Alimentation Couche-Tard Inc.
Consolidated Financial Statements
April 29, 2012

MANAGEMENT'S REPORT

The consolidated financial statements of Alimentation Couche-Tard Inc. and the financial information contained in this Annual Report are the responsibility of management. This responsibility is applied through a judicious choice of accounting procedures and principles, the application of which requires the informed judgment of management. The consolidated financial statements were prepared according to International Financial Reporting Standards and were approved by the Board of Directors. In addition, the financial information included in the Annual Report is consistent with the consolidated financial statements.

Alimentation Couche-Tard Inc. maintains accounting and administrative control systems which, in the opinion of management, ensure reasonable accuracy, relevance and reliability of financial information and well-ordered, efficient management of the Corporation's affairs.

The Board of Directors is responsible for approving the consolidated financial statements included in this Annual Report, primarily through its Audit Committee. This Committee, which holds periodic meetings with members of management as well as with the external auditors, reviewed the consolidated financial statements of Alimentation Couche-Tard Inc. and recommended their approval to the Board of Directors.

The consolidated financial statements for the fiscal years ended April 29, 2012 and April 24, 2011, as well as the April 26, 2010 opening balance sheet were audited by PricewaterhouseCoopers LLP, chartered professional accountants, and their report indicates the extent of their audit and their opinion on the consolidated financial statements.

July 10, 2012

Alain Bouchard President and Chief Executive Officer	Raymond Paré Vice-President and Chief Financial Officer

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for Alimentation Couche-Tard Inc, as such term is defined in Rule 13a-15(f) under the *Securities Exchange Act of 1934* (United States) and Canadian securities regulations. With our participation management carried out an evaluation of the effectiveness of our internal control over financial reporting, as of the end of our fiscal year ended April 29, 2012. The framework on which such evaluation was based is contained in the report entitled *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on this evaluation, management concluded that Alimentation Couche-Tard Inc.'s internal control over financial reporting was effective as at April 29, 2012.

PricewaterhouseCoopers LLP, chartered professional accountants, audited Alimentation Couche-Tard Inc.'s internal control over financial reporting as at April 29, 2012 and have issued their unqualified opinion thereon, which is included herein.

July 10, 2012

Alain Bouchard President and Chief Executive Officer	Raymond Paré Vice-President and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Alimentation Couche-Tard Inc.

July 10, 2012

We have completed an integrated audit of Alimentation Couche-Tard Inc and its subsidiaries consolidated financial statements for the fiscal year ended April 29, 2012 and its internal control over financial reporting as at April 29, 2012 and an audit of their consolidated financial statements for the fiscal year ended April 24, 2011. Our opinions, based on our audits, are presented below.

Consolidated financial statements

We have audited the accompanying consolidated financial statements of Alimentation Couche-Tard Inc. and its subsidiaries, which comprise the consolidated balance sheets as at April 29, 2012, April 24, 2011 and April 26, 2010 and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the fiscal years ended April 29, 2012 and April 24, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alimentation Couche-Tard Inc. and its subsidiaries as at April 29, 2012, April 24, 2011 and April 26, 2010 and their financial performance and their cash flows for fiscal years ended April 29, 2012 and April 24, 2011 in accordance with International Financial Reporting Standards.

Report on internal control over financial reporting

We have also audited the effectiveness of Alimentation Couche-Tard Inc. and its subsidiaries internal control over financial reporting as at April 29, 2012.

Management's responsibility for internal control over financial reporting

Management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting.

Auditor's responsibility

Our responsibility is to express an opinion, based on our audit, on whether the company's internal control over financial reporting was effectively maintained in accordance with criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We conducted our audit in accordance with the standard for audits of internal control over financial reporting set out in the CICA Handbook – Assurance. This standard requires that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances.

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

Definition of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Canadian generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Opinion

In our opinion, Alimentation Couche-Tard Inc. and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as at April 29, 2012 in accordance with criteria established in Internal Control - Integrated Framework, issued by COSO.

Inherent limitations

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP[1]
Montreal, Canada

[1] CPA auditor, CA, public accountancy permit No. A119427

CONSOLIDATED STATEMENTS OF EARNINGS

For the fiscal years ended April 29, 2012 and April 24, 2011
(in millions of US dollars (Note 2), except per share amounts)

	2012 (53 weeks)	2011 (52 weeks)
	$	$
Revenues	**22,997.5**	18,550.4
Cost of sales	**20,028.4**	15,804.7
Gross profit	**2,969.1**	2,745.7
Operating, selling, administrative and general expenses (Note 6)	**2,151.7**	2,028.9
Depreciation and amortization of property and equipment and other assets	**239.8**	213.7
	2,391.5	2,242.6
Operating income	**577.6**	503.1
Share of earnings of a joint venture accounted for using the equity method (Note 5)	**21.6**	16.9
Financial expenses (Note 8)	**13.5**	31.4
Financial revenues (Note 8)	**(1.2)**	(1.8)
Gain on foreign exchange forward contracts (Note 24)	**(17.0)**	-
Net financial (revenues) expenses (Note 8)	**(4.7)**	29.6
Earnings before income taxes	**603.9**	490.4
Income taxes (Note 9)	**146.3**	121.2
Net earnings	**457.6**	369.2
Net earnings per share (Note 10)		
Basic	**2.54**	2.00
Diluted	**2.49**	1.96

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the fiscal years ended April 29, 2012 and April 24, 2011
(in millions of US dollars (Note 2), except per share amounts)

	2012 (53 weeks)	2011 (52 weeks)
	$	$
Net earnings	**457.6**	369.2
Other Comprehensive income		
Changes in cumulative translation adjustments [(1)]	**(26.4)**	40.1
Change in fair value of a financial instrument designated as a cash flow hedge [(2)]	**5.9**	2.0
Gain realized on a financial instrument designated as a cash flow hedge transferred to earnings [(3)]	**(5.1)**	(1.3)
Gain realized on the disposal of an available-for-sale financial instrument transferred to earnings [(4)]	**(0.6)**	-
Net actuarial losses (Note 23) [(5)]	**(4.9)**	(1.2)
Other comprehensive income	**(31.1)**	39.6
Comprehensive income	**426.5**	408.8

(1) For the fiscal years ended April 29, 2012 and April 24, 2011 these amounts include a loss of $10.5 and a gain of $17.2, respectively, arising from the translation of US dollar denominated long-term debt designated as a foreign exchange hedge of the Corporation's net investment in its US operations (net of income taxes of $1.6 and $2.5, respectively).

(2) For the fiscal years ended April 29, 2012 and April 24, 2011 these amounts are net of income taxes of $1.9 and $0.6, respectively.

(3) For the fiscal years ended April 29, 2012 and April 24, 2011 these amounts are net of income taxes of $1.6 and $0.4, respectively.

(4) This amount is net of income taxes.

(5) For the fiscal years ended April 29, 2012 and April 24, 2011 these amounts are net of income taxes of $1.7 and $0.6, respectively.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal years ended April 29, 2012 and April 24, 2011
(in millions of US dollars (Note 2))

2012 (53 weeks)

	Capital stock	**Contributed surplus**	**Retained earnings**	**Accumulated other comprehensive income (1)**	**Shareholders' equity**
	$	**$**	**$**	**$**	**$**
Balance, beginning of year	**323.8**	**19.3**	**1,596.3**	**40.0**	**1,979.4**
Comprehensive income:					
Net earnings			**457.6**		**457.6**
Other comprehensive income				**(31.1)**	**(31.1)**
Total comprehensive income					**426.5**
Dividends			**(49.8)**		**(49.8)**
Stock option-based compensation expense (Note 22)		**0.4**			**0.4**
Initial fair value of stock options exercised	**1.8**	**(1.8)**			**-**
Cash received upon exercise of stock options	**19.2**				**19.2**
Repurchase and cancellation of shares (Note 21)	**(23.8)**				**(23.8)**
Excess of acquisition cost over book value of Class A multiple voting shares and Class B subordinate voting shares repurchased and cancelled			**(177.3)**		**(177.3)**
Balance, end of year	**321.0**	**17.9**	**1,826.8**	**8.9**	**2,174.6**

(1) The year-end balance comprises $13.1 for cumulative translation adjustments, $1.9 for the cumulative fair value variation of a financial instrument designated as a cash flow hedge (net of income taxes of $0.6) and $6.1 for cumulative net actuarial losses (net of income taxes of $2.3).

2011 (52 weeks)

	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income (2)	Shareholders' equity
	$	$	$	$	$
Balance, beginning of year	319.5	20.4	1,319.7	0.4	1,660.0
Comprehensive income:					
Net earnings			369.2		369.2
Other comprehensive income				39.6	39.6
Total comprehensive income					408.8
Dividends			(32.8)		(32.8)
Stock option-based compensation expense (Note 22)		1.1			1.1
Initial fair value of stock options exercised	2.2	(2.2)			-
Cash received upon exercise of stock options	11.4				11.4
Repurchase and cancellation of shares (Note 21)	(9.3)				(9.3)
Excess of acquisition cost over book value of Class A multiple voting shares and Class B subordinate voting shares repurchased and cancelled			(59.8)		(59.8)
Balance, end of year	323.8	19.3	1,596.3	40.0	1,979.4

(2) The year-end balance comprises $40.1 for cumulative translation adjustments, $1.1 for the cumulative fair value variation of a financial instrument designated as a cash flow hedge (net of income taxes of $0.4) and $1.2 for cumulative net actuarial losses (net of income taxes of $0.4).

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the fiscal years ended April 29, 2012 and April 24, 2011
(in millions of US dollars (Note 2))

	2012 (53 weeks)	2011 (52 weeks)
	$	$
Operating activities		
Net earnings	**457.6**	369.2
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization of property and equipment and other assets, net of amortization of deferred credits	**199.7**	188.5
Deferred income taxes	**24.2**	57.9
Gain on foreign exchange forward contracts (Note 24)	**(17.0)**	-
Share of earnings (net of dividends received) of a joint venture accounted for using the equity method (Note 5)	**(16.8)**	(6.1)
Deferred credits	**10.7**	0.7
Loss on disposal of property and equipment and other assets	**9.8**	4.7
Negative goodwill (Note 4)	**(6.9)**	-
Deemed interest on repayment of subordinated unsecured debt (Note 18)	**-**	(17.4)
Gain on early redemption of subordinated unsecured debt (Note 18)	**-**	(1.4)
Other	**17.8**	22.4
Changes in non-cash working capital (Note 11)	**84.7**	(10.2)
Net cash provided by operating activities	**763.8**	608.3
Investing activities		
Business acquisitions (Note 4)	**(380.3)**	(37.8)
Purchases of property and equipment and other assets	**(316.6)**	(220.1)
Proceeds from disposal of property and equipment and other assets	**27.8**	22.0
Restricted cash	**(22.7)**	-
Proceeds from sale and leaseback transactions	**-**	5.1
Net cash used in investing activities	**(691.8)**	(230.8)
Financing activities		
Repurchase of shares (Note 21)	**(201.1)**	(69.1)
Net increase in other debt (Note 18)	**157.1**	132.7
Cash dividends paid	**(49.8)**	(32.8)
Issuance of shares	**19.2**	11.4
Early redemption of subordinated unsecured debt (Note 18)	**-**	(332.6)
Net cash used in financing activities	**(74.6)**	(290.4)
Effect of exchange rate fluctuations on cash and cash equivalents	**(2.8)**	6.9
Net (decrease) increase in cash and cash equivalents	**(5.4)**	94.0
Cash and cash equivalents, beginning of year	**309.7**	215.7
Cash and cash equivalents, end of year	**304.3**	309.7
Supplemental information:		
Interest paid	**7.3**	31.8
Interest and dividends received	**6.1**	12.5
Income taxes paid	**91.1**	93.0
Cash and cash equivalents components :		
Cash and demand deposits	**253.5**	258.1
Liquid investments	**50.8**	51.6
	304.3	309.7

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

as at April 29, 2012, April 24, 2011 and April 26, 2010
(in millions of US dollars (Note 2))

	2012	2011	2010
	$	$	$
Assets			
Current assets			
Cash and cash equivalents	**304.3**	309.7	215.7
Restricted cash	**22.7**	-	-
Accounts receivable (Note 12)	**420.7**	349.1	280.8
Inventories (Note 13)	**543.9**	526.0	469.9
Prepaid expenses	**28.6**	21.0	20.0
Foreign exchange forward contracts (Note 24)	**17.2**	-	-
Income taxes receivable	**-**	36.4	17.7
	1,337.4	1,242.2	1,004.1
Property and equipment (Note 14)	**2,248.3**	1,935.4	1,914.9
Goodwill (Note 15)	**502.9**	440.9	425.3
Intangible assets (Note 15)	**217.0**	188.6	188.2
Other assets (Note 16)	**68.2**	58.0	55.8
Investment in a joint venture (Note 5)	**65.0**	48.2	42.1
Deferred income taxes (Note 9)	**14.4**	12.9	8.6
	4,453.2	3,926.2	3,639.0
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (Note 17)	**1,025.7**	936.5	821.7
Provisions (Note 20)	**50.1**	36.3	31.4
Income taxes payable	**6.6**	-	-
Current portion of long-term debt (Note 18)	**484.4**	4.6	4.4
	1,566,8	977.4	857.5
Long-term debt (Note 18)	**180.8**	496.9	711.9
Provisions (Note 20)	**107.5**	88.7	87.7
Deferred credits and other liabilities (Note 19)	**161.4**	139.5	128.0
Deferred income taxes (Note 9)	**262.1**	244.3	193.9
	2,278.6	1,946.8	1,979.0
Shareholders' equity			
Capital stock (Note 21)	**321.0**	323.8	319.5
Contributed surplus	**17.9**	19.3	20.4
Retained earnings	**1,826.8**	1,596.3	1,319.7
Accumulated other comprehensive income	**8.9**	40.0	0.4
	2,174.6	1,979.4	1,660.0
	4,453.2	3,926.2	3,639.0

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,

Alain Bouchard
Director

Réal Plourde
Director

1. Governing statutes and nature of operations

Alimentation Couche-Tard Inc. (the "Corporation") is incorporated under the *Business Corporations Act* (Quebec). The Corporation's head office is located in Laval, at 4204 Boulevard Industriel, Quebec, Canada.

As at April 29, 2012, the Corporation owns and licenses 5,803 convenience stores across North America, of which 4,539 are company-operated, and generates income primarily from the sales of tobacco products, grocery items, beverages, fresh food offerings, including quick service restaurants, other products and services and motor fuel.

2. Basis of presentation

Year-end date

The Corporation's year-end is the last Sunday of April of each year. The fiscal years ended April 29, 2012 and April 24, 2011 are referred to as 2012 and 2011. The fiscal year ended April 29, 2012 had 53 weeks (52 weeks in 2011).

Basis of presentation

The Corporation prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS''), and requires publicly accountable enterprises to apply such standards effective for fiscal years beginning on or after January 1, 2011. In these consolidated financial statements, the term "Canadian GAAP" refers to Canadian Generally Accepted Accounting Principles before the adoption of IFRS.

These consolidated financial statements are the Corporation's first annual consolidated financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). The Corporation adopted IFRS in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". In accordance with IFRS, the Corporation has:

- provided comparative financial information;
- applied the same accounting policies throughout all reporting periods presented (except for certain exemptions applicable for first-time IFRS adopters applied and disclosed in Note 29); and
- retrospectively applied all IFRS standards issued as of July 10, 2012 (with an effective date before April 29, 2012), the date on which the Board of Directors approved the consolidated financial statements.

The Corporation's consolidated financial statements were previously prepared in accordance with Canadian GAAP. Canadian GAAP differs in some areas from IFRS. In preparing these consolidated financial statements in accordance with IFRS, management has amended certain accounting, measurement and consolidation methods previously applied in its consolidated financial statements prepared under Canadian GAAP. Note 29 presents line-by-line reconciliations of the comparative balance sheet as at April 24, 2011 and the opening balance sheet as at April 26, 2010, a reconciliation of net earnings and comprehensive income for the fiscal year ended April 24, 2011, as well as a description of the effect of the transition from Canadian GAAP to IFRS on these items.

Reporting currency

The parent corporation's functional currency is the Canadian dollar. However, the Corporation uses the US dollar as its reporting currency to provide more relevant information considering its predominant operations in the United States and its debt largely denominated in US dollars.

Approval of the financial statements

The Corporation's consolidated financial statements were approved on July 10, 2012 by the board of directors who also approved their publication.

3. Accounting policies

Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. On an ongoing basis, management reviews its estimates, including those relating to supplier rebates, provisions, income taxes, lease accounting and purchase price allocation, based on available information. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. Actual results could differ from those estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, all of which are wholly owned. They also include the Corporation's share of earnings of a joint venture accounted for using the equity method. All intercompany balances and transactions have been eliminated on consolidation.

Subsidiaries are entities over which the Corporation has control, where control is defined as the power to govern financial and operating policies. The Corporation has directly or indirectly a shareholding of 100% of the voting rights in its subsidiaries. The effect of potential voting rights that are currently exercisable is considered when assessing whether control exists. These criteria are reassessed regularly and subsidiaries are fully consolidated from the date control is transferred to the Corporation, and are deconsolidated from the date control ceases.

3. Accounting policies (continued)

Foreign currency translation

Functional currency

The functional currency of the parent corporation and its Canadian operations is the Canadian dollar while that of the US operations is the US dollar.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into the relevant functional currency as follows: Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and revenues and expenses are translated at the average exchange rate on a 4-week period basis. Non-monetary assets and liabilities are translated at historical rates or at the rate on the date they were valued at fair value. Gains and losses arising from such translation, if any, are reflected in the consolidated statement of earnings except when deferred in equity as qualifying net investment hedge.

Consolidation and foreign operations

The consolidated financial statements are consolidated in Canadian dollars using the following procedure: Assets and liabilities of the US operations are translated into Canadian dollars using the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average exchange rate on a 4-week period basis. Gains and losses arising from such translation are included in Accumulated other comprehensive income in Shareholders' equity.

Reporting currency

The Corporation has adopted the US dollar as its reporting currency. The Canadian dollar consolidated financial statements are translated into the reporting currency using the procedure described above. Capital stock, Contributed surplus and Retained earnings are translated using historical rates. Non-monetary assets at fair value are translated at the rate on the date on which their fair value was determined. Gains and losses arising from translation are included in Accumulated other comprehensive income in Shareholders' equity.

Net earnings per share

Basic net earnings per share is calculated by dividing the net earnings available to Class A and Class B shareholders by the weighted average number of Class A and Class B shares outstanding during the year. Diluted net earnings per share is calculated using the average weighted number of shares outstanding plus the weighted average number of shares that would be issued upon the conversion of all potential dilutive stock-options into common shares.

Revenue recognition

For its two major product categories, merchandise and services and motor fuel, the Corporation recognizes revenue at the point of sale. Merchandise sales primarily comprise the sale of tobacco products, grocery items, candy and snacks, beverages, beer, wine and fresh food offerings, including quick service restaurants.

Service revenues include the commission on sale of lottery tickets and issuance of money orders, fees from automatic teller machines, sales of calling cards and gift cards, fees for cashing cheques, sales of postage stamps and bus tickets and car wash revenues. These revenues are recognized at the time of the transaction. Service revenues also include franchise and license fees, which are recognized in revenues over the period of the agreement to which the fees relate as well as royalties from franchisees and licensees, which are recognized periodically based on sales reported by franchise and license operators.

Cost of sales and vendor rebates

Cost of sales mainly comprise the cost of merchandise and motor fuel sold including applicable freight less vendor rebates.

The Corporation records cash received from vendors related to vendor rebates as a reduction in the price of the vendors' products and reflects them as a reduction of cost of sales and related inventory in its consolidated statements of earnings and balance sheets when it is probable that they will be received. Amounts received but not yet earned are presented in deferred credits.

Operating, selling, administrative and general expenses

The main items comprising Operating, selling, administrative and general expenses are labour, building occupancy costs, credit and debit card fees and overhead.

Cash and cash equivalents

Cash includes cash and demand deposits. Cash equivalents include highly liquid investments that can be readily converted into cash for a fixed amount and that mature less than three months from the date of acquisition.

Restricted cash

Restricted cash comprises escrow deposits for pending acquisitions.

Inventories

Inventories are valued at the lesser of cost and net realizable value. Cost of merchandise - distribution centres is determined according to the first-in, first-out method, the cost of merchandise - retail is valued based on the retail price less a normal margin and the cost of motor fuel inventory is determined according to the average cost method.

3. Accounting policies (continued)

Income taxes

The income tax expense recorded to earnings is the sum of the deferred income taxes and current income taxes that are not recognized in Other comprehensive income or directly to Shareholders' equity.

The Corporation uses the balance sheet liability method to account for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the carrying amounts and tax bases of assets and liabilities using enacted or substantively enacted tax rates and laws, as appropriate, at the date of the consolidated financial statements for the years in which the temporary differences are expected to reverse. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

Property and equipment, depreciation and amortization and impairment

Property and equipment are stated at cost less accumulated depreciation and are depreciated over their estimated useful lives using the straight-line method based on the following periods:

Buildings and building components	3 to 40 years
Equipment	3 to 40 years
Buildings under finance leases	Lease term
Equipment under finance leases	Lease term

Building components include air conditioning and heating systems, plumbing and electrical fixtures. Equipment includes signage, fuel equipment and in-store equipment.

Leasehold improvements and property and equipment on leased properties are amortized and depreciated over the lesser of their useful lives and the term of the lease.

Property and equipment are tested for impairment should events or circumstances indicate that their book value may not be recoverable, as measured by comparing their net book value to their recoverable amount which corresponds to the higher of fair value less costs to sell and value in use of the asset or cash-generating unit. Should the carrying amount of property and equipment exceed their recoverable amount, an impairment loss in the amount of the excess would be recognized.

The Corporation performs an annual evaluation of residual values, estimated useful lives and depreciation methods used for property and equipment and any change resulting from this evaluation is applied prospectively by the Corporation.

Goodwill

Goodwill is the excess of the cost of an acquired business over the fair value of underlying net assets acquired from the business at the time of acquisition. Goodwill is not amortized. Rather it is tested for impairment annually during the Corporation's first quarter, or more frequently should events or changes in circumstances indicate that it might be impaired. Should the carrying amount of a cash-generating unit's goodwill exceed its recoverable amount, an impairment loss would be recognized.

Intangible assets

Intangible assets mainly comprise trademarks, motor fuel supply agreements and licenses. Trademarks and licenses have indefinite lives since they do not expire, are recorded at cost, are not amortized and are tested for impairment annually during the first quarter, or more frequently should events or changes in circumstances indicate that they might be impaired. Motor fuel supply agreements are recorded at cost and are amortized using the straight-line method over the term of the agreements. Other intangible assets are amortized using the straight-line method over a period of five to ten years.

Deferred charges

Deferred charges are mainly expenses incurred in connection with the analysis and signing of the Corporation's revolving unsecured operating credits amortized using the straight-line method over the period of the corresponding contract. Deferred charges also include expenses incurred in connection with the analysis and signing of operating leases which are deferred and amortized on a straight-line basis over the lease term. Other deferred charges are amortized on a straight-line basis over periods of five to seven years.

3. Accounting policies (continued)

Rent expense

The Corporation accounts for finance leases in instances where it has acquired substantially all the benefits and risks incidental to ownership of the leased property. In some cases, the lease transaction is not always conclusive, and management uses judgment in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and benefits incidental to ownership. The cost of assets under finance leases represents the present value of minimum lease payments or the fair value of the leased property, whichever is lower, and is amortized on a straight-line basis over the term of the lease or useful life of the asset, whichever is shorter. Assets under finance leases are presented under Property and equipment in the consolidated balance sheet.

Leases that do not transfer substantially all the benefits and risks incidental to ownership of the property are accounted for as operating leases. When a lease contains a predetermined fixed escalation of the minimum rent, the Corporation recognizes the related rent expense on a straight-line basis over the term of the lease and, consequently, records the difference between the recognized rental expense and the amounts payable under the lease as deferred rent expense.

The Corporation also receives tenant allowances, which are amortized on a straight-line basis over the term of the lease or useful life of the asset, whichever is shorter.

Gains and losses resulting from sale and leaseback transactions are recorded in the consolidated statements of earnings at the transaction date except if:

- the sale price is below fair value and the loss is compensated for by future lease payments below market price, in which case it shall be deferred and amortized in proportion to the lease payments over the period during which the asset is expected to be used; or

- the sale price is above fair value, in which case the excess shall be deferred and amortized over the period during which the asset is expected to be used.

Financing costs

Financing costs related to term loans are included in the initial carrying amount of the corresponding debt and are amortized using the effective interest rate method that is based on the estimated cash flow over the expected life of the liability. Financing costs related to revolving loans are included in other assets and are amortized using the straight-line method over the expected life of the underlying agreement.

Stock-based compensation and other stock-based payments

Stock-based compensation costs are measured at the grant date of the award based on the fair value method for all transactions entered into starting in fiscal year 2003.

The fair value of stock options is recognized over the vesting period of each respective vesting portion as compensation expense with a corresponding increase in contributed surplus. When stock options are exercised, the corresponding contributed surplus is transferred to capital stock.

The Phantom Stock Units ("PSU") compensation cost and the related liability are recorded on a straight-line basis over the corresponding vesting period based on the fair market value of Class B shares and the best estimate of the number of PSUs that will ultimately be paid. The recorded liability is adjusted periodically to reflect any variation in the fair market value of the Class B shares and revisions to the estimated number of PSUs that will ultimately be paid.

Employee future benefits

The Corporation accrues its obligations under employee pension plans and the related costs, net of plan assets. The Corporation has adopted the following accounting policies with respect to the defined benefit plans:

- The accrued benefit obligations and the cost of pension benefits earned by active employees are actuarially determined using the projected unit credit method pro-rated on service and pension expense is recorded in earnings as the services are rendered by active employees. The calculations reflect management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees;
- The discount rate on the benefit obligation is equal to the yield at the measurement date on high quality corporate bonds that have maturity dates approximating the terms of the Corporation's obligations;
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;
- Actuarial gains and losses arise from the difference between the actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation. Actuarial gains and losses are recognized in Other comprehensive income without impact on net earnings;
- Past service costs are amortized on a straight-line basis over the average remaining period until the benefits become vested.

The pension cost recorded in net earnings for the defined contribution plan is equivalent to the contribution which the Corporation is required to pay in exchange for services provided by the employees.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3. Accounting policies (continued)

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Corporation has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In order to determine the initial recorded liability, the present value of estimated future cash flows is calculated using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Environmental costs

The Corporation provides for estimated future site remediation costs to meet government standards for known site contaminations when such costs can be reasonably estimated. Estimates of the anticipated future costs for remediation activities at such sites are based on the Corporation's prior experience with remediation sites and consideration of other factors such as the condition of the site contamination, location of sites and experience with contractors that perform the environmental assessments and remediation work. In order to determine the initial recorded liability, the present value of estimated future cash flows was calculated using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Asset retirement obligations

Asset retirement obligations relate to estimated future costs to remove underground motor fuel storage tanks and are based on the Corporation's prior experience in removing these tanks, estimated tank useful life, lease terms for those tanks installed on leased properties, external estimates and governmental regulatory requirements. A discounted liability is recorded for the fair value of an asset retirement obligation with a corresponding increase to the carrying value of the related long-lived asset at the time an underground storage tank is installed. To determine the initial recorded liability, the future estimated cash flows are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amount added to property and equipment is amortized and an accretion expense is recognized in connection with the discounted liability over the remaining life of the tank or lease term for leased properties.

Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased to reflect the passage of time and then adjusted for variations in the current market-based discount rate or the scheduled underlying cash flows required to settle the liability.

Obligations related to general liability and workers' compensation

In the United States, the Corporation is self-insured for certain losses related to general liability and workers' compensation. The expected ultimate cost for claims incurred as of the balance sheet date is discounted and is recognized as a liability. This cost is estimated based on analysis of the Corporation's historical data and actuarial estimates. In order to determine the initial recorded liability, the present value of estimated future cash flows is calculated using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Financial instruments recognition and measurement

The Corporation has made the following classifications for its financial assets and liabilities:

Financial assets and liabilities	Classification	Subsequent measurement [1]	Classification of gains and losses
Cash and cash equivalents	Loans and receivables	Amortized cost	Net earnings
Restricted cash	Loans and receivables	Amortized cost	Net earnings
Accounts receivable	Loans and receivables	Amortized cost	Net earnings
Investments in publicly-traded securities	Available for sale	Fair value	Other comprehensive income
Bank indebtedness and long-term debt	Other financial liabilities	Amortized cost	Net earnings
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	Net earnings

[1] Initial measurement of all financial assets and liabilities is at fair value.

Hedging and derivative financial instruments

Embedded total return swap

The Corporation uses an investment contract which includes an embedded total return swap to manage current and forecasted risks related to changes in the fair value of the PSUs granted by the Corporation. The embedded total return swap is recorded at fair value on the consolidated balance sheet under other assets.

The Corporation has documented and designated the embedded total return swap as a cash flow hedge of the anticipated cash settlement transaction related to the granted PSUs. The Corporation has determined that the embedded total return swap is an effective hedge at the time of the establishment of the hedge and for the duration of the embedded total return swap. The changes in the fair value of the total return swap are initially recorded in consolidated other comprehensive income and subsequently reclassified to consolidated net earnings in the same period that the change in the fair value of the PSUs affects consolidated net earnings. Should it become probable that the hedged transaction will not occur, any gains, losses, revenues or expenses associated with the hedging item that had previously been recognized in other comprehensive income as a result of applying hedge accounting will be recognized in the reporting period's net earnings under Operating, selling, administrative and general expenses.

Hedge of the net investment in foreign operations

The Corporation has designated its entire US dollar denominated long-term debt as a foreign exchange hedge of its net investment in its foreign operations. Accordingly, the portion of the gains or losses arising from the translation of the US dollar denominated debt that is determined to be an effective hedge is recognized in Other comprehensive income, counterbalancing gains and losses arising from translation of the Corporation's net investment in its foreign subsidiaries. Should a portion of the hedging relationship become ineffective, the ineffective portion would be recorded in the consolidated statement of earnings under Operating, selling, administrative and general expenses.

3. Accounting policies (continued)

Foreign exchange forward contracts

The Corporation uses foreign exchange forward contracts ("forwards") to manage the currency fluctuation risk associated with forecasted cash disbursements in foreign currency. Forwards are recorded at fair value on the consolidated balance sheet. Changes in the fair value of Forwards are recorded in net financial (revenues) expenses.

Guarantees

A guarantee is defined as a contract or an indemnification agreement contingently requiring a Corporation to make payments to a third party based on future events. These payments are contingent on either changes in an underlying or other variables that are related to an asset, liability, or an equity security of the indemnified party or the failure of another entity to perform under an obligating agreement. It could also be an indirect guarantee of the indebtedness of another party. Guarantees are initially recognized at fair value and subsequently revaluated when the loss becomes probable.

Business combinations

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the aggregate of the fair values (at the date of acquisition) of assets given, liabilities incurred or assumed, and equity instruments issued by the Corporation in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognized at their fair values at the acquisition date. Direct acquisition costs are recorded in earnings when incurred.

Goodwill arising from business combinations is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess ("Negative goodwill") is recognized immediately to earnings.

Earnings from the businesses acquired are included in the consolidated statements of earnings from their respective dates of acquisition.

Recently issued accounting standards not yet implemented

Revised Standards

Financial Statement Presentation

In June 2011, the IASB issued amendments to International Accounting Standards ("IAS") 1 "Presentation of Financial Statements". The amendments govern the presentation of Other Comprehensive Income ("OCI") in the financial statements, primarily by requiring OCI items that may be reclassified to the statement of earnings to be presented separately from those that remain in equity.

These changes are applicable for fiscal years beginning on or after July 1st, 2012. The Corporation will apply these changes for its first quarter of fiscal year 2014 and is still evaluating their impact on its consolidated financial statements.

Employee Benefits

In June 2011, the IASB issued a revised version of IAS 19 "Employee Benefits" to modify accounting rules for defined benefits pension plans. The revised version of the standard contains multiple modifications, including the elimination of the corridor approach, which allowed deferring part of the actuarial gains and losses, as well as enhanced guidance on measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and the introduction of enhanced disclosures for defined benefit plans.

These changes are applicable for fiscal years beginning on or after January 1st, 2013. The Corporation is in the process of determining when it will apply these changes and is still evaluating their impact on its consolidated financial statements.

Financial Instruments – Presentation and disclosure

In December 2011, the IASB issued revised versions of IFRS 7 "Financial Instruments: Disclosures" and IAS 32 "Financial Instruments: Presentation". The modifications clarify the offsetting rules and state new disclosure requirements for offsetting of financial assets and liabilities on the balance sheet.

The changes applied to IFRS 7 are applicable for fiscal years beginning on or after January 1st, 2013 while changes applied to IAS 32 are applicable for fiscal years beginning on or after January 1st, 2014. The Corporation will apply these changes for its first quarter of fiscal years 2014 and 2015, respectively and is still evaluating their impact on its consolidated financial statements.

New standards

Financial Instruments

In November 2009, the IASB issued a new standard, IFRS 9 "Financial Instruments" which is the first phase of the IASB's three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The standard provides guidance on the classification and measurement of financial liabilities and requirements for the derecognition of financial assets and financial liabilities.

IFRS 9 is applicable for fiscal years beginning on or after January 1st, 2015. The Corporation will apply these new standards for its first quarter of fiscal year 2016 and is still evaluating the impact on its consolidated financial statements.

3. Accounting policies (continued)

Consolidated financial statements

In May 2011, the IASB issued a new standard, IFRS 10 "Consolidated Financial Statements" which requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 "Consolidation—Special Purpose Entities" and parts of IAS 27 "Consolidated and Separate Financial Statements".

Joint Arrangements

In May 2011, the IASB issued a new standard, IFRS 11 "Joint Arrangements" which requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 "Interests in Joint Ventures", and SIC-13 "Jointly Controlled Entities—Non-monetary Contributions by Venturers".

Disclosure of Interest in Other Entities

In May 2011, the IASB issued a new standard, IFRS 12 "Disclosure of Interest in Other Entities". IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard includes existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

Fair Value Measurement

In May 2011, the IASB issued a new standard, IFRS 13 "Fair Value Measurement". IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IFRS 10, 11, 12 and 13 are all applicable for fiscal years beginning on or after January 1st, 2013. The Corporation will apply these new standards for its first quarter of fiscal year 2014 and is still evaluating their impact on its consolidated financial statements.

4. Business acquisitions

The Corporation has made the following business acquisitions:

2012

- In May 2011, the Corporation purchased 11 company-operated stores located in Ontario, Manitoba, Saskatchewan, Alberta and British Columbia from Shell Canada Products. The Corporation leases the land and buildings for four sites and owns both these assets for the other sites.

- In June 2011, the Corporation signed an agreement with ExxonMobil for 322 stores and motor fuel supply agreements for another 65 stores. All stores are operated in Southern California, United States. The transaction is scheduled to close in stages: the first stages occurred during the month of August 2011. The transaction is subject to standard regulatory approvals and closing conditions. The following is a summary of progress made during the 2012 fiscal year and steps that should be completed subsequently:

    - In August 2011, the Corporation purchased one company-operated store for which it owns the land and building and it acquired the motor fuel supply agreements for 63 other stores;
    - In October 2011, the Corporation acquired one company-operated store for which it owns the land and building as well as 83 stores operated by independent operators for which the Corporation owns the buildings and leases the land;
    - At end of October 2011 and beginning of November 2011, the Corporation acquired 72 company-operated stores for which it owns the land and buildings for 37 stores and leases the land and owns the building for the other stores;
    - Between January 29, 2012 and April 29, 2012, the Corporation acquired eight stores operated by independent operators for which the real estate is owned by the Corporation along with the related motor fuel supply agreements. Additionally, during this time period, 13 independent operators elected to accept ExxonMobil's *bona fide* offer. Consequentially, 13 fuel supply agreements were transferred to the Corporation during this period;
    - Subsequent to fiscal year 2012 and consequentially not reflected into the purchase price allocation table below :
        - As at April 29, 2012, 144 sites operated by independent operators along with related motor fuel supply agreements remained to be integrated to the Corporation's network. However, the sale to the Corporation by ExxonMobil of real estate for these sites is conditional to ExxonMobil's obligation to submit a *bona fide* offer to each independent operator. If the offer is accepted by the independent operator than only the motor fuel supply agreement is transferred to the Corporation.
        - The Corporation expects to acquire 126 stores operated by independent operators and for which the real estate should be owned by the Corporation and expects 18 fuel supply agreements to be transferred to the Corporation.

- On October 13, 2011, the Corporation acquired from Chico Enterprises Inc., 26 company-operated stores operating in northern West Virginia, United States. The Corporation owns the real estate for 25 sites and owns the building and leases the land for the other site.

(in millions of US dollars, except share and stock option data)

4. Business acquisitions (continued)

- On November 16 and 17, 2011, the Corporation acquired from ExxonMobil, 33 company-operated stores operating under the "On the Run" banner in Louisiana, United States. The Corporation owns the buildings for 33 sites as well as land for 25 sites and leases the land for the other eight sites.
- On December 12, 2011, the Corporation acquired from Neighbors Stores Inc., 11 company-operated stores operating under the "Neighbors" banner in North Carolina, United States. The Corporation owns the buildings for eight sites as well as land for nine sites and leases theses same assets for the other sites.
- On April 11, 2012, the Corporation acquired from Dead River Company, 17 company-operated stores operating in Maine, United States. Two quick service restaurants were also transferred to the Corporation. The Corporation owns the buildings and land for 16 sites and leases these same assets for the other three sites.
- During fiscal year 2012, the Corporation also acquired 19 other stores through distinct transactions. The Corporation leases the land and buildings for 11 sites and owns both these assets for the other sites.

Acquisition costs in the amount of $6.8 are included in Operating, selling, administrative and general expenses in connection with these and other unrealized acquisitions.

These acquisitions were settled for a total cash consideration of $380.3. Since the Corporation has not completed its fair value assessment of the net assets acquired for all transactions, the preliminary allocations of certain acquisitions are subject to adjustments to the fair value of the assets and liabilities until the process is completed. Purchase price allocations based on the estimated fair value on the dates of acquisition are as follows:

	$
Tangible assets acquired	
Inventories	**19.2**
Property and equipment	**281.4**
Other assets	**5.5**
Total tangible assets	**306.1**
Liabilities assumed	
Accounts payable and accrued liabilities	**1.3**
Provisions	**30.9**
Total liabilities	**32.2**
Net tangible assets acquired	**273.9**
Intangible assets	**45.8**
Goodwill	**67.5**
Negative goodwill recorded to Operating, selling, administrative and general expenses	**(6.9)**
Total consideration paid	**380.3**

The Corporation expects that approximately $4.8 of the goodwill related to these transactions will be deductible for tax purposes.

These acquisitions were concluded in order to expand the Corporation's market share and to increase its economies of scale. These acquisitions generated goodwill in the amount of $67.5 mainly due to the location of stores which is favorable to the Corporation's operations: accessible location, limited competition, proximity to target clientele. Since the date of acquisition, revenues and net earnings from these stores amounted to $1,254.3 and $5.8, respectively. Considering the nature of these acquisitions, the available financial information does not allow for the accurate disclosure of pro-forma Revenues and Net earnings had the Corporation concluded these acquisitions at the beginning of the year.

On May 11, 2011, the Corporation, through its RDK Ventures LLC ("RDK") joint venture, purchased four company-operated stores located in the Chicago area, United States, from Gas City, Ltd. RDK leases the land and buildings for one site and owns both these assets for the other sites.

On November 8, 9 and 10, 2011, the Corporation, through the RDK joint venture, acquired from Supervalu Inc., 27 stores operating in the Chicago area, Illinois, United States. The agreement also includes the transfer to RDK of two vacant land parcels. Out of the 27 stores, 14 are company-operated while the other 13 are operated by independent operators. RDK owns the real estate for 24 sites as well as the two vacant land parcels, owns the building and leases the land for two sites and leases both these assets for the remaining site.

2011

- On September 9, 2010, the Corporation acquired ten company-operated stores from Compac Food Stores Inc. Nine of the stores are located in the greater Mobile, Alabama area and one is located in Pensacola, Florida. The Corporation owns all buildings while it leases the land for four stores and owns the other six.
- On September 30, 2010, the Corporation acquired 12 company-operated stores located in central Indiana from Crystal Flash Petroleum, LLC. The Corporation owns the land and building for one site, leases those same assets for ten sites and owns the building and leases the land for another site.
- During fiscal year 2011, the Corporation also acquired 25 other stores through 21 distinct transactions. The Corporation owns the land and buildings for 15 sites and it leases both these assets for the other ten sites.

(in millions of US dollars, except share and stock option data)

4. Business acquisitions (continued)

Acquisition costs in the amount of $10.4 are included in Operating, selling, administrative and general expenses in connection with these and other unrealized acquisitions.

These acquisitions were settled for a total cash consideration of $37.8. Purchase price allocations based on the fair value on the dates of acquisition are as follows:

	$
Tangible assets acquired	
Inventories	**2.5**
Property and equipment	**29.4**
Other assets	**0.2**
Total tangible assets	**32.1**
Liabilities assumed	
Accounts payable and accrued liabilities	**0.3**
Provisions	**1.0**
Total liabilities	**1.3**
Net tangible assets acquired	**30.8**
Goodwill	**7.0**
Total consideration paid	**37.8**

Approximately $2.3 of the goodwill related to these transactions was deductible for tax purposes.

These acquisitions were concluded in order to expand the Corporation's market share and to increase its economies of scale. These acquisitions generated goodwill in the amount of $7.0 mainly due to the location of stores which is favorable to the Corporation's operations: accessible location, limited competition, proximity to target clientele.

5. Interest in a joint venture

The Corporation owns a 50.01% interest in a joint venture, RDK, which operates convenience stores located in the greater Chicago metropolitan area of the United States.

The Corporation's investment in RDK is recorded according to the equity method. The following amounts represent the Corporation's share of RDK's assets, liabilities, revenues, expenses, net earnings and cash flows.

	2012	2011
	$	$
Balance sheets		
Current assets	**25.1**	22.6
Long-term assets	**81.7**	68.5
Current liabilities	**22.9**	17.5
Long-term liabilities	**18.9**	25.4

	2012 (53 weeks)	2011 (52 weeks)
	$	$
Statements of earnings		
Revenues	**546.1**	415.5
Expenses	**524.5**	398.6
Net earnings	**21.6**	16.9
Statements of cash flows		
Operating activities	**25.1**	20.6
Investing activities	**(19.7)**	(4.4)
Financing activities	**(11.3)**	(10.7)

(in millions of US dollars, except share and stock option data)

6. Supplementary information relating to expenses

	2012 (53 weeks)	2011 (52 weeks)
	$	$
Cost of sales	**20,028.4**	15,804.7
Selling expenses	**1,944.2**	1,824.2
Administrative expenses	**207.5**	204.7
	22,180.1	17,833.6

Includes rent expense of $237.1 ($228.7 in 2011), net of sub-leasing income of $26.5 ($20.0 in 2011).

	2012 (53 weeks)	2011 (52 weeks)
	$	$
Employee benefit charges		
Salaries	**776.6**	731.4
Fringe benefits and other employer contributions	**79.0**	76.6
Employee future benefits (Note 23)	**50.3**	50.9
Stock-based compensation and other stock-based payments (Note 22)	**4.8**	3.8
Termination benefits	**1.5**	1.3
	912.2	864.0

7. Compensation of key management personnel

	2012 (53 weeks)	2011 (52 weeks)
	$	$
Salaries and other current benefits	**5.9**	6.5
Stock-based compensation and other stock-based payments	**2.3**	1.8
Employee future benefits (Note 23)	**2.1**	1.7
	10.3	10.0

Key management personnel comprises Members of the Board of Directors and senior management.

8. Net financial expenses

	2012 (53 weeks)	2011 (52 weeks)
	$	$
Financial expenses		
Interest expense		
Interest on long-term debt	**5.5**	20.1
Interest on finance lease liabilities	**0.6**	0.6
Interest on bank overdrafts and bank loans	**-**	0.1
Accretion of provisions (Note 20)	**5.9**	5.4
Amortization and write off of fair value gain on interest rate swaps designated as a cash-flow hedge	**-**	(9.7)
Amortization and write off of deferred financing fees	**-**	8.0
Premium paid on early redemption of subordinated unsecured debt	**-**	4.4
Other finance costs	**1.5**	2.5
	13.5	31.4
Financial revenues		
Interest on bank deposits	**0.2**	0.2
Other financial revenues	**1.0**	1.6
	1.2	1.8
Gain on foreign exchange forward contracts	**17.0**	-
Net financial (revenues) expenses	**(4.7)**	29.6

(in millions of US dollars, except share and stock option data)

9. Income taxes

	2012 (53 weeks)	2011 (52 weeks)
	$	$
Current income taxes	**122.1**	63.3
Deferred income taxes	**24.2**	57.9
	146.3	121.2

The principal items which resulted in differences between the Corporation's effective income tax rates and the combined statutory rates in Canada are detailed as follows:

	2012	2011
	%	%
Combined statutory income tax rate in Canada [(a)]	**27.91**	29.43
Impact of tax rate changes	**0.11**	0.14
Other permanent differences	**(3.79)**	(4.86)
Effective income tax rate	**24.23**	24.71

(a) The Corporation's combined statutory income tax rate in Canada includes the appropriate provincial income tax rates.

The components of deferred income tax assets and liabilities are as follows:

				2012
	Balance as at April 24, 2011	Recognized to earnings	Recognized directly to other comprehensive income or equity	Balance as at April 29, 2012
	$	$	$	$
Deferred income tax assets				
Expenses deductible during the following years	**7.2**	**4.8**	**(0.5)**	**11.5**
Tax attributes	**1.1**	**1.2**	**-**	**2.3**
Deferred credits	**(0.8)**	**(0.8)**	**-**	**(1.6)**
Property and equipment	**0.1**	**(1.9)**	**-**	**(1.8)**
Goodwill	**0.1**	**(0.7)**	**-**	**(0.6)**
Asset retirement obligations	**-**	**1.5**	**-**	**1.5**
Unrealized exchange gain	**3.8**	**(9.3)**	**3.2**	**(2.3)**
Other	**1.4**	**2.0**	**2.0**	**5.4**
	12.9	**(3.2)**	**4.7**	**14.4**
Deferred income tax liabilities				
Expenses deductible during the following years	**(49.0)**	**(6.2)**	**-**	**(55.2)**
Tax attributes	**(4.2)**	**3.0**	**-**	**(1.2)**
Revenues taxable during the following years	**21.2**	**(17.3)**	**-**	**3.9**
Deferred credits	**(10.3)**	**0.1**	**-**	**(10.2)**
Property and equipment	**208.6**	**45.4**	**-**	**254.0**
Intangible assets	**68.8**	**(0.8)**	**-**	**68.0**
Goodwill	**24.1**	**2.1**	**-**	**26.2**
Asset retirement obligations	**(21.5)**	**(0.3)**	**-**	**(21.8)**
Unrealized exchange gain	**10.2**	**(5.1)**	**(3.2)**	**1.9**
Other	**(3.6)**	**0.1**	**-**	**(3.5)**
	244.3	**21.0**	**(3.2)**	**262.1**

9. Income taxes (continued)

	2011			
	Balance as at April 26, 2010	Recognized to earnings	Recognized directly to other comprehensive income or equity	Balance as at April 24, 2011
	$	$	$	$
Deferred income tax assets				
Expenses deductible during the following years	5.7	1.5	-	7.2
Capital and non-capital losses	2.2	(1.1)	-	1.1
Deferred credits	(0.3)	(0.5)	-	(0.8)
Property and equipment	0.3	(0.2)	-	0.1
Goodwill	0.1	-	-	0.1
Unrealized exchange gain	-	-	3.8	3.8
Other	0.6	0.6	0.2	1.4
	8.6	0.3	4.0	12.9
Deferred income tax liabilities				
Expenses deductible during the following years	(40.5)	(8.1)	(0.4)	(49.0)
Capital and non-capital losses	(2.8)	(1.4)	-	(4.2)
Revenues taxable during the following years	7.5	13.7	-	21.2
Deferred credits	(12.5)	2.2	-	(10.3)
Property and equipment	163.2	45.4	-	208.6
Intangible assets	65.2	3.6	-	68.8
Goodwill	20.2	3.9	-	24.1
Asset retirement obligations	(19.3)	(2.2)	-	(21.5)
Unrealized exchange gain	18.3	-	(8.1)	10.2
Other	(5.4)	1.1	0.7	(3.6)
	193.9	58.2	(7.8)	244.3

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2012	2011	2010
	$	$	$
Deferred tax assets:			
Deferred tax asset to be recovered in more than 12 months	**15.2**	12.9	8.6
Deferred tax asset to be recovered within 12 months	**(0.8)**	-	-
	14.4	12.9	8.6
Deferred tax liabilities:			
Deferred tax liabilities to be recovered in more than 12 months	**281.1**	259.9	215.9
Deferred tax liabilities to be recovered within 12 months	**(19.0)**	(15.6)	(22.0)
	262.1	244.3	193.9

Deferred income tax liabilities that would be payable on the retained earnings of certain subsidiaries have not been recognized because such amounts are not expected to materialize in the foreseeable future. Temporary differences related to these investments amounted to $383.2 ($198.1 in 2011).

10. Net earnings per share

The following table presents the information for the computation of basic and diluted net earnings per share:

	2012 (53 weeks)	2011 (52 weeks)
	$	$
Net earnings available to Class A and B shareholders	**457.6**	369.2
Weighted average number of shares (in thousands)	**180,420**	184,637
Dilutive effect of stock options (in thousands)	**3,163**	3,577
Weighted average number of diluted shares (in thousands)	**183,583**	188,214
Basic net earnings per share available for Class A and B shareholders	**2.54**	2.00
Diluted net earnings per share available for Class A and B shareholders	**2.49**	1.96

In calculating diluted net earnings per share for 2012, no stock options (438,035 excluded stock options in 2011) are excluded due to their antidilutive effect.

During its July 10, 2012 meeting, the Corporation's Board of Directors (the "Board") declared a dividend of CA$0.075 per share to shareholders on record as at July 19, 2012 and approved its payment for August 2, 2012.

During fiscal 2012, the Board declared total dividends averaging CA$0.275 per share.

(in millions of US dollars, except share and stock option data)

11. Supplementary information relating to the consolidated statements of cash flows

The changes in non-cash working capital are detailed as follows:

	2012 (53 weeks)	2011 (52 weeks)
	$	$
Accounts receivable	**(24.5)**	(41.8)
Inventories	**(3.7)**	(45.1)
Prepaid expenses	**(5.7)**	(0.7)
Accounts payable and accrued liabilities	**87.0**	105.0
Income taxes payable	**31.6**	(27.6)
	84.7	(10.2)

12. Accounts receivable

	2012	2011	2010
	$	$	$
Trade accounts receivable and vendor rebates receivable	**169.0**	120.3	117.2
Credit and debit cards receivable	**206.2**	195.2	135.5
Environmental costs receivable (Note 20)	**2.1**	3.3	3.1
Other accounts receivable	**43.4**	30.3	25.0
	420.7	349.1	280.8

13. Inventories

	2012	2011	2010
	$	$	$
Merchandise – retail	**362.4**	329.4	320.8
Motor fuel	**161.0**	178.2	129.4
Merchandise – distribution centres	**20.5**	18.4	19.7
	543.9	526.0	469.9

(in millions of US dollars, except share and stock option data)

14. Property and equipment

	Land	Building and building components	Equipment	Leasehold improvements	Total
	$	$	$	$	$
As at April 26, 2010					
Cost	551.1	548.7	1,412.3	389.3	2,901.4
Accumulated depreciation and amortization	-	(140.3)	(655.8)	(190.4)	(986.5)
Net book amount	551.1	408.4	756.5	198.9	1,914.9
Portion related to finance leases		0.2	7.7		7.9
Year ended April 24, 2011					
Net book amount, beginning	551.1	408.4	756.5	198.9	1,914.9
Effect of exchange rate variations	2.4	3.8	8.3	3.0	17.5
Additions	15.1	30.2	134.6	37.7	217.6
Business acquisitions	11.4	10.7	7.3	-	29.4
Disposals	(9.9)	(9.3)	(12.2)	(2.0)	(33.4)
Depreciation expense	-	(33.7)	(140.1)	(36.8)	(210.6)
Transfers	-	(13.6)	30.7	(17.1)	-
Net book amount, end	570.1	396.5	785.1	183.7	1,935.4
As at April 24, 2011					
Cost	570.1	564.8	1 576.3	401.1	3 112.3
Accumulated depreciation and amortization	-	(168.3)	(791.2)	(217.4)	(1,176.9)
Net book amount	570.1	396.5	785.1	183.7	1,935.4
Portion related to finance leases		0.2	11.2		11.4
Year ended April 29, 2012					
Net book amount, beginning	**570.1**	**396.5**	**785.1**	**183.7**	**1,935.4**
Effect of exchange rate variations	**(1.4)**	**(2.1)**	**(4.7)**	**(1.8)**	**(10.0)**
Additions	**13.3**	**22.8**	**218.0**	**50.6**	**304.7**
Business acquisitions	**113.6**	**63.1**	**88.6**	**16.1**	**281.4**
Disposals	**(12.3)**	**(9.3)**	**(16.4)**	**(2.1)**	**(40.1)**
Depreciation expense	**-**	**(36.5)**	**(146.3)**	**(40.3)**	**(223.1)**
Transfers	**-**	**-**	**0.7**	**(0.7)**	**-**
Net book amount, end	**683.3**	**434.5**	**925.0**	**205.5**	**2,248.3**
As at April 29, 2012					
Cost	**683.3**	**631.7**	**1,812.4**	**454.4**	**3,581.8**
Accumulated depreciation and amortization	**-**	**(197.2)**	**(887.4)**	**(248.9)**	**(1,333.5)**
Net book amount	**683.3**	**434.5**	**925.0**	**205.5**	**2,248.3**
Portion related to finance leases		**0.1**	**12.1**		**12.2**

(in millions of US dollars, except share and stock option data)

15. Goodwill and Intangible assets

	Goodwill	Trademarks	Fuel supply agreements	Licenses	Other	Total
	$				$	$
As at April 26, 2010						
Cost	425.3	154.7	-	18.8	44.0	217.5
Accumulated amortization	-	-	-	-	(29.3)	(29.3)
Net book amount	425.3	154.7	-	18.8	14.7	188.2
Year ended April 24, 2011						
Net book amount, beginning	425.3	154.7	-	18.8	14.7	188.2
Effect of exchange rate variations	9.2	-	-	-	0.4	0.4
Additions	-	-	-	0.5	4.7	5.2
Business acquisitions	7.0	-	-	-	-	-
Disposals	(0.6)	-	-	-	(1.0)	(1.0)
Depreciation expense	-	-	-	-	(4.2)	(4.2)
Net book amount, end	440.9	154.7	-	19.3	14.6	188.6
As at April 24, 2011						
Cost	440.9	154.7	-	19.3	48.2	222.2
Accumulated amortization	-	-	-	-	(33.6)	(33.6)
Net book amount	440.9	154.7	-	19.3	14.6	188.6
Year ended April 29, 2012						
Net book amount, beginning	**440.9**	**154.7**	**-**	**19.3**	**14.6**	**188.6**
Effect of exchange rate variations	**(5.5)**	**-**	**-**	**-**	**(0.2)**	**(0.2)**
Additions	**-**	**-**	**-**	**0.2**	**3.4**	**3.6**
Business acquisitions	**67.5**	**-**	**45.8**	**-**	**-**	**45.8**
Disposals	**-**	**-**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.3)**
Depreciation expense	**-**	**-**	**(15.8)**	**-**	**(4.7)**	**(20.5)**
Net book amount, end	**502.9**	**154.7**	**29.9**	**19.4**	**13.0**	**217.0**
As at April 29, 2012						
Cost	**502.9**	**154.7**	**45.5**	**19.4**	**51.7**	**271.3**
Accumulated amortization	**-**	**-**	**(15.6)**	**-**	**(38.7)**	**(54.3)**
Net book amount	**502.9**	**154.7**	**29.9**	**19.4**	**13.0**	**217.0**

16. Other assets

	2012	2011	2010
	$	$	$
Investment contract including an embedded total return swap (Note 24)	**13.4**	10.0	3.5
Environmental costs receivable (Note 20)	**13.0**	14.8	17.6
Deferred charges, net	**9.1**	7.4	9.4
Deposits	**7.3**	2.0	1.6
Other	**25.4**	23.8	23.7
	68.2	58.0	55.8

17. Accounts payable and accrued liabilities

	2012	2011	2010
	$	$	$
Accounts payable and accrued expenses	**812.7**	701.7	618.2
Taxes payable	**91.1**	109.7	87.4
Salaries and related benefits	**74.3**	78.8	69.3
Deferred credits	**14.7**	13.4	14.7
Other	**32.9**	32.9	32.1
	1,025.7	936.5	821.7

(in millions of US dollars, except share and stock option data)

18. Long-term debt

	2012	2011	2010
	$	$	$
US dollar term revolving unsecured operating credit A, maturing in September 2012 [(a)]	**312.7**	330.4	185.6
Canadian dollar term revolving unsecured operating credit A, maturing in September 2012 [(a)]	**13.6**	-	52.4
US dollar term revolving unsecured operating credit B, maturing in September 2012 [(a)]	**147.3**	155.6	87.4
Canadian dollar term revolving unsecured operating credit B, maturing in September 2012 [(a)]	**6.7**	-	24.6
US dollar term revolving unsecured operating credit D, maturing in December 2016 [(b)]	**116.0**	-	-
Canadian dollar term revolving unsecured operating credit D, maturing in December 2016 [(b)]	**53.0**	-	-
Subordinated unsecured debt, at amortized cost [(d)]	**-**	-	351.7
Note payable, secured by the assets of certain stores, 8.75%, repayable in monthly instalments, maturing in 2019	**3.6**	3.9	4.2
Obligations related to buildings and equipment under finance leases, rates varying from 0.44% to 12.28%, payable on various dates until 2019	**12.3**	11.6	10.4
	665.2	501.5	716.3
Current portion of long-term debt	**484.4**	4.6	4.4
	180.8	496.9	711.9

(a) Term revolving unsecured operating credits A, B and C

As at April 29, 2012, the Corporation has credit agreements consisting of three revolving unsecured facilities of initial maximum amounts of $650.0 (Operating credit A), $310.0 (Operating credit B) and $40.0 (Operating credit C) each, with initial terms of five years, 51 months and 42 months respectively. Following the new credit agreement signed and described below in (b), the maximum amounts available were reduced to $326.0 for Operating credit A and $154.0 for Operating credit B. The amount available for Operating credit C remained the same. The used portion of the revolving facilities in excess of the reduced initial amounts was transferred to the new credit facility described below in (b).

The credit facilities are available in the form of a term revolving unsecured operating credit, available i) in Canadian dollars, ii) in US dollars, iii) in the form of Canadian dollar bankers' acceptances, with stamping fees and iv) in the form of standby letters of credit not exceeding $50.0 or the equivalent in Canadian dollars, with applicable fees. Depending on the form and the currency of the loan, the amounts borrowed bear interest at variable rates based on the Canadian prime rate, the bankers' acceptance rate, the US base rate or the LIBOR rate plus a variable margin;

Standby fees, which vary based on a leverage ratio and on the utilization rate of the credit facilities, apply to the unused portion of the credit facilities. Stamping fees, standby letters of credit fees and the variable margin used to determine the interest rate applicable to amounts borrowed are determined according to a leverage ratio of the Corporation.

Under the credit agreements, the Corporation must maintain certain financial ratios and respect certain restrictive provisions.

(b) Term revolving unsecured operating credit D

On December 9, 2011, the Corporation entered into a new credit agreement consisting of a revolving unsecured facility of an initial maximum amount of $1,000.0 (Operating credit D) with an initial term of five years. The credit facility is available in the following forms:

- A term revolving unsecured operating credit, available i) in Canadian dollars, ii) in US dollars, iii) in the form of Canadian dollar bankers' acceptances, with stamping fees and iv) in the form of standby letters of credit not exceeding $100.0 or the equivalent in Canadian dollars, with applicable fees. Depending on the form and the currency of the loan, the amounts borrowed bear interest at variable rates based on the Canadian prime rate, the bankers' acceptance rate, the US base rate or LIBOR plus a variable margin; and
- An unsecured line of credit in the maximum amount of $50.0, available in Canadian or US dollars, bearing interest at variable rates based, depending on the form and currency of the loan, on the Canadian prime rate, the US prime rate or the US base rate plus a variable margin.

Standby fees, which vary based on a leverage ratio and on the utilization rate of the credit facility, apply to the unused portion of the credit facility. Stamping fees, standby letters of credit fees and the variable margin used to determine the interest rate applicable to amount borrowed are determined according to a leverage ratio of the Corporation.

Under the credit agreement, the Corporation must maintain certain financial ratios and respect certain restrictive provisions.

(c) Unsecured non-revolving acquisition credit facility

On April 16, 2012, the Corporation entered into a new credit agreement consisting of an unsecured non-revolving acquisition credit facility of an initial maximum amount of $3,200.0 ("acquisition facility") with an initial term of three years. The acquisition facility is available exclusively to finance, directly or indirectly, the acquisition of Statoil Fuel & Retail ASA and the related acquisition costs or the repayment of any of Statoil Fuel & Retail ASA and its subsidiaries' outstanding debt. The acquisition facility is available i) in Canadian dollars by the way of prime rate loans or bankers' acceptances, ii) in US dollars by the way of US base rate loans or LIBOR loans. Depending on the form and the currency of the loan, the amounts borrowed bear interest at variable rates based on the Canadian prime rate, the bankers' acceptance rate, the US base rate or LIBOR plus a variable margin.

(in millions of US dollars, except share and stock option data)

18. Long-term debt (continued)

Under the credit agreement, the Corporation must maintain certain financial ratios and respect certain restrictive provisions. The acquisition facility was unused as at April 29, 2012.

As at April 29, 2012, the weighted average effective interest rate for Operating credits A, B, C and D is 0.82% (0.75% in 2011 and 0.86% in 2010) for the US dollar portion and 1.95% (1.05% in 2010) for the Canadian dollar portion. In addition, CA$1.4 (CA$0.6 in 2011 and CA$0.9 in 2010) and $28.5 ($29.4 in 2011 and $26.6 in 2010) are used for standby letters of credit. As at April 29, 2012, April 24, 2011 and April 26, 2010, the available lines of credit were unused and the Corporation was in compliance with the restrictive provisions and ratios imposed by the credit agreements. As at April 29, 2012, April 24, 2011 and April 26, 2010, Operating credit C was unused.

(d) Subordinated unsecured debt

During fiscal 2011, the Corporation proceeded to the early redemption of its Subordinated unsecured debt (the "debt") at a price of 101.25% of the principal amount. The total amount disbursed for the redemption was $354.4, consisting of the nominal value of $350.0 plus the premium of $4.4. At time of redemption, the debt had a book value of $351.4. Therefore, a pre-tax negative net impact of $3.0 was recorded to earnings. This negative net impact comprises the $4.4 premium paid, net of a $1.4 gain which represents the difference between the debt's book value of $351.4 and the nominal value of $350.0. The debt of a nominal amount of $350.0 initially matured on December 15, 2013 and bore interest at a nominal rate of 7.5% (effective rate of 7.35%). The debt agreement imposed restrictions on certain transactions.

As for the consolidated cash flows presentation, the total amount disbursed of $354.4 is divided in three distinct amounts:

1. A premium of $4.4 paid for the early redemption. This amount is included in operating activities.
2. An amount of $17.4 which represents financing fees paid at the issuance of the debt during fiscal year 2004. This amount is presented as Deemed interest on repayment of long-term debt under operating activities.
3. An amount of $332.6, which represents the net amount received at the issuance of the debt during fiscal year 2004, which is the nominal value of $350.0 less financing fees of $17.4. The amount of $332.6 is presented under financing activities.

Instalments on long-term debt for the next fiscal years are as follows:

	Obligations related to buildings and equipment under finance leases	Other loans denominated in US dollars	Other loans denominated in Canadian dollars
	$	$	CA$
2013	4.3	460.3	19.9
2014	3.9	0.4	-
2015	2.9	0.4	-
2016	1.8	0.4	-
2017	1.3	116.5	52.0
2018 and thereafter	0.4	1.6	-
	14.6		
Interest expense included in minimum lease payments	2.3		
	12.3		

19. Deferred credits and other liabilities

	2012	2011	2010
	$	$	$
Deferred rent expense	**41.2**	34.2	27.0
Accrued pension benefit liability (Note 23)	**39.5**	32.3	27.2
Deferred branding credits	**13.8**	12.6	14.5
Deferred credits	**4.6**	8.0	12.6
Other liabilities	**62.3**	52.4	46.7
	161.4	139.5	128.0

(in millions of US dollars, except share and stock option data)

20. Provisions

The reconciliation of the Corporation's main provisions is as follows:

	Asset retirement obligations (a)	Provision for site restoration costs (b)	Provision for workers' compensation (c)	Provision for general liability (c)	Other provisions	Total
	$	$	$	$	$	$
2012						
Balance, beginning of year	**60.8**	**25.5**	**25.0**	**13.7**	**-**	**125.0**
Liabilities incurred	**0.7**	**8.9**	**14.3**	**5.5**	**-**	**29.4**
Liabilities settled	**(1.5)**	**(7.8)**	**(14.3)**	**(6.3)**	**-**	**(29.9)**
Accretion expense	**4.8**	**0.3**	**0.7**	**0.1**	**-**	**5.9**
Business acquisitions	**2.1**	**28.8**	**-**	**-**	**-**	**30.9**
Reversal of provisions	**-**	**(3.1)**	**-**	**-**	**-**	**(3.1)**
Change in estimates	**-**	**(0.2)**	**-**	**0.1**	**-**	**(0.1)**
Effect of exchange rate variations	**(0.4)**	**(0.1)**	**-**	**-**	**-**	**(0.5)**
Balance, end of year	**66.5**	**52.3**	**25.7**	**13.1**	**-**	**157.6**
Current portion of provisions						**50.1**
Long-term portion of provisions						**107.5**
2011						
Balance, beginning of year	56.4	26.6	23.3	12.0	0.8	119.1
Liabilities incurred	0.5	7.7	15.7	9.0	-	32.9
Liabilities settled	(1.6)	(6.2)	(14.4)	(7.4)	(0.8)	(30.4)
Accretion expense	4.5	0.3	0.5	0.1	-	5.4
Business acquisitions	0.4	0.6	-	-	-	1.0
Reversal of provisions	-	(3.8)	(0.1)	(0.1)	-	(4.0)
Change in estimates	-	-	-	0.1	-	0.1
Effect of exchange rate variations	0.6	0.3	-	-	-	0.9
Balance, end of year	60.8	25.5	25.0	13.7	-	125.0
Current portion of provisions						36.3
Long-term portion of provisions						88.7

(a) The total undiscounted amount of estimated cash flows to settle the asset retirement obligations is approximately $148.8 and is expected to be incurred over the next 40 years. Should changes occur in estimated future removal costs, tank useful lives, lease terms or governmental regulatory requirements, revisions to the liability could be made.
(b) Site restoration costs should be incurred over the next 20 years.
(c) Workers' compensation and general liability indemnities should be disbursed over the next five years.

Environmental costs

The Corporation is subject to Canadian and US legislations governing the storage, handling and sale of motor fuel and related products. The Corporation considers that it is compliant with all important aspects of the current environmental legislations.

The Corporation has an ongoing training program for its employees on environmental issues and performs preventive site testing and site restoration in cooperation with regulatory authorities. The Corporation also examines its motor fuel equipment annually.

In each of the US states in which the Corporation operates, with the exception of Michigan, Iowa, Florida, Arizona, Texas, West Virginia and Washington State, there is a state fund to cover the cost of certain environmental remediation activities after the applicable trust fund deductible is met, which varies by state. These state funds provide insurance for motor fuel facilities operations to cover some of the costs of cleaning up certain contamination to the environment caused by the usage of underground motor fuel equipment. Underground motor fuel storage tank registration fees and/or a motor fuel taxes in each of the states finance the trust funds. The Corporation pays annual registration fees and remits sales taxes to applicable states. Insurance coverage is different in the various states.

In order to provide for the above-mentioned restoration costs, the Corporation has recorded a $52.3 provision for environmental costs as at April 29, 2012 ($25.5 as at April 24, 2011 and $26.6 as at April 26, 2010). Of this amount, $19.6 ($11.5 as at April 24, 2011 and $10.1 as at April 26, 2010) is included in current provisions and the remainder is included in long-term provisions. Furthermore, the Corporation has recorded an amount of $15.1 for environmental costs receivable from trust funds as at April 29, 2012 ($18.1 as at April 24, 2011 and $20.7 as at April 26, 2010), of which $2.1 ($3.3 as at April 24, 2011 and $3.1 as at April 26, 2010) is included in Accounts receivable and the remainder is included in Other assets.

(in millions of US dollars, except share and stock option data)

21. Capital stock

Authorized

Unlimited number of shares without par value

First and second preferred shares issuable in series, non-voting, ranking prior to other classes of shares with respect to dividends and payment of capital upon dissolution. The Board of Directors is authorized to determine the designation, rights, privileges, conditions and restrictions relating to each series of shares prior to their issuance.

Class A multiple voting and participating shares, ten votes per share except for certain situations which provide for only one vote per share, convertible into Class B subordinate voting shares on a share-for-share basis at the holder's option. Under the articles of amendment, no new Class A multiple voting shares may be issued.

Class B subordinate voting and participating shares, convertible automatically into Class A multiple voting shares on a share-for-share basis upon the occurrence of certain events.

The order of priority for the payment of dividends is as follows:

- first preferred shares;
- second preferred shares; and
- Class B subordinate voting shares and Class A multiple voting shares, ranking pari passu.

Issued and fully paid

The changes in number of outstanding shares are as follows:

	2012	2011
Class A multiple voting shares		
Balance, beginning of year	**53,694,712**	53,706,712
Repurchase and cancellation of shares [(a) (b)]	**(3,700)**	(12,000)
Conversion into Class B shares	**(4,600)**	-
Balance, end of year	**53,686,412**	53,694,712
Class B subordinate voting shares		
Balance, beginning of year	**129,899,045**	129,942,597
Repurchase and cancellation of shares [(a) (b)]	**(6,969,200)**	(2,768,300)
Issued as part of a previous acquisition	**992**	304
Issued on conversion of Class A shares	**4,600**	-
Stock options exercised	**2,431,159**	2,724,444
Balance, end of year	**125,366,596**	129,899,045

(a) On October 25, 2011, the Corporation implemented a share repurchase program to repurchase up to 2,684,420 of the 53,688,412 Class A multiple voting shares and up to 11,126,400 of the 111,264,009 Class B subordinate voting shares issued and outstanding as at October 11, 2011 (representing 5.0% of the Class A multiple voting shares issued and outstanding and 10.0% of the Class B subordinate voting shares of the public float, as at that date, respectively, as defined by applicable rules). In accordance with Toronto Stock Exchange requirements, the Corporation can repurchase a daily maximum of 1,000 Class A multiple voting shares and of 82,118 Class B subordinate voting shares. When making such repurchases, the number of Class A multiple voting shares and of Class B subordinate voting shares in circulation is reduced and the proportionate interest of all remaining shareholders in the Corporation's share capital is increased on a pro rata basis. All shares repurchased under the share repurchase program are cancelled upon repurchase. The share repurchase period will end no later than October 24, 2012.

(b) From October 25, 2010 to October 24, 2011, the Corporation had a share repurchase program to repurchase up to 2,685,335 of the 53,706,712 Class A multiple voting shares and up to 11,621,801 of the 116,218,014 Class B subordinate voting shares issued and outstanding as at October 20, 2010 (representing 5.0% of the Class A multiple voting shares issued and outstanding and 10.0% of the Class B subordinate voting shares of the public float, as at that date, respectively, as defined by applicable rules). In accordance with Toronto Stock Exchange requirements, the Corporation could repurchase a daily maximum of 1,000 Class A multiple voting shares and of 83,622 Class B subordinate voting shares. When making such repurchases, the number of Class A multiple voting shares and of Class B subordinate voting shares in circulation has been reduced and the proportionate interest of all remaining shareholders in the Corporation's share capital was increased on a pro rata basis. All shares repurchased under the share repurchase program were cancelled upon repurchase

22. Stock-based compensation and other stock-based payments

Stock option plan

The Corporation has a stock option plan (the "Plan") under which it has authorized the grant of up to 16,892,000 stock options for the purchase of its Class B subordinate voting shares.

Stock options have up to a ten-year term, vest 20.0% on the date of the grant and cumulatively thereafter on each anniversary date of the grant and are exercisable at the designated market price on the date of grant. The grant price of each stock option shall not be set below the weighted average closing price for a board lot of the Class B shares on the Toronto Stock Exchange for the five days preceding the grant. Each stock option is exercisable into one Class B share of the Corporation at the price specified in the terms of the stock option. During fiscal 2012, to allow option holders to proceed with a cashless exercise of their options, an agreement with a broker was put in place to allow them to receive a number of subordinate shares equivalent to the difference between the number of underlying subordinate shares required to settle the exercise of the options.

(in millions of US dollars, except share and stock option data)

22. Stock-based compensation and other stock-based payments (continued)

The table below presents the status of the Corporation's stock option plan as at April 29, 2012 and April 24, 2011 and the changes therein during the years then ended:

	2012		2011	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
		CA$		CA$
Outstanding, beginning of year	**5,957,180**	**11.25**	8,697,098	9.07
Exercised	**(2,460,676)**	**8.15**	(2,724,444)	4.24
Forfeited	**(8,000)**	**16.35**	(15,474)	19.71
Outstanding, end of year	**3,488,504**	**13.42**	5,957,180	11.25
Exercisable stock options, end of year	**3,352,964**	**13.29**	5,672,530	10.97

For 2012, the weighted average share price at the date of exercise for options exercised was CA$30.25 (CA$21.16 in 2011).

The following table presents information on the stock options outstanding and exercisable as at April 29, 2012:

	Options outstanding			Options exercisable	
Range of exercise prices	Number of stock options outstanding as at April 29, 2012	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options exercisable as at April 29, 2012	Weighted average exercise price
CA$			CA$		CA$
6 – 8	1,032,200	0.28	7.36	1,032,200	7.36
8 – 12	897,500	1.48	10.22	897,500	10.22
12 – 16	192,500	6.35	13.98	140,740	13.99
16 – 20	917,060	4.45	17.70	833,280	17.65
20 – 26	449,244	4.51	24.74	449,244	24.74
	3,488,504		13.42	3,352,964	13.29

For 2012, compensation cost charged to the consolidated statements of earnings amounts to $0.4 ($1.1 in 2011).

Deferred Share Unit Plan

The Corporation has a Deferred Share Unit Plan for the benefit of its external directors allowing them, at their option, to receive all or a portion of their annual compensation and directors' fee in the form of Deferred Share Units ("DSUs"). A DSU is a notional unit, equivalent in value to the Corporation's Class B share. Upon leaving the Board of Directors, participants are entitled to receive the payment of their cumulated DSUs either a) in the form of cash based on the price of the Corporation's Class B shares as traded on the open market on the date of payment, or b) in Class B shares bought by the Corporation on the open market on behalf of the participant.

The DSU expense and the related liability are recorded at the grant date. The liability is adjusted periodically to reflect any variation in the market value of the Class B shares. As at April 29, 2012, the Corporation has a total of 80,723 DSUs outstanding (80,704 as at April 24, 2011 and 66,444 as at April 26, 2010) and an obligation of $3.5 ($2.2 as at April 24, 2011 and $1.2 as at April 26, 2010) is recorded in deferred credits and other liabilities. The compensation cost amounts to $1.8 in 2012 and $0.8 in 2011.

Phantom Stock Units

The Corporation has a Phantom Stock Units ("PSU") Plan allowing the Board of Directors, through its Human Resources and Corporate Governance Committee, to grant PSUs to the officers and selected key employees of the Corporation (the "Participants"). A PSU is a notional unit whose value is based on the weighted average reported closing price for a board lot of the Corporation's Class B subordinated voting share (the "Class B share") on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The PSU provides the Participant with the opportunity to earn a cash award based on the weighted average reported closing price for a board lot of the Corporation's Class B subordinated voting share (the "Class B share") on the Toronto Stock Exchange for the five trading days immediately preceding the vesting date of the PSU. Each PSU initially granted vests no later than one day prior to the third anniversary of the grant date subject namely to the achievement of performance objectives of the Corporation, based on external and internal benchmarks, over a three-year performance period. PSUs are not dilutive since they are payable solely in cash.

During 2012, the Corporation granted a total of 140,626 PSUs (192,799 in 2011) while it cancelled 61,257 PSUs (13,054 in 2011) and paid 11,103 (1,082 in 2011). As at April 29, 2012, 435,883 PSUs are outstanding (367,617 as at April 24, 2011 and 188,954 as at April 26, 2010) and an obligation of $5.7 is recorded in accounts payable and accrued liabilities and $6.4 is recorded in deferred credits and other liabilities ($5.0 as at April 24, 2011 and $1.1 as at April 26, 2010). For 2012, the compensation cost amounts to $2.6 ($1.9 for 2011).

(in millions of US dollars, except share and stock option data)

23. Employee future benefits

The Corporation has a number of funded and unfunded defined benefit and defined contribution plans that provide retirement benefits to certain employees.

Defined benefit plans

The Corporation measures its accrued benefit obligation and the fair value of plan assets for accounting purposes on the last Sunday of April of each year. The most recent actuarial valuation of the pension plans for funding purposes was as at December 31, 2011 and the next required valuation will be as at December 31, 2012.

Information about the Corporation's defined benefit plans, in aggregate, is as follows:

	2012	2011
	$	$
Accrued benefit obligation		
Balance, beginning of year	**58.0**	50.9
Current service cost	**1.5**	1.4
Interest cost	**2.9**	2.8
Benefits paid	**(3.3)**	(2.2)
Actuarial losses	**6.9**	2.5
Effect of exchange rate fluctuations	**(1.5)**	2.6
Balance, end of year	**64.5**	58.0

	2012	2011
	$	$
Plans' assets		
Fair value, beginning of year	**25.5**	23.3
Expected return on plans' assets	**1.1**	1.2
Actuarial gains	**0.3**	0.7
Employer contributions	**0.9**	0.5
Benefits paid	**(2.1)**	(1.4)
Effect of exchange rate fluctuations	**(0.7)**	1.2
Fair value, end of year	**25.0**	25.5

Reconciliation of the funded status of the benefit plans to the amount recorded in the consolidated financial statements:

	2012	2011	2010
	$	$	$
Accrued benefit obligation	**(64.5)**	(58.0)	(50.9)
Fair value of plans' assets	**25.0**	25.5	23.3
Funded status of plan - deficit	**(39.5)**	(32.5)	(27.6)
Unamortized past service cost	**-**	0.2	0.4
Accrued benefit liability	**(39.5)**	(32.3)	(27.2)

As at April 29, 2012, the accrued benefit obligation for unfunded pension plans amounts to $38.9 ($31.1 as at April 24, 2011 and $26.5 as at April 26, 2010).

The accrued benefit liability is included in deferred credits and other liabilities.

As at the measurement date, plans' assets consist of:

	Percentage of plans' assets		
	2012	2011	2010
	%	%	%
Asset category			
Equity securities	**30.8**	29.9	27.1
Debt securities and cash	**69.2**	70.1	72.9
Total	**100.0**	100.0	100.0

The expected global rate of return on plans' assets is based on the weighted average of expected returns of the various assets in the plans. Expected returns on plans' assets estimated by the plans' administrator are based on historical returns and analysts' market predictions concerning these assets for the next 12 months.

For fiscal 2012, the effective return on plans' assets amounts to $1.4 ($1.9 in 2011). No individual investment is greater than 5% of plans' total asset value.

The Corporation's pension benefit expense for the fiscal year is determined as follows:

	2012	2011
	$	$
Current service cost, net of employee contributions	**1.5**	1.4
Interest cost	**2.9**	2.8
Expected return on plans' assets	**(1.1)**	(1.1)
Past service cost	**0.2**	0.2
Pension expense for the year	**3.5**	3.3

The expense for the year is included in Operating, selling, administrative and general expenses in the consolidated statement of earnings.

(in millions of US dollars, except share and stock option data)

23. Employee future benefits (continued)

The amount recognized in Other comprehensive income for the fiscal year is determined as follows:

	2012	2011
	$	$
Actuarial losses	**(6.6)**	(1.8)
Less: deferred taxes	**1.7**	0.6
Amount recognized in Other comprehensive income	**(4.9)**	(1.2)

The accumulated amounts recognized in Other comprehensive income for actuarial gains and losses are described as follows:

	$
Balance, beginning of 2011	-
Actuarial losses recognized in 2011	(1.8)
Balance, end of 2011	(1.8)
Actuarial losses recognized in 2012	(6.6)
Balance, end of 2012	(8.4)

The Corporation expects to make a contribution of $2.5 to the defined benefit plans during the next financial year.

The significant weighted average actuarial assumptions which management considers the most likely to determine the accrued benefit obligations and the pension expense are the following:

Accrued benefit obligation

	2012	2011	2010
	%	%	%
Discount rate	**4.80**	5.25	5.50
Rate of compensation increase	**3.90**	4.00	4.00

Pension expense

	2012	2011
	%	%
Discount rate	**5.25**	5.50
Expected rate of return on plans' assets	**4.75**	5.00
Rate of compensation increase	**4.00**	4.00

Experience adjustments are as follows (amounts prior to the date of transition are not presented as the Corporation applies the exemption provided in IFRS 1):

	2012	2011	2010
	$	$	$
Present value of defined benefit obligation	**(64.5)**	(58.0)	(50.9)
Fair value of plans' assets	**25.0**	25.5	23.3
Deficit	**(39.5)**	(32.5)	(27.6)
Experience adjustments on plans' liabilities – Actuarial loss	**(6.9)**	(2.5)	
Experience adjustments on plans' assets – Actuarial gain	**0.3**	0.7	

Defined contribution plans

The Corporation's total pension expense under its defined contribution plans and mandatory governmental plans for 2012 is $46.8 ($46.1 in 2011).

Deferred compensation plan – United States operations

The Corporation sponsors a deferred compensation plan that allows certain employees in its US operations to defer up to 25.0% of their base salary and 100.0% of their cash bonuses for any given year. Interest accrued on the deferral and amounts due to the participants are generally payable on retirement, except in certain limited circumstances. Obligations under this plan amount to $15.0 as at April 29, 2012 ($13.2 as at April 24, 2011 and $9.6 as at April 26, 2010) and are included in Deferred credits and other liabilities.

24. Financial instruments and capital risk management

Financial risk management objectives and policies

The Corporation's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, credit risk, liquidity risk and price risk. The Corporation uses forwards to hedge certain risk exposures, primarily foreign currency and price risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses are received or denominated in the functional currency of the markets in which it does business. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The Corporation is exposed to foreign currency risk with respect to a portion of its long-term debt denominated in US dollars.

As at April 29, 2012, with all other variables held constant, a hypothetical variation of 5.0% of the US dollar against the Canadian dollar would have had a net impact of $21.5 on Other comprehensive income.

As at April 29, 2012, the Corporation was also exposed to foreign currency risk with respect to its potential acquisition of Statoil Fuel & Retail ASA for which the purchase price would be denominated in Norwegian kroners ("NOK") and would be financed using the Corporation's acquisition facility denominated in US dollars. As at April 29, 2012, the Corporation had forwards requiring it to deliver, at various dates until July 26, 2012, US$2.22 billion in exchange for NOK12.82 billion, representing a weighted average rate of NOK5.7879 per US dollar. Variations in the fair value of the forwards are recorded to earnings. As at April 29, 2012, the unrealized gain on these forwards amounted to $17.0 million and was recorded to earnings of fiscal 2012. Thus, as at April 29, 2012, with all other variables held constant, a hypothetical variation of 1.0% of the NOK against the US dollar would have had an impact of approximately $16.5 on Net earnings.

Interest rate risk

The Corporation is exposed to interest rate risk through the portion of its long-term debt bearing interest at a variable rate. The Corporation's policy is to maintain a large portion of its borrowings in variable rate instruments using interest rate swaps when necessary.

The Corporation's fixed rate long-term debt is exposed to a risk of change in its fair value due to changes in interest rates. During fiscal year 2011, the Corporation proceeded with the early redemption of its subordinated unsecured debt. Therefore, the Corporation exposure to the risk of change in fair value is minimal since most of its long-term debt bears interest at a variable rate.

The Corporation is exposed to a risk of change in cash flows due to changes in interest rates on its variable rate long-term debt and does not currently hold any derivative instruments that mitigate this risk. The Corporation analyzes its interest rate risk exposure on an ongoing basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Corporation calculates the impact on net earnings of a defined interest rate shift. Based on variable rate long-term debt balances as at April 29, 2012, the impact on net earnings of a 1.0% shift would have been $4.3.

Credit risk

The Corporation is exposed to credit risk with respect to Cash and cash equivalents, Trade accounts receivable and vendor rebates receivable, Credit and debit cards receivable and the investment contract including an embedded total return swap.

Credit risk related to Trade accounts receivable and vendor rebates receivable is limited considering the nature of the Corporation's activities and its counterparties. As at April 29, 2012, no single creditor accounted for over 10.0% of total Trade accounts receivable and vendor rebates receivable and the related maximum credit risk exposure corresponds to their carrying amount.

The Corporation mitigates the credit risk related to Cash and cash equivalents and Credit and debit cards receivable by dealing with major financial institutions that have very low or minimal credit risk. As at April 29, 2012, the maximum credit risk exposure related to Cash and cash equivalents and Credit and debit cards receivable corresponds to their carrying amount.

The Corporation is exposed to credit risk arising from its embedded total return swap when this swap results in a receivable from the financial institutions. In accordance with its risk management policy, to reduce this risk, the Corporation has entered into this swap with a major financial institution with a very low credit risk.

The Corporation is exposed to credit risk arising from its forwards when these contracts result in an asset. In accordance with its risk management policy, to reduce this risk, the Corporation has entered into these contracts with major financial institutions with very low credit risk.

(in millions of US dollars, except share and stock option data)

24. Financial instruments and capital risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its obligations associated with financial liabilities and lease commitments. The Corporation is exposed to this risk mainly through its Long-term debt, Accounts payable and accrued expenses and lease agreements. The Corporation's liquidity is provided mainly by cash flows from operating activities and borrowings available under its revolving credit facilities.

On an ongoing basis, the Corporation monitors rolling forecasts of its liquidity reserve on the basis of expected cash flows taking into account operating needs, tax situation and capital requirements and ensures that it has sufficient flexibility under its available liquidity resources to meet its obligations.

The contractual maturities of financial liabilities as at April 29, 2012 are as follows:

	Carrying amount	Contractual cash flows	Less than one year	Between one and two years	Between two and five years	More than five years
	$	$	$	$	$	$
Non-derivative financial liabilities (1)						
Accounts payable and accrued liabilities (2)	916.0	916.0	916.0	-	-	-
Term revolving unsecured operating credit A	326.3	327.1	327.1	-	-	-
Term revolving unsecured operating credit B	154.0	154.4	154.4	-	-	-
Term revolving unsecured operating credit D	169.0	180.0	2.4	2.4	175.2	-
Other long-term debt	15.9	19.4	5.0	4.5	7.8	2.1
	1,581.2	1,596.9	1,404.9	6.9	183.0	2.1

(1) Based on spot rates, as at April 29, 2012, for balances in Canadian dollars and balances bearing interest at variable rates.
(2) Excludes deferred credits as well as statutory accounts payable and accrued liabilities such as sales taxes, excise taxes, property taxes and certain payroll benefits.

Price risk

The Corporation is exposed to price risk with respect to its obligation related to its PSU Plan which fluctuates in part with the fair value of the Corporation's Class B shares. To mitigate this risk, the Corporation has entered into a financial arrangement with an investment grade financial institution which includes an embedded total return swap with an underlying representing Class B shares recorded at fair market value on the consolidated balance sheet under Other assets. The financial arrangement is adjusted as needed to reflect new awards, adjustments and/or settlements of PSUs. As at April 29, 2012, the impact on net earnings or shareholders' equity of a 5.0% shift of the value of the contract would not have been significant.

Fair values

The fair value of Trade accounts receivable and vendor rebates receivable, Credit and debit cards receivable and Accounts payable and accrued liabilities is comparable to their carrying amount given their short maturity and the carrying value of the Term revolving unsecured operating credits approximates their fair value given that their credit spread is similar to the credit spread the Corporation would obtain in similar conditions at the reporting date.

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments:

- The fair value of the investment contract including an embedded total return swap is based on the fair market value of the Corporation's Class B shares;
- The fair value of the forwards was determined by comparing the original rates of the contracts with rates prevailing at the revaluation date for contracts having similar values and maturities.
- The fair value of the subordinated unsecured debt was estimated based on the discounted cash flows of the debt at the Corporation's estimated incremental borrowing rates for debt of the same remaining maturities. As at April 26, 2010, the subordinated unsecured debt's had a carrying amount of $351.7 and a fair value of $357.0.

Fair value hierarchy

Fair value measurements recognized in the consolidated balance sheet are categorized in accordance with the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included in Level 1 but that are observable for the asset or liability, either directly or indirectly; and
Level 3: inputs for the asset or liability that are not based on observable market data.

The Corporation categorized the fair value measurement of the Instrument including an embedded total return swap and the forwards in Level 2, as they are primarily derived from observable market inputs, that are, quoted market prices.

(in millions of US dollars, except share and stock option data)

24. Financial instruments and capital risk management (continued)

Capital risk management

The Corporation's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost of capital. The Corporation's capital comprises total Shareholders' equity and net interest-bearing debt. Net interest-bearing debt refers to Long-term debt and its current portion, net of Cash and cash equivalents and temporary investments, if any.

In order to maintain or adjust the capital structure, the Corporation may issue new shares, redeem its shares, sell assets to reduce debt or adjust the amount of dividends paid to shareholders (Notes 18 and 21).

In its capital structure, the Corporation considers its stock option, PSU and DSU plans (Note 22). The Corporation's share repurchase program is also one of the tools it uses to achieve its objectives (Note 21).

The Corporation monitors capital on the basis of the net interest-bearing debt to total capitalization ratio and also monitors its credit ratings as determined by third parties. As at the consolidated balance sheet date, the net interest-bearing debt to total capitalization ratio was as follows:

	2012	2011	2010
	$	$	$
Current portion of long-term debt	**484.4**	4.6	4.4
Long-term debt	**180.8**	496.9	711.9
Less: Cash and cash equivalents	**304.3**	309.7	215.7
Net interest-bearing debt	**360.9**	191.8	500.6
Shareholders' equity	**2,174.6**	1,979.4	1,660.0
Net interest-bearing debt	**360.9**	191.8	500.6
Total capitalization	**2,535.5**	2,171.2	2,160.6
Net interest-bearing debt to total capitalization ratio	**14.2%**	8.8%	23.2%

Under its term revolving unsecured operating credits, the Corporation must meet the following ratios on a consolidated basis:

- A leverage ratio, which is the ratio of total Long-term debt less Cash and cash equivalents to EBITDA for the four most recent quarters. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is a non-IFRS measure;
- A fixed charge coverage ratio, which is the ratio of EBITDAR for the four most recent quarters to the total interest expense and the rent payments in the same periods. EBITDAR is a non-IFRS measure and is calculated as EBITDA plus rent payments.

The Corporation monitors these ratios regularly and is in compliance with these covenants.

The Corporation is not subject to any other significant externally imposed capital requirement.

25. Contractual obligations

Minimum lease payments

As at April 29, 2012, the Corporation has entered into operating lease agreements expiring on various dates until 2032 which call for aggregate minimum lease payments of $1,555.0 in the United States and of CA$806.4 in Canada for the rental of commercial space, equipment and a warehouse. Several of these leases contain renewal options and certain sites are subleased to third parties. The minimum lease payments for the next fiscal years are as follows:

	United States	**Canada**
	$	**CA$**
Less than one year	**169.9**	**94.9**
One to five years	**577.9**	**275.2**
More than five years	**807.2**	**436.3**

As at April 29, 2012, the total amount of future minimum sublease payments expected to be received under sublease agreements related to these operating leases is $40.5.

Purchase commitments

The Corporation has entered into various product purchase agreements that require it to purchase minimum amounts or quantities of merchandise and motor fuel annually. The Corporation has generally exceeded such minimum requirements in the past and expects to continue doing so for the foreseeable future. Failure to satisfy the minimum purchase requirements could result in termination of the contracts, change in pricing of the products, payments to the applicable providers of a predetermined percentage of the commitments and repayments of a portion of rebates received.

(in millions of US dollars, except share and stock option data)

26. Contingencies and guarantees

Contingencies

Various claims and legal proceedings have been initiated against the Corporation in the normal course of its operations. In management's opinion, these claims and proceedings are unfounded. Management estimates that any payments resulting from their outcome are not likely to have a substantial negative impact on the Corporation's results and financial position.

Guarantees

The Corporation assigned a number of lease agreements for premises to third parties. Under some of these agreements, the Corporation retains ultimate responsibility to the landlord for payment of amounts under the lease agreements should the sublessees fail to pay. As at April 29, 2012, the total future lease payments under such agreements are approximately $1.3 and the fair value of the guarantee is not significant. Historically, the Corporation has not made any significant payments in connection with these indemnification provisions.

27. Segmented information

The Corporation operates convenience stores in the United States and Canada. It essentially operates in one reportable segment, the sale of goods for immediate consumption and motor fuel through corporate stores or franchise operations. It operates a convenience store chain under three main banners, Couche-Tard, Mac's and Circle K. Revenues from outside sources fall mainly into two categories: merchandise and services and motor fuel.

Information on the principal revenue classes as well as geographic information is as follows:

			2012 (53 weeks)
	US	**Canada**	**Total**
	$	**$**	**$**
External customer revenues [a]			
Merchandise and services	**4,408.0**	**2,190.9**	**6,598.9**
Motor fuel	**13,673.8**	**2,724.8**	**16,398.6**
	18,081.8	**4,915.7**	**22,977.5**
Gross profit			
Merchandise and services	**1,452.6**	**729.8**	**2,182.4**
Motor fuel	**637.9**	**148.8**	**786.7**
	2,090.5	**878.6**	**2,969.1**
Total long-term assets [b]	**2,454.3**	**633.7**	**3,088.0**

			2011 (52 weeks)
	US	Canada	Total
	$	$	$
External customer revenues [a]			
Merchandise and services	4,133.6	2,049.9	6,183.5
Motor fuel	10,218.7	2,148.2	12,366.9
	14,352.3	4,198.1	18,550.4
Gross profit			
Merchandise and services	1,369.8	702.9	2,072.7
Motor fuel	537.3	135.7	673.0
	1,907.1	838.6	2,745.7
Total long-term assets [b]	2,070.3	590.8	2,661.1

(a) Geographic areas are determined according to where the Corporation generates operating income (where the sale takes place) and according to the location of the long-term assets.
(b) Excluding financial instruments, deferred tax assets and post-employment benefit assets.

28. Subsequent events

Subsequent to the end of fiscal 2012, between June 19, 2012 and June 29, 2012, the Corporation acquired 98.9% of the issued and outstanding shares of Statoil Fuel & Retail (SFR/Oslo Børs) for a cash consideration of 51.20 Norwegian Kroners ("NOK") per share for a total amount of NOK15.2 billion or approximately $2.6 billion. Having reached a shareholding of more than 90%, on June 29, 2012, in accordance with Norwegian laws, the Corporation initiated a compulsory acquisition process to buyback the participation of the remaining minority shareholders and ensure that Statoil Fuel & Retail becomes a wholly-owned subsidiary.

Statoil Fuel & Retail is a leading Scandinavian road transport fuel retailer with over 100 years of operations in the region. Statoil Fuel & Retail operates a broad retail network across Scandinavia (Norway, Sweden, Denmark), Poland, the Baltics (Estonia, Latvia, Lithuania), and Russia with approximately 2,300 stores, the majority of which offer fuel and convenience products while the others are automated (fuel only) stations. Statoil Fuel & Retail does business in several countries and owns the land for over 900 sites and buildings for over 1,700 sites. Statoil Fuel & Retail's other products include stationary energy, marine fuel, aviation fuel, lubricants and chemicals. In Europe, Statoil Fuel & Retail owns and operates 12 key terminals as well as 38 depots in eight countries while it also operates approximately 400 road tankers.

28. Subsequent events (continued)

This transaction has been financed using the new acquisition facility (Note 18).

Subsequent to the end of fiscal 2012, the Corporation entered into additional forwards requiring it to deliver, at various dates, US$1.25 billion in exchange for NOK7.32 billion, representing a weighted average rate of NOK5.8530 per US dollar.

In total, the Corporation has entered into forwards requiring it to deliver US$3.47 billion in exchange for NOK20.14 billion, representing a weighted average rate of NOK5.8114 per US dollar which is a favorable rate compared to the rate of 5.75 in effect as at April 18, 2012, the date the offer was announced.

Subsequently, the Corporation modified the original maturity dates of certain forwards to make them coincide with the actual disbursement dates for the payment of Statoil Fuel & Retail shares. Thus, between June 15 and June 25, 2012, the Corporation used a significant portion of the forwards with a value of $2,570.1 million to pay for Statoil Fuel & Retail shares while the remaining NOK at its disposal as well as the NOK that will be received upon settlement of forwards that have not yet been settled will be used for the purchase of the remaining shares and to refinance a significant portion of Statoil Fuel & Retail existing long-term debt, which is denominated in NOK.

In May 2012, subsequent to the end of the fiscal 2012, the Corporation acquired 20 company-operated stores operating in Texas, United States from Signature Austin Stores. The Corporation leases the real estate for all sites.

29. First-time adoption of IFRS

These are the first annual consolidated financial statements of the Corporation prepared in accordance with IFRS as issued by the IASB. The date of the Corporation's transition to IFRS is April 26, 2010.

The Corporation's IFRS accounting policies presented in note 3 have been applied in preparing the consolidated financial statements for the year ended April 29, 2012, for the comparative information and for the opening consolidated balance sheet as at the date of transition except for certain mandatory exceptions and elected exemptions listed below.

The Corporation has applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* in preparing its first IFRS consolidated financial statements. The effects of the transition to IFRS on the consolidated balance sheet, consolidated equity, consolidated earnings and comprehensive income and consolidated cash flows are presented in this section and are further explained in the explanatory notes that accompany the tables.

First-time adoption exemptions

Upon transition, IFRS 1 imposes certain mandatory exceptions and permits certain exemptions from full retrospective application. The Corporation has applied the mandatory exceptions and the following optional exemptions:

Mandatory exceptions applied by the Corporation:

- Financial assets and liabilities that had been de-recognized before April 26, 2010 under Canadian GAAP have not been recognized under IFRS.
- The Corporation has only applied hedge accounting in the opening consolidated balance sheet where all the requirements in IAS 39 were met at the date of transition.
- The estimates previously established under Canadian GAAP have not been revised following the adoption of IFRS, unless it was necessary to take into account differences in accounting policies.

Other optional exemptions adopted by the Corporation:

- The Corporation has elected not to apply IFRS 3 "*Business Combinations"* retrospectively to business combinations that occurred before the date of transition (April 26, 2010), including business acquisitions made by the joint venture. See note g) for an explanation of the effect of this exemption.
- For all its employee future benefits plans, the Corporation has elected to recognize all cumulative actuarial gains and losses existing at the transition date in retained earnings. See note d) for an explanation of the effect of this exemption. Furthermore, the Corporation has elected to use the exemption not to disclose the defined benefit plan surplus/deficit and experience gains and losses before the date of transition.
- The Corporation has elected not to retrospectively recognize the effect on the assets of the variances related to its existing asset retirement obligation and similar liabilities, which may have occurred before the transition date.
- The Corporation elected to use facts and circumstances existing as at April 26, 2010 to determine whether an arrangement signed before April 26, 2004 contains a lease. The arrangements signed after that date were evaluated under Canadian GAAP and were not analyzed in detail since this analysis would have given similar conclusions as per IAS 17 and IFRIC 4.
- The Corporation elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after April 29, 2002.
- The Corporation elected to reset all cumulative translation adjustments to zero in opening retained earnings at its transition date.

(in millions of US dollars, except share and stock option data)

29. First-time adoption of IFRS (continued)

Reconciliation of the consolidated balance sheet and Shareholders' equity as at April 26, 2010

		Reconciling items with IFRS								
Explanatory notes	Balance sheet under Canadian GAAP	Sale and leaseback transactions a)	Discounting of provisions b)	Onerous contracts c)	Employee future benefits d)	Stock option e)	Joint venture f)	Presentation differences h)	Cumulative translation adjustment reversal i)	Balance sheet under IFRS
	$	$	$	$	$	$	$	$	$	$
Assets										
Current assets										
Cash and cash equivalents	**220.9**						(5.2)			**215.7**
Accounts receivable	**286.2**						(5.4)			**280.8**
Inventories	**474.1**						(4.2)			**469.9**
Prepaid expenses	**20.2**						(0.2)			**20.0**
Income taxes receivable	**4.7**							13.0		**17.7**
Deferred income taxes	**24.9**							(24.9)		**-**
	1,031.0	-	-	-	-	-	(15.0)	(11.9)	-	**1,004.1**
Property and equipment	**1,980.5**						(65.6)			**1,914.9**
Goodwill	**426.5**						(1.2)			**425.3**
Intangible assets	**188.2**									**188.2**
Other assets	**65.2**		(1.1)		(8.3)					**55.8**
Investment in a joint venture	**-**						42.1			**42.1**
Deferred income taxes	**5.3**			0.2	3.0			0.1		**8.6**
	3,696.7	-	(1.1)	0.2	(5.3)	-	(39.7)	(11.8)	-	**3,639.0**
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	**872.9**	(0.1)					(14.2)	(36.9)		**821.7**
Provisions	**-**							31.4		**31.4**
Current portion of long-term debt	**4.4**									**4.4**
Deferred income taxes	**5.6**		0.2		(3.0)			(2.8)		**-**
	882.9	(0.1)	0.2	-	(3.0)	-	(14.2)	(8.3)	-	**857.5**
Long-term debt	**736.8**						(24.9)			**711.9**
Provisions	-		(3.4)	0.8				90.3		**87.7**
Deferred credits and other liabilities	**285.8**	(98.6)			13.2		(0.6)	(71.8)		**128.0**
Deferred income taxes	**176.9**	38.4	0.6					(22.0)		**193.9**
	2,082.4	(60.3)	(2.6)	0.8	10.2	-	(39.7)	(11.8)	-	**1,979.0**
Shareholders' equity										
Capital stock	**319.5**									**319.5**
Contributed surplus	**18.8**					1.6				**20.4**
Retained earnings	**1,167.0**	60.3	1.5	(0.6)	(15.5)	(1.6)			108.6	**1,319.7**
Accumulated other comprehensive income	**109.0**								(108.6)	**0.4**
	1,614.3	60.3	1.5	(0.6)	(15.5)	-	-	-	-	**1,660.0**
	3,696.7	-	(1.1)	0.2	(5.3)	-	(39.7)	(11.8)	-	**3,639.0**

(in millions of US dollars, except share and stock option data)

29. First-time adoption of IFRS (continued)

Reconciliation of the consolidated balance sheet and Shareholders' equity as at April 24, 2011

		Reconciling items with IFRS								
Explanatory notes	Balance sheet under Canadian GAAP	Sale and leaseback transactions a)	Discounting of provisions b)	Employee future benefits d)	Stock option e)	Joint venture f)	Business combinations - acquisition costs g)	Presentation differences h)	Cumulative translation adjustment reversal i)	Balance sheet under IFRS
	$	$	$	$	$	$	$	$	$	$
Assets										
Current assets										
Cash and cash equivalents	**320.4**					(10.7)				**309.7**
Accounts receivable	**356.1**					(6.9)	(0.1)			**349.1**
Inventories	**530.7**					(4.7)				**526.0**
Prepaid expenses	**21.3**					(0.3)				**21.0**
Income taxes receivable	**26.6**							9.8		**36.4**
Deferred income taxes	**33.9**		(0.2)	2.8				(36.5)		**-**
	1,289.0	-	(0.2)	2.8	-	(22.6)	(0.1)	(26.7)	-	**1,242.2**
Property and equipment	**2,002.8**					(67.2)	(0.2)			**1,935.4**
Goodwill	**442.5**					(1.1)	(0.5)			**440.9**
Intangible assets	**188.6**									**188.6**
Other assets	**66.9**		(0.8)	(7.9)		(0.2)				**58.0**
Investment in a joint venture	-					48.2				**48.2**
Deferred income taxes	**9.8**			3.1						**12.9**
	3,999.6	-	(1.0)	(2.0)	-	(42.9)	(0.8)	(26.7)	-	**3,926.2**
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	**994.5**	(0.2)				(17.5)		(40.3)		**936.5**
Provisions	**-**							36.3		**36.3**
Current portion of long-term debt	**4.6**									**4.6**
Deferred income taxes	**21.2**							(21.2)		-
	1,020.3	(0.2)	-	-	-	(17.5)	-	(25.2)	-	**977.4**
Long-term debt	**521.8**					(24.9)				**496.9**
Provisions	**-**		(3.3)					92.0		**88.7**
Deferred credits and other liabilities	**299.0**	(95.6)		14.8		(0.5)		(78.2)		**139.5**
Deferred income taxes	**222.4**	37.2	0.7	(0.4)			(0.3)	(15.3)		**244.3**
	2,063.5	(58.6)	(2.6)	14.4	-	(42.9)	(0.3)	(26.7)	-	**1,946.8**
Shareholders' equity										
Capital stock	**323.8**									**323.8**
Contributed surplus	**18.1**				1.2					**19.3**
Retained earnings	**1,444.5**	58.5	1.6	(15.2)	(1.2)		(0.5)		108.6	**1,596.3**
Accumulated other comprehensive income	**149.7**	0.1		(1.2)					(108.6)	**40.0**
	1,936.1	58.6	1.6	(16.4)	-	-	(0.5)	-	-	**1,979.4**
	3,999.6	-	(1.0)	(2.0)	-	(42.9)	(0.8)	(26.7)	-	**3,926.2**

(in millions of US dollars, except share and stock option data)

29. First-time adoption of IFRS (continued)

Reconciliation of consolidated statement of earnings for the fiscal year ended April 24, 2011

		Reconciling items with IFRS								
Explanatory notes	Statement of earnings under Canadian GAAP	Sale and leaseback transactions a)	Discounting of provisions b)	Onerous contracts c)	Employee future benefits d)	Stock option e)	Joint venture f)	Business combinations - acquisition costs g)	Presentation differences h)	Statement of earnings under IFRS
	$	$	$	$	$	$	$	$	$	$
Revenues	**18,965.9**						(415.5)			**18,550.4**
Cost of sales	**16,180.7**						(376.0)			**15,804.7**
Gross profit	**2,785.2**	-	-	-	-	-	(39.5)	-	-	**2,745.7**
Operating, selling, administrative and general expenses	**2,050.4**	3.0	(0.9)	(0.8)	(0.6)	(0.4)	(18.1)	0.8	(4.5)	**2,028.9**
Depreciation and amortization of property and equipment and other assets	**216.3**						(2.6)			**213.7**
Operating income	**518.5**	(3.0)	0.9	0.8	0.6	0.4	(18.8)	(0.8)	4.5	**503.1**
Share of earnings of a joint venture accounted for using the equity method	**-**						16.9			**16.9**
Financial expenses	**28.1**		0.7				(1.9)		4.5	**31.4**
Financial revenues	**(1.8)**									**(1.8)**
Net financial expenses	**26.3**	-	0.7	-	-	-	(1.9)	-	4.5	**29.6**
Earnings before income taxes	**492.2**	(3.0)	0.2	0.8	0.6	0.4	-	(0.8)	-	**490.4**
Income taxes	**122.1**	(1.2)	0.1	0.2	0.3			(0.3)		**121.2**
Net earnings	**370.1**	(1.8)	0.1	0.6	0.3	0.4	-	(0.5)	-	**369.2**
Changes in cumulative translation adjustments	**40.0**	0.1								**40.1**
Change in fair value of a financial instrument designated as a cash flow hedge	**2.0**									**2.0**
Gain realized on a financial instrument designated as a cash flow hedge transferred to earnings	**(1.3)**									**(1.3)**
Actuarial losses	**-**				(1.2)					**(1.2)**
Comprehensive income	**410.8**	(1.7)	0.1	0.6	(0.9)	0.4	-	(0.5)	-	**408.8**

29. First-time adoption of IFRS (continued)

Explanatory notes related to the reconciliation

a) Recognition of deferred gains on sale and leaseback transactions

Under Canadian GAAP: CICA Handbook Section 3065 *"Leases"* required that any profit or loss arising from a sale and leaseback transaction be deferred and amortized over the lease term. A loss was recognized in earnings immediately when, at the time of the transaction, the fair value of the property was less than its carrying value.

Under IFRS: IAS 17 *"Leases"* requires the immediate recognition of all profits or losses arising from a sale and leaseback transaction except if:

- the sale price is below fair value and the loss is compensated for by future lease payments below market price, in which case it shall be deferred and amortized in proportion to the lease payments over the period during which the asset is expected to be used;
- the sale price is above fair value, in which case the excess shall be deferred and amortized over the period during which the asset is expected to be used.

Considering this difference, the Corporation analyzed all deferred gains existing as at the transition date. When the transactions were concluded at fair value, the deferred gains in the consolidated balance sheet at the transition date were reversed and recognized in retained earnings. The amortization of the deferred gains recognized in 2011 was reversed and all deferred gains from sale and leaseback transactions realized in 2011 were reclassified and recognized directly in earnings.

b) Discounting of provisions

Under Canadian GAAP: The only provision that needed to be discounted was the asset retirement obligation provision and changes in the discount rate were not applied retroactively.

Under IFRS: IAS 37 *"Provisions, contingent liabilities and contingent assets"* states that where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

Considering this difference, the Corporation reviewed all provisions recorded in its consolidated balance sheet as at the transition date and discounted those for which the time value of money had a significant impact. This resulted in the reduction of the provision balances in the consolidated balance sheet as at the transition date. For fiscal 2011, new expenses recognized in earnings related to these provisions have been reduced to reflect their discounting and an accretion expense has been recorded in earnings.

c) Onerous contracts

Under Canadian GAAP: Provisions were not recognized for onerous contracts.

Under IFRS: As per IAS 37 *"Provisions, contingent liabilities and contingent assets",* if an entity has a contract that is onerous, the present obligation under the contract shall be recognized and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

Considering this difference, the Corporation has reviewed its existing contracts as at the transition date to identify onerous contracts. This resulted in the recognition of a provision for onerous contracts as at April 26, 2010. This provision was recognized in earnings, reversed as the contracts progressed and entirely reversed as at April 24, 2011. This led to a decrease in Operating, selling, administrative and general expenses for fiscal 2011 following the amortization of the provision.

d) Employee future benefits

i) Actuarial gains and losses

Under Canadian GAAP: Under CICA Handbook Section 3461 *"Employee future benefits"*, for a defined benefit plan, an entity had to use the "corridor" approach and recognize amortization of actuarial gains and losses in a period in which, as of the beginning of the period, the unamortized net actuarial gain or loss exceeded 10% of the greater of:

a) the accrued benefit obligation at the beginning of the year; or

b) the fair value, or market-related value, of plan assets at the beginning of the year.

Under IFRS: As per IAS 19 *"Employee benefits",* an entity may choose to use the corridor approach involving the non-recognition of a portion of the actuarial gains or losses, or elect to recognize actuarial gains or losses directly in equity.

The Corporation has decided to modify its accounting method and has elected to recognize all actuarial gains and losses directly in equity in Other comprehensive income. Moreover, under IFRS 1, a first-time adopter may elect to recognize all cumulative actuarial gains and losses at the date of transition to IFRS. Therefore, the Corporation elected to reverse unamortized actuarial gains and losses to retained earnings on April 26, 2010. The actuarial losses for 2011 were recognized directly to Other comprehensive income and the amortization amount recognized in earnings under Canadian GAAP was reversed.

29. First-time adoption of IFRS (continued)

ii) Past service costs

Under Canadian GAAP: Under CICA Handbook Section 3461 *"Employee future benefits"*, an entity amortized past service costs arising from a plan initiation or amendment by assigning an equal amount to each remaining service period up to the full eligibility date of each employee active at the date of the plan initiation or amendment who was not yet fully eligible for benefits at that date.

Under IFRS: As per IAS 19 *"Employee benefits",* an entity shall recognize past service costs as an expense on a straight-line basis over the average period until the benefits become vested.

Considering this difference, the Corporation reversed fully vested unamortized past service costs to retained earnings on April 26, 2010. The amortization amount of the past service costs for fiscal 2011 was calculated considering the IFRS adjusted balances and the amortization amount recognized in earnings under Canadian GAAP was reversed.

e) Stock-based compensation

Under Canadian GAAP: CICA Handbook Section 3870 *"Stock-based compensation and other stock-based payments*" stated that, when stock-based awards granted vest gradually, it was possible to recognize the compensation cost using the straight-line method when a method different than the gradual vesting method was used in calculating the fair value. As the Corporation was not anticipating any significant difference between the expected lives of each group of options, the straight-line method was previously used.

Under IFRS: IFRS 2 *"Share-based payment*", does not provide such an exception. Thus, when options granted vest gradually, an entity must consider each portion as a distinct grant and amortize the corresponding expense distinctly for each portion.

Considering this difference, the Corporation modified its expense amortization model related to stock option vesting to consider the different dates of rights acquisition and stopped using the straight-line method. The total cumulative additional expense that should have been recorded from the inception of the plans as at April 26, 2010 based on IFRS was recorded in retained earnings with an equivalent adjustment to contributed surplus. The expense recognized in earnings in 2011 under Canadian GAAP has been adjusted to reflect the difference between the two amortization methods.

f) Joint Venture

Under Canadian GAAP: CICA Handbook Section 3055 *"Interests in Joint Ventures"* required the proportionate consolidation method. It did not allow the use of the equity method to account for investments in joint ventures.

Under IFRS: IAS 31 *"Interests in Joint Ventures"* offers the possibility of applying either the equity method or the proportionate consolidation method to investments in joint ventures.

Considering this difference, the Corporation opted to record its investment in RDK using the equity method as at the IFRS transition date. Since the Corporation was using the proportionate consolidation method under Canadian GAAP to recognize its RDK investment, 50.01% of the values of all of the joint venture's accounts were included in the consolidated balance sheet and consolidated statement of earnings. These amounts have been removed through the reconciliation with IFRS. The value of the investment in the joint venture was recorded on the consolidated balance sheet under the item Investment in a joint venture and the Corporation's proportionate interest of RDK's income for fiscal 2011 was presented in the consolidated statement of earnings under Share of earnings of a joint venture accounted for using the equity method.

g) Business combinations - **Direct acquisition costs**

Under Canadian GAAP: As per previous CICA Handbook Section 1581 *"Business Combinations"* (section applicable before the IFRS transition), direct acquisition costs were part of the acquisition cost.

*Under IFR*S: As per IFRS 3 *"Business Combinations",* direct acquisition costs are recognized in earnings when they are incurred.

Because the Corporation has decided to use the exemption in IFRS 1 which allows not restating all business combinations prior to the transition date, no restatement occurred on April 26, 2010. Business combinations that occurred during fiscal 2011 were restated to reflect this difference. As a result, direct acquisition costs that occurred during fiscal 2011 were recognized in earnings on the consolidated financial statement adjusted for IFRS.

h) Presentation differences

Some amounts have been reclassified to reflect the following classification differences:

i) Deferred income taxes:

Under Canadian GAAP: As per CICA Handbook Section 3465 *"Income Taxes"*, current income tax liabilities and current income tax assets had to be presented separately from non-current portions.

*Under IFR*S: As per IAS 12 *"Income Taxes"*, income tax liabilities and income tax assets should all be presented under long-term assets and liabilities.

Considering IAS 12, all deferred income taxes were reclassified to long-term on the Corporation's consolidated balance sheet.

ii) Current definition

Under Canadian GAAP: As per CICA Handbook Section 1510 *"Current Assets and Current Liabilities*", current assets and liabilities included those items ordinarily realizable or payable within one year from the date of the balance sheet or within the normal operating cycle, when that was longer than a year.

(in millions of US dollars, except share and stock option data)

29. First-time adoption of IFRS (continued)

Under IFRS: As per IAS 1 *"Presentation of financial statements"*, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled:

a) no more than twelve months after the reporting period; and
b) more than twelve months after the reporting period.

The definition under IFRS being more directive, this resulted in a reclassification of some long-term amounts previously presented as current on the Corporation's consolidated balance sheet.

iii) Provision presentation

Under Canadian GAAP: There was no specific indication concerning the presentation of provisions.

Under IFRS: IAS 1 *"Presentation of financial statements"* states in paragraph 54 l) that, as a minimum, the balance sheet shall include some items, including provisions.

Considering this difference, the current portion of provisions has been removed from Accounts payable and accrued liabilities, and the long-term portion has been removed from Deferred credits and other liabilities on the consolidated balance sheet to be presented distinctively under Provisions.

iv) Accretion expense

Under Canadian GAAP: CICA Handbook Section 3110 *"Asset Retirement Obligations"* stated that the expense related to the passage of time had to be classified as an operating item in the statement of earnings, not as interest expense.

Under IFRS: As per IFRIC 1 *"Changes in Existing Decommissioning, Restoration and Similar Liabilities"*, the periodic unwinding of the discount shall be recognized in earnings as a finance cost as it occurs. Also, as per IAS 37 *"Provisions, Contingent Liabilities and Contingent Assets",* where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as finance cost.

Considering this difference, accretion expense has been reclassified under *Financial expenses* on the Corporation's consolidated statement of earnings for fiscal 2011.

i) Reversal of the cumulative translation adjustments

Retrospective application of IFRS would require the Corporation to determine cumulative currency translation differences in accordance with IAS 21, *''The Effects of Changes in Foreign Exchange Rates''*, from the date a subsidiary or equity method investee was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. The Corporation elected to reset all cumulative translation gains and losses to zero in opening retained earnings at its transition date.

Cash flow statement

The only significant adjustment to the statement of cash flows is the change of accounting method for the joint venture, from the proportionate consolidation under Canadian GAAP to the equity method under IFRS. The total cash flow amounts for each category that was previously consolidated in the cash flows statement for the joint venture and that are now excluded from the cash flows statement under IFRS for 2011 are as follows:

	2011
	$
Cash and cash equivalents beginning of year	5.2
Operating activities	9.9
Investing activities	(4.4)
Financing activities	-
Cash and cash equivalents end of year	10.7