasts (archived for one year)

The Company's Annual Information Form, Management Information Circular and quarterly reports are also available on the SEDAR (System for Electronic Disclosure and Retrieval) web site at www.sedar.com.

If you would like to contact the Investor Relations department directly, call Karen Meagher (416) 480-8058 or email investor.relations@cantire.com.

Consolidated Statements of Earnings (Unaudited)

(Dollars in millions except per share amounts)	13 weeks ended,	
	April 4, 2009	March 29, 2008 (Restated - Note 2)
Gross operating revenue	\$ 1,758.1	\$ 1,825.3
Operating expenses		
Cost of merchandise sold and all other operating expenses except for the undernoted items (Note 12)	1,597.8	1,644.5
Net interest expense (Note 7)	30.4	21.1
Depreciation and amortization	59.3	54.0
Employee Profit Sharing Plan	4.2	6.3
Total operating expenses	1,691.7	1,725.9
Earnings before income taxes	66.4	99.4
Income taxes		
Current	7.4	32.3
Future	9.3	-
Income taxes	16.7	32.3
Net earnings	\$ 49.7	\$ 67.1
Basic and diluted earnings per share	\$ 0.61	\$ 0.82
Weighted average number of Common and Class A Non-Voting Shares outstanding	81,630,771	81,518,607

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in millions)

13 weeks ended,
April 4, 2009 March 29, 2008
 (Restated -
 Notes 2 and 16)

Cash generated from (used for):

Operating activities

Net earnings	\$	49.7	\$	67.1
Items not affecting cash				
Depreciation		46.7		40.6
Net provision for loans receivable (Note 3)		38.3		17.3
Amortization of intangible assets		12.6		13.4
Changes in fair value of derivative instruments		-		6.7
Future income taxes		9.3		-
Other		8.6		0.2
Employee future benefits expense (Note 4)		1.5		1.6
Impairments on property and equipment		0.7		-
Impairment of other long-term investments (Note 11)		0.5		1.0
Gain on disposals of property and equipment		(0.1)		(3.8)
Securitization loans receivable		(10.8)		(12.2)
Gain on sales of loans receivable (Note 3)		(13.3)		(23.1)
		143.7		108.8
Changes in other working capital components		(492.7)		(532.7)
Cash used for operating activities		(349.0)		(423.9)

Investing activities

Additions to property and equipment		(76.1)		(125.8)
Other long-term investments		(50.1)		-
Additions to intangible assets		(19.3)		(12.5)
Long-term receivables and other assets		(8.3)		(6.1)
Other		(0.9)		(0.9)
Purchases of stores		(0.6)		(15.4)
Net securitization of loans receivable		0.3		621.9
Proceeds on disposition of property and equipment		0.7		14.9
Investment in loans receivable, net		137.8		167.1
Cash (used for) generated from investing activities		(16.5)		643.2

Financing activities

Net change in deposits (Note 16)		396.2		32.1
Commercial paper		81.9		158.2
Other		0.2		0.5
Repayment of long-term debt		(5.2)		(1.0)
Dividends		(17.1)		(15.0)
Cash generated from financing activities		456.0		174.8

Cash generated in the period		90.5		394.1
Cash and cash equivalents, beginning of period		429.0		(105.5)
Cash and cash equivalents, end of period (Note 8)	\$	519.5	\$	288.6

Consolidated Statements of Comprehensive Income (Unaudited)

(Dollars in millions)	13 weeks ended,	
	April 4, 2009	March 29, 2008 (Restated - Note 2)
Net earnings	\$ 49.7	\$ 67.1
Other comprehensive income (loss), net of taxes		
Gain on derivatives designated as cash flow hedges, net of tax of \$7.4 (2008 - \$9.7)	15.5	19.8
Reclassification to non-financial asset of (gain) / loss on derivatives designated as cash flow hedges, net of tax of \$25.4 (2008 - \$7.5)	(53.4)	15.5
Reclassification to earnings of (gain) / loss on derivatives designated as cash flow hedges, net of tax of \$0.1 (2008 - \$1.5)	-	3.0
Other comprehensive (loss) income	(37.9)	38.3
Comprehensive income	\$ 11.8	\$ 105.4

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(Dollars in millions)	13 weeks ended,	
	April 4, 2009	March 29, 2008 (Restated - Note 2)
Share capital		
Balance, beginning of period	\$ 715.4	\$ 700.7
Transactions, net (Note 5)	4.4	1.2
Balance, end of period	\$ 719.8	\$ 701.9
Contributed surplus		
Balance, beginning of period	\$ -	\$ 2.3
Transactions, net	-	(0.8)
Balance, end of period	\$ -	\$ 1.5
Retained earnings		
Balance, beginning of period as previously reported	\$ 2,755.5	\$ 2,455.1
Transitional adjustment on adoption of new accounting policies - HB 1000/3064 (Note 2)	(3.1)	(4.3)
Balance, beginning of period as restated	2,752.4	2,450.8
Transitional adjustment on adoption of new accounting policies - EIC 173 (Note 2)	1.1	-
Net earnings for the period	49.7	67.1
Dividends	(17.1)	(17.0)
Repurchase of Class A Non-Voting Shares	(4.3)	-
Balance, end of period	\$ 2,781.8	\$ 2,500.9
Accumulated other comprehensive income (loss)		
Balance, beginning of period	\$ 97.2	\$ (50.0)
Transitional adjustment on adoption of new accounting policies - EIC 173 (Note 2)	(2.5)	-
Other comprehensive (loss) income for the period	(37.9)	38.3
Balance, end of period	\$ 56.8	\$ (11.7)
Retained earnings and accumulated other comprehensive income	\$ 2,838.6	\$ 2,489.2

Consolidated Balance Sheets (Unaudited)

(Dollars in millions)

As at

April 4, 2009
March 29, 2008
January 3, 2009

(Restated - Notes 2
and 16)

(Restated - Note 2)

ASSETS
Current assets

Cash and cash equivalents (Note 8)	\$	519.5	\$	288.6	\$	429.0
Accounts receivable		731.0		514.5		824.1
Loans receivable (Note 3)		1,544.0		705.3		1,683.4
Merchandise inventories		1,104.4		1,021.3		917.5
Income taxes recoverable		109.8		76.5		64.6
Prepaid expenses and deposits		73.5		69.3		40.2
Future income taxes		30.1		57.7		20.2
Total current assets		4,112.3		2,733.2		3,979.0

Long-term receivables and other assets (Note 3)

235.2 242.9 262.1

Other long-term investments, net (Note 11)

74.8 6.6 25.2

Goodwill

70.8 62.4 70.7

Intangible assets

255.1 226.2 247.9

Property and equipment, net

3,213.7 3,160.4 3,198.9

Total assets \$ **7,961.9** \$ **6,431.7** \$ **7,783.8**
LIABILITIES
Current liabilities

Commercial paper	81.9	158.2	-
Deposits	658.3	129.7	540.7
Accounts payable and other	1,157.9	1,236.2	1,444.2
Current portion of long-term debt	11.4	156.7	14.8
Total current liabilities	1,909.5	1,680.8	1,999.7

Long-term debt

1,373.8 1,355.5 1,373.5

Future income taxes

45.2 70.1 44.7

Long-term deposits

878.2 17.6 598.7

Other long-term liabilities

196.8 115.1 202.2

Total liabilities **4,403.5** **3,239.1** **4,218.8**
SHAREHOLDERS' EQUITY
Share capital (Note 5) 719.8 701.9 715.4

Contributed surplus

- 1.5 -

Accumulated other comprehensive income (loss)

56.8 (11.7) 97.2

Retained earnings

2,781.8 2,500.9 2,752.4

Total shareholders' equity **3,558.4** **3,192.6** **3,565.0**
Total liabilities and shareholders' equity \$ **7,961.9** \$ **6,431.7** \$ **7,783.8**

Notes to the Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

These unaudited interim consolidated financial statements (the "financial statements") have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of Canadian Tire Corporation, Limited and its subsidiaries, collectively referred to as the "Company". These financial statements do not contain all disclosures required by Canadian GAAP for annual financial statements, and accordingly, these financial statements should be read in conjunction with the most recently issued annual financial statements for the 53 weeks ended January 3, 2009 contained in our 2008 Annual Report.

The preparation of the financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used when accounting for a number of items including, but not limited to, income taxes, impairment of assets (including goodwill), employee benefits, product warranties, inventory provisions, amortization, uncollectible loans, environmental reserves, asset retirement obligations, financial instruments, and the liability for the Company's loyalty programs.

2. Change in Accounting Policies

These financial statements follow the same accounting policies and methods of their application as the most recently issued annual financial statements for the 53 weeks ended January 3, 2009, except as noted below.

Financial Statement Concepts

Effective, January 4, 2009 (the first day of the Company's 2009 fiscal year), the Company applied the amendments issued by the Canadian Institute of Chartered Accountants (CICA) to HB 1000 – Financial Statement Concepts, which clarify the criteria for recognition of an asset and the timing of expense recognition, specifically, deleting the guidance permitting the deferral of costs. The new requirements are effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Company applied the amendments to CICA HB 1000 in conjunction with CICA HB 3064 – Goodwill and Intangible Assets.

Goodwill and Intangible Assets

Effective, January 4, 2009, the Company implemented, on a retrospective basis with restatement, the CICA HB 3064 – Goodwill and Intangible Assets, which was effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008.

This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets, including internally developed intangibles, and is consistent with the revised asset definition and recognition criteria in CICA HB 1000 – Financial Statement Concepts. Under the new standard, costs related to development projects can be recorded as assets only if they meet the definition of an intangible asset.

Additionally, internally developed computer software that is not an integral part of the related hardware was previously included in property and equipment. The new standard requires these costs to be included in intangible assets. As these costs have a limited useful life, they continue to be amortized over a 5 year period.

As a result of the retrospective implementation of these standards, the cumulative impact on previously reported balances on the following dates is as follows:

(\$ in millions)	Increase / (Decrease)		
	January 3, 2009	March 29, 2008	December 29, 2007
Retained earnings	(\$3.1)	(\$3.9)	(\$4.3)
Long-term receivables and other assets	(3.3)	(4.0)	(4.6)
Intangible assets	189.5	173.8	174.0
Property and equipment	(190.9)	(175.6)	(175.8)
Income taxes recoverable	0.4	0.2	0.4
Future income tax liabilities	(1.2)	(1.7)	(1.7)

In addition, the retrospective impact on depreciation and amortization for the 13 weeks ended March 29, 2008 was a decrease of \$0.6 million. The retrospective impact on net earnings for the 13 weeks ended March 29, 2008 was an increase of \$0.4 million, or \$nil per share.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

Effective, January 4, 2009, the Company implemented, on a retrospective basis without restatement of prior periods, the CICA Emerging Issues Committee (EIC) 173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which is effective for interim and annual financial statements for periods ending on or after January 20, 2009.

This EIC clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments, rather than using a risk free rate.

Entities are required to re-measure the financial assets and liabilities, including derivative instruments, as at the beginning of period of adoption (i.e. the beginning of fiscal 2009) to take into account its own credit risk and counterparty credit risk. Any resulting difference would be recorded as an adjustment to retained earnings, except a) derivatives in a fair value hedging relationship accounted for by the "shortcut method", in which case the resulting difference would adjust the basis of the hedged item; and b) derivatives in cash flow hedging relationships, in which case the resulting difference would be recorded in accumulated OCI.

As a result of the retrospective implementation of this new standard, opening accumulated other comprehensive income decreased by \$2.5 million and opening retained earnings increased by \$1.1 million.

Future accounting changes

International Financial Reporting Standards (IFRS)

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011, for which the current and comparative 2010 information will be prepared under IFRS. The Company expects the transition to IFRS to impact accounting, financial reporting, internal control over financial reporting, taxes, IT systems and processes as well as certain contractual arrangements. The Company is currently assessing the impact of the transition to IFRS in the above areas and has deployed additional trained resources and formal project management practices and governance to ensure the timely conversion to IFRS.

Business Combinations

In January 2009, the CICA issued CICA HB 1582 – Business Combinations, which will replace CICA HB 1581 – Business Combinations. The CICA also issued CICA HB 1601 – Consolidated Financial Statements and CICA HB 1602 – Non-Controlling Interests, which will replace CICA HB 1600 – Consolidated Financial Statements. The new standards are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. The objective of the new standards is to harmonize Canadian GAAP for business combinations and consolidated financial statements with the International and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards will not be adjusted upon application of these new standards.

3. Loans Receivable

The Company sells pools of loans receivable (the Loans) to third party trusts (the Trusts) in transactions known as securitizations. The transactions are accounted for as sales in accordance with CICA Accounting Guideline 12 (AcG-12), Transfers of Receivables, and the Loans are removed from the Consolidated Balance Sheets.

The Company retains the interest-only strip, and, for the personal loan securitization, a subordinated interest in the loans sold (the "seller's interest") and cash deposited with one of the Trusts (the "securitization reserve"), which are components of retained interests. The interest-only strip represents the present value of the expected spread to be earned over the collection period on the loans receivable sold. The expected spread is equal to the yield earned, less the net write-offs and interest expense on the loans receivable sold. The seller's interest and securitization

reserve provide the Trust with a source of funds in the event that the interest and principal collected on the Loans is not sufficient to pay the Trust's creditors. The Trusts' recourse to the Company is limited to the interest-only strip, the seller's interest and the securitization reserve and for the credit card loan securitization, the additional enhancement required to be maintained.

The proceeds of the sale are deemed to be the cash received, interest-only strip and securitization reserve, less any servicing obligation assumed. The servicing liability represents the Company's estimated cost of servicing the securitized loans and is amortized over the life of the securitized loans. The proceeds are allocated between the Loans, interest-only strip, seller's interest and securitization reserve based on their relative fair value at the date of sale, with any excess or deficiency recorded as a gain or loss on sale, respectively.

The Trusts have not been consolidated in these financial statements because either they meet the criteria for a qualified special purpose entity (which are exempt from consolidation) or the Company is not the primary beneficiary.

Quantitative information about loans managed and securitized by the Company is as follows:

(\$ in millions)	Total principal amount of receivables as at ¹			Average balances for the 13 weeks ended	
	April 4, 2009	March 29, 2008	January 3, 2009	April 4, 2009	March 29, 2008
Total net managed credit card loans	\$ 3,621.7	\$ 3,479.2	\$ 3,780.4	\$ 3,659.4	\$ 3,533.9
Credit card loans sold	(2,214.8)	(2,850.3)	(2,216.0)	(2,215.6)	(2,542.2)
Credit card loans held	1,406.9	628.9	1,564.4	1,443.8	991.7
Total net managed personal loans ²	67.9	129.4	83.8	75.8	133.3
Personal loans sold	-	(44.3)	-	-	(50.0)
Personal loans held	67.9	85.1	83.8	75.8	83.3
Total net managed mortgage loans ³	163.1	48.4	138.8	150.4	42.9
Total net managed line of credit loans	19.3	28.2	20.6	20.0	24.0
Total loans receivable	1,657.2	790.6	1,807.6	\$ 1,690.0	\$ 1,141.9
Less: long-term portion ⁴	(113.2)	(85.3)	(124.2)		
Current portion of loans receivable	\$ 1,544.0	\$ 705.3	\$ 1,683.4		

¹ Amounts shown are net of allowance for credit losses.

² Personal loans are unsecured loans that are provided to qualified existing credit cardholders for terms of three to five years. Personal loans have fixed monthly payments of principal and interest; however, the personal loans can be repaid at any time without penalty.

³ Mortgage loans are issued for terms of up to ten years, have fixed or variable interest rates, are secured and include a mix of both high and low ratio loans. High ratio loans are fully insured and low ratio loans are partially insured.

⁴ The long-term portion of loans is included in long-term receivables and other assets.

Net credit losses for the owned portfolio for the 13 weeks ended April 4, 2009 were \$38.3 million (2008 - \$17.3 million). Net credit losses for the total managed portfolio for the 13 weeks ended April 4, 2009 were \$79.2 million (2008 - \$62.3 million). Net credit losses consist of total write-offs (including regular and bankruptcy write-offs and consumer proposals), net of recoveries and any changes in allowances.

4. Employee Future Benefits

The net employee future benefit expense for the 13 weeks ended April 4, 2009 was \$1.5 million (2008 - \$1.6 million).

5. Share Capital

(\$ in millions)	April 4, 2009	March 29, 2008	January 3, 2009
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (March 29, 2008 – 3,423,366)	\$ 0.2	\$ 0.2	\$ 0.2
78,174,354 Class A Non-Voting Shares (March 29, 2008 – 78,051,457)	719.6	701.7	715.2
	<u>\$ 719.8</u>	<u>\$ 701.9</u>	<u>\$ 715.4</u>

The Company issues and repurchases Class A Non-Voting Shares. The net excess of the issue price over the repurchase price results in contributed surplus. The net excess of the repurchase price over the issue price is allocated first to contributed surplus, to the extent of any previous net excess from the issue of shares, with any remainder allocated to retained earnings.

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

(\$ in millions)	13 weeks ended April 4, 2009		13 weeks ended March 29, 2008	
	Number	\$	Number	\$
Shares outstanding at the beginning of the period	78,178,066	715.2	78,048,062	700.5
Issued	218,388	9.0	103,395	6.7
Repurchased	(222,100)	(8.9)	(100,000)	(6.3)
Excess of repurchase price over issue price (issue price over repurchase price)	-	4.3	-	0.8
Shares outstanding at the end of the period	<u>78,174,354</u>	<u>719.6</u>	<u>78,051,457</u>	<u>701.7</u>

6. Stock-based Compensation Plan

All stock-based compensation plans are as disclosed in the most recently issued annual financial statements for the 53 weeks ended January 3, 2009 except as follows:

2009 Performance Share Unit Plan

The Company has granted 2009 Performance Share Units (2009 PSUs) to certain employees. Each 2009 PSU entitles the participant to receive a cash payment in an amount equal to the weighted average closing price of Class A Non-Voting Shares traded on the Toronto Stock Exchange for the 20-day period prior to and including the last day of the performance period, multiplied by an applicable multiplier determined by specific performance-based criteria. Compensation expense related to 2009 PSUs is accrued over the performance period based on the expected total compensation to be paid out at the end of the performance period. For the 13 weeks ended April 4, 2009, \$0.3 million of compensation expense was recorded for the 2009 PSUs.

7. Segmented Information – Statement of Earnings

(\$ in millions)	13 weeks ended April 4, 2009	13 weeks ended March 29, 2008 (Restated - Note 2)
Gross operating revenue		
CTR	\$ 1,099.3	\$ 1,071.3
Financial Services	217.3	208.7
Petroleum	321.9	422.8
Mark's	147.1	147.5
Eliminations	(27.5)	(25.0)
Total gross operating revenue	\$ 1,758.1	\$ 1,825.3
Earnings (loss) before income taxes		
CTR	\$ 32.8	\$ 43.6
Financial Services	32.5	54.2
Petroleum	6.0	5.0
Mark's	(4.9)	(3.4)
Total earnings before income taxes	66.4	99.4
Income taxes	16.7	32.3
Net earnings	\$ 49.7	\$ 67.1
Net Interest expense ¹		
CTR	\$ 18.1	\$ 16.5
Financial Services	11.7	3.6
Mark's	0.6	1.0
Total interest expense	\$ 30.4	\$ 21.1
Depreciation and amortization expense		
CTR	\$ 45.9	\$ 42.0
Financial Services	2.5	2.6
Petroleum	4.4	4.0
Mark's	6.5	5.4
Total depreciation and amortization expense	\$ 59.3	\$ 54.0

¹ Net interest expense includes interest on short-term and long-term debt, offset by passive interest income. Interest on long-term debt for the 13 weeks ended April 4, 2009 was \$27.4 million (2008 - \$20.7 million).

Segmented Information – Total Assets

(\$ in millions)	April 4, 2009	March 29, 2008 (Restated - Notes 2 and 16)	January 3, 2009 (Restated - Note 2)
CTR	\$ 5,900.4	\$ 5,630.7	\$ 5,801.8
Financial Services	2,942.4	1,342.6	2,550.6
Petroleum	261.9	256.7	352.9
Mark's	550.6	506.6	509.0
Eliminations	(1,693.4)	(1,304.9)	(1,430.5)
Total	\$ 7,961.9	\$ 6,431.7	\$ 7,783.8

8. Cash and Cash Equivalents (Bank Indebtedness)

The components of cash and cash equivalents are:

(\$ in millions)	April 4, 2009	March 29, 2008	January 3, 2009
Cash (bank overdraft)	\$ (48.9)	\$ (62.9)	\$ 59.2
Short-term investments	568.4	351.5	369.8
Cash and cash equivalents	\$ 519.5	\$ 288.6	\$ 429.0

9. Capital Management Disclosures

The Company's objectives when managing capital are:

- minimizing the after-tax cost of capital;
- maintaining healthy liquidity reserves and access to capital; and
- maintaining flexibility in capital structure to ensure the ongoing ability to execute the Strategic Plan.

Management includes the following items in its definition of capital:

(\$ in millions)	April 4, 2009	% of total	March 29, 2008	% of total	January 3, 2009	% of total
Current portion of long-term debt	\$ 11.4	0.2%	\$ 156.7	3.3%	\$ 14.8	0.3%
Long-term debt	1,373.8	23.8%	1,355.5	28.7%	1,373.5	25.2%
Long-term deposits	878.2	15.2%	17.6	0.4%	598.7	11.0%
Other long-term liabilities ¹	-	0.0%	-	0.0%	3.2	0.1%
Share capital	719.8	12.5%	701.9	14.9%	715.4	13.1%
Contributed surplus	-	- %	1.5	0.0%	-	- %
Components of accumulated other comprehensive loss ²	-	- %	(11.3)	(0.2%)	-	- %
Retained earnings	2,781.8	48.3%	2,500.9	52.9%	2,752.4	50.3%
Net capital under management	\$ 5,765.0	100.0%	\$ 4,722.8	100.0%	\$ 5,458.0	100.0%

¹ Long-term liabilities that are derivative or hedge instruments related to capital items only.

² Components of other comprehensive loss relating to capital items only.

The Company has in place various policies which it uses to manage capital, including a leverage and liquidity policy and a securities and derivatives policy. As part of the overall management of capital, Management's Financial Risk Management Committee and the Audit Committee of the Board review the Company's compliance with and performance against these policies.

In addition, Management's Financial Risk Management Committee and the Audit Committee of the Board perform periodic reviews of the policies to ensure they remain consistent with the risk tolerance acceptable to the Company and with current market trends and conditions.

To assess its effectiveness in managing capital, management monitors certain key ratios to ensure they are within targeted ranges.

	April 4, 2009	March 29, 2008 ¹	January 3, 2009 ¹
Debt ratio			
Long-term debt to total capitalization ²	37.3%	30.2%	34.3%
Coverage ratio			
Interest coverage ³	4.9 times	9.5 times	5.4 times

¹ 2008 results have been restated for the implementation, on a retrospective basis, of CICA 3064 – goodwill and intangible assets.

² Long-term debt includes the current portion of long-term debt, long-term debt and long-term deposits. Capitalization is based on current and long-term debt, long-term deposits, future income taxes, other long-term liabilities and shareholders' equity.

³ Interest coverage is calculated on a rolling 12-month basis for short-term and long-term interest on debt, net of short-term interest income.

As part of existing debt agreements, two key financial covenants are monitored on an on-going basis by management to ensure compliance with the agreements. The key covenants are as follows:

- net tangible assets coverage – calculated as:
 - total assets less intangible assets, current liabilities (excluding current portion of long-term debt), and liability for employee future benefits
 - divided by long-term debt (including current portion of long-term debt)
- limitations on surplus available for distribution to shareholders – the Company is restricted from distributions (including dividends and redemptions or purchases of shares) exceeding its accumulated net income over a defined period.

The Company was in compliance with these covenants during the period.

The Company's wholly-owned subsidiary, Canadian Tire Bank (the Bank) manages its capital under guidelines established by the Office of the Superintendent of Financial Institutions Canada (OSFI). The regulatory capital guidelines measure capital in relation to credit, market and operational risks. The Bank has various capital policies, procedures and controls which it utilizes to achieve its goals and objectives.

The Bank's objectives include:

- Providing sufficient capital to maintain the confidence of depositors.
- Being an appropriately capitalized institution, as measured internally, defined by regulatory authorities and compared with the Bank's peers.
- Achieving the lowest overall cost of capital consistent with preserving the appropriate mix of capital elements to meet target capitalization levels.

The Bank's total capital consists of two tiers of capital approved under OSFI's current regulatory capital guidelines. As at March 31, 2009 (the Bank's fiscal quarter end), Tier 1 capital includes common shares and retained earnings reduced by net securitization exposures. The Bank currently does not hold any instruments in Tier 2 capital. Risk-weighted assets (RWA), referenced in the regulatory guidelines, include all on-balance sheet assets weighted for the risk inherent in each type of asset as well as an operational risk component based on a percentage of average risk-weighted revenues.

The Bank's ratios are above internal minimum targets of 12 per cent for Tier 1 and Total capital ratios. The Bank is within its internal maximum target of 11 times for the assets to capital multiple. OSFI's minimum Tier 1 and Total capital ratios for Canadian banks are 7 per cent and 10 per cent, respectively. During the 3 months ended March 31, 2009 and the comparative period, the Bank complied with the capital guidelines issued by OSFI under the "International Convergence of Capital Measurement and Capital Standards – A Revised Framework" (Basel II).

10. Financial Instruments Disclosures

Allowance for credit losses

The Company's allowances for receivables are maintained at levels which are considered adequate to absorb future credit losses. A continuity of the Company's allowances for credit losses is as follows:

(\$ in millions)	Credit card loans		Other loans ¹		Accounts receivable		Total	
	April 4, 2009	March 29, 2008	April 4, 2009	March 29, 2008	April 4, 2009	March 29, 2008	April 4, 2009	March 29, 2008
Balance, beginning of year	\$ 51.8	\$ 51.5	\$ 3.5	\$ 2.7	\$ 3.3	\$ 5.0	\$ 58.6	\$ 59.2
Provision for credit losses	36.6	15.7	1.7	1.7	0.7	0.3	39.0	17.7
Recoveries	4.6	3.6	0.2	0.1	-	-	4.8	3.7
Write-offs	(32.6)	(25.2)	(2.2)	(1.8)	(0.2)	(2.3)	(35.0)	(29.3)
Balance, end of period	\$ 60.4	\$ 45.6	\$ 3.2	\$ 2.7	\$ 3.8	\$ 3.0	\$ 67.4	\$ 51.3

¹ Other Loans include personal loans, mortgages loans and lines of credit loans.

Foreign currency risk

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

Liquidity risk

The following table summarizes the Company's contractual maturity for its financial liabilities. The table includes both interest and principal cash flows.

(\$ in millions)	1 year	2 years	3 years	4 years	5 years	Thereafter	Total
Deposits	\$ 665.4	\$ 203.2	\$ 159.9	\$ 94.3	\$ 420.8	\$ -	\$ 1,543.6
Accounts payable and other ¹	1,220.5	-	-	-	-	-	1,220.5
Long-term debt	11.4	459.3	21.4	9.1	7.0	861.6	1,369.8
Interest payment ²	102.0	84.2	69.2	64.6	142.4	653.2	1,115.6
Other	-	-	-	-	4.2	-	4.2
Total	\$ 1,999.3	\$ 746.7	\$ 250.5	\$ 168.0	\$ 574.4	\$ 1,514.8	\$ 5,253.7

¹ Includes commercial paper.

² Includes interest payments on deposits and long-term debt.

Interest rate risk

The Company is exposed to interest rate risk, which it manages through the use of interest rate swaps. The Company has a policy in place that requires a minimum of 75 per cent of its long-term debt (term greater than one year) to be at fixed versus floating interest rates. The Company is in compliance with the policy.

11. Other Long-Term Investments

Included in other long-term investments is the Company's investment of \$5.1 million (2008 - \$6.6 million) in Canadian third-party asset-backed commercial paper (ABCP) issued by a number of trusts with an original cost of \$8.9 million.

The market for Canadian third-party ABCP was addressed in a formal restructuring proposal, and on January 21, 2009, the Bank's custodian received restructured ABCP as designed in the Montreal Accord. The Company received Class A notes with a face value of \$7.7 million which has floating interest rates estimated at BA less 50bps. The Class A notes received an "A" credit rating from DBRS. The Company also received \$1.2 million in various lower grade notes as a part of the restructuring. On January 21, 2009, CTB received the first of two payments of accrued interest earned from the new notes of \$0.3 million. A second payment is expected at a future date.

The value of these notes is adjusted to fair market value on a quarterly basis, as the notes are financial instruments held for trading. There has been no trading of the notes in the open market and therefore a valuation model is used to determine fair value. The fair value of the notes was determined at \$5.1 million net of an additional impairment adjustment of \$0.5 million which was recorded in the 13 weeks ended April 4, 2009 (2008 - \$1.0 million).

12. Merchandise Inventory

Included in "cost of merchandise sold and all other operating expenses except for the undernoted items" for the 13 weeks ended April 4, 2009 is \$1,137.7 million (2008 - \$1,236.8 million) of inventory recognized as an expense, which included \$13.6 million (2008 - \$16.8 million) of write-downs of inventory as a result of net realizable value being lower than cost. Inventory write-downs recognized in previous years and reversed in the current quarter and the comparative quarter were insignificant.

13. Supplementary Cash Flow Information

The Company paid income taxes during the 13 weeks ended April 4, 2009 of \$52.1 million (2008 - \$55.8 million) and made interest payments of \$56.2 million (2008 - \$20.3 million), including \$31.8 million related to the settlement of delayed start swaps.

During the 13 weeks ended April 4, 2009, property and equipment were acquired at an aggregate cost of \$59.5 million (2008 - \$99.5 million). The amount of property and equipment acquired that is included in accounts payable and other at April 4, 2009 was \$22.0 million (2008 - \$38.0 million).

During the 13 weeks ended April 4, 2009, intangible software were acquired at an aggregate cost of \$19.9 million (2008 - \$13.2 million). The amount of intangible software acquired that is included in accounts payable and other at April 4, 2009 was \$0.7 million (2008 - \$1.6 million).

14. Legal Matters

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

15. Tax Matters

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

The main issues challenged by the Canada Revenue Agency (CRA) relate to the tax treatment of commissions paid to foreign subsidiaries of the Company (covering periods from 1995 to 2007), and dividends received on an investment made by a wholly-owned subsidiary of the Company related to reinsurance (covering periods from 1999 to 2003). The applicable provincial tax authorities have reassessed and are also expected to issue further reassessments on these matters for the corresponding periods.

The Company has agreed with the CRA to settle the commissions issue for the period 1995-2003, although the determination of the final tax liability pursuant to the settlement is subject to the verification by the CRA of certain information provided by the Company. The Company believes the provincial tax authorities will also reassess on the same basis. The Company does not have a significant exposure on this issue subsequent to the 2003 taxation year.

The reassessments with respect to the dividends received issue are based on multiple grounds, some of which are highly unusual. The Company has appealed the reassessments and the matter is currently pending before the Tax Court of Canada. If the CRA (and applicable provincial tax authorities) were entirely successful in their reassessments - an outcome that the Company and its tax advisors believe to be unlikely - it is estimated that the total liability of the Company for additional taxes, interest and penalties could be approximately \$189.6 million. Although the Company has appealed these reassessments, current tax legislation requires the Company to remit to the CRA and its provincial counterparts approximately \$117.1 million related to this matter, of which \$112.7 million had been remitted by the end of the quarter.

The Company regularly reviews the potential for adverse outcomes in respect of tax matters. The Company believes that the ultimate disposition of the settlements, finalization of the commissions issue, resolution of the dividends received issue and other tax matters, will not have a material adverse effect on its liquidity, consolidated financial position or results of operations because the Company believes that it has adequate provision for these tax matters. Should the ultimate tax liability materially differ from the provision, the Company's effective tax rate and its earnings could be affected positively or negatively in the period in which the matters are resolved.

During the current quarter, the tax provision has been reduced by \$4.6 million due to the retroactive change in the taxation of gains realized from the disposition of shares during 2006 and 2007.

16. Comparative Figures

The Company's wholly-owned subsidiary, Canadian Tire Bank, began taking deposits from customers commencing in 2007. Previously, these amounts were classified in accounts payable and other in the consolidated balance sheets and in changes in other working capital components in the consolidated statements of cash flows. Since the second quarter of 2008, these deposits are shown as current and long-term deposits in the consolidated balance sheets and a separate line in financing activities in the consolidated statements of cash flows. The comparative quarter ended March 29, 2008 has been restated to conform to the presentation adopted.

As a result of this restatement, accounts payable and other decreased by \$147.3 million, current deposits increased by \$129.7 million and long-term deposits increased by \$17.6 million in the Consolidated Balance Sheets. In addition, changes in other working capital components increased by \$32.1 million and cash generated from financing activities increased by \$32.1 in the Consolidated Statement of Cash Flows.

Interest Coverage Exhibit to the Consolidated Financial Statements (unaudited)

The Company's long-term interest requirements for the 13 weeks ended April 4, 2009, after annualizing interest on long-term debt issued and retired during this period, amounted to \$133.8 million. The Company's earnings before interest on long-term debt and income taxes for the 13 weeks then ended were \$635.3 million, which is 4.7 times the Company's long-term interest requirements for this period.

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Shareholder services provided by the transfer agent:

- Change of address
- Eliminate multiple mailings
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- Inquire about Dividend Reinvestment Program
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