

**Alimentation Couche-Tard Inc.**  
**Consolidated Financial Statements**  
**April 27, 2008, April 29, 2007 and April 30, 2006**

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## 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 generally accepted accounting principles in Canada 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 Company'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 enclosed consolidated financial statements were audited by Raymond Chabot Grant Thornton LLP, our independent registered public accounting firm, and their report indicates the extent of their audit and their opinion on the consolidated financial statements.

June 13, 2008



Alain Bouchard  
Chairman of the Board,  
President and Chief Executive Officer



Richard Fortin  
Executive Vice-President  
and Chief Financial Officer

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of  
Alimentation Couche-Tard Inc.

We have audited the consolidated balance sheets of Alimentation Couche-Tard Inc. as at April 27, 2008 and April 29, 2007 and the consolidated statements of earnings, comprehensive income, contributed surplus, retained earnings, accumulated other comprehensive income and cash flows for each of the years in the three-year period ended April 27, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 27, 2008 and April 29, 2007 and the results of its operations and its cash flows for each of the years in the three-year period ended April 27, 2008 in accordance with Canadian generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Alimentation Couche-Tard Inc.'s internal control over financial reporting as at April 27, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated June 13, 2008 expressed an unqualified opinion thereon.

Raymond Chabot Grant Thornton, LLP  
Chartered Accountants



Montréal, Canada  
June 13, 2008

## **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the *Securities Exchange Act of 1934* (United States) and Canadian securities regulations, for Alimentation Couche-Tard Inc. With our participation, management carried out an evaluation of the effectiveness of our internal control over financial reporting, with the participation of our chief executive officer and chief financial officer, as of the end of our fiscal year ended April 27, 2008. 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 27, 2008.

Raymond Chabot Grant Thornton LLP, our independent registered public accounting firm, audited Alimentation Couche-Tard Inc.'s internal control over financial reporting as at April 27, 2008 and have issued their unqualified opinion thereon, which is included herein.

June 13, 2008



Alain Bouchard  
Chairman of the Board,  
President and Chief Executive Officer



Richard Fortin  
Executive Vice-President  
and Chief Financial Officer

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Shareholders of  
Alimentation Couche-Tard Inc.

We have audited Alimentation Couche-Tard Inc.'s internal control over financial reporting as of April 27, 2008, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Alimentation Couche-Tard Inc.'s 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. Our responsibility is to express an opinion on Alimentation Couche-Tard Inc.'s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require 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 included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk and

performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with 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 (3) 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.

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.

In our opinion, Alimentation Couche-Tard Inc. maintained, in all material respects, effective internal control over financial reporting as of April 27, 2008, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Alimentation Couche-Tard Inc. as of April 27, 2008 and April 29, 2007 and the consolidated statements of earnings, comprehensive income, contributed surplus, retained earnings, accumulated other comprehensive income and cash flows for each of the years in the three-year period ended April 27, 2008 and our report dated June 13, 2008 expressed an unqualified opinion thereon.

Raymond Chabot Grant Thornton, LLP  
Chartered Accountants

*Raymond Chabot Grant Thornton LLP*

Montréal, Canada  
June 13, 2008

## CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
(in millions of US dollars (Note 2), except per share amounts)

	2008 (52 weeks)	2007 (52 weeks)	2006 (53 weeks)
	\$	\$	\$
<b>Revenues</b>	<b>15,370.0</b>	12,087.4	10,157.3
Cost of sales	<b>13,146.5</b>	10,082.9	8,365.8
<b>Gross profit</b>	<b>2,223.5</b>	2,004.5	1,791.5
Operating, selling, administrative and general expenses	<b>1,738.9</b>	1,512.4	1,352.9
Depreciation and amortization of property and equipment and other assets (Note 6)	<b>172.5</b>	133.8	106.9
	<b>1,911.4</b>	1,646.2	1,459.8
Operating income	<b>312.1</b>	358.3	331.7
Financial expenses (Note 6)	<b>54.6</b>	48.0	34.0
Earnings before income taxes	<b>257.5</b>	310.3	297.7
Income taxes (Note 7)	<b>68.2</b>	113.9	101.5
<b>Net earnings</b>	<b>189.3</b>	196.4	196.2
Net earnings per share (Note 8)			
Basic	<b>0.94</b>	0.97	0.97
Diluted	<b>0.92</b>	0.94	0.94

The accompanying notes are an integral part of the consolidated financial statements and Note 6 provides other information on consolidated earnings.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (NOTE 3)

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
(in millions of US dollars (Note 2))

	2008 (52 weeks)	2007 (52 weeks)	2006 (53 weeks)
	\$	\$	\$
<b>Net earnings</b>	<b>189.3</b>	196.4	196.2
Other comprehensive income			
Changes in cumulative translation adjustments <sup>(1)</sup>	<b>16.1</b>	(2.8)	41.3
Other comprehensive income	<b>16.1</b>	(2.8)	41.3
<b>Comprehensive income</b>	<b>205.4</b>	193.6	237.5

(1) Includes net gain of \$83.8 (\$7.6 in 2007 and \$51.1 in 2006) arising from the translation of US dollar denominated long-term debt designated as a foreign exchange hedge of the Company's net investment in its U.S. self-sustaining operations.

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

## CONSOLIDATED STATEMENTS OF CONTRIBUTED SURPLUS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
(in millions of US dollars (Note 2))

	2008 (52 weeks)	2007 (52 weeks)	2006 (53 weeks)
Balance, beginning of year	\$ 13.4	\$ 9.4	\$ 5.6
Stock-based compensation expense (Note 20)	4.0	4.2	3.8
Fair value of stock options exercised	(1.8)	(0.2)	-
Balance, end of year	15.6	13.4	9.4

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
(in millions of US dollars (Note 2))

	2008 (52 weeks)	2007 (52 weeks)	2006 (53 weeks)
Balance, beginning of year	\$ 681.9	\$ 505.0	\$ 317.5
Impact of changes in accounting policies (Note 3)	0.9	-	-
Balance, beginning of year, as restated	682.8	505.0	317.5
Net earnings	189.3	196.4	196.2
Dividends	872.1	701.4	513.7
Excess of purchase price over carrying value of Class A multiple voting shares and Class B subordinate voting shares repurchased and cancelled	(25.6)	(19.5)	(8.7)
Balance, end of year	(71.5)	-	-
Balance, end of year	775.0	681.9	505.0

## CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (NOTE 3)

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
(in millions of US dollars (Note 2))

	2008 (52 weeks)	2007 (52 weeks)	2006 (53 weeks)
Balance, beginning of year (Note 3)	\$ 97.8	\$ 100.6	\$ 59.3
Impact of changes in accounting policies (Note 3)	0.4	-	-
Balance, beginning of year, as restated	98.2	100.6	59.3
Other comprehensive income	16.1	(2.8)	41.3
Balance, end of year	114.3	97.8	100.6

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
(in millions of US dollars (Note 2))

	2008 (52 weeks)	2007 (52 weeks)	2006 (53 weeks)
	\$	\$	\$
<b>Operating activities</b>			
Net earnings	189.3	196.4	196.2
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	151.8	114.4	99.2
Future income taxes	19.0	21.7	26.8
(Gain) loss on disposal of property and equipment and other assets	(0.9)	(3.8)	2.1
Deferred credits	13.3	30.5	15.2
Other	24.2	13.1	4.8
Changes in non-cash working capital (Note 9)	(36.9)	30.7	57.2
<b>Net cash provided by operating activities</b>	<b>359.8</b>	<b>403.0</b>	<b>401.5</b>
<b>Investing activities</b>			
Purchase of property and equipment	(280.3)	(373.4)	(245.3)
Proceeds from sale and leaseback transactions	172.4	35.5	36.2
Business acquisitions (Note 5)	(70.7)	(600.6)	(91.6)
Proceeds from disposal of property and equipment and other assets	21.0	17.8	15.9
Increase in other assets	(3.3)	(15.6)	(7.0)
Deposit reimbursement on business acquisition	0.5	-	-
Temporary investments	-	21.1	(21.0)
Liabilities related to business acquisitions	-	(5.0)	(4.0)
<b>Net cash used in investing activities</b>	<b>(160.4)</b>	<b>(920.2)</b>	<b>(316.8)</b>
<b>Financing activities</b>			
Repurchase of Class A multiple voting shares and Class B subordinate voting shares	(101.3)	-	-
Dividends paid	(25.6)	(19.5)	(8.7)
(Decrease) increase in long-term debt	(14.3)	513.0	-
Issuance of shares	4.7	1.1	0.2
Repayment of long-term debt	-	(167.2)	(6.9)
<b>Net cash (used in) provided by financing activities</b>	<b>(136.5)</b>	<b>327.4</b>	<b>(15.4)</b>
Effect of exchange rate fluctuations on cash and cash equivalents	11.4	-	9.5
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>74.3</b>	<b>(189.8)</b>	<b>78.8</b>
Cash and cash equivalents, beginning of year	141.7	331.5	252.7
<b>Cash and cash equivalents, end of year</b>	<b>216.0</b>	<b>141.7</b>	<b>331.5</b>

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

## CONSOLIDATED BALANCE SHEETS

as at April 27, 2008 and April 29, 2007  
(in millions of US dollars (Note 2))

	2008	2007
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	216.0	141.7
Accounts receivable (Note 10)	251.7	199.0
Inventories (Note 11)	444.5	382.1
Prepaid expenses	8.3	13.5
Future income taxes (Note 7)	24.7	22.7
	<b>945.2</b>	<b>759.0</b>
Property and equipment (Note 12)	1,748.3	1,671.6
Goodwill (Note 13)	402.6	373.8
Trademarks and licenses	170.3	168.7
Other assets (Note 14)	53.3	69.2
Future income taxes (Note 7)	0.9	0.9
	<b>3,320.6</b>	<b>3,043.2</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 16)	842.7	740.3
Income taxes payable (Note 7)	18.6	46.6
Current portion of long-term debt (Note 17)	1.2	0.5
Future income taxes (Note 7)	-	0.1
	<b>862.5</b>	<b>787.5</b>
Long-term debt (Note 17)	841.0	869.5
Deferred credits and other liabilities (Note 18)	253.8	161.9
Future income taxes (Note 7)	109.6	78.9
	<b>2,066.9</b>	<b>1,897.8</b>
<b>Shareholders' equity</b>		
Capital stock (Note 19)	348.8	352.3
Contributed surplus	15.6	13.4
Retained earnings (Note 3)	775.0	681.9
Accumulated other comprehensive income (Note 3)	114.3	97.8
	<b>1,253.7</b>	<b>1,145.4</b>
	<b>3,320.6</b>	<b>3,043.2</b>

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

On behalf of the Board,



**Alain Bouchard**  
Director



**Richard Fortin**  
Director

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
(in millions of US dollars, except share and stock option data)

## 1. Governing statutes and nature of operations

Alimentation Couche-Tard Inc. (the Company) is incorporated under the *Companies Act* (Quebec).

The Company owns and licenses 5,119 convenience stores across North America of which 4,068 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 Company's year end is the last Sunday of April of each year. For comparative purposes, the years ended April 27, 2008, April 29, 2007 and April 30, 2006 are referred to as 2008, 2007 and 2006. The year ended April 27, 2008 has 52 weeks (52 weeks in 2007 and 53 weeks in 2006).

### *Basis of presentation*

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP).

### *Reporting currency*

The Company uses the US dollars as its reporting currency to provide more relevant information considering its predominant operations in the United States and its US dollar denominated debt. The functional currencies of the Company and each of its subsidiaries correspond to the local currency of the market in which they operate.

## 3. Accounting changes

### 2008

#### Capital disclosures and financial instruments disclosures and presentation

On February 5, 2008 the Company early adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862 "Financial Instruments – Disclosures", Section 3863 "Financial Instruments – Presentation" and Section 1535 "Capital Disclosures".

Section 3862 describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed to and how the entity manages those risks. This Section complements principles of recognition, measurement and presentation of financial instruments of Sections 3855 "Financial Instruments – Recognition and Measurement", 3863 "Financial Instruments – Presentation" and 3865 "Hedges".

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It replaces the standards included in Section 3861 "Financial Instruments – Disclosure and Presentation".

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

The results of the implementation of these new standards are included in Note 23 and had no impact on the Company's consolidated financial results.

#### Financial Instruments – Recognition and Measurement

On April 30, 2007, the Company adopted CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement", which establishes standards for recognition and measurement of financial assets, financial liabilities and non-financial derivatives. This new standard was implemented retroactively without restatement of prior periods financial statements. For embedded derivatives instruments, the Company elected April 29, 2002 as its transition date.

The Company made the following classifications:

<b>Financial assets and liabilities</b>	<b>Classification</b>	<b>Subsequent measurement <sup>(1)</sup></b>	<b>Classification of gains and losses</b>
Cash and cash equivalents	Held-for-trading	Fair value	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 expenses	Other financial liabilities	Amortized cost	Net earnings

<sup>(1)</sup> Initial measurement of all financial assets and liabilities is at fair value.

As at April 30, 2007, the impact of the implementation of the classifications described above is a \$0.5 increase in Other assets, a \$0.1 increase in the long-term Future income tax liability and a \$0.4 increase in Accumulated other comprehensive income. These adjustments relate to an investment in publicly-traded securities held by the Company, included in Other assets. The value of this investment is not significant.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
(in millions of US dollars, except share and stock option data)

### 3. Accounting changes (continued)

Section 3855 also requires that transaction costs be i) recognized in income when incurred or ii) added to or deducted from the amount of the financial asset or liability to which they are directly attributable when the asset or liability is not classified as held-for-trading. The Company has deferred financing costs attributable to its Subordinated unsecured debt which were previously deferred and amortized over the term of the debt. Consequently, the Company elected to apply the accounting policy that consists of deducting financing costs from the amount of the financial liability to which they are directly attributable. As at April 30, 2007, this change resulted in a decrease of \$11.6 in Deferred charges, of \$13.1 in Long-term debt, in an increase of \$0.6 in the long-term Future income tax liability and of \$0.9 in Retained earnings.

#### Hedges

Effective April 30, 2007, the Company adopted CICA Handbook Section 3865 "Hedges", which establishes circumstances under which hedge accounting may be applied. The purpose of hedge accounting is to ensure that gains, losses, revenues and expenses related to a hedging item and to the hedged item are recognized in net earnings in the same period.

As described in Notes 4 and 23, the Company uses interest rate swaps as part of its program for managing the interest rate of its Subordinated unsecured debt. These interest rate swaps have been designated and documented as an effective fair value hedge of the Subordinated unsecured debt. Under the new standard, changes in the fair value of the swaps and the debt are recognized in net earnings, counterbalancing each other, except for any ineffective portion of the hedging relationship. On the balance sheet, the fair value of the interest swaps is recorded in Other assets if it is favourable for the Company or in Deferred credits and other liabilities if it is unfavourable for the Company.

As at April 30, 2007, these changes resulted in an increase of \$14.9 in Deferred credits and other liabilities and in a decrease of \$14.9 in Long-term debt.

The Company also designates its entire US dollar denominated long-term debt as a foreign exchange hedge of its net investment in its U.S. self-sustaining operations. Accordingly, corresponding foreign exchange gains and losses on the long-term debt are recorded in Accumulated other comprehensive income in the Shareholders' equity to offset the foreign currency translation adjustments on the investments.

#### Comprehensive Income

On April 30, 2007, the Company adopted CICA Handbook Section 1530 "Comprehensive Income". This Section introduces a new financial statement which presents the change in equity of an enterprise from transactions and other events and circumstances from non-owner sources. These transactions include net changes in unrealized gains and losses on translating Canadian and corporate operations into the reporting currency as well as unrealized gains and losses related to changes in the fair value of certain financial instruments that are not recorded in net earnings. These two types of transactions are recorded in Other comprehensive income.

The result of the implementation of this new standard is that, beginning in the first quarter of fiscal 2008, the Company includes, in its consolidated financial statements, a consolidated statement of comprehensive income while the cumulative net changes in other comprehensive income are included in Accumulated other comprehensive income, which is presented as a new category of Shareholders' equity and a new statement. Consequently, an amount of \$97.8 presented in cumulative translation adjustments as at April 29, 2007 has been reclassified to Accumulated other comprehensive income.

#### Equity

Effective April 30, 2007, the Company adopted CICA Handbook Section 3251 "Equity", which replaces Section 3250 "Surplus". This new section establishes standards for the presentation of equity and changes in equity during the reporting period and requires the Company to present separately equity components and changes in equity arising from i) net earnings; ii) other comprehensive income; iii) other changes in retained earnings; iv) changes in contributed surplus; v) changes in share capital; and vi) changes in reserves.

### 2006

#### Non-monetary transactions

On June 1, 2005, the CICA issued Handbook Section 3831, "Non-Monetary Transactions", replacing Section 3830 of the same name. Under these new standards, all non-monetary transactions initiated in periods beginning on or after January 1, 2006 have to be measured at fair value unless:

- the transaction lacks commercial substance;
- the transaction is an exchange of a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange;
- neither the fair value of the assets received nor the fair value of the asset given up is reliably measurable; or
- the transaction is a non-monetary, non-reciprocal transfer to owners that represents a spin-off or other form of restructuring or liquidation.

The Company adopted these new recommendations both early and prospectively on July 18, 2005. The implementation of these new recommendations did not have a material impact on the Company's consolidated financial statements.

### 4. Accounting policies

#### Accounting estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP 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, environmental costs and asset retirement obligations based on available information. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from those estimates.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
(in millions of US dollars, except share and stock option data)

### 4. Accounting policies (continued)

#### Principles of consolidation

The consolidated financial statements include the accounts of the Company and of its subsidiaries, all of which are wholly owned.

#### Foreign currency translation

The non-consolidated financial statements of the Company and its subsidiaries are prepared based on their respective functional currencies, which is the US dollar for US operations and the Canadian dollar for Canadian operations and corporate activities.

As a result, in the Company's consolidated financial statements, the Canadian and corporate operations are translated into US dollars using the current rate method. Under this method, assets and liabilities are translated using the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average rate in effect during the year. Capital stock, Contributed surplus and Retained earnings are translated using the historical rate. Gains and losses arising from translation are included in the Accumulated other comprehensive income account 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 treasury stock method and takes into account the dilutive effect of stock options.

#### Revenue recognition

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

Services 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. Services revenues also include franchise and license fees, which are recognized in revenues over the period of the agreement to which the fees relate and royalties from franchisees and licensees, which are recognized periodically based on sales reported by franchise and licence operators.

#### 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 and include advertising expenses that are charged as incurred in the amount of \$28.2 in 2008 and 2007 and \$26.8 in 2006.

#### Self-insurance

In the United States, the Company 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 not discounted and is recognized as a liability. This cost is estimated based upon analysis of the Company's historical data or actuarial estimates.

#### Cash and cash equivalents

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

#### 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.

#### Vendor rebates

The Company 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 costs of sales and related inventory in its consolidated statements of earnings and balance sheets when those rebates satisfy the recognition criteria. Amounts received but not yet recognized are presented in deferred credits.

#### Income taxes

The Company uses the liability method to account for income taxes. Under this method, future income 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 at the date of the consolidated financial statements for the years in which the temporary differences are expected to reverse. A valuation allowance is recognized to the extent that it is more likely than not that all of the future income tax assets will not be realized.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
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### 4. Accounting policies (continued)

#### Property and equipment, depreciation and amortization

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

Buildings	3 to 40 years
Equipment	3 to 40 years
Buildings under capital leases	Lease term
Equipment under capital leases	Lease term

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.

#### Rent expense

Rent expense is recognized in earnings using the straight-line method.

#### 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, or more frequently should events or changes in circumstances indicate that it might be impaired. Should the carrying amount of a reporting unit's goodwill exceed its fair value, an impairment loss would be recognized.

#### Trademarks and licenses

Trademarks and licenses have indefinite lives, are recorded at cost and are not amortized.

#### Impairment of long-lived assets

Long-lived assets 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 the estimated undiscounted future cash flows generated by their use and eventual disposal. Should the carrying amount of long-lived assets exceed their fair value, an impairment loss in the amount of the excess would be recognized.

#### Other assets

Other assets mainly include deferred charges, environmental costs receivable, accrued pension benefit asset and deposits.

Deferred charges are mainly expenses incurred in connection with the analysis and signing of the Company's operating credit 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.

#### Long-term debt

Long-term debt is measured at amortized cost net of attributable financing costs and subsequently amortized using the effective interest rate method.

#### 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 for years beginning on or after January 1, 2002. The fair value of the stock options is recognized over the vesting period as compensation expense with a corresponding increase in contributed surplus. When stock options are exercised, the corresponding contributed surplus is transferred to capital stock.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
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### 4. Accounting policies (continued)

#### Employee future benefits

The Company accrues its obligations under employee pension plans and the related costs, net of plan assets. The Company has adopted the following 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 benefit method prorated on service and pension expense is recorded in income 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;
- for the purpose of calculating the expected return on plan assets, those assets are valued at fair value;
- actuarial gains (losses) arise from the difference between 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. The excess of the net actuarial gain (loss) over 10.0% of the greater of the benefit obligation and fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plans is nine years;
- on May 1, 2000, the Company adopted the new accounting standard on employee future benefits using the prospective application method. The Company is amortizing the transitional asset on a straight-line basis over 11 years, which was the average remaining service period of employees expected to receive benefits under the benefit plan as of May 1, 2000;
- past service costs are amortized on a straight-line basis over the average remaining service period of active employees.

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

#### Environmental costs

The Company 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 Company'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.

#### Hedging and derivative financial instruments

The Company uses derivative financial instruments by way of interest rate swaps to manage current and forecasted risks related to interest rate fluctuations associated with the Company's Subordinated unsecured debt. The Company does not use freestanding derivative financial instruments for trading or speculative purposes.

The Company formally documents and designates each derivative financial instrument as a fair value hedge of its Subordinated unsecured debt. The Company determines that derivative financial instruments are effective hedges, at the time of the establishment of the hedge and for the duration of the instrument, since the date to maturity, the reference amount and interest rate of the instruments correspond to all the conditions of the debt.

The Company uses interest rate swaps as part of its program for managing the combination of fixed and variable interest rates of its debt and the corresponding aggregate cost of borrowing. Interest rate swaps involve an exchange of interest payments without an exchange of principal underlying the interest payments. The corresponding amount to be paid to counterparties or to be received from counterparties is accounted for as an adjustment of accrued interest.

The changes in fair value of the swaps and the debt are recognized in net earnings, counterbalancing each other, except for any ineffective portion of the hedging relationship. On the balance sheet, the fair value of the interest swaps is recorded in Other assets if it is favourable for the Company or in Deferred credits and other liabilities if it is unfavourable for the Company.

The Company has also designated its entire US dollar denominated long-term debt as a foreign exchange hedge of its net investment in its U.S. self-sustaining 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 Company's net investment in its U.S. self-sustaining subsidiaries. Should a portion of the hedging relationship become ineffective, the ineffective portion would be recorded in the consolidated statement of earnings.

#### Disclosure of guarantees

A guarantee is defined as a contract or an indemnification agreement contingently requiring a company 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 likely.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
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### 4. Accounting policies (continued)

#### Recently issued accounting standards not yet implemented

##### *Inventories*

In June 2007, the CICA issued Handbook Section 3031 "Inventories", replacing Section 3030 of the same name. The new section provides guidance on the basis and method of measurement of inventories and allows for reversal of previous write-downs. The section also establishes new standards on disclosure of accounting policies used, carrying amounts, amounts recognized as an expense, write-downs and the amount of any reversal of any write-downs.

This new standard is applicable to fiscal years beginning on or after January 1, 2008. The difference in the measurement of opening inventory may be applied to the opening inventory for the period, with an adjustment to opening retained earnings without prior periods being restated, or retrospectively with a restatement of prior periods. The Company will implement this standard in its first quarter of fiscal year 2009 and does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.

##### *Goodwill and Intangible Assets*

In February 2008, the CICA issued Handbook Section 3064 "Goodwill and intangible assets", replacing Section 3062 "Goodwill and other intangible assets" and Section 3450 "Research and development costs". Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards relating to goodwill are unchanged from the standards included in the previous Section 3062.

This new standard is applicable to fiscal years beginning on or after October 1, 2008. The Company will implement this standard in its first quarter of fiscal year 2010 and is currently evaluating the impact of its adoption on its consolidated financial statements. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.

##### *International Financial Reporting Standards*

The Canadian Accounting Standards Board has confirmed that the use of International Financial Reporting Standards (IFRS) will be required for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises.

These new standards are applicable to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. Starting in the first quarter of fiscal year 2012, the Company will publish consolidated financial statements prepared in accordance with IFRS. The Company is currently evaluating the impact of adoption on its consolidated financial statements and is establishing a transition plan.

### 5. Business acquisitions

The Company has made the following business acquisitions that were accounted for using the purchase method. Earnings from the businesses acquired are included in the consolidated statements of earnings from their respective dates of acquisition.

#### 2008

During 2008, the Company made the following business acquisitions:

- effective June 5, 2007, the Company purchased 28 company-operated stores and five land parcels from Sterling Stores LLC. The acquired stores operate under the Sterling banner in northwest Ohio, United States;
- during fiscal year 2008, the Company purchased 18 stores through 15 distinct transactions.

These acquisitions were settled for a total cash consideration of \$70.7, including direct acquisition costs. The preliminary allocations of the purchase price of the acquisitions were established based on available information and on the basis of preliminary evaluations and assumptions management believes to be reasonable. Since the Company has not completed its fair value assessment of the net assets acquired for all transactions, the preliminary allocations are subject to adjustments to the fair value of the assets and liabilities until the process is completed. The preliminary allocations are based on the estimated fair values on the dates of acquisition:

	\$
Tangible assets acquired	
Inventories	3.8
Property and equipment	59.6
<u>Total tangible assets</u>	<u>63.4</u>
Liabilities assumed	
Accounts payable and accrued liabilities	0.3
Deferred credits and other liabilities	0.6
<u>Total liabilities</u>	<u>0.9</u>
<u>Net tangible assets acquired</u>	<u>62.5</u>
Non-compete agreements	1.1
Goodwill	7.1
<u>Total consideration paid, including direct acquisition costs</u>	<u>70.7</u>

The Company expects that approximately \$5.7 of the goodwill related to these transactions will be deductible for tax purposes.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
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### 5. Business acquisitions (continued)

#### 2007

During 2007, the Company made the following business acquisitions:

- effective April 10, 2007: acquisition, from Star Fuel Marts, LLC, of 53 company-operated stores operating under the All Star banner in Oklahoma City, Oklahoma, United States. 42 of the 53 stores are operated under operating leases;
- effective February 26, 2007: acquisition, from Richcor, Inc., of 13 company-operated stores operating under the Groovin Noovin banner in the city of Pensacola, Florida, United States;
- effective December 1, 2006: the Company purchased a network of 236 stores from Shell Oil Products US and its affiliate, Motiva Enterprises LLC. The majority of the stores acquired are operated under the Shell banner in the regions of Baton Rouge, Denver, Memphis, Orlando, Tampa and in the Southwest Florida, United States. Of the 236 stores, 174 are company-operated, 50 are operated by independent store operators and 12 have a motor fuel supply agreement;
- effective October 30, 2006: the Company purchased, from Sparky's Oil Company, 24 company-operated stores operating under the Sparky's banner in the West Central Florida, United States;
- effective October 4, 2006: from Holland Oil Company, purchase of 56 company-operated stores operating under the Holland Oil and Close to Home banners in Ohio, United States. Two of the acquired stores were immediately closed;
- effective August 21, 2006: purchase of a network of 24 stores operating under the Stop-n-Save banner in the Monroe area of Louisiana, United States from Moore Oil Company LLC. Of these 24 stores, 11 are operated by the Company and 13 are operated by independent store operators;
- effective June 12, 2006: from Spectrum Stores, Inc. and Spectrum Holding, Inc., purchase of 90 company-operated stores, the majority of which are operated under the Spectrum banner in the States of Alabama and Georgia in the United States;

These acquisitions were settled for a total cash consideration of \$600.6, including direct acquisition costs. The net assets acquired included working capital of \$30.0, property and equipment of \$461.2, goodwill of \$113.5, non-compete agreement of \$1.0, trademarks of \$0.4, other assets of \$1.3 and deferred credits and other liabilities of \$6.8. Approximately \$51.0 of the goodwill related to these transactions will be deductible for tax purposes.

#### 2006

During 2006, the Company made the following business acquisitions:

- effective March 14, 2006: purchase of 34 company-operated stores and 19 affiliated stores, all operating under the Shell banner in the Indianapolis area of Indiana, United States, from Shell Oil Products US. At the closing date, two company-operated stores were closed;
- effective December 14, 2005: purchase of 16 company-operated stores operating under the Winners banner in New Mexico, United States, from Conway Oil Company and Conway Real Estate Company;
- effective December 8, 2005: purchase of 18 company-operated stores and eight affiliated stores, all operating under the BP banner in the Memphis area of Tennessee, United States, from BP Products North America, Inc.;
- effective November 3, 2005: purchase of seven company-operated stores operating under the Fuel Mart banner in Ohio, United States, from Ports Petroleum Co.

These four acquisitions were settled for a total cash consideration of \$91.6, financed from the Company's available cash. The net assets acquired included working capital of \$4.6, property and equipment of \$81.4, goodwill of \$3.9, trademarks and licences of \$2.0, other assets of \$1.3 and deferred credits and other liabilities of \$1.6. Most of the goodwill related to these transactions is deductible for tax purposes.

### 6. Supplementary information relating to the consolidated statements of earnings

	2008	2007	2006
	\$	\$	\$
Depreciation and amortization			
Property and equipment	170.6	132.3	106.1
Other assets	1.9	1.5	0.8
	<b>172.5</b>	<b>133.8</b>	<b>106.9</b>
Financial expenses			
Interest on long-term debt <sup>(1)</sup>	53.8	45.3	30.9
Amortization of deferred financing costs <sup>(1)</sup>	0.8	2.7	3.1
	<b>54.6</b>	<b>48.0</b>	<b>34.0</b>

Interest expense

Interest expense on long-term debt is net of interest income. Interest income totals \$3.6 in 2008, \$6.0 in 2007 and \$8.5 in 2006.

<sup>(1)</sup> Since the implementation of CICA Handbook Section 3855 on April 30, 2007, financing costs attributable to the Subordinated unsecured debt are deducted from the amount of the debt. Accordingly, since that date, interest expense on the debt is accounted for using the effective interest rate method. Prior to April 30, 2007, these financing costs were deferred and amortized over the term of the debt.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
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### 6. Supplementary information relating to the consolidated statements of earnings (continued)

Supplementary information related to the rental expense included in Operating, selling, administrative and general expenses:

	2008	2007	2006
	\$	\$	\$
Net rent expense			
Rent expense	209.0	184.7	174.0
Sub-leasing income	(18.3)	(14.9)	(11.5)
	<u>190.7</u>	<u>169.8</u>	<u>162.5</u>

### 7. Income taxes

	2008	2007	2006
	\$	\$	\$
Current income taxes	49.2	92.2	74.7
Future income taxes	19.0	21.7	26.8
	<u>68.2</u>	<u>113.9</u>	<u>101.5</u>
Earnings before income taxes			
Domestic	128.6	93.4	79.7
Foreign	128.9	216.9	218.0
	<u>257.5</u>	<u>310.3</u>	<u>297.7</u>
Current income taxes			
Domestic	20.4	37.0	12.4
Foreign	28.8	55.2	62.3
	<u>49.2</u>	<u>92.2</u>	<u>74.7</u>
Future income taxes			
Domestic	(1.3)	0.4	4.8
Foreign	20.3	21.3	22.0
	<u>19.0</u>	<u>21.7</u>	<u>26.8</u>

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

	2008	2007	2006
	%	%	%
Combined statutory income tax rate in Canada <sup>(a)</sup>	31.66	32.02	32.46
Impact of tax rate changes	0.32	0.30	(0.02)
Other permanent differences	(1.65)	1.20	1.65
Effective income tax rate before unusual retroactive income tax expense	30.33	33.52	34.09
Unusual retroactive income tax (reversal) expense <sup>(b)</sup>	(3.84)	3.19	-
Effective income tax rate	<u>26.49</u>	<u>36.71</u>	<u>34.09</u>

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

(b) On June 9, 2006, the Government of Québec adopted Bill 15 in the National Assembly of Québec, regarding amendments to the Taxation Act and other legislative provisions. As a result, in 2007, the Company has recorded an unusual retroactive income tax expense of \$9.9. During fiscal year 2008, the Company reversed this unusual income tax expense following an agreement with the taxing authorities.

The components of future income tax assets (liabilities) are as follows:

	2008	2007
	\$	\$
Short-term net future income tax assets		
Expenses deductible in future years	22.1	18.7
Deferred credits	0.4	0.1
Other	2.2	3.8
	<u>24.7</u>	<u>22.6</u>
Long-term net future income tax liabilities		
Trademarks and licences	(53.8)	(49.0)
Property and equipment	(69.5)	(45.5)
Deferred credits	19.7	9.8
Non-capital losses	2.9	8.4
Expenses deductible in future years	7.2	6.3
Goodwill	(7.7)	(5.0)
Borrowing and share issue costs	(0.3)	0.4
Other	(7.2)	(3.4)
	<u>(108.7)</u>	<u>(78.0)</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
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### 8. Net earnings per share

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

	2008	2007	2006
	\$	\$	\$
Net earnings attributable to Class A and B shareholders	<b>189.3</b>	196.4	196.2
Weighted average number of shares (in thousands)	<b>201,486</b>	202,119	202,030
Dilutive effect of stock options (in thousands)	<b>4,992</b>	6,087	5,632
Weighted average number of diluted shares (in thousands)	<b>206,478</b>	208,206	207,662
Basic net earnings per share available for Class A and B shareholders	<b>0.94</b>	0.97	0.97
Diluted net earnings per share available for Class A and B shareholders	<b>0.92</b>	0.94	0.94

In calculating diluted net earnings per share for 2008, 1,512,515 stock options (504,996 in 2007 and 170,000 in 2006) are excluded due to their antidilutive effect.

### 9. Supplementary information relating to the consolidated statements of cash flows

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

	2008	2007	2006
	\$	\$	\$
Accounts receivable	<b>(37.6)</b>	(41.6)	(37.9)
Inventories	<b>(46.4)</b>	(24.4)	(9.9)
Prepaid expenses	<b>5.6</b>	1.8	(5.3)
Accounts payable and accrued liabilities	<b>76.2</b>	59.3	76.8
Income taxes payable	<b>(34.7)</b>	35.6	33.5
	<b>(36.9)</b>	30.7	57.2

Cash flows relating to interest and income taxes of operating activities are detailed as follows:

	2008	2007	2006
	\$	\$	\$
Interest paid	<b>59.5</b>	50.6	36.8
Income taxes paid	<b>89.0</b>	57.7	42.2

### 10. Accounts receivable

	2008	2007
	\$	\$
Trade accounts receivable and vendor rebates receivable	<b>102.3</b>	94.2
Credit and debit cards receivable	<b>133.0</b>	90.7
Environmental costs receivable	<b>2.8</b>	2.6
Other accounts receivable	<b>13.6</b>	11.5
	<b>251.7</b>	199.0

### 11. Inventories

	2008	2007
	\$	\$
Merchandise – retail	<b>267.0</b>	251.1
Motor fuel	<b>155.4</b>	108.9
Merchandise – distribution centres	<b>22.1</b>	22.1
	<b>444.5</b>	382.1

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
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### 12. Property and equipment

	2008		
	Cost	Accumulated depreciation	Net
	\$	\$	\$
Land	489.5	-	489.5
Buildings	434.5	81.0	353.5
Leasehold improvements	316.4	129.1	187.3
Equipment	1,184.9	467.9	717.0
	<b>2,425.3</b>	<b>678.0</b>	<b>1,747.3</b>
Buildings and equipment under capital leases	6.6	5.6	1.0
	<b>2,431.9</b>	<b>683.6</b>	<b>1,748.3</b>
	2007		
	Cost	Accumulated depreciation	Net
	\$	\$	\$
Land	496.4	-	496.4
Buildings	396.4	57.9	338.5
Leasehold improvements	239.9	92.7	147.2
Equipment	1,049.6	360.5	689.1
	<b>2,182.3</b>	<b>511.1</b>	<b>1,671.2</b>
Buildings and equipment under capital leases	4.1	3.7	0.4
	<b>2,186.4</b>	<b>514.8</b>	<b>1,671.6</b>

### 13. Goodwill

	2008	2007
	\$	\$
Balance, beginning of year	373.8	245.8
Increase related to business acquisitions	7.1	113.5
Increase related to single store acquisitions	-	12.8
Changes to purchase price allocations	5.3	1.5
Effect of exchange rate fluctuations	16.4	0.2
Balance, end of year	<b>402.6</b>	<b>373.8</b>

### 14. Other assets

	2008	2007
	\$	\$
Deferred charges, net <sup>(1)</sup>	13.8	25.8
Environmental costs receivable	14.9	20.7
Accrued pension benefit asset	8.7	8.3
Deposits	1.2	1.5
Other, at cost	14.7	12.9
	<b>53.3</b>	<b>69.2</b>

(1) Since April 30, 2007 and following implementation of CICA Handbook Section 3855, financing costs attributable to the Subordinated unsecured debt are deducted from the amount of the debt. Prior to April 30, 2007, these financing costs were deferred and amortized over the term of the debt.

### 15. Bank indebtedness

Bank indebtedness reflects the used portion of the unsecured line of credit available to the Company under its credit agreement which is described in Note 17. As of April 27, 2008 and April 29, 2007, the available line of credit is unused.

### 16. Accounts payable and accrued liabilities

	2008	2007
	\$	\$
Accounts payable and accrued expenses	618.0	537.0
Sales and other taxes payable	95.6	88.2
Salaries and related benefits	60.9	61.1
Deferred credits	18.6	14.7
Environmental costs	10.0	9.0
Other	39.6	30.3
	<b>842.7</b>	<b>740.3</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
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### 17. Long-term debt

	2008	2007
	\$	\$
US dollars term revolving unsecured operating credit, maturing in September 2012 <sup>(a)</sup>	460.0	513.2
Canadian dollars term revolving unsecured operating credit, maturing in September 2012 <sup>(a)</sup>	40.3	-
Subordinated unsecured debt, at amortized cost <sup>(b)</sup>	334.7	350.0
Note payable, secured by the assets of certain stores, 8.75%, repayable in monthly instalments, maturing in 2019	4.7	4.9
Obligations related to buildings and equipment under capital leases, rates varying from 9.00% to 12.54% (11.36% to 12.54% in 2007), payable on various dates until 2019	2.5	1.9
	<b>842.2</b>	<b>870.0</b>
Current portion of long-term debt	<b>1.2</b>	<b>0.5</b>
	<b>841.0</b>	<b>869.5</b>

#### (a) Term revolving unsecured operating credit granted:

As at April 27, 2008, the Company has a credit agreement consisting of a revolving unsecured facility of an initial maximum amount of \$650.0 (\$500.0 in 2007) with an initial term of five years that could be extended each year to a five-year term at the request of the Company with the consent of the lenders. 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 dollars 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 banker's acceptance rate, the U.S. base rate or the LIBOR rate 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 the currency of the loan, on the Canadian prime rate, the U.S. prime rate or the U.S. base rate plus a variable margin.

Stand-by 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 amounts borrowed are determined according to a leverage ratio of the Company.

Under the credit agreement, the Company must maintain certain financial ratios. The agreement also imposes certain restrictions on the Company and includes requirements to seek the consent of the lenders to undertake certain transactions.

As at April 27, 2008, the weighted average effective interest rate is 3.51% (6.23% in 2007) for the US dollar portion and 4.21% for the Canadian dollars portion (unused in 2007). In addition, Cdn\$0.7 (Cdn\$0.7 in 2007) and \$17.9 (\$16.6 in 2007) are used for standby letters of credit. Finally, as at the same date, the Company is in compliance with the restrictive clauses and ratios imposed by the credit agreement.

#### (b) Subordinated unsecured debt:

Subordinated unsecured debt of a nominal amount of \$350.0, maturing December 15, 2013, bearing interest at a nominal rate of 7.5% (effective rate of 8.23% (7.5% in 2007)). Commencing on December 15, 2008, the Company will have the option for early repayment at a premium.

The total amount of the debt is subject to interest rate swaps (see Note 23). Under this strategy, the effective rate on the Subordinated unsecured debt as at April 27, 2008 is 6.61%.

Since April 30, 2007 and following implementation of CICA Handbook Sections 3855 and 3865, the carrying amount of the debt represents its nominal value amounting to \$350.0, net of attributable financing costs of \$11.5, adjusted for the fair value of the interest rate swaps designated as a fair value hedge of the debt.

The Subordinated unsecured debt agreement imposes restrictions on certain transactions.

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

	Obligations related to buildings under capital leases	Other loans denominated in US dollars	Other loans denominated in Canadian dollars
	\$	\$	Cdn\$
2009	1.1	0.1	-
2010	0.6	0.4	-
2011	0.5	0.3	-
2012	0.3	0.3	-
2013	0.3	460.3	41.0
2014 and thereafter	1.2	353.3	-
	<b>4.0</b>		
Interest expense included in minimum lease payments	<b>1.5</b>		
	<b>2.5</b>		

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
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### 18. Deferred credits and other liabilities

	2008	2007
	\$	\$
Deferred gain on sale and leaseback transactions <sup>(a)</sup>	97.7	20.0
Asset retirement obligations <sup>(b)</sup>	39.0	37.1
Deferred branding costs	17.9	2.7
Deferred credits	17.1	25.8
Deferred rent expense	16.1	14.1
Provision for workers' compensation	11.5	10.5
Provision for site restoration costs	10.7	18.5
Accrued pension benefit liability	10.4	8.2
Other liabilities	33.4	25.0
	<b>253.8</b>	<b>161.9</b>

<sup>(a)</sup> Effective December 21, 2007, the Company completed a sale and leaseback transaction for 83 sites located in the United States, for net proceeds of \$130.1, resulting in a gain of \$68.0, which is deferred and amortized over the terms of the respective leases of 20 years. The Company accounted for these leases as operating leases. Accordingly, the annual increase in rental costs amounted to approximately \$10.0.

<sup>(b)</sup> Asset retirement obligations relate to estimated future costs to remove underground motor fuel storage tanks and are based on the Company'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. To determine the initial recorded liability, the future estimated cash flows have been discounted at rates of 9.0% and 10.0%, representing the Company's credit-adjusted risk-free rates at the time the costs have been estimated and revised. The total undiscounted amount of estimated cash flows to settle the asset retirement obligations is approximately \$127.3 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.

The reconciliation of the Company's liability for the asset retirement obligations related to the removal of its underground motor fuel storage tanks is as follows:

	2008	2007
	\$	\$
Balance, beginning of year	45.1	35.9
Liabilities incurred	0.6	0.4
Liabilities settled	(1.4)	(1.1)
Accretion expense	4.0	3.3
Business acquisitions	0.3	6.1
Revision of estimations	0.1	0.4
Effect of exchange rate fluctuations	0.1	0.1
Balance, end of year	<b>48.8</b>	<b>45.1</b>

Of the total liability recorded in the consolidated balance sheets as at April 27, 2008 and April 29, 2007, \$39.0 and \$37.1, respectively, are included in Deferred credits and other liabilities and the remainder is included in Accounts payable and accrued liabilities.

### 19. 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;
- Class B subordinate voting shares and Class A multiple voting shares, ranking pari passu.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
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### 19. Capital stock (continued)

#### Issued and fully paid

The changes in number of outstanding shares are as follows:

	2008		2007	
	Number of shares	\$	Number of shares	\$
<b>Class A multiple voting shares</b>				
Balance, beginning of year	56,175,312	8.0	56,388,652	8.0
Repurchase and cancellation of shares <sup>(1)</sup>	(2,116,600)	(0.3)	-	-
Conversion into Class B shares	(177,500)	-	(213,340)	-
Balance, end of year	<u>53,881,212</u>	<u>7.7</u>	<u>56,175,312</u>	<u>8.0</u>
<b>Class B subordinate voting shares</b>				
Balance, beginning of year	146,159,574	344.3	145,651,434	343.0
Repurchase and cancellation of shares <sup>(1)</sup>	(4,045,606)	(9.7)	-	-
Issued as part of a previous acquisition	288	-	16	-
Issued on conversion of Class A shares	177,500	-	213,340	-
Stock options exercised for cash	554,020	4.7	294,784	1.1
Fair value of stock options exercised	-	1.8	-	0.2
Balance, end of year	<u>142,845,776</u>	<u>341.1</u>	<u>146,159,574</u>	<u>344.3</u>
Total issued and fully paid		<u>348.8</u>		<u>352.3</u>
				2006
			Number of shares	\$
<b>Class A multiple voting shares</b>				
Balance, beginning of year			56,594,692	8.0
Conversion into Class B shares			(206,040)	-
Balance, end of year			<u>56,388,652</u>	<u>8.0</u>
<b>Class B subordinate voting shares</b>				
Balance, beginning of year			145,375,660	342.8
Issued as part of a previous acquisition			1,630	-
Issued on conversion of Class A shares			206,040	-
Stock options exercised for cash			68,104	0.2
Balance, end of year			<u>145,651,434</u>	<u>343.0</u>
Total issued and fully paid				<u>351.0</u>

(1) On August 8, 2007, the Company implemented a share repurchase program to purchase up to 2,808,765 of the 56,175,312 Class A multiple voting shares and 7,332,066 of the 146,641,334 Class B subordinate voting shares issued and outstanding as at July 27, 2007 (representing 5.0% of the Class A multiple voting shares and 5.0% of the Class B subordinate voting shares, issued and outstanding as at that date, respectively). In accordance with the Toronto Stock Exchange requirements, a maximum daily repurchase of 25.0% of the daily trading averages for the six months preceding July 27, 2007 may be made. By making such purchases, the number of Class A multiple voting shares and of Class B subordinate voting shares in circulation will be reduced and the proportionate interest of all remaining shareholders in the Company's share capital will be increased on a pro rata basis. The share repurchase period will end no later than August 7, 2008. All shares purchased under the share repurchase program will be cancelled.

### 20. Stock-based compensation and other stock-based payments

#### Stock Option Plan

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

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. The grant price of each stock option shall not be set below the average market price 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 Company at the price specified in the terms of the stock option.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
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### 20. Stock-based compensation and other stock-based payments (continued)

The table below presents the status of the Company's stock option plan as at April 27, 2008, April 29, 2007 and April 30, 2006 and the changes therein during the years then ended:

	2008		2007	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, beginning of year	9,326,866	8.50	9,252,380	7.66
Granted	295,000	19.41	388,100	25.60
Exercised	(554,020)	9.02	(294,784)	4.17
Forfeited	(153,931)	18.77	(18,830)	13.67
Outstanding, end of year	<u>8,913,915</u>	<u>8.66</u>	<u>9,326,866</u>	<u>8.50</u>
Exercisable stock options, end of year	<u>8,166,672</u>		<u>8,122,627</u>	

  

	2006	
	Number of stock options	Weighted average exercise price
Outstanding, beginning of year	8,745,400	6.93
Granted	580,100	18.36
Exercised	(68,104)	4.13
Forfeited	(5,016)	14.33
Outstanding, end of year	<u>9,252,380</u>	<u>7.66</u>
Exercisable stock options, end of year	<u>7,674,976</u>	

The following table presents information on the stock options outstanding and exercisable as at April 27, 2008:

Range of exercise prices	Options outstanding			Options exercisable	
	Number of stock options outstanding as at April 27, 2008	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options exercisable as at April 27, 2008	Weighted average exercise price
Cdn\$			Cdn\$		Cdn\$
2 – 4	2,568,000	2.39	2.65	2,568,000	2.65
6 – 8	3,452,700	3.96	7.38	3,452,700	7.38
8 – 12	1,245,700	5.56	10.54	1,223,560	10.53
12 – 16	185,000	6.41	12.78	167,000	12.57
16 – 20	919,270	7.47	17.44	538,562	17.43
20 – 26	543,245	8.54	24.62	216,850	24.53
	<u>8,913,915</u>			<u>8,166,672</u>	

The fair value of stock options granted is estimated at the grant date using the Black & Scholes option pricing model on the basis of the following weighted average assumptions for the stock options granted during the year:

	2008	2007	2006
Expected dividends (per share)	Cdn\$0.13	Cdn\$0.12	Cdn\$0.10
Expected volatility	32.00%	35.00%	35.00%
Risk-free interest rate	3.98%	4.14%	3.92%
Expected life	8 years	8 years	8 years

The weighted average fair value of stock options granted in 2008 is Cdn\$8.04 (Cdn\$11.64 in 2007 and Cdn\$8.65 in 2006).

For 2008, compensation cost charged to the consolidated statement of earnings amounts to \$4.0 (\$4.2 in 2007 and \$3.8 in 2006).

#### Deferred Share Unit Plan

The Company 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 Company'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 Company's Class B shares as traded on the open market on the date of payment, or b) in Class B shares bought by the Company 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 27, 2008, the Company has a total of 37,101 DSUs outstanding (30,027 as at April 29, 2007).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
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### 20. Stock-based compensation and other stock-based payments (continued)

#### Share Appreciation Rights Plan

The Company has a Share Appreciation Rights Plan for officers and key employees of the Company. The amount payable to the participants is equal to the difference between the market value of the Company's Class B shares at exercise and its value at the grant date and is payable in cash. The grant agreement describes the exercise period, the value of the shares at grant date and the duration of the plan for each participant. No share appreciation right have been granted as at April 27, 2008 and April 29, 2007.

### 21. Employee future benefits

The Company has a number of funded and unfunded defined benefit and defined contribution plans that provide retirement benefits to certain employees. Its defined benefit plans are based on years of service and on the average salaries of the five year period preceding retirement.

Total cash payments for employee future benefits consist of cash contributed by the Company to its funded pension plans, cash payments directly to beneficiaries for its unfunded pension plans and cash contributed to its defined contribution plans and amount to \$4.3 for 2008 (\$4.0 for 2007 and \$3.3 for 2006).

#### Defined benefit plans

The Company measures its accrued benefit obligation and the fair value of plan assets for accounting purposes 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, 2007 and the next required valuation will be as of December 31, 2010.

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

	2008	2007
	\$	\$
<b>Accrued benefit obligation</b>		
Balance, beginning of year	36.0	32.9
Current service cost	0.7	0.8
Interest cost	2.1	1.8
Benefits paid	(2.2)	(2.1)
Past service costs	2.3	-
Actuarial (gains) losses	(0.9)	2.5
Effect of exchange rate fluctuations	3.6	0.1
Balance, end of year	<u>41.6</u>	<u>36.0</u>
	2008	2007
	\$	\$
<b>Plans assets</b>		
Fair value, beginning of year	23.0	22.9
Actual return on plans assets	0.3	1.7
Employer contributions	0.2	-
Employees contributions	0.1	0.1
Benefits paid	(1.7)	(1.6)
Effect of exchange rate fluctuations	2.2	(0.1)
Fair value, end of year	<u>24.1</u>	<u>23.0</u>

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

	2008	2007
	\$	\$
Fair value of plans assets	24.1	23.0
Accrued benefit obligation	41.6	36.0
Funded status-plan deficit	(17.5)	(13.0)
Unamortized net actuarial loss	13.9	13.7
Unamortized transitional net asset	(1.7)	(2.0)
Unamortized past service cost	3.6	1.4
Accrued benefit (liability) asset	<u>(1.7)</u>	<u>0.1</u>

As at April 27, 2008, the accrued benefit obligation for unfunded pension plans amounts to \$18.8 (\$13.5 as at April 29, 2007).

The accrued benefit asset is included in the Company's balance sheets as follows:

	2008	2007
	\$	\$
Other assets	8.7	8.3
Deferred credits and other liabilities	(10.4)	(8.2)
Accrued benefit (liability) asset	<u>(1.7)</u>	<u>0.1</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
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### 21. Employee future benefits (continued)

As of the measurement date, plans assets consist of:

Assets category	Percentage of plans assets	
	2008	2007
	%	%
Equity securities	23.7	24.4
Debt securities	76.3	75.6
Total	100.0	100.0

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

	2008		
	Incurring during the year	Adjustments <sup>(a)</sup>	Recognized during the year
	\$	\$	\$
Current service cost, net of employee contributions	0.6	-	0.6
Interest cost	2.1	-	2.1
Actual return on plan assets	(0.3)	(1.2)	(1.5)
Amortization of the net transitional asset	-	(0.6)	(0.6)
Net actuarial (gains) losses	(0.9)	2.3	1.4
Past service cost	2.3	(2.0)	0.3
Pension expense for the year	3.8	(1.5)	2.3

  

	2007		
	Incurring during the year	Adjustments <sup>(a)</sup>	Recognized during the year
	\$	\$	\$
Current service cost, net of employee contributions	0.7	-	0.7
Interest cost	1.8	-	1.8
Actual return on plan assets	(1.7)	0.2	(1.5)
Amortization of the net transitional asset	-	(0.5)	(0.5)
Net actuarial losses	2.6	(1.7)	0.9
Past service cost	-	0.3	0.3
Pension expense for the year	3.4	(1.7)	1.7

  

	2006		
	Incurring during the year	Adjustments <sup>(a)</sup>	Recognized during the year
	\$	\$	\$
Current service cost, net of employee contributions	0.6	-	0.6
Interest cost	1.7	-	1.7
Actual return on plan assets	(0.6)	(0.9)	(1.5)
Amortization of the net transitional asset	-	(0.5)	(0.5)
Net actuarial losses	-	0.8	0.8
Past service cost	-	0.3	0.3
Pension expense for the year	1.7	(0.3)	1.4

<sup>(a)</sup> Adjustments to recognize the long-term nature of employee future benefit costs.

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

#### Accrued benefit obligation:

	2008	2007	2006
	%	%	%
Discount rate	6.00	5.25	5.75
Rate of compensation increase	4.00	4.00	4.00

#### Pension expense:

	2008	2007	2006
	%	%	%
Discount rate	5.25	5.75	5.75
Expected rate of return on plans assets	6.00	7.00	7.00
Rate of compensation increase	4.00	4.00	4.00

#### Defined contribution plans

The Company's total pension expense under its defined contribution plans for the year 2008 is \$3.8 (\$3.5 in 2007 and \$2.8 in 2006).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
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### 21. Employee future benefits (continued)

#### Deferred compensation plan – United States operations

The Company sponsors a deferred compensation plan that allows certain employees in its U.S. operations to defer up to 25.0% of their base salary and 100.0% of their cash bonuses for any given year. Interest accrues 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 \$7.5 as at April 27, 2008 (\$6.5 as at April 29, 2007) and are included in Deferred credits and other liabilities.

### 22. Environmental costs

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

The Company has an on-going training program for its employees on environmental issues which includes preventive site testing and site restoration in cooperation with regulatory authorities. The Company also examines its motor fuel equipment annually.

In all U.S. states in which the Company operates, except Michigan, Iowa, Florida, Arizona, Texas and Washington State, there is a trust fund to cover the cost of certain rehabilitation and removing of motor fuel tanks. These state funds provide insurance for motor fuel facilities operations to cover the cost of cleaning up damages to the environment caused by the usage of underground motor fuel equipment. Underground motor fuel storage tank registration fees and a motor fuel tax in each of the states, finance the trust funds. The Company pays the registration fees and remits the sales taxes to the states where it is a member of the trust fund. Insurance coverage is different in the various states.

In order to provide for the above-mentioned restoration costs, the Company has recorded a \$20.7 provision for environmental costs as at April 27, 2008 (\$27.5 as at April 29, 2007). Of this amount, \$10.0 (\$9.0 as at April 29, 2007) is included in Accounts payable and accrued liabilities and the remainder is included in Deferred credits and other liabilities. Furthermore, the Company has recorded an amount of \$17.7 for environmental costs receivable as at April 27, 2008 (\$23.3 as at April 29, 2007), of which \$2.8 (\$2.6 as at April 29, 2007) is included in Accounts receivable, the remainder being included in Other assets.

### 23. Financial instruments and capital risk management

#### Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Company uses derivative financial instruments to hedge certain risk exposures, primarily interest and foreign exchange risks.

#### Foreign exchange risk

One of the Company's subsidiaries, having the Canadian dollar as its functional currency, holds certain US dollar dominated debt and investment in self-sustaining U.S. foreign operations, which are exposed to variations between the Canadian and US dollar exchange rate. To mitigate the foreign currency translation risk, the Company has designated its entire US dollar dominated long-term debt as a foreign exchange hedge of its net investment in its U.S. self-sustaining foreign operations. Accordingly, foreign exchange gains and losses are recorded in Other comprehensive income.

As at April 27, 2008, everything else being equal, an hypothetical strengthening (weakening) of 5.0% of the U.S. dollar against the Canadian dollar would have had a favorable (unfavorable) impact of \$44.9 on Other comprehensive income.

#### Interest rate risk

The Company is exposed to interest rate risk through its long-term debt. The Company's policy is to maintain most of its borrowings in variable rate instruments using interest rate swaps when necessary.

The Company's fixed rate long-term debt is exposed to a risk of change in its fair value due to changes in interest rates. To mitigate this risk, the Company has entered into fixed-to-variable interest rate swaps on its Subordinated unsecured debt where it has agreed to swap the amount of the difference between variable interest rate and the fixed rate, calculated on the reference amounts. These interest rate swaps have been designated as a fair value hedge of the Subordinated unsecured debt.

The amounts outstanding at year end are as follows:

Maturity <sup>(a)</sup>	Reference	Pays/receives	Fixed rate	Variable rate
December 2013	\$		%	
December 2013	100.0	pays variable	7.5	LIBOR six month
		receives fixed		plus 3.03%
December 2013	100.0	pays variable	7.5	LIBOR six month
		receives fixed		plus 2.98%
December 2013	150.0	pays variable	7.5	LIBOR six month
		receives fixed		plus 2.89%

<sup>(a)</sup> Under certain conditions, the maturity date of the swaps can be altered to correspond with the repurchase conditions of the corresponding subordinated debt.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
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### 23. Financial instruments and capital risk management (continued)

The Company 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 Company analyses its interest rate exposure on an on-going basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on net earnings of a defined interest rate shift. As at April 27, 2008, the impact on net earnings of a 1.0% shift would not have been significant. Fixed-to-variable interest rate swaps related to the Subordinated unsecured debt have been included in this calculation.

#### Credit risk

The Company is exposed to credit risk with respect to Trade accounts receivable and vendor rebates receivable, Credit and debit cards receivable and interest rate swaps.

Credit risk related to Trade accounts receivable and vendor rebates receivable is limited considering the nature of the Company's activities and its counterparties. Concentration of credit risk is minimal because of the Company's diversified clientele, products and geography. As at April 27, 2008, 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 Company mitigates the credit risk related to Credit and debit cards receivable by dealing with major financial institutions that have very low or minimal credit risk. As at April 27, 2008, the maximum credit risk exposure related to Credit and debit cards receivable corresponds to their carrying amount.

The Company is exposed to credit risk arising from interest rate swaps when these swaps result in a receivable from the financial institutions. In accordance with its risk management policy, the Company has entered into these swaps with major financial institutions to reduce such credit risk.

#### Liquidity risk

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

On an on-going basis, the Company 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 to have sufficient flexibility under its available liquidity resources to meet its obligations.

Accounts payable and accrued expenses of \$618.0 mature within a period of one year or less. The Company's long-term debt maturities have been disclosed in Note 17.

#### Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated balance sheets, are as follows:

	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	\$ 216.0	\$ 216.0	\$ 141.7	\$ 141.7
Trade accounts receivable and vendor rebates receivable	102.3	102.3	94.2	94.2
Credit and debit cards receivable	133.0	133.0	90.7	90.7
Accounts payable and accrued expenses	618.0	618.0	537.0	537.0
Subordinated unsecured debt	334.7	353.5	350.0	364.4
Other long-term debt	507.5	507.5	520.0	520.0
Interest rate swaps <sup>(1)</sup>	(3.8)	(3.8)	-	(14.9)

<sup>(1)</sup> A negative amount indicates an amount payable by the Company.

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

- The fair value of Cash and cash equivalents, Trade accounts receivable and vendor rebates receivable, Credit and debit cards receivable, receivable related to interest rate swaps and Accounts payable and accrued liabilities is comparable to their carrying amount, given the short maturity periods;
- the fair value of the Subordinated unsecured debt has been estimated based on the discounted cash flows of the debt at the Company's estimated incremental borrowing rates for debt of the same remaining maturities;
- there is no significant difference between the fair value and the carrying amount of other Long-term debt given that the largest loans bear interest at a variable rate;
- the fair value of the interest rate swaps is estimated by obtaining quotes (marked to market) from the Company's banks. The quoted prices generally reflect the estimated amount that the Company would receive (favourable) or pay (unfavourable) to settle these agreements at the reporting date.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
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### 23. Financial instruments and capital risk management (continued)

#### Capital risk management

The Company's objectives when managing capital are to safeguard the Company's 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 the cost of capital. The Company's capital is comprised of 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 Company may issue new shares, redeem shares, sell assets to reduce debt or adjust the amount of dividends paid to shareholders.

In its capital structure, the Company considers its stock option, deferred share unit and share appreciation rights plans. The Company's stock redemption plan is also one of the tools the Company uses to achieve its objectives.

Consistent with others in the industry, the Company monitors capital on the basis of the net interest bearing debt to total capitalization ratio (the ratio) and also monitors its credit ratings as determined by third parties. As at the balance sheet date, the ratio was as follows:

	2008	2007
	\$	\$
Current portion of long-term debt	1.2	0.5
Long-term debt	841.0	869.5
Cash and cash equivalents	216.0	141.7
Net interest bearing debt	626.2	728.3
Shareholders' equity	1,253.7	1,145.4
Net interest bearing debt	626.2	728.3
Total capitalization	1,879.9	1,873.7
Net interest bearing debt to total capitalization ratio	33.3%	38.9%

The decrease in the net interest bearing debt to total capitalization ratio resulted primarily from the increase in shareholder's equity and cash and cash equivalents and from the decrease in Long-term debt.

The decrease in the net interest bearing debt to total capitalization ratio resulted primarily from the increase in shareholder's equity and cash and cash equivalents and from the decrease in Long-term debt.

Under its Term revolving unsecured operating credit, the Company must meet the following ratios on a consolidated basis:

- a leverage ratio, which is the ratio of total debt less cash and cash equivalents to EBITDA for the four most recent quarters. EBITDA (Earning Before Interests, Taxes, Depreciation and Amortization) is a non-GAAP 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-GAAP measure and is calculated as EBITDA plus rent expense.

The Company is in compliance with these covenants and monitors them on an ongoing basis.

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

### 24. Contractual obligations

#### Minimum lease payments

As at April 27, 2008, the Company has entered into lease agreements expiring on various dates until 2031 which call for aggregate minimum lease payments of \$1,397.6 in the United States and of Cdn\$406.9 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 franchise-holders. The minimum lease payments for the next fiscal years are as follows:

	United States	Canada
	\$	Cdn\$
2009	129.2	68.5
2010	123.1	56.3
2011	115.9	47.0
2012	110.7	38.6
2013	103.3	31.1
2014 and thereafter	815.4	165.4

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 27, 2008, April 29, 2007 and April 30, 2006  
(in millions of US dollars, except share and stock option data)

### 24. Contractual obligations (continued)

#### Purchase commitments

The Company has concluded agreements to acquire, during the next fiscal years, franchise rights and equipment which call for aggregate payments of Cdn\$4.4. The minimum payments for the next fiscal years are Cdn\$1.6 in 2009 and Cdn\$0.7 in 2010, 2011, 2012 and 2013.

Moreover, the Company has entered into various products purchase agreements that require it to purchase minimum amounts or quantities of merchandise and motor fuel annually. The Company 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.

### 25. Contingencies and guarantees

#### Contingencies

Various claims and legal proceedings have been initiated against the Company 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 Company's results and financial position.

#### Guarantees

##### *Sub-lease agreements*

The Company entered into a number of agreements to sub-lease premises to third parties. Under some of these agreements, the Company retains ultimate responsibility to the landlord for payment of amounts under the lease agreements should the sub-lessees fail to pay. The total future lease payments under such agreements are approximately \$0.7. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

##### *Other indemnification agreements*

In the normal course of its business, the Company provides indemnifications which vary in duration and given the nature of these indemnifications, the Company is unable to reasonably estimate its maximum potential liability payable to third parties. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

